

12 May 2015

Dear Sir or Madam

Statutory consultation on changes to the Capacity Market Rules (the “Rules”) pursuant to Regulation 79 of the Capacity Market Regulations 2014 (the “Regulations”) (29 April, 2016)

National Grid Interconnector Holdings (NGIH) welcomes the opportunity to respond to the above publication. NGIH is the ring fenced division within National Grid responsible for interconnector development and the management of National Grid’s interest in existing interconnectors.

In general we are supportive of the rules changes and the rule change process in general. It makes sense to maintain the current annual timing of the rule changes in order to coincide with the release of DECC’s regulation changes.

See Appendix 1 for our response to the specific consultation questions

If you have any questions, please contact me on 07874 010 307

Yours faithfully,

Joshua Coomber

Senior Regulatory Analyst (Interconnectors)

Appendix 1 – National Grid Response to the Consultation Questions

We have indicated 'no comment' under the questions where we either have no strong views on the issue raised or we believe we are not best placed to answer the question.

Question 1 - CP136: Do you agree that de-rating from CEC rather than TEC is a more appropriate way to measure the De-rated Capacity of Interconnector CMUs? Do you agree with the suggestion to cap Interconnector de-rated capacity at TEC, or should the requirement for interconnectors to hold sufficient TEC be removed altogether?

DECC will ultimately determine the de-rated capacity of an interconnector (either TEC or CEC) and this is what we interpret as "flexibility in existing methodology."

From an interconnector perspective we believe that CEC rather than TEC is a more appropriate way to measure the de-rated capacity of interconnector CMUs.

We support the idea of removing the requirement for interconnectors to hold sufficient TEC altogether as we believe the measurement of CEC is sufficient.

Question 2 - CP129: Do you agree there are overall benefits to creating a bespoke process for adding new DSR CMU components? (Please provide evidence to support your answer)

No comment

Question 3 - CP95: Do you agree that the combination of CP124, CP129 and CP130 would be a better solution to the issues that CP95 seeks to address?

No comment

Question 4 - CP108: Do you think there is a need to align Capacity Market Warnings with other existing system warnings? If so, how would you suggest this is done? Are there any associated risks?

NGIH are indifferent to the proposal to align Capacity Market Warnings with existing system warnings; however, it is important that there is clarity between Capacity Market Warnings and other existing system warnings and that these are clearly visible and accessible to the market. It may be appropriate to have the two on the same system but it's difficult to see how this will work practically. Likewise, it may be more confusing to consult various systems for this information.

Question 5 - CP128: Do you agree that the LFCO formula will not scale delivery obligations appropriately during the first TA Delivery Year? Is this issue significant enough to require changes before first TA Delivery Year (starting in October 2016)? If so, how should the formula be amended?

No comment

Q6. CP115 (volume reallocation): Do you agree there is an issue with Rule 10.4.1 (c)(ii)? If so, would our suggested addition to this Rule fix the problem? If not, how should it be amended?

NGIH support the need for increased clarity.

Q6. CP124 (portfolio testing): Do you agree with our assessment of the benefits and risks with CP124?

No Comment

Q7. CP98 and CP148 (FFR): Do you agree with the solution put forward in these proposals to ensure the participation of dynamic FFR in the CM? If not, what changes to the DSR test and volume calculation are necessary to achieve this?

No Comment

Q9 – 12 (Connection Capacity specific questions)

Although the Connection Capacity specific questions relate more to generators NGIH's thoughts are below;

NGIH appreciate that there is a trade-off between overstating capacity and risk aversion (i.e. not obtaining CM payments) as a result of not demonstrating three satisfactory evidences of capacity obligation. The testing regime must therefore be comprehensive.

The worry that Generators may overstate their capacity is resolved by the fact that they will need to demonstrate and evidence their obligation.

A "max generation" measure may be a useful but generators will have an issue in demonstrating this capability whilst also complying with their connection agreement/Grid Code etc.