

# Proposal for a Capacity Market Rules Change



Making a positive difference  
for energy consumers

Reference number (to be completed by  
Ofgem): CP264

Name of Organisation(s) / individual(s):  
E.ON UK PLC

Date Submitted:  
16th October 2017

Type of Change:

- Amendment
- Addition
- Revoke
- Substitution

If applicable, whether you are aware of an alternative proposal already submitted which this proposal relates to:

[Click here to enter text.](#)

Proposal summary (short summary, suitable for published description on our website)

To allow existing generating CMUs who successfully prequalify to then have the option to withdraw from the CM process prior to the auction without incurring any penalties. This would be line with new build CMUs, refurbished CMUs and DSR.

What the proposal relates to and if applicable, what current provision of Rules the proposal relates to (please state provision number):

Rules 5.5.11, 5.5.13 and 5.5.14 (prequalified DSR, unproven DSR and new build/refurbished CMU respectively) all allow for the applicant who wishes to participate in the CM auction to notify the Delivery Body of their intention to do so. If the applicant does not wish to enter into the auction then this notice allows them to withdraw without incurring any penalties. There is no such provision for existing generating CMUs.

Description of the issue that the change proposal seeks to address:

It is currently unfair to existing generating CMUs that they are unable to withdraw from the Capacity Market auction process once they have submitted their prequalification application whereas unproven DSR, new build CMUs and refurbished CMUs are all permitted to do so. This creates an uneven playing field and places risk on the applicant if any industry rules change during this time which may be detrimental to their business. The recent announcement by DEFRA on emissions limits being bought forward to the 1st January 2019 for any CM or balancing service provider gave applicants an extremely small amount of time (two days) to determine both the risk level associated with entering into the CM (i.e. being able to be confident they will be compliant in time) as well as the unknown cost of becoming compliant. Industry participants require certainty in order to make informed decisions. Such announcements two days before the end of the prequalification window do not lend themselves to this. Therefore, it would be prudent for applicants to have more time to judge whether the new regulations are compatible with their application and subsequent agreement, hence, being able to withdraw prior to the CM auction (alongside the same timescales as mentioned in the rules above)

If applicable, please state the proposed revised drafting (please highlight the change):

Rule 5.5.14 should be amended from "...the Applicant for each prequalified New Build CMU, Refurbishing CMU and DSR CMU..." to "...the Applicant for each prequalified New Build CMU,

**Refurbishing CMU, Existing Generating CMU and DSR CMU...”**

**Analysis and evidence on the impact on industry and/or consumers including any risks to note when making the revision - including, any potential implications for industry codes:**

**If this proposal is unsuccessful it may lead to existing generating CMUs not submitting an application in the prequalification window due to the levels of uncertainty and risks surrounding changes in regulatory conditions. If such existing generating CMUs do withdraw then this may lead to higher auction outturn prices as there would be less capacity to meet the required demand capacity, resulting in higher costs for the consumer and less flexibility in the nation’s security of supply. E.ON can confirm there are examples of existing generating CMUs and several DSR units withdrawing from the prequalification process as a result of regulatory uncertainty**

**Details of Proposer** *(please include name, telephone number, email and organisation):*

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