

# Proposal for a Capacity Market Rules Change



Making a positive difference  
for energy consumers

Reference number (to be completed by  
Ofgem): CP232

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

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)

Our proposal would mandate that Ofgem as the regulatory body would have to conduct an audit of all or a random sample of Capacity Market Prequalification decisions.

[Click here to enter text.](#)

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

This proposal would relate to the Prequalification decisions made for the 2016 Capacity Market Auctions and all subsequent Capacity Market Auctions

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

Currently, the only arbiter of the prequalification process is the Delivery Body itself. Unless a Capacity Provider elects to dispute their prequalification outcome at Tier-2 level, there is no external scrutiny of the prequalification process (and even then, it is purely on a case-by-case basis).

Due to the concern that some CMUs may have received an incorrect prequalification decision (either being assigned an incorrect prequalification status or not having had the correct criteria applied it during prequalification), we believe that a rule should be added to the CM Rules requiring Ofgem to at least partially audit Prequalification decisions by ensuring that they conform to the requirements laid out in the Rules and Regulations.

We believe this to be necessary for a number of reasons

- This will improve Capacity Provider's confidence in the Delivery body by ensuring that the correct decisions are being taken by the Delivery Body during prequalification
- The inclusion of external moderating to the process will allow any systemic problems or discrepancies to be recognised and rectified. This is not a specific criticism of the Delivery Body, but it does allow for a continual improvement of the prequalification process, with improvements being suggested by an independent source, as well as by the Delivery Body and National Grid.
- Currently, the only mechanism for Ofgem to scrutinise the prequalification process is during Tier-2 disputes; These disputes are highly likely to be raised by Capacity Providers who believe they have been wrongly rejected at Prequalification. There is no oversight to make sure that Prequalified CMUs have been correctly prequalified, and as such it is possible that some CMUs may have been prequalified or conditionally prequalified when in fact they should be disqualified; Documentation submitted during prequalification may have been incorrectly assessed by the Delivery Body and accepted in error, for instance.

As it is highly unlikely that a Capacity Provider will raise a dispute if they have been prequalified incorrectly, a mechanism is needed for Ofgem to scrutinise prequalification decisions to ensure that both the Capacity Provider and the Delivery Body are conforming to legislation.  
[Click here to enter text.](#)

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

[Click here to enter text.](#)

**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:**

There is a possibility that as a result of their audit, the Authority may decide to reverse the decisions made by the Delivery Body during prequalification. As such, this may cause prequalified CMUs to be Rejected, which will affect the total capacity entering the auction.

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

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