

Proposal for a Capacity Market Rules Change



Making a positive difference
for energy consumers

Reference number (to be completed by
Ofgem): CP336

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

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:

[Click here to enter text.](#)

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

This proposal would be an addition to the rules relating to the criteria to Prequalify as a New Build CMU. Applicants would have to demonstrate that the New Build CMU would be a CMRS CMU and that it will be wholly or mainly used to supply energy to the Distribution Network or the GB Transmission System.

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

Ofgem recognise that the implementation of CMP 264/265 may increase the incentive to move generation behind the meter (BTM) in order to continue to access non cost-reflective charging benefits. These charges can also include the CM supplier obligation charge as BTM generation can be used to circumvent the planned reform of the obligation from net to gross charging.

Ofgem intends to address this issue in the targeted charging review (TCR) but it is likely to be prudent to mitigate the continued risk during the interim period by limiting BTM generation to 1 year agreements under the CM. This can be achieved by ensuring that a generator that is behind the boundary meter for the purpose of grid charging cannot use bespoke metering to achieve New Build CMU status and must instead be treated as Demand Side Response (DSR)

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

Currently the Rules allow a bespoke metering configuration solution to be used for the purpose of participating as a New Build CMU. On-site meters can be used to demonstrate a CMUs output behind a pre-existing boundary meter. This potentially allows generators to use bespoke metering for the purposes of the Capacity Market but simultaneously locate behind a boundary Supplier Settlement Meter. Given that CMP 264/265 and the planned changes to the CM Supplier obligation create additional incentives to be behind the meter, we believe it is prudent to start to consider this change ahead this year's results and any conclusion for the TCR.

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

We are proposing an addition to the rules relating to the criteria to qualify as a New Build CMU. Each

Applicant for a New Build CMU must demonstrate that it will be wholly or mainly used to supply energy to the Distribution Network or the National Electricity Transmission System. The National Distribution System will need to be defined within the Rules.

3.7.3 Connection Arrangements

(d) Each Applicant for a New Build CMU other than a Prospective Interconnector CMU must demonstrate

- (i) that it would be a CMRS CMU;
- (ii) that it will be wholly or mainly used to supply energy to the National Distribution System or the GB Transmission System, and
- (iii) that there will be no netting of the CMU's output with demand (other than ancillary power used to operate the CMU) at the boundary to the Distribution Network or the GB Transmission System.

6.10.1 Termination Events

(bc) Where the Capacity Agreement is in respect of a New Build CMU (other than a Prospective Interconnector) awarded an agreement after 2017, and there is a change in operation by the Capacity Provider such that the CMU is no longer wholly or mainly used to supply energy to the National Distribution System or the GB Transmission System, or there is netting with demand (other than ancillary power used to operate the CMU) at the boundary to the Distribution Network or the GB Transmission System.

6.10.3 Termination Fees

(c) Where a Capacity Agreement awarded as a result of a Capacity Auction held after the coming into force of the Capacity Market (Amendment) Rules 2016, or a Transferred Part in respect of such a Capacity Agreement, is terminated on one of the grounds specified in paragraph (b), (ba), (bc), ((c), (e), (ea), (f), (fa), (g), (ga), (h), (l), (n) or (p) of Rule 6.10.1 or Rule 6.10.1A(b)(i), the Capacity Provider is liable to pay a termination fee in accordance with Regulation 43.

(d) The amount of a termination fee payable under Rule 6.10.3(c) is:

(i) TF3, as determined in accordance with Regulation 43(3), where the Capacity Agreement or Transferred Part is terminated on one of the grounds specified in Rule 6.10.1(ba)(i), (bc), 6.10.1(h), 6.10.1(l) or 6.10.1(n);,

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:

In the Authority's Impact Assessment and Decision on CMP264 & CMP265 it is stated that there is evidence that TNUoS Demand Residual payments to sub-100MW embedded generation are distorting markets, including the Capacity Market. Not addressing the potential loop hole in the Capacity Market Rules could allow these market distortions to continue and undermine effective competition. This would ultimately increase costs for consumers.

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

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