Proposal for a Capacity Market Rules Change

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Reference number *(to be completed by Ofgem)*: CP329

Name of Organisation(s) / individual(s):	**Date Submitted:**
National Grid Interconnector Holdings Ltd	17th October 2017

Type of Change:	**If applicable, whether you are aware of an alternative proposal already submitted which this proposal relates to:**
☒ **Amendment** ☐ **Addition** ☐ **Revoke** ☐ **Substitution**	The proposer is unaware of any similar amendment

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

Termination provisions – loss/reduction of TEC

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

We believe that the provisions of Rule 6.7.7 are not aligned with the provisions of Rule 6.10.1(g)

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

National Grid would like to highlight an apparent discrepancy in the Rules regarding the termination event linked to the reduction/loss of TEC and the allowance made within the rules for delays to a construction programme caused by the failure of the GB system operator to provide a timely connection to the distribution system. The uncertainty which surrounds this apparent discrepancy affects all Prospective CMUs that are Transmission CMUs, both Prospective Generating CMUs and Prospective Interconnector CMUs. We believe that the provisions of Rule 6.7.7 are not aligned with the provisions of Rule 6.10.1(g);Under rule 6.7.7 a Prospective CMU that is a Transmission CMU can delay its Long Stop Date providing that this is caused by delays to onshore re-enforcement work undertaken by a Transmission Licensee which impacts on the connection date specified in the connection agreement with the GB System Operator. Under this scenario the CMU would not be liable to a termination event as per Rule 6.10.1(c) for a failure to meet its Minimum Completion Requirement by its original Long-Stop Date prior to the delay caused by NGET. However where there is a delay to the connection date because of a delay by a Transmission Licensee, NGET will then modify the CMU's connection agreement to delay the date from which the Prospective CMU has TEC. This may mean that the Prospective CMU no longer holds TEC for the entirety of the Delivery Year. Under rule 6.10.1 (g) or 6.10.1 (ga) a failure to hold TEC for the delivery year triggers a termination event with a Termination Fee due of £35,000/MW (TF5). Additionally under the provisions of rule 5.3.1 (b) as a "Defaulting CMU" the Prospective CMU is banned

from any further participation in capacity market auctions for the current and next two calendar years. We are firmly of the view that the impact of delays to the connection of a Prospective CMU caused solely by the failure of a Transmission Licensee should not trigger a termination event. While there are provisions under the CM Rules to prevent termination under rule 6.10.1 (c) the practical steps taken under the Connection and Use of System by NGET in response to such a delay by a Transmission Licensee could inadvertently trigger termination under a separate rule, rule 6.10.1 (g) or 6.10.1 (ga).

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

We are proposing that the rules should be amended so that a reduction in TEC caused solely by the failure of the System Operator to deliver a connection shouldn't lead to a termination fee under Rule 6.10.1(g) (or 6.10.1 (ga)). We would propose that the CM Rules are amended such that the following text is added to the end of rule 6.10.1(g) and 6.10.1 (ga). "…except where such reduction in TEC is caused by the act of the GB System Operator as a consequence of a failure by a Transmission Licensee to provide a connection point when required to do so in accordance with a valid Grid Connection Agreement."

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:

The uncertainty which surrounds this apparent discrepancy affects all Prospective CMUs that are Transmission CMUs, both Prospective Generating CMUs and Prospective Interconnector CMUs (including those owned or partly owned by National Grid).

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

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