

Proposal for a Capacity Market Rules Change



Making a positive difference
for energy consumers

Reference number (to be completed by
Ofgem): CP221

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:

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

When demonstrating satisfactory performance, the penalty for under-delivery should be proportional to the Capacity under-delivered, rather than the total revenue for that CMU.

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

Satisfactory performance – Rule 13.4.1

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

Currently any under-delivery while demonstrating satisfactory performance requires re-testing until 100% delivery is achieved for 1 settlement period on 3 separate days. If this is not achieved the total revenue for the associated CMU must be re-paid.

DSR CMUs have already demonstrated their capability to deliver their de-rated capacity during DSR Test ahead of the relevant delivery year. If due to unforeseen circumstance a CMU Component is not able to perform at full capacity, capacity payments should be adjusted to reflect the average capacity delivered during the 3 satisfactory performance settlement periods, not removed for the whole CMU. Re-testing DSR CMUs is both logistically challenging and expensive, with small amounts of under-delivery very possible.

There is already a mechanism in the Rules to penalise for under-delivery for a DSR CMU in the form of the DSR Test. This methodology should be consistent throughout the rules, as it is clearly recognised in the DSR Test that a DSR CMU is capable of small amounts of under-delivery while still offering a valuable service. Therefore, rather than being required to continually re-test until 100% capacity (demonstrated in the DSR Test) is achieved, the Capacity Provided should have the option of having their capacity payments adjusted in line with the penalties for under-delivery in a DSR Test.

This would mean that the total annual Capacity Market Payments should be adjusted in proportion to the average delivery over the 3 highest satisfactory performance settlement periods. For delivered capacity between 90-100% there should be an additional penalty equal to TF1 multiplied by the capacity under-delivered. For under-delivery lower than 90% the penalty would be TF1 multiplied by the Capacity Obligation for that CMU.

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

13.4 - Demonstrating satisfactory performance

13.4.1(d)
Alternatively, if –

$$AE_{ix}/CO_{ix} \geq 90\%$$

Then the Capacity provider may, rather than choosing to demonstrate satisfactory performance in alternative settlement periods, choose to have Capacity Market Payment adjusted in accordance with the following formula –

$$ACP_{ix} = (AE_{ix}/CO_{ix}) \times PE_{ix} - (CO_{ix} - AE_{ix}) \times TF1$$

If –

$$AE_{ix}/CO_{ix} < 90\%$$

Then the Capacity provider may, rather than choosing to demonstrate satisfactory performance in alternative settlement periods, choose to have Capacity Market Payment adjusted in accordance with the following formula –

$$ACP_{ix} = (AE_{ix}/CO_{ix}) \times PE_{ix} - CO_{ix} \times TF1$$

Where AE_{ix} , CO_{ix} , ACP_{ix} , PE_{ix} and $TF1$ have the meaning given in the regulations.

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 reduces the risk of DSR participation, while maintaining strict penalties for under-delivery. Therefore, the capacity of DSR CMUs participating will increase, without decreasing response capacity throughout the delivery year.

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

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