

Proposal for a Capacity Market Rules Change



Making a positive difference
for energy consumers

Reference number (to be completed by
Ofgem): CP352

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

Date Submitted:
8 March 2018

Type of Change:

- Amendment
- Addition
- Revoke
- Substitution

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

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

This proposal will require all Prospective CMUs to demonstrate as part of the Extended Years Criteria, compliance with the Medium Combustion Plant Directive and Generator Controls

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

This proposal relates to rules 8.3.6A and 8.3.6B (Extended Years Criteria)

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

There is a loophole extant within the Capacity Market Rules whereby a Capacity Provider can win a long-term Capacity Agreement for a new build or refurbishing distribution connected CMU, without having to explicitly confirm within its construction plan and Total Project Spend Report that it is compliant with incoming emissions regulations, namely the Medium Combustion Plant Directive and Generator controls, which govern the emissions limited for all sub 20MW electrical distribution connected plant. This clearly constitutes a problem with regard to the efficient operation of the Capacity Market, as by not ensuring that all participants are permitted under environmental regulations, there is the potential that some participants are able to secure long-term capacity agreements for new-build and refurbishing compliant with emissions regulations, and will not be allowed to generate in a stress event.

Therefore, it is vital that Ofgem act immediately, and introduce a rule that will require all CMUs to declare at prequalification that they will be compliant with the emissions standards set out in the Medium Combustion Plant Directive as a requirement for them to

The reasons for implementing this as soon as possible are twofold

- 1) As the payments under the Capacity Market are ultimately governed by European State Aid legislation, it is therefore of utmost importance that all participants remain compliant with all other aspects of European Union legislation, including the Medium Combustion Plant Directive. Failure to do so is ultimately harmful to end consumers, as the consumer is effectively paying for capacity that is non-compliant with other regulations, and so therefore is at risk of not generating in a stress event. This is particularly pronounced with regard to secured long-term capacity, as participants may win capacity agreements without remaining compliant with emissions regulations, which is to

the detriment of participants who must factor in compliance costs

- 2) There exists a precedent in the rules whereby, capacity providers of long-term new-build units must declare that their plant will be and is compliant with the Industrial Emissions Directive, BREF and Large Combustion Plant Directive as precondition to them bidding for and obtaining a long-term agreement. Given the implications of MCPD and Generator Controls having been transposed into law and as the next Capacity Market Auction will be procuring for years 2019-2020 and 2022-2023, this requirement must be introduced in order to ensure the efficient operation of the capacity market, as all long-term new build capacity will have to ensure that it is compliant with all environmental regulations at the time of delivery.

Further, implementing this rule change will ensure that the auctions remain technologically neutral, as both Large and Medium sized new build units will face a similar degree of regulatory scrutiny when proving that they meet the Extended Years Criteria

Therefore Ofgem must act immediately to incorporate this rule change into the Capacity Market Rules, ahead of prequalification for the next Capacity Market Auction

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

Amend rule 8.3.6 (c) to read

8.3.6 (i) Where the CMU is a Medium Combustion Plant as defined in The Environmental Permitting (England and Wales) (Amendment) Regulations 2018, confirmation that all generating units comprising the CMU are compliant with the requirements of the Medium Combustion Plant, and that any such permits or other regulatory requirements are held by the Capacity Provider or Legal Owner of the CMU.

(ii) Where a CMU is captured by the Generator Controls as defined in The Environmental Permitting (England and Wales) (Amendment) Regulations 2018, confirmation that all generating units comprising the CMU are compliant will all requirements stated, and that any such permits or other regulatory requirements are held by the Capacity Provider or Legal Owner of the CMU.

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:

By implementing this rule change immediately, Potential Capacity Market participants from the next Capacity Auction onwards, will be incentivised to ensure that their plant is compliant with all emissions regulations; This will therefore improve security of supply by ensuring that all plant bidding for capacity agreements can continue to generate.

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