


<h1>Proposal for a Capacity Market Rules Change</h1>		 <p>Making a positive difference for energy consumers</p> <p>Reference number (to be completed by Ofgem): CP317</p>
Name of Organisation(s) / individual(s): Manx Utilities Authority	Date Submitted: 16th October 2017	
Type of Change: <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Amendment <input checked="" type="checkbox"/> Addition <input type="checkbox"/> Revoke <input type="checkbox"/> 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) Qualification of Distribution Interconnectors as Interconnector CMUs		
What the proposal relates to and if applicable, what current provision of Rules the proposal relates to (please state provision number): Rules 1.2, 2.3, 3.2, 3.4, 3.5, 3.6 and 4.4 and consequential additions and amendments to Exhibits and Schedules		
Description of the issue that the change proposal seeks to address: Distribution Interconnectors may be exempt from the requirement to hold an Interconnector Licence. A derogation available under paragraph 5.2 of Section K of the Balancing and Settlement Code (BSC) allows for the normal provisions of the BSC in respect of Interconnectors to not apply to Distribution Interconnectors and for them to be treated effectively as a BM Unit under the provisions of Section R of the BSC. These proposed changes are designed to amend the Rules to facilitate the participation of Distribution Interconnectors as Interconnector CMUs consistent with the Capacity Market Regulations.		
If applicable, please state the proposed revised drafting (please highlight the change): The scope of the proposed changes are intended to define Distribution Interconnectors as a particular form of Interconnector CMU, and broadly align the Rules for Distribution Interconnectors with those for Generating CMUs in particular in respect of ownership and despatch. The changes would also require a new methodology to be developed for the determination of EFIC for Distribution Interconnectors for the purposes of Rule 2.3.4(c). Specific drafting changes are suggested in the attached Appendix.		
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: We believe that there would not be any direct impact on industry or consumers and that there would be no potential implications for industry codes as a consequence of this proposal.		
Details of Proposer (please include name, telephone number, email and organisation): Paul Barnett, +44 (0)1624 687650, paul.barnett@manxutilities.im, Manx Utilities Authority.		

Appendix

Suggested changes

1. In Rule 1.2 in the definition of "Distribution Connection Agreement" after "Distribution CMU" insert "or an Interconnector CMU that is a Distribution Interconnector".
2. A definition of "Distribution Interconnector" needs inserting in Rule 1.2 (definitions), along the lines of —

Distribution Interconnector	has the meaning given to that term in the Balancing and Settlement Code
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3. In Rule 2.3.5A after "Interconnector CMU" insert "which is not a Distribution Interconnector".
4. After Rule 2.3.5A insert—

"2.3.5B For a Distribution Interconnector, EFIC is determined by the Secretary of State in accordance with the methodology set out in Schedule 3B."
5. In Rule 3.2.10 for "Rule 3.2.11" substitute "Rules 3.2.11 and 3.2.12"
6. After Rule 3.2.11 insert—

"3.2.12 In the case of a Distribution Interconnector, the Applicant may be the Despatch Controller for the Distribution Interconnector provided that that an Applicant Declaration, in the form set out in, and completed in accordance with Form DD, is submitted with the relevant Application signed by —

 - (a) two directors (or officers in the case of a body other than a company) of the person having legal ownership of the Distribution Interconnector; and
 - (b) two directors (or officers, in the case of a body other than a company) of the Despatch Controller for the Distribution Interconnector.
7. In Rule 3.4.1(ea) after "Interconnector CMU" insert "for which an Interconnection Licence is required".
8. In Rule 3.4.3(a)(iv) after "Interconnector CMU" insert "which is not a Distribution Interconnector".
9. In Rule 3.5A.1 after "Interconnector CMU" insert "which is not a Distribution Interconnector".
10. After Rule 3.5A.1 insert —

"3.5A.2 The Connection Capacity of an Interconnector CMU which is a Distribution Interconnector is equal to the maximum export capacity stated in the Distribution Connection Agreement."

11. In Rule 3.6A.1 after "Interconnector CMU" insert "which is not a Distribution Interconnector".
12. After Rule 3.6A.1 insert—
- "3.6A.1A. Previous Settlement Period Performance for a Distribution Interconnector CMU
- (a) Each Applicant for an Existing Interconnector CMU that is a Distribution Interconnector must identify in the Application the three Settlement Periods on separate days in—
 - (i) the 24 months prior to the date one month before the start of the Prequalification Window; or
 - (ii) if the CMU has not been operational in the 24 months prior to the date one month before the start of the Prequalification Window:
 - (aa) the most recent 24 months of operation; or
 - (bb) if the CMU has previously been operational for less than 24 months, the most recent period of operation,

in which such Interconnector CMU delivered its highest exported volume, and specify such highest exported volume as measured at the Grid Supply Point in MWh to three decimal places.
 - (b) Each Applicant for an Existing Interconnector CMU must also identify in the Application the 24 month period which contains the three Settlement Periods referred to in Rule 3.6A.1A(a).
13. In Rule 4.4.2(h) after "Interconnector CMU" insert "which is not a Distribution Interconnector" and after "are not greater than zero" delete "." and insert "; or"
14. After Rule 4.4.2(h) insert—
- "4.4.2(i) the Delivery Body is unable to obtain any data with respect to the exported volumes of an Existing Interconnector CMU that is a Distribution Interconnector in any Settlement Period nominated by the Applicant pursuant to Rule 3.6A.1A."
15. After Exhibit DC insert the document (attached) – Draft Exhibit DD: Form of Applicant Declaration for an Interconnector CMU.
16. [**Comment** – *A new Schedule 3B: A methodology for determining the de-rating factor for an Interconnector CMU that is a Distribution Interconnector, will need to be developed. Manx Utilities will work with all relevant stakeholders to help determine an appropriate methodology*]

EXHIBIT DD: FORM OF APPLICANT DECLARATION FOR AN INTERCONNECTOR CMU

[APPLICATION YEAR] **Applicant Declaration**

The following confirmations and declarations are made jointly by *[Party A]* (the “**Legal Owner**”) and *[Party B]* (the “**Despatch Controller**” and, together with the Legal Owner, the “**Relevant Parties**”) with respect to the following Interconnector CMU:

[Description of Interconnector CMU to be inserted],

(the “**Relevant CMU**”) and in relation to the Application to which this declaration relates (the “**Relevant Application**”).

- (a) Each of the Relevant Parties hereby confirms that:
- (i) the Legal Owner is the legal owner of the Interconnector comprised in the Relevant CMU; and
 - (ii) the Despatch Controller has Despatch Control with respect to the Interconnector comprised in the Relevant CMU.
- (b) Each of the Relevant Parties hereby declares that:
- (i) the Despatch Controller is the Applicant for the Relevant CMU in relation to the Relevant Application;
 - (ii) in the event that the Relevant CMU becomes a Prequalified CMU for the Capacity Auction to which the Relevant Application relates, the Despatch Controller will be the Bidder for the Relevant CMU in that Capacity Auction; and
 - (iii) in the event that the Relevant CMU becomes a Capacity Committed CMU pursuant to the Capacity Auction to which the Relevant Application relates, the Despatch Controller will be the Capacity Provider for the Relevant CMU.

Capitalised terms in used herein have the meaning given to them in the Capacity Market Rules 2014 unless otherwise indicated.

DATED: [●]

Signed for and on behalf of the Legal Owner

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Director

Director¹

Print Name:

Print Name:

Signed for and on behalf of the Despatch Controller

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Director

Director¹

Print Name:

Print Name:

¹ No second signature is required for sole director companies, see Rule 1.3A.

