

Proposal for a Capacity Market Rules Change



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Reference number (to be completed by
Ofgem): CP350

Name of Organisation(s) / individual(s):
Saltend Cogeneration Company Ltd

Date Submitted:
6 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:

[Click here to enter text.](#)

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

Allowing an existing generating transmission CMU to pre-qualify for the capacity market in circumstances where its TEC is zero, it is not proposing to export to the transmission system, but it is intending to generate and export to a private wires system.

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

3.6 Additional Information for an Existing Generating CMU and consequential changes

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

Saltend has 4 registered BMUs, each of which is classified as transmission connected for the purposes of the balancing market. Three of the BMUs (each around 400MW) export to the transmission grid. The fourth BMU (around 100MW) is used to supply an adjacent industrial customer, BP Chemicals, by way of the on-site electricity transmission system, bypassing the system operator's transmission system. As such, we have TEC for 3 of the units, being 1100MW (i.e. above the de-rated capacity of the 3 units in aggregate). The bilateral connection agreement (BCA) does contain CEC of 1200MW, so the site could (and has), for example, buy short term TEC to export higher levels of output.

There are separate commercial arrangements between BP Chemicals and Saltend to ensure that that the demand of the BP site is continually met. The site requires continuous, non interruptible electricity supplies given the industrial processes that are on site (it is a top tier COMAH site). Thus, in circumstances when the fourth unit is subject to maintenance, or is unavailable, our export to National Grid's transmission system is reduced and we supply the site from one of the other units. The supply to the BP site is by way of a 275/33kV transformer (making it a transmission site), and BSC settlement metering exists between Saltend and BP, as it is a BMU.

As a licensed generator, we are required to pre-qualify all the units for the capacity market or opt-out. However, to date, we have only pre-qualified the 3 units that have TEC to allow export to National Grid's transmission system, this being our understanding of the rules as written. The fourth unit has continued to generate in the same way, supplying the adjacent industrial customer as we have not been able to prequalify it.

We now believe that we are in fact required to pre-qualify the fourth unit, which we want to do, and that, subject to the outcome of any auction, we are eligible for capacity market payments. We do not wish to opt out the unit as we believe opt out was for plants planning to shut, which we are not. However, we believe that we are unable to pre-qualify this fourth unit. Our reading of the capacity market rules is that it is the lack of TEC and the export over a private wire which is transmission (rather than distribution) that prevents the fourth unit from pre-qualifying. We do not believe that it is the intent of the Rules to put the fourth unit in the position; obligated to be in, but unable to pre-qualify.

We would note that the rules appear to be unduly discriminatory; were the unit to be exporting to a private network connected to a DNO, then we would be able to prequalify the unit. The connection to a private network not connected to a DNO does not seem to have been envisaged by the rules.

We are therefore proposing a change to the Rules to allow the fourth unit to pre-qualify for the Capacity Market even though it does not, and will not, hold TEC with the TO.

The proposed change will allow transmission connected CMUs that do not intend to export to the transmission system, to produce alternatives to the requirement to hold TEC. Since it is not the intention of this modification to allow mothballed plant to receive capacity payments, we would retain the requirement on the CMU – which would then be an Existing Generating CMU – to demonstrate its output in the normal way.

We are therefore proposing the following rule change:

Section 3.6 sets out the additional information that is required for an Existing Generating CMU to pre-qualify for the CM and 3.6.3 requires the connection arrangements to be provided to the Delivery Body showing the TEC is held for the capacity of the proposed CMU.

Paragraph 3.6.3(a)(i) says that Grid Connection Agreements must be entered into that have secured TEC for the delivery year, and that the Grid Connection Agreement is to be provided to the Delivery Body. We want this amended to say that an acceptable alternative connection agreement to the BCA with a definition of useable capacity similar to TEC can be submitted to the Delivery Body.

[Note the Rules define TEC as in the Grid Code, the Grid Code says it is as in the BCA, so the definition of an acceptable alternative could be an appropriate agreement with a third party to export through a private wire, in the way that is explicitly allowed for a private distribution network.]

Alternatively, Paragraph 3.6(d) allows an Existing Generating CMU that is not directly connected to a distribution network to produce a letter from the owner of a private network operator confirming the capacity that the CMU is able to export onto the private network, and that there was an agreement for connection of that Private Network to a Distribution Network Operator. We are in fact exporting to a private network however we are unsure whether the BP site is then connected to the local distribution system. Thus, of the two options, we prefer the first option, and that is the drafting that we have included below.

We would note that Section 3.5 requires CMUs (existing and prospective) to state the Connection Capacity of a Generating CMU. Three ways of demonstrating connection capacity are provided, under paragraphs 3.5.2, 3.5.3 or 3.5.5. Paragraph 3.5.2(a) says that where a Generating Unit forms part or all of a Transmission CMU, the Connection Entry Capacity (CEC) stated in the Grid Connection Agreement is used. The Grid Connection Agreement is defined as being with the System Operator, or National Grid in this case.

In this particular circumstance, we can use our existing CEC (it is in our BCA) for the purposes of this paragraph for the fourth unit. We also need to demonstrate Previous Settlement Performance under 3.6.1. Again we can do this as the unit feeding the BP site is a BMU and has metering registered in the BSC. So all other material tests can be met by the site to prove that in a CM event we will deliver energy and it can be settled.

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

In paragraph 3.6.3, after paragraph 3.6.3(a)(ii), add

"or (iii) Where the transmission CMU does not hold TEC but is intending to generate (either onto a private transmission network or distribution network), confirmation that capacity exists on such alternative network to allow such generation."

It would seem necessary to adjust paragraph 6.10.1(g) which covers termination events. This defines a termination event as occurring where a CMU ceases to have a Grid Connection Agreement that secures TEC. At the front this definition, add

"Except in the circumstances allowed under paragraph 3.6.3(a)(iii) ...".

The same change would need to be made to paragraph 6.10.1(ga) which refers to a reduction of TEC to below the capacity obligation of the CMU. (It is unclear exactly what the reference to "other CMUs" is intended to achieve here. It must be possible to reduce TEC in circumstances where CMUs have opted out, or have failed to pre-qualify, or have not obtained a CAN.)

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:

This proposal would seem to enable the intent of the Capacity Mechanism, namely that all existing capacity is required to pre-qualify or opt out, and that all capacity that can help supply customers in a CM event (not subject to other support) can pre-qualify for the CM auctions. This CMU is providing capacity to the market in the sense that absent the output of this CMU, the BP site would have to be supplied from another generator to maintain its safe operation.

We see no risks to the implementation of this modification. We see that there may be a concern that allowing transmission connected CMUs to receive capacity market payments without associated TEC could be used by mothballed plant to receive capacity payments. However, since the CMU would be required to demonstrate it is generating capability (and not exporting to the transmission system), and in any event has settlement metering, this modification could not be relied upon by mothballed plant in this way.

This change would also rectify the undue discrimination that is occurring in the rules and furthermore add additional capacity to auction in the interests of customers.

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

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