

Proposal for a Capacity Market Rules Change



Making a positive difference
for energy consumers

Reference number (to be completed by
Ofgem): CP220

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

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:

CP129 and CP130

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

Incompatibility of existing Rules and new proposals which enable the allocation of DSR components, and the existing provision that allows removal of components.

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

Rules 4.4.4 and 13.2.12 are incompatible with current (and proposed) DSR component allocation rules.

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

While recent reforms announced by Ofgem in May 2016 will make some rules simpler for Capacity Market providers, there remain a number of barriers to participation for DSR participants and smaller players. This challenge was recognised by the National Infrastructure Commission in its 2016 report, which noted that “rules around testing and the makeup of portfolios of capacity, unintentionally precludes the participation of demand flexibility and storage.”

The fact that a DSR CMU has a capacity market obligation does not mean that all of the customers within that CMU will stay in business or refrain from changing their processes. There is nothing that an aggregator can do to prevent these things. Instead, the aggregator maintains its portfolio to ensure that the portfolio as a whole can still meet its obligations. If an aggregator realises that a customer is going out of business, is likely to reduce their consumption permanently, or for some reason seems likely to become unreliable, they will seek out one or more new customer sites to add to the portfolio to maintain its capability, either to supplement or to replace the customer whose circumstances are changing.

This portfolio maintenance is an essential part of the core business of an aggregator, and is necessary to maintain reliability. The ADE welcomed Ofgem’s commitment to take forward proposals to enable flexible portfolio management through DSR component allocation earlier this year. However, the following Rules prohibit the changing of the configuration of DSR CMU components and therefore are incompatible with the changes to DSR component allocation:

1) Rule 4.4.4 is incompatible with current (and proposed) DSR component allocation rules, including Rule 8.3.4, as it does not allow for the changing of the configuration of DSR CMU components once the CMU has prequalified.

2) If CMU components are altered, Rule 13.2.12 would result in the current DSR Certificate becoming invalid. DSR CMUs should be able to perform DSR Tests even after they are Proven in order to change the component configuration (under 13.2A “New DSR Test”).

There is therefore a direct contradiction with other Rules which requires adjustment regardless of the introduction of new Rules on allocation of components. If participants are not able to alter the CMU component configuration following prequalification, the entire point of the DSR component allocation Rule changes are lost. By creating an explicit exception referring directly to the specific allocation Rules, both existing and new, the risk of unintended consequences from this change is removed.

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

Amend Rule 4.4.4:

The configuration of Generating Units or DSR CMU Components (as applicable) that comprise a CMU must not be changed once that CMU has Prequalified, **except as provided for in Rule 8.3.4 and [REFERENCE TO NEW PROPOSED RULES ON COMPONENT ALLOCATION]**.

Amend Rule 13.2.12:

A DSR Test Certificate issued pursuant to this Rule 13.2 will only be valid for the DSR CMU for so long as the details relating to the configuration of such DSR CMU as detailed pursuant to Rule 13.2.5 remain valid (provided that the addition of new **and removal of DSR CMU Components, pursuant to Rule 8.3.4 and [REFERENCE TO NEW PROPOSED RULES ON COMPONENT ALLOCATION]**, will not be deemed to change such configuration). ~~In the event that the DSR CMU configuration changes, such DSR CMU will be deemed to be an Unproven DSR CMU until such time as a new DSR Test Certificate has been issued.~~

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 proposed change removes a contradiction in the current rules, and facilitates Ofgem's commitment to enable the flexible portfolio management of DSR components.

By removing barriers to DSR participation, you get a more competitive Capacity Market, producing more efficient outcomes and protecting the interests of current and future consumers by minimising the cost of capacity by procuring a more efficient mix of sources of capacity. In addition, by having a higher level of DSR, you reduce the need for network investment.

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

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