

Proposal for a Capacity Market Rules Change



Making a positive difference
for energy consumers

Reference number (to be completed by
Ofgem): CP314

Name of Organisation(s) / individual(s):
innogy

Date Submitted:
17/10/2017

Type of Change:

Amendment

Addition

Revoke

Substitution

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

Wind could alternatively be introduced via alternative proposal: Introducing 'Other Technology Class' to ensure that innovation in capacity provision is encouraged rather than limited. (These proposals are not mutually exclusive).

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

This proposal: adds Wind to the list of 'Technology Class' options in Schedule 3.

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

Schedule 3.

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

It is a clear original intent of the GB CM that renewable generators that forgo Low Carbon Support, and those that are no longer in receipt of Low Carbon Support because their contracts have expired, should be eligible to participate. However, in practice this is not possible because the list of Technology Classes under Schedule 3 of the CM is limited. It appears that 'Generation Capacity (both existing and new)', that is not explicitly listed is excluded from being able to prequalify. 'Wind Power' is a mature, well established technology that is missing from the Schedule. This prevents competition for capacity provision from wind generating units which could otherwise meet all the CM requirements.

The solution is that a 'Wind' Class (or a distinct 'Onshore wind' and an 'Offshore wind' class) is added to Schedule 3. These Class(es) should be open for any Generating Units driven by wind.

Reflecting on the CM Rule Change Objectives:

It is in the interest of present and future consumers to see competition for capacity provision from the broadest range of sources. Wind power should be allowed to compete for delivering capacity and aiding security of supply. This technology class has the added benefit of significantly reduced greenhouse gas emissions associated with capacity provision.

The market rules need to change to enable the least cost technology options to emerge for ensuring generation adequacy.

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

SCHEDULE 3: GENERATING TECHNOLOGY CLASSES

1.1 The Generating Technology Classes for the purposes of these Rules are the classes specified in the first column of the following table. The second column of the table contains further details about plant types included in each such class.

Generating Technology Class	Plant Types Included
'Onshore Wind'	Generating Units located on land driven by wind.
'Offshore Wind'	Generating Units driven by wind, And (a) situated wholly in offshore waters, and (b) not connected to dry land by means of a permanent structure which provides access to land above the mean low water mark; "offshore waters" means— (a) waters in or adjacent to the United Kingdom which are between the mean low water mark and the seaward limits of the territorial sea, and (b) waters within an area designated under section 1(7) of the Continental Shelf Act 1964(22);

The proposal is to add the text highlighted in yellow to the end of the table in Schedule 3.

We are amenable to developing the final legal text with Ofgem and via consultation. If the status quo de-rating methodology is applied by the Delivery Body then we recommend that the change differentiates onshore wind and offshore wind. We are open to Ofgem's advice on how this is done- either by actually listing two separate Technology Classes or by listing these options under Plant Types Included.

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:

It is evident that Schedule 3 presents an non-exhaustive list of technologies capable of providing electricity, capable of independent control, with a net output measured by half hourly meter(s), and capacity in excess of 2MW. There are wind powered Generation Units today that could meet the General Eligibility Criteria and not fall foul of any Excluded Capacity Criteria. This oversight in the Rules impacts industry by prohibiting competition from wind in the CM.

Wind power is a well-established, mature generation technology with decades of track record for generating electricity on the GB system. The derating factors for onshore and offshore wind can be calculated in the same way as for all other mature technologies. The Delivery Body has access to data to enable it to propose the de-rating factors to be applied to this Generating Technology Class. It is possible for the Delivery Body to do so under the existing Rules on calculating de-rating factors: namely, Rules: 2.3.4 and 2.3.5.

- While clearly this is a feasible route for de-rating, we want to flag the limits of the status quo approach. Please note that in the absence of a more refined alternative we can accept de-rating factor being set under the status quo method.

Our ideal solution would involve individual CMUs being able to self-nominate their de-rating factor. In the case of wind, there are marked differences in the de-rating factor depending on the age of the project, geographical location of the projects, and the rotor diameter of turbines. As an example, the magnitude of the difference between old and new build projects is demonstrated in BEIS' review of load factors for the RO (Ref:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/648424/Renewables_Ob_ligation_2018_19_FINAL.pdf). Self-nominated de-rating would also enable novel and hybrid technologies that lack 7 years of historical performance data to participate.

This self-nominated de-rating approach must be contingent on increasing the level of penalty for non-

delivery, plus a secondary trading approach which supports related liquidity.

The foreseeable impacts of including wind in the CM on consumers are: better value for money through enabling further competition in the CM and ensuring the least cost technology options can be brought forward for meeting the System Operator's capacity requirements. Secondary Trading Rules and Non-Delivery Rules ensure that risks perceived around variable output generation are mitigated.

The proposal is not in conflict with The Electricity Capacity Regulations (these clearly delegate the setting of Generation Technology Class to the Rules).

The Delivery Body needs to amend the CM application process, expanding the 'Primary Fuel Type' to include 'wind' or 'non-fuelled'.

We foresee no wider impact on other industry Codes.

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

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