

# Proposal for a Capacity Market Rules Change



Making a positive difference  
for energy consumers

Reference number (to be completed by  
Ofgem): CP278

Name of Organisation(s) / individual(s):  
National Grid Gas plc / Nick George

Date Submitted:  
17 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:

No

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

Proposal to relieve a Capacity Provider of their Load Following Capacity Obligation (or to reduce it) in any Settlement Period in which its Capacity Committed CMU is affected by an Operating Margins instruction from the gas transmission system operator which has the effect of reducing the Net Output of that CMU.

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

Discharging a Capacity Obligation (Rule 8.5)

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

National Grid Gas plc, as the owner and operator of the gas national transmission system (NTS), has an obligation under its transporter licence, Network Code and Safety Case to procure each year a service known as Operating Margins (OM).

OM is a last resort balancing tool which can be used in the period following a major system loss, plant failure or during an emergency. Although the service is contracted each year, it is utilised very infrequently.

NTS connected demand, such as CCGTs, is one potential source of the OM service. We believe there is an issue with the interaction between the provision of an OM service and the Capacity Market Rules for those CCGTs holding a Capacity Obligation pursuant to a Capacity Agreement. As a result of the liability regime in the Capacity Market Rules associated with shortfalls in delivery volumes, CCGTs may be discouraged from participating in a tender for OM. If they were to contract for both services and there was an OM instruction during a System Stress Event, it is not clear which instruction / obligation they would follow.

If CCGTs do not offer OM services, it may increase the costs of procuring the OM service which are passed on to all gas shippers (and therefore ultimately consumers) and/or increase the risk to the gas system.

**This proposal would amend the rules, to ensure that Capacity Committed CMUs can offer an OM service and follow an OM instruction without incurring liabilities, similar to the existing arrangements for Capacity Committed CMUs (i) providing balancing service to the electricity system operator, (ii) affected by a direction from the Secretary of State to maintain fuel stocks, (iii) subject to a relevant interruption and (iv) that are interconnectors affected by measures taken by the electricity system operator.**

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

**Amend Rule 8.5.1, adding a new sub paragraph: “(e) in any Settlement Period in which the Capacity Committed CMU is successfully delivering the Operating Margins service pursuant to an Operating Margins instruction from the holder of the National Grid Gas plc NTS Gas Transporter Licence and in each of the eight Settlement Periods falling after the Settlement Period in which the relevant Operating Margins instruction ceases to affect the Capacity Committed CMU”.**

**Also add the definition “Operating Margins shall take the meaning from the National Grid Gas plc NTS Gas Transporter Licence”**

**Alternatively, Rule 8.5.2 could be amended to reduce the Adjusted Load Following Capacity Obligation by the amount by which the Net Output of the Capacity Committee CMU has needed to be reduced as a result of Operating Margins instruction. The benefit of this is that it would only partially reduce the CMU’s Capacity Market obligation, but it would require more complex drafting to calculate, based on the CMU’s gas nominations, operating conditions instruction and efficiency factor to convert between electricity and gas energy quantities.**

**We are proposing that Rule 8.5.1 is amended, which is the approach taken for some of the other exceptions (e.g. directions to maintain fuel stocks, interruptions and measures affecting interconnectors).**

**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:**

**Not aware of any consequential changes to industry codes required.**

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

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