

Proposal for a Capacity Market Rules Change



Making a positive difference
for energy consumers

Reference number (to be completed by
Ofgem): CP347

Name of Organisation(s) / individual(s):
Tim Collins, Centrica

Date Submitted:
2 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)

We propose an **urgent** amendment to Rule 3.5.3, to allow an Applicant to nominate a Connection Capacity equal to **or less than** the Average Highest Output of the Existing Generating CMU. Rule 3.5.3 in its current form only allows nomination of a Connection Capacity equal to the CMU's Average Highest Output. This unduly restricts participation by CMUs that expect their future output to be less than their historic output.

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

The proposal relates to determination of Connection Capacity (Rule 3.5), in particular Rule 3.5.3. Consequential changes to Chapter 4 may also be required.

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

Rule 3.5.3 is intended to provide additional flexibility to Existing Generating CMUs that do not have an appropriate measure of Connection Capacity set out in a distribution connection agreement. However, Rule 3.5.3 in its current form only allows an Existing Generating CMU's Connection Capacity to be **equal to** the Average Highest Output of that Existing Generating CMU. Where a CMU expects future output to be **less than** Average Highest Output (which is a backward-looking measure), the CMU is either precluded from prequalifying for the CM or compelled to take on a Connection Capacity (ultimately a Capacity Obligation) which it may have difficulty meeting in future years.

Additional flexibility is therefore needed in Rule 3.5.3, so that an Applicant can nominate a Connection Capacity equal to **or less than** the Average Highest Output of the CMU (i.e. not simply equal to).

This additional flexibility will:

1. Cater for a wider range of CMU circumstances, thereby enabling greater participation and competition in the CM;
2. Reduce security of supply risks from some CMUs being given unsuitably high Connection Capacities (ultimately Capacity Obligations) under the current Rule 3.5.3; and
3. Be consistent with Ofgem's intention of giving flexibility to Transmission CMUs, by allowing them to "self-select" their Connection Capacity ("Of 15") provided they can prove their capability.

We consider our proposal should be treated as urgent by Ofgem, and included in its spring 2018 Rule change consultation for implementation prior to the next round of CM auctions. Our proposal is administratively straightforward. Deferring consideration of our proposal to 2019 would have significant, adverse commercial impact on possible capacity market participants who are currently prevented from participating. We also believe there are clear benefits to the efficient operation of the CM and consumers from our proposal. Our proposal therefore meets the criteria for urgency set out in Ofgem's guidance on the CM Rule Change process and should be considered in the spring 2018 consultation.

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

We are content for Ofgem to consult on its own legal text, although we suggest an amendment to Rule 3.5.3 as follows:

*"An Applicant for an Existing Generating CMU may, as an alternative to the determination of Connection Capacity set out in Rule 3.5.2, nominate a Connection Capacity for that Generating Unit equal to **or less than** the Average Highest Output of that Existing Generating CMU."*

We note some consequential changes may be needed to give effect to this amendment, for example in Chapter 4. We invite Ofgem to consult on any consequential amendments to the CM Rules as it sees fit.

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:

As reasoned in the "Description of the Issue" section above, our proposal would bring clear benefits to the Capacity Market and ultimately consumers:

The additional flexibility our proposal creates will:

1. Cater for a wider range of CMU circumstances, thereby enabling greater participation and competition in the CM;
2. Reduce security of supply risks from some CMUs being given unsuitably high Connection Capacities (ultimately Capacity Obligations) under the current Rule 3.5.3; and
3. Be consistent with Ofgem's intention of giving flexibility to Transmission CMUs, by allowing them to "self-select" their Connection Capacity ("Of 15") provided they can prove their capability.

We consider our proposal should be treated as urgent by Ofgem, and included in its spring 2018 Rule change consultation for implementation prior to the next round of CM auctions. Our

proposal is administratively straightforward. Deferring consideration of our proposal to 2019 would have significant, adverse commercial impact on possible capacity market participants who are currently prevented from participating. We also believe there are clear benefits to the efficient operation of the CM and consumers from our proposal. Our proposal therefore meets the criteria for urgency set out in Ofgem's guidance on the CM Rule Change process and should be considered in the spring 2018 consultation.

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

Tim Collins, Regulatory Manager, Centrica, 07789 577609, tim.collins1@centrica.com