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27 May 2016

Dear Philippa;

Statutory Consultation on Changes to the Capacity Market Rules ("Rules") Pursuant to Regulation 79 of the Capacity Market Regulations 2014 ("Regulations")

We thank you for the opportunity to respond to the above Consultation and look forward to working alongside the Department of Energy and Climate Change (DECC), Ofgem and industry stakeholders, so to achieve its objectives.

The responses below and attached are hereby submitted on behalf of National Grid Electricity Transmission (**NGET**). NGET was designated as the Electricity Market Reform (**EMR**) Delivery Body for the Feed in Tariffs with Contracts for Difference (**CfD**) and the Capacity Market (**CM**) in December 2011, a role which was formally conferred on NGET by the Secretary of State under secondary provisions of the Energy Act 2013.

If we can provide you with any further information in relation to our responses, please do not hesitate to contact us on the above details.

Yours faithfully

on behalf of M.M 27/05/16

Mathew Magill

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GENERAL PROVISIONS

Proposed Amendments: OF1, Ofgem; OF2, Ofgem; CP112, EON	
	The Delivery Body is supportive of measures that would ensure both the consistency and clarity of definitions.
Proposed Amendment: CP 126, Energy UK	
	Notwithstanding the fact that the issuing of an Operational Notification concerns the compliance status of the generator and not "the network it is connected to", all generators with Bilateral Agreements have an Operational Notification status even if it is 'Deemed FON', see above. Therefore even if there is a change to a refurbishing generating unit (with a Bilateral Agreement) which does not meet the requirement for a LON to be issued, it will retain its FON (or Deemed FON) status. We would like to take this opportunity to remind generators of their obligations to keep NGET informed of performance changes to their generator as defined in the Grid Code or CUSC, failure to do so is a breach of the relevant Code and ultimately the generation licence.
Proposed Amendment: CP161, VPI Immingham	
	The Delivery Body is supportive of this decision but believe there needs to be clearer guidance as to whom is defined as an officer. As, unlike a director, this information is not listed publicly, thus it will be difficult to verify at Prequalification.
Proposed Amendment to Reject: CP111, EON	
	The Delivery Body is supportive of the decision to reject this proposal.

AUCTION GUIDELINES & DE-RATING

Proposed Amendment to Reject: CP94, ADE	
	As no clear method is offered to calculate the De-rating Factors we agree with Ofgem's decision not to accept this proposal.

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	Currently the De-rating Factors are calculated from information provided by DECC and by Balancing Services contracts provided for National Grid System Operator. Going forward the Delivery Body would welcome the opportunity to work with DECC and the industry to find the most appropriate solution.
Proposed Amendment to Reject: CP146 & 158, NGET & Scottish Power	
	We agree with the reasons for Ofgem's decision not to take this proposal forward as two out the three main reasons for proposing this new approach have been resolved. The DECC change which has resulted in the Register not being published until after disputes resolves the issue for Applicants who were concerned about the negative impact of the status of "rejected CMU". It should be noted that the Rule change does not address the other issue raised of applicants getting early feedback at different stages of the application. Instead the onus will remain on the applicant to ensure they have a good enough understanding of the requirements or seek advice well in advance of the deadline.

PREQUALIFICATION INFORMATION

Proposed Amendment: OF3, Ofgem; OF4, Ofgem; OF5, Ofgem; OF6, Ofgem	
	The Delivery Body is supportive of this clarification and note that the accepted practices detailed in the Ofgem FAQ (January 2015) and Open Letter (July 2015) are also caught.
Proposed Amendment: OF7, Ofgem	
	The Delivery Body is supportive of this clarification, but would note that we will be reliant on a declaration in the CMU's application that confirms both the expenditure and that it is not seeking to rely on it for more than one application.
Proposed Amendment: CP99, ADE	
	There is the potential for this to result in a significant impact on the System Operator in order to provide this information to individual applicants as it is a manual process. The Delivery Body has no information on how many applicants will choose this route of obtaining evidence of a Balancing Service obligation and such it is difficult to know the

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	full impact of the Rule change proposed.
Proposed Amendment: CP109 & CP142, DECC & NGET	
	We are supportive of this proposal and believe that it will significantly ease the burden of prequalification information while ensuring that those that secure a capacity agreement are still required to provide the same level of metering information about their CMUs. Our only comment is with regard to the legal drafting, specifically the movement of the current requirements in Rules 3.4.3 (a) (v) and 3.4.3 (a) (vi) being moved to the proposed rules 8.3.3 (ea) and 8.3.3 (eb). We note that while the requirements are being moved from the prequalification phase to being placed on those with capacity agreements there is no definitive timetable specified within the proposed changes to rule 8.3.3. We would propose that to align it with the other requirements that this information be provided: 1. no later than the date falling three years prior to the commencement of the Delivery Year in the case of an Existing CMU or a Proven DSR CMU that has been awarded a Capacity Agreement in a T-4 Auction; or 2. no later than the date falling eight months prior to the commencement of the Delivery Year in the case of an Existing CMU or a Proven DSR CMI that has been awarded a Capacity Agreement in a T-1 Auction.
Proposed Amendment: CP114, EON, CP122, Energy UK	
	The Delivery Body is supportive of these amendments as proposed.
Proposed Amendment: CP117, Eggborough Power Limited	
	The Delivery Body is supportive of both the proposal and the amendments made by Ofgem. We note that indicative dates for these milestones have also been reflected in our Operational Plan.
Proposed Amendment: CP136, Moyle Interconnector	
	Considering Ofgem's wider review of connection capacity we believe it is prudent to reject this proposal until that review is completed.

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Question 1	
	The Delivery Body is of the view that the provisions in the Capacity Market Rules be aligned across all generating classes as far as practicable. However, we have no comments in relation to the holding of TEC or otherwise by interconnectors.
Proposed Amendment: CP149, RWE	
	The Delivery Body is supportive of the removal of 3.4.5(c) & 3.4.5(d) and this requirement, as proposed.
Proposed Amendment: CP150, RWE	
	The Delivery Body is supportive of this proposal and drafting clarification.
Proposed Amendment: CP157, Scottish Power	
	We welcome the change in order to allow more clarity around planning consents and connection agreements.
Proposed Amendment to Reject: CP92, ADE; CP105, ADE	
	The Delivery Body is supportive of the reasons cited for the rejection of these proposals.
Proposed Amendment to Reject: CP120, Energy UK	
	The Delivery Body is supportive of the rejection of this proposal. We note that the portal has been updated for prequalification in 2016, and has reduced significantly the administration of the Opt Out Notification. We would echo Ofgem's comments though in relation to the collation of the most up to date information on CM participants (both opted in and opted out), as this is used by our associated teams for forecasts and recommendations for the Auction parameters. For all processes, we are happy to provide guidance and training wherever necessary.

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Proposed Amendment to Reject: CP121, Energy UK ; CP160, UK Power Reserve	
	The Delivery Body is supportive of the rejection of these proposals.
Proposed Amendment to Reject: CP125, Energy UK	
	The Delivery Body notes the review of 3.5.5 from OF4, and is supportive of the reasons cited for the rejection of this proposal.
Proposed Amendment to Reject: CP143 (ref CP157)	
	Considering the change Ofgem is making in regards to CP157, we believe this adequately deals with the issue we were trying to address.

DETERMINATION OF ELIGIBILITY

Proposed Amendment: OF8, Ofgem	
	The Delivery Body is supportive of this proposal and the reasons for it; as there are clear efficiency gains to be made. The system changes for both the Delivery Body and EMRS to facilitate this data flow are, however, substantial and we are working collaboratively to put these into place. For prequalification in 2016, we will have a manual work around established between the Delivery Body and EMRS.

CAPACITY AUCTIONS

Proposed Amendment: CP137, NGET	
	The Delivery Body is supportive of this amendment as proposed, if the Auction clears before midday. We are of the view that if it clears after midday, that the Delivery Body

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	should publish the provisional results by 0700 the following day. This is what is currently provided for in the Auction Guidelines and Operational Timetable.

Proposed Amendment to Reject: CP96, ADE; CP102, ADE	
	The Delivery Body is supportive of the reasons cited for and with the rejection of this proposal.

CAPACITY AGREEMENTS

Proposed Amendment to Reject: CP159, Multifuel Energy Limited	
	The Delivery Body is supportive of the rejection and notes Ofgem's comments in relation to the same.

CAPACITY MARKET REGISTER

Proposed Amendment: CP116, CP123, & CP135: EON, Energy UK, & InterGen	
	The Delivery Body would not agree with these proposals and would ask that this be reviewed further.

Proposed Amendment: CP144, NGET	
	We appreciate Ofgem's decision to remove some of the superfluous information from the register but concede that currently there is a need for metering information to remain.

Proposed Amendment to Reject: CP101, CP110, & CP156: ADE, EON, & Scottish Power	
	The Delivery Body is supportive of the rejection of these proposals in this instance. We note that this has also been an area of amendment from DECC and have responded separately on that point.

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Proposed Amendment to Reject: CP106, Alkane; CP107, Alkane	
	The Delivery Body is supportive of the rejection of this proposal.
Proposed Amendment to Reject: CP119 & 133: Energy UK & Green Frog Power	
	The Delivery Body is supportive of the rejection of this proposal for the reasons cited in the Consultation document. There is a lot of information recorded on the CM Register, but which are generated for each Auction. Secondary Trading is more focussed on the Delivery Year, and this could result in updates for an individual trade being made to multiple Registers and thus administratively onerous for the Delivery Body but also difficult for end users to follow or use.
Proposed Amendment to Reject: CP134, Green Frog Power	
	The Delivery Body is supportive of the rejection of this proposal and notes also that a similar amendment has already been proposed to the Rules and the Operational Timetable.

OBLIGATIONS OF CAPACITY PROVIDERS & SYSTEM STRESS EVENTS

Proposed Amendment: OF9, Ofgem	
	We note that Ofgem are proposing to not implement at this time the NGET proposal CP145 which would align the treatment of demand disconnections in Imbalance Settlement with the Capacity market and would significantly speed up the time that the market would be aware of the occurrence of a system stress event. Notwithstanding the above, which we will comment on separately in this response, we are content that the rules amendment will in effect align with the operational practices of the National Grid Control Room. Under the BSC all forms of demand disconnection originating from instruction by NGET or by automatic low frequency relay will be reported into cash-out. To avoid duplication of systems National Grid will also be reporting CM

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	Warnings using this information so by including demand disconnection under OC6.7 in the capacity market rules this will bring about alignment between the rules and the operational realities of Capacity Market Warnings.
Proposed Amendment: CP129 & CP141, EnerNOC & NGET; CP130, EnerNOC; CP95, ADE	
	The EMR system was designed to accommodate components into CMUs and then those CMUs to enter into auctions. These CMUs are therefore fixed units within the system. There is no facility currently for movement of those components from one CMU to another. To implement this would involve a fundamental change to the system, which will involve changing the base of the system which may have knock-on effects for processes further up the chain. This is certainly not something we could implement before the start of the first TA delivery year, this coming Autumn, and will have to consider whether it is possible to be implemented safely before the start of the following delivery year. In principle we agree with the premise of allowing CMUs to move components, there are a couple of factors we believe need to be examined: • Creating a baseline: Currently for CM testing, stress events and satisfactory monitoring there is a six week baseline taken prior to one these events, providing data of the DSR component in 'normal' conditions. If there was a stress event (particularly as these are unpredictable) in this 6 week period the component transferred in wouldn't have been included in the baseline thus would not be able to be in the calculation. Resulting in a six week period bedding in period where the CMU has to hope there are no stress events. If the component was being transferred in to replace a failing CMU, then the CMU would still likely under deliver and still have to use secondary trading or volume reallocation to mitigate their risk. • Transfer performing the same function: Currently an applicant could prequalify as an acceptable transferee outside of the prequalification window. They could then prove their DSR component, and have part of the obligation transferred to them. Although the new CMU would have to be in excess of 2MW.This essentially performs the same function as adding new components during the delivery year, without the associated cost of changing the system. These issues will need to be carefully considered when considering whether adding these changes into the rules will be cost effective.
Question 2	
	We support the changes Ofgem believe need to be made to DSR participation into the Capacity Market. We do not think the best way of making these changes is to make continuous small changes. As noted above, some of these small changes may duplicate

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	a process already in place, or make only a small improvement. Currently the changes proposed will have huge system impacts whilst not fully providing the benefits of full component reallocation. If further changes are made next year, the system costs will continue to increase. In order for DSR reallocation to deliver the full benefits to the Capacity Market, then implementation of it needs to be planned to provide the most benefit at the lowest level of cost. Instead of drip feeding changes in one by one, and having to change the system every year, creating a system which can provide what is needed at the first attempt may well be the most cost effective solution.
Proposed Amendment: CP139, NGET	
	The Delivery Body originally proffered this proposal, so is supportive of its adoption.
Question 3	
	We believe the best approach is to consult with all stakeholders to find out exactly what is required from component reallocation and then implement the best approach.
Proposed Amendment: CP108, DECC & Question 4	
	We look forward to continue working with DECC, Ofgem, and our Delivery Partners in relation to these points.
Proposed Amendment to Reject: CP128, Energy UK & Question 5	
	We note that Ofgem are not proposing amendments to the formula for the first transitional delivery year. We would agree with Ofgem that this in effect will mean that TA participants will be required to deliver their full capacity obligation in any system stress event regardless of the demand level. We think however that changes could be made to the formula firstly to address the perceived inequality that this could bring about for TA participants and secondly to address an issue with the formula that may put the settlement of stress events at risk. The overall objective of the scaling factor is to make the auction acquired capacity obligation "load-following". If the capacity market covered all capacity in the market then the scaling factor could simply be $\frac{\textit{System Demand during the Stress Event}}{\textit{Peak System Demand assumed when setting capacity to procure}}$ with the factor capped at 1

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	The capacity market clearly does not cater for all capacity in the market (e.g. capacity from CfD and ROO) which is why the scaling factor has been adjusted to its present form for accuracy. For the purposes of the transitional auction however the core principles of the simple scaling factor could be adopted with the denominator set at a current forecast of peak demand for the transitional delivery year. This would also allow for another issue with the formula in the rules to be addressed. The term "ILR" in the current formula refers to the delivered volume of demand reduction by DNOs. To calculate this term accurately can take many weeks as data needs to be gathered from each affected DNO and then judgements applied regarding what demand reduction was delivered. In the event a stress event occurs near the end of a month we are aware that this delay could put at risk the settlement process that relies on data being available no later than 9 working days after the end of the month being settled. To remedy this issue on an enduring basis we would propose that ILR is instead redefined to be the volume of demand control instructed to be delivered by National Grid and as calculated for the purposes of Imbalance Settlement under section T of the Balancing and Settlement Code. This data will be available in near real time and so would avoid any issues with the settlement of stress events. The adoption of the simplified scaling factor for the TA would remove the need for the ILR term completely, but in the absence of this change being made we would recommend removing the scaling factor completely for the TA auctions such that the settlement process is disrupted as it awaits a parameter that in practice it doesn't actually need (as the factor that it calculates will in all likelihood default to 1 in every event).
Proposed Amendment to Reject: CP131, ESC	
	The Delivery Body and the System Operator have no objection to the proposed wording in 14.4.2B, but would suggest that the wording be changed to Reference Program as this shows what the Interconnector has actually done rather than its proposed position.
Proposed Amendment to Reject: CP145, NGET	
	We welcome Ofgem's view that they are broadly supportive of the aims of the NGET proposal and note Ofgem's concerns specifically around the PAR value not reflecting a truly marginal cash-out price until 1 November 2018. We note that this indeed could lead to a marginal inefficiency in the definition of a system stress event. However we feel that this needs to be viewed in the context of the inefficiencies of the current process.

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	While the CP145 proposal may not be completely robust until 1 November 2018 the existing process relies on a manual post event analysis of variables to determine if a stress event has occurred. This could take a number of days to complete as it will rely on data being available in systems and rely on staff and management at National Grid to prepare the analysis and sign it off. Given the sensitivity to this information regarding the actions of market participants (for instance the need for volume reallocation or secondary trading) and their exposure to CM penalties we feel that speed is of the essence in communicating this to the market. By adopting the CP 145 proposal we believe that under ordinary circumstances the market would be informed of a stress event within 15minutes of the end of every settlement period classed as a system stress event – in line with the current timetable for imbalance price reporting. Without it at best there will be a number of hours, potentially days between the end of a demand control period and the identification of which settlement periods within it were indeed system stress events. With such market sensitive data we believe that it is better to have potentially slightly imperfect data communicated to the market within minutes of a potential system stress event rather than potentially have to wait days for such information to come to light. The quicker reporting timescales will better inform trading decisions and allow the market to best respond to the circumstances of the system stress event potentially even while it is occurring.

TRANSFER OF CAPACITY OBLIGATIONS

Proposed Amendment: CP100, ADE	
	The Delivery Body is supportive of the proposed clarification to this Rule.
Proposed Amendment: CP131, ESC	
	As above, the Delivery Body agrees with the proposal, but would welcome the opportunity to review the proposed drafting to Chapter 9.
Proposed Amendment to Reject: CP97, ADE; CP127 & CP132, Energy UK & Green Frog Power	
	The Delivery Body notes that this proposal has been rejected and the reasons stated, and has no further comment to make.

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Proposed Amendment to Reject: CP147, NGET	
	During the assessment window there is a substantial amount of work which needs to be completed to very tight frames. It is not only the increased work load from the actual transfers, but having to do a 'mini-prequalification' on new acceptable transferees. Adding in more deadlines in terms of accepting transfers during this window, either requires additional resources or potential for deadlines to be missed. Currently the applicants are unable to enter data to the Delivery Body during Prequalification. This rule allows that to happen and thus creates a conflict between the assessing and submitting. Currently there is no DSR test allowed during pre-qualification assessment, and we believe this sets a precedent which should be followed.

VOLUME REALLOCATION

Proposed Amendment To Consider Further: CP115, EON & question 6	
	The Delivery Body agrees that there is an issue as identified with 10.4.1(c)(ii) and that the proposed drafting may mitigate its consequences. We would look forward to the responses from industry participants in this regard also.

TRANSITIONAL ARRANGEMENTS

No proposed amendments.

MONITORING

Proposed Amendment to Reject: CP140, NGET	
	We accept Ofgem's decision in this area but still believe the current state of ITE reports is far from perfect. Their level of self-reporting means there is a risk that new build CMU will not be constructed in time for their first delivery year. At the very least there is a need for clarity in the rules to allow the delivery body to make the process of reviewing ITE reports as objective as possible.

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TESTING REGIME

Proposed Amendment to Proposal: CP124, Energy UK & Question 7	
	We do not, on balance, support the proposal to allow the despatch of DSR CMUs across a portfolio. In reaching this decision we have examined the arguments put forward by Ofgem and would have the following comments: 1. We would question whether the proposed amendment is aligned with the general principal under which Ofgem makes changes to the CM Rules. The CM Regulations clearly set out that if a CMU consists of a number of sites across a number of different locations then it cannot be of a capacity greater than 50MW. As the Ofgem consultation puts it "…effectively bypass the 50MW size restriction for aggregated CMUs for the purposes of testing" would be utilising the Rules to undermine the Regulations which are the will of Parliament and therefore beyond Ofgem's powers when setting Capacity Market Rules. 2. The rationale for setting the limit at 50MW was established by DECC when setting out the capacity market policy and is set in regulations, we therefore think it more appropriate for this change to be considered by government under their powers. 3. Whenever a significant volume of capacity is despatched on the network it can give rise to system operability concerns. There are restrictions in the Grid Code that compel single generators of a certain size to submit notifications to the system operator of their intended output so that the impacts upon the system can be managed in advance. 4. We have concerns with the proposal as it provides DSR CMUs with a significant incentive to despatch "en masse". In the case of satisfactory performance days there would be zero visibility of this for the system operator which could cause issues in operating the system, driving up costs to consumers. In the case of a DSR Test National Grid has the ability to postpone tests where there are operability concerns, however this option is not available for Satisfactory Performance Days (on the assumption that DECC's proposed changes are made effective following the normal parliamentary process). 5. Ultimately we feel that the requirement for change is not justified. Capacity that is being remunerated should be proven as being able to deliver by itself and should not be known to be able to deliver only if another unrelated asset over-performs. Ultimately if an asset over-performs in a stress event then credit for this over-performance when the capacity was needed could and indeed is currently rewarded. However we feel if consumers are paying firm capability fees for an asset to have a proven capacity that asset in isolation should be capable of consistently delivering against the obligation that consumers are paying for. This is the principal being adopted for all forms of capacity currently and it seems entirely arbitrary to look to relax it for aggregated generation CMUs where these CMUs because of their modular nature are

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	probably best placed to group assets together to best deliver against their obligation.
Proposed Amendment to Reject: CP93, ADE	
	The Delivery Body notes the rejection of this proposal and agrees with the reasons cited.

DATA PROVISION

Proposed Amendment to CP131, ESC	
	With respect to CP131, further consideration may need to be given as to the transfer process and files in respect of IST data. The Delivery Body notes that this is alluded to in the proposal, but we would welcome the opportunity to work collaboratively with Ofgem and ESC in this regard.

SCHEDULES & EXHIBITS

Proposed Amendment: CP113, EON	
	The Delivery Body agrees with the proposal and the reasons cited for the consequential amendment.
Proposed Amendment to Reject: CP103, ADE; CP104, ADE	
	The Delivery Body notes the reasons for rejection of this proposal and has no further comment.
Proposed Amendment to Reject: CP118, Energy Pool UK Limited	
	We support this rejection as we believe the rules are clear enough about these services.

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	Though we do think the relatively new balancing service of enhanced frequency response (EFR) should be added to the schedule, as this provides a similar service to FFR and we see no reason to exclude it. By including it in the capacity market it reduces the barriers to entry for the capacity providers.
Proposed Amendment to Reject: CP138, NGET	
	The Delivery Body notes the reasons given for the rejection of this proposal and concedes its rejection.
Proposed Amendment To Consider Further: CP98 & CP148: ADE & Open Energi	
	We believe a way needs to be found in order to fully allow the participation of FFR. We can also understand the need for FFR capacity to include both high and low frequency response. Under Schedule 4: Relevant Balancing Services providers declared availability is the sum of Max (Primary Response, Secondary response) Low Frequency Response and High Frequency Response. The current methodology for DSR testing results in either Low Frequency Response or High Frequency Response being 'counted'. DSR Dynamic Frequency response providers provide a service that would otherwise be provided by more conventional type's generation. When providing this service there would effectively be unavailable capacity. Hence, using Dynamic FFR from DSR would in effect create a larger amount of capacity from the current capacity fleet. Therefore a FFR unit is providing capacity when providing High and Low Frequency Response and the tests of capacity should be reflective of this.
Question 8	
	As FFR is such a dynamic response there is a possibility that instead of a baseline taking 6 weeks into the past, the baseline could be done over a couple of seconds prior to the test. This would allow the short frequency responses to fully realise their full potential capacity. We would be willing to work with our colleagues in the SO and industry to find a method which best describes FFR capacity.

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ANNEX C: CONNECTION CAPACITY

Annex C, Proposed Amendments CP151, 152, 153, 154, & 155, RWE and Questions 9 to 12.	
	We welcome Ofgem's further analysis of this issue and that Ofgem's analysis supports our own. We also welcome Ofgem's conclusion that action needs to be taken with regard to the determination of connection capacity to prevent a situation where the capacity market is not delivering to the levels of capacity identified as being required to procure. We would agree therefore with both Ofgem's analysis and conclusions. National Grid is of the opinion that if a capacity payment is to be made to a capacity provider then this should represent capacity that is ordinarily deliverable by that asset. (See also our answer to change proposal CP124). We recognise that under certain system stress conditions certain assets may be able to deliver extra capacity. However it is likely that this additional output may only be deliverable for a short time, due to plant, commercial or other constraints. We do not believe that parties should be able to be remunerated with a "firm" capacity payment for capacity that is only available under certain system conditions. We therefore would support a concept that it would be appropriate to set the threshold for a Satisfactory Performance day at the Connection Capacity of the generating unit. We note that it is important that the connection capacity of each unit is able to be delivered as it is the margin between derated and connection capacity that provides the required margin that allows the security of supply standard to be achieved. All parties should receive remuneration for their derated capacity on a consistent basis. It is unfair that some parties are somewhat arbitrarily able to set their derated capacity at or near their maximum theoretical output while others cannot. We believe that "non-firm" capacity above TEC that can be delivered through the capacity market is already remunerated either through over-delivery payments or the opportunity to earn revenue through volume reallocation. This is a much fairer way of remunerating capacity that cannot be called upon in a firm manner. Even if the provider has capacity which it could deliver in theory all year round, if it has chosen not to pay all charges that are due for it to be able to utilise that capacity (e.g. TNUoS or DUoS) it seems unfair to the consumer that the they should pay for something that cannot be used because the asset holder has made a commercial decision to not pay to be able to use it. We therefore do not feel that the market rules around exceeding TEC result in genuine capacity being excluded. We feel that if a provider wishes to sell its capacity on a firm annual basis then it should be required to hold all of the relevant year round permits and

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	pay all relevant charges to enable it to do so. Overall we would support retaining the existing threshold of having to provide evidence of satisfactory performance – to the connection capacity of the unit – on three separate occasions in order to retain the full capacity payment. If parties are given free rein to set their own connection capacity then there could be an incentive on parties to reduce their capacity in an effort to procure that new plant set the clearing price. However the same impact could be achieved by converting existing price-taking plant to a price maker and then dropping such plant out of the auction. In such circumstances Ofgem is empowered to investigate and could take enforcement action if it believed that market power was being abused. It is obviously difficult to predict how parties might react and so we can see value in setting a threshold such that parties could not set connection capacity a significant amount lower than their theoretical maximum. Then Ofgem could analyse if it felt that the ability to freely choose connection capacity is seeing a significant proportion of existing capacity being "lost". By setting a threshold Ofgem could protect consumers from any significant and unjustified capacity withholding without having to entirely rely on post-event enforcement action. Such a threshold would need to be simply administered however so that it can be checked during the prequalification period without adding significant administrative burden into that process.