

# Proposal for a Capacity Market Rules Change



Making a positive difference  
for energy consumers

Reference number (to be completed by  
Ofgem): CP219

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

The Association for Decentralised Energy

**Date Submitted:**

11.11.2016

**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)

This proposal would help improve clarity within the Rules for the participation of on-site generation in the Capacity Market.

**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 Rules 3.6.1, 3.6.3, 3.7.1

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

During stress events, on-site generation on private wire networks is an important part of the security of supply solution. If this on-site supply were not available during stress events, the demand on these sites would need to be met by supply from the wider system, increasing the strain on the system. As such, the Capacity Market recognises on-site supply as equivalent in value to exported generation.

On-site supply can be provided through a DSR CMU, which is common for sites that use on-site generation to reduce the site's demand during short periods, such as with back up generation. However, on-site supply can also be provided by combined heat and power generation, which operates most of the time throughout the day and therefore its output cannot currently be recognised under the DSR baselining methodology in the CM Rules. There is approximately 3.5 GW of non-CMRS Distribution CHP in the UK, almost all of which provides some on-site supply which should be recognised within the Capacity Market.

Generation CMUs which provide on-site supply are currently advised by the Delivery Body to confirm previous settlement period performance for the Capacity Market under Rule 3.6.1(b), which sets out that a letter from the 'supplier' can confirm the output from an Existing Generating CMU that is a Non-CMRS Distribution CMU using the Supplier Settlement Metering Configuration Solution. The Delivery Body has advised that this letter can be provided by the private wire network owner, in circumstances where the retail supplier to the site, who is only concerned with the boundary meter, has no data about the generator's output.

Market participants can find this rule is unclear, as it is counter-intuitive to consider a private wire network owner as a 'supplier', and while a number of CHP sites are participating in the auction under this Rule, we are aware of at least 100 MW of supply which was not bid in due to uncertainty about this Rule.

Furthermore, in arrangements where on-site generators are integrated into a customer site, such as a hotel, the use of supplier, and the implicit meaning of private wire network owner, creates additional uncertainty.

To address this uncertainty, we propose recognition within Rule 3.6.1(b) and (c) that an Existing Generating CMU that is a Non-CMRS Distribution CMU using the Supplier Settlement Metering

Configuration Solution should be able to receive a letter from a supplier, private network owner, or customer (as defined in Regulation 2) to confirm their previous settlement period performance. “Customer” means a person to whom electrical power is provided (whether or not that is the same person as the person who provides the electrical power).

The use of ‘Customer’ is required in addition to ‘Private Network Owner’, as Private Network Owner is not always easy to apply in cases where a generation CMU is embedded into a demand customer’s site and where the ‘owner’ of the private wire network may not be clear. In these cases it is appropriate for an added option for the ‘Customer’, as defined in Regulation 2. As these generation CMUs are embedded on a demand customer site, the demand customer will have ownership of the Distribution Network connection.

In relation to connection agreements for New Build CMUs which provide on-site supply, both Rule 3.6.3 for existing generation CMUs and Rule 3.7.3 for New Build CMUs allow for Private Network Owners to provide letters confirming the private networks are connected to the Distribution Network. However, as with Rule 3.6.1, it would be appropriate in certain instances where the generation CMU is embedded within a demand customer site for the Customer to provide the relevant letter and to confirm their access to the Distribution Network.

**If applicable, please state the proposed revised drafting (please highlight the change):**  
**Schedule 2, 3.1**

We propose amending Rule 3.6.1(b)(i) to:

(b) Each Applicant for an Existing Generating CMU that is a Non-CMRS Distribution CMU using the Supplier Settlement Metering Configuration Solution must provide:

(i) a letter from the supplier or former supplier, **or Private Network Owner, or customer** to such CMU confirming:

We also propose amending Rule 3.6.3(c)(i):

(i) a letter from the supplier or former supplier, **Private Network Owner, or customer** to such CMU confirming the CMUS’s physically generated net output in MWh to three decimal places

To recognise on-site supply from New Build CMUs, we propose amending Rule 3.7.1(b):

(ii) provide a letter from the owner of the Private Network, to which the CMU will be connected, that confirms that the owner of that Private Network will have an agreement with the relevant Distribution Network Operator for the connection of the Private Network to, and use of, a Distribution Network by the date 18 months prior to the commencement of the relevant Delivery Year; **or**

**(iii) provide a letter from the customer to which the CMU will provide electricity that confirms that the customer will have an agreement with the relevant Distribution Network Operator for the Connection of the Private Network to, and use of, a Distribution Network for the date 18 months prior to the commencement of the relevant Delivery Year.**

Regulation 2 defines “customer” as “a person to whom electrical power is provided (whether or not that is the same person as the person who provides the electrical power).”

**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 approach will ensure that generation CMUs that provide on-site supply will have confidence that they may submit all of their capacity into the Capacity Market, not just their exported capacity, increasing the competitiveness of the Capacity Market and reducing costs for consumers to deliver the same level of supply security.

As this methodology is already applied in practice – this is simply a clarification of the rule requirements – there should be no practical impact on the functioning of the Capacity Market.

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

William Caldwell

Association for Decentralised Energy

020 3031 8743

[william.caldwell@theade.co.uk](mailto:william.caldwell@theade.co.uk)