

Proposal for a Capacity Market Rules Change



Making a positive difference
for energy consumers

Reference number (to be completed by
Ofgem):

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

EDF Energy

Date Submitted:

9 October 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:

CP233

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

This proposal seeks to correct an error in the CM Rules which will mean that a Provider which opted out of the T-4 auction for a Delivery Year but has participated in the T-1 auction and then delivered in that Delivery Year will not be terminated. Without this amendment, the Capacity Provider will be terminated.

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 the definitions of Excluded CMU and Retired CMU, and amendments to CM Rules within Chapter 1, Chapter 3, Chapter 4 and Chapter 6.

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

CP293 was raised by EP UK investments and sought to amend the CM Rules so that Existing CMUs which opted out of the T-4 auction for a Delivery Year on the basis that they would be closed down by the start of the Delivery Year are no longer excluded from participating in the T-1 auction for that Delivery Year.

Ofgem made the changes as it believed that CP293 should improve auction liquidity and market transparency on future plant availability, and therefore increase the competitiveness of the process.

Changes were made to the CM Rules:

- Amendment to 'Excluded CMU' definition – so it does not include CMUs that Opted Out Non Operational;
- Removal of CM Rule 3.3.3 (b) - it does not include CMUs that Opted Out Non Operational

We believe that further amendments may be needed so that CP293 is fully effective as we believe that as the CM Rules stand, a person that has submitted an Opt-out Notification in the T-4 auction and provides electricity from that CMU during the Winter for the specific Delivery Year following participation in the T-1 auction will then be subject to the Termination rules. This does not tally with the intent of CP293 and Ofgem's 2018 decision on CM Rule changes.

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

- Delete the definition of an Excluded CMU
- Delete the definition of a Retired CMU
- Delete Rule 3.3.3 (c)
- Delete Rule 3.11.3
- Delete Rule 3.11.4
- Delete Rule 4.3.1 (b)
- Delete Rule 6.10.1 (j)

- Rewrite Rule 3.11.2 (f) to say

“whether the CMU:

(i) will be closed down, decommissioned or otherwise non-operational by the commencement of the Delivery Year to which the Capacity Auction relates;

(ii) will be temporarily non-operational for all the Winter of the Delivery Year to which the Capacity Auction relates but will be operational thereafter; or

(iii) will remain operational during the Delivery Year to which the Capacity Auction relates, in each case an Opt Out Memorandum must be lodged with the Authority in accordance with any guidance published by the Authority and the Authority’s receipt for the same together with a copy of the Opt Out Memorandum submitted with the Opt Out Notification. The Authority will be required to retain each Opt Out Memorandum for a period of ten years from the date on which it is lodged”

- Add a definition of an Opt Out Memorandum to Chapter 1.

“Opt Out Memorandum

means, for a CMU and Capacity Auction, a memorandum which includes evidence of:

(a) the decision by the board of directors (or the officers, in the case of an Applicant other than a company) of the owner of the CMU to submit an Opt out Notification for that CMU

(b) the reasons for that decision, including any information and analysis which the board or the officers consider key to the decision”

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 current CM Rules are not fully aligned with the intent of CP293 and Ofgem’s 2018 decision on CM Rule changes; these changes will rectify this.

We do not believe that there will be any impact on the industry codes.

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

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