

Capacity Market participants,
prospective participants and
other interested parties

Email: EMR_CMRules@ofgem.gov.uk
Date: 22 March 2018

Dear colleague

Statutory consultation on changes to the Capacity Market Rules 2014 (the "Rules") pursuant to Regulation 79 of the Capacity Market Regulations 2014 (the "Regulations")

Summary

- We are inviting your views on our proposed amendments to the Rules.
- We received an unprecedented 112 proposals from stakeholders and Delivery Partners, which are all published on our website¹. In addition, we raised four proposals of our own.
- We are minded to take forward 38 of these proposals.
- We are holding a **stakeholder workshop** during the consultation period to discuss the proposed changes. It will be on **24th April 10am** at our Canary Wharf office. To register, please sign up [on our Eventbrite page](#) by 17 April.
- The **deadline for responding to this consultation is 5pm on 3 May 2018**. Please reply to EMR_CMRules@ofgem.gov.uk

Capacity Market Rule change proposals

We have received an unprecedented number of change proposals in response to our open letter published in September². The 112 proposals have covered a wide range of issues and have highlighted the significant stakeholder interest in the Capacity Market and its importance in wholesale market and security of supply arrangements. We would like to thank all those who proposed changes and attended our stakeholder event in November 2017.

Improving the Capacity Market

We are proposing to take forward or partially take forward 38 proposals. These changes reflect substantial improvements to the Rules and will make participation simpler for applicants, improve competition in the mechanism, and benefit consumers.

¹ <https://www.ofgem.gov.uk/electricity/wholesale-market/market-efficiency-review-and-reform/electricity-market-reform/change-proposals>

² <https://www.ofgem.gov.uk/publications-and-updates/open-letter-changes-capacity-market-rules>

We will increase competition and liquidity in the Capacity Market by enabling more Capacity Providers to participate. We are proposing to remove the prohibition on CMUs participating in a T-1 Auction where they had previously opted out as non-operational for that delivery year. We are also proposing to enable more providers to participate in the Secondary Trading Market, including those who originally failed at prequalification and providers who recently commissioned.

We will improve flexibility for participants by making it simpler for DSR to complete their Satisfactory Performance Days and by changing the consequences of DSR CMUs altering their metering configuration so that a new DSR Test is no longer required for the same delivery year. We are also proposing amendments this year to allow providers more flexibility when choosing their capacity.

We will make prequalification simpler for applicants by rationalising the submission of certificates and exhibits, and by extending the right to use a letter from a Private Network owner for prospective generators from the T-4 to the T-1 Auction. We will make delivery easier for new build CMUs by simplifying the timing of construction milestones.

A copy of the Rules showing all of our proposed amendments is published alongside this document in Annex E. This includes the amendments laid by BEIS in their Capacity Market (Amendment) (No. 4) Rules 2017 and some minor modifications to correct typographical errors from previous consolidations.

Future changes

For the first time we received changes relating to the participation of new forms of generation in the CM. We think that enabling the participation of intermittent renewable technologies which are not concurrently receiving other subsidies could provide significant benefits for consumers. However, any change will also need to consider the mechanics of how they should be included and which provisions may need to be modified in the existing framework. We will work with BEIS and NGET to facilitate the participation of new technologies, including 'hybrid' CMUs, in a way that promotes innovation and technology neutrality, but continues to protect the objectives of the CM in delivering security of supply to consumers at lowest cost.

We are proposing updated drafting on DSR component reallocation which will provide significant benefit for aggregators in managing their portfolios. We intend to implement these changes before the 2019/20 delivery year, once the necessary system changes have been made.

Systems changes

The majority of proposals we intend to take forward will be implemented ahead of the 2018 prequalification round. However, four proposals which require substantial changes to systems will be implemented at a later date. Proposals which require large systems changes but have limited benefit will not be taken forward. This is necessary because systems are also being updated to reflect previous changes to the Rules, other improvements and because of ESC and NGET's operational constraints.

To improve transparency of these system changes, we invited NGET and ESC to provide a brief description of their processes. These are included in Annex C of this document.

Proposals received after our deadline

We received a number of proposals significantly after our deadline. We were able to consider some of these because they closely related to existing proposals, however some of these proposals were submitted too late for us to make an informed decision as part of this round. We will consider these in the next round of Rules changes.

Consultation Questions

We invite your views as to:

- whether you agree with our minded-to decisions, set out in Annex B and
- whether our proposed drafting, set out in Annex D, reflects our intent.

List of Annexes

- Annex A provides a table summary of our decisions on all of the proposals
- Annex B summarises each Rule change proposal, our minded to decision and reasoning
- Annexes C and D (published alongside this document) contain letters from NGET and ESC setting out their approaches to IT systems changes
- Annex E (published alongside this document) provides a marked up draft copy of the Rules. Our proposed changes for implementation this year are shown in blue with the proposal reference number, while our proposed changes for implementation next year are marked in red. This document also includes several minor corrections to typographical errors in previous consolidations, which are labelled as 'errors'.

Next steps

We are holding a stakeholder workshop to discuss the proposed changes on 24 April at 10am at our Canary Wharf office. To register for the event please sign up on [our Eventbrite page](#) by 17 April. Spaces will be limited to one delegate per organisation.

Please send your response to the consultation to EMR_CMRules@ofgem.gov.uk by 3 May 2018.

We intend to publish our final decisions and the final amendments to the Rules in Summer 2018, before the next prequalification round opens.

Yours faithfully

Mark Copley

**Associate Partner, Wholesale Markets
For and behalf of the Gas and Electricity Markets Authority**

Annex A: Summary table

The table below summarises our minded to position on each of the proposals. It is designed to help interested parties navigate what is, necessarily, a lengthy and technical document.

Proposal reference	Proposer	Summary	Proposed decision
CP242	ADE	This proposal seeks to facilitate the participation of small CHP generators by establishing an alternative to the standard DSR baseline.	Reject
CP243	ADE	This proposal would amend Rule 3.6 to allow high load factor on-site Generating Units to qualify as Generating CMUs.	Reject
CP244	ADE	This proposal seeks to amend the requirement for New (Joint) DSR Tests to avoid unnecessary tests of components unaffected by metering changes.	Partially Take Forward
CP245	ADE	This proposal seeks to facilitate Secondary Trading by removing the requirement that a Capacity Obligation transferred is at least equal to the Minimum Capacity Threshold.	Reject
CP246	ADE	This proposal seeks to amend Schedule 4 so that it does not impede the flexibility relating to STOR afforded to Capacity Providers under Rule 8.5.2(b).	Reject
CP247	Alkane	This proposal would extend Secondary Trading Eligibility by adding acceptable transferees.	Take Forward
CP248	Alkane	This proposal would allow transfers of agreements at any time after T-4.	Reject
CP249	Anonymous	This proposal would prohibit Price Makers from submitting exit bids below the Price Taker Threshold.	Reject
CP250	Anonymous	This proposal seeks to publish applicant price-maker/ price-taker status on register after the auction.	Reject
CP251	Anonymous	This proposal seeks to publish applicant price-maker/ price-taker status on register.	Reject
CP252	Centrica	This proposal seeks to rationalise the number of certificates and declarations required to be submitted with a prequalification application where the applicant is not the Legal Owner.	Partially Take Forward
CP253	Centrica	This proposal seeks amendments to Rule 3.6.1 on previous Settlement Period performance for Existing Generating CMUs.	Partially Take Forward

CP254	Centrica	This proposal seeks to allow incremental capacity from sites with T-4 Capacity Agreements to bid into T-1 Auctions for the same delivery year.	Reject
CP255	ClientEarth	This proposal would introduce a requirement that all generating units participating in T-4 Auctions for delivery years from 2022 meet the Emissions Performance Standard.	Reject
CP256	ClientEarth	This proposal would require each generating unit covered by the LCP BREF and that intends to bid for a Capacity Agreement to hold a permit stating that it will comply with the best available techniques.	Partially Take Forward
CP257	ClientEarth	This proposal seeks to allow all types of CMU to bid for Capacity Agreements of up to at least 3, and potentially 15, Delivery years.	Reject
CP258	Drax	This proposal seeks to reinstate the option for applicants to defer provision of Relevant Planning Consents.	Reject
CP259	E.ON	This proposal seeks to allow an additional window for DSR Tests to be completed in the 30 working days after the Prequalification Results Day.	Reject
CP260	E.ON	This proposal would require Interconnector CMUs to demonstrate their Capacity Obligation when demonstrating Satisfactory Performance.	Reject
CP261	E.ON	This proposal would amend the requirements for generating units exporting electricity to an on-site customer so that they do not need to export onto the Distribution Network.	Reject
CP262	E.ON	This proposal seeks to ensure that the transfer of a Capacity Agreement also transfers the requirement to demonstrate Satisfactory Performance Days.	Reject
CP263	E.ON	This proposal seeks to include technology classes for renewable energy generators which are not in receipt of a Low Carbon Exclusion as defined under Regulation 16.	Consider further
CP264	E.ON	This proposal would allow Existing Generating CMUs who successfully prequalify then to have the option to withdraw from the CM process prior to the auction without incurring any penalties.	Reject
CP265	E.ON	This proposal seeks to revoke Government's decision to amend Schedule 3 (Generating Technology Classes) to break down the storage	Reject

		technology class into multiple categories.	
CP266	E.ON	This proposal would allow Existing Generating CMUs who successfully prequalify then to have the option to amend their Bidding Capacity ahead of the auction.	Reject
CP267	E.ON	This proposal would allow a new build CMU applicant to submit a Parent Company Guarantee instead of either a letter of credit or cash deposit when required to submit credit cover.	Reject
CP268	E.ON	This proposal seeks to require the NGET to publish the specific applicable dates for key milestone reporting and independent technical expert progress reports.	Reject
CP269	WWA	This proposal seeks to remove the requirement to name a holding company in a prequalification application.	Reject
CP270	EDF	This proposal would require the Capacity Market Register to include information on the connection capacity, de-rated capacity and technology type for each component making up each generating CMU.	Consider further
CP271	EDF	This proposal would require the Capacity Market Register to include information on the nature of the DSR provided, including a distinction between DSR capacity units that are and that are not supported by an on-site generating unit.	Consider further
CP272	EDF	This proposal seeks to amend Capacity Market rule 4.4.4 to allow reconfiguration of Generating Units or DSR CMU Components as long as the physical assets are unaffected.	Consider further
CP273	EDF	This proposal would amend the excess capacity volume for T-1 Auctions (currently set at 100MW) to mirror the levels for T-4 (1GW).	Take Forward
CP274	EDF	This proposal seeks to amend the DSR baselining methodology in the case of the Relevant Settlement Period being in a holiday period.	Reject
CP275	Endeco	This proposal seeks to amend the punctuation of Rule 3.3.3(a) in order to clarify its meaning and its applicability.	Take Forward
CP276	Endeco	This proposal seeks to clarify the process of providing DSR Alternative Delivery Period data to NGET for the purposes of demonstrating a DSR CMU's capacity volume for prequalification as a Proven DSR CMU.	Take Forward

CP277	Endeco	This proposal seeks to permit the demonstration of Satisfactory Performance Days from data gathered by Balancing Services Metering.	Take Forward
CP278	National Grid Gas	This proposal would relieve a Capacity Provider of their Load Following Capacity Obligation (or to reduce it) in any Settlement Period in which its Capacity Committed CMU is affected by an Operating Margins instruction from the gas transmission system operator.	Reject
CP279	EnergyUK	This proposal seeks to clarify the definition of QMEij in Rule 8.5.2.	Take Forward (delayed implementation)
CP280	EnergyUK	This proposal seeks to clarify the requirement for additional Satisfactory Performance Days.	Take Forward
CP281	EnergyUK	This proposal would remove restrictions on generating unit configurations.	Consider further
CP282	EnergyUK	This proposal would extend protections for network outages and constraints from transmission-connected generators to distribution-connected generators.	Reject
CP283	EnergyUK	This proposal would remove the requirement to name a holding company in a prequalification application.	Reject
CP284	EnergyUK	This proposal seeks to amend the Rules to require NGET to update the CM Register when it is notified of changes to CMU Type.	Reject
CP285	EnergyUK	This proposal seeks to rationalise the number of certificates and declarations required to be submitted with a prequalification application.	Partially Take Forward
CP286	EnergyUK	This proposal would set legal timelines on rule change processes run by Ofgem.	Reject
CP287	EnergyUK	This proposal would enable CMUs to notify NGET of a change from transmission connection to distribution connection.	Reject
CP288	EnergyUK	This proposal seeks to clarify the requirement to provide a VAT number at prequalification.	Take Forward
CP289	ENGIE	This proposal seeks to clarify the Rules relating to a Capacity Obligation where a CMU includes more than one BMU/generating unit.	Take Forward (delayed implementation)
CP290	ENGIE	This proposal seeks to amend the Rules used to determine the output (Eij) of a Generating CMU in a System Stress Event.	Take Forward (delayed implementation)
CP291	ENGIE	This proposal would clarify the treatment of auxiliary and station load.	Reject

CP292	ENGIE	This proposal seeks to address the double penalties that would be applied where storage is consuming in a System Stress Event.	Reject
CP293	EP UK Investments	This proposal seeks to remove the prohibition on Existing CMUs which opted out of the T-4 Auction from the T-1 Auction for the relevant Delivery Year.	Take Forward
CP294	ESC	This proposal seeks to clarify the treatment of Interconnector CMUs with respect to the obligation and the output of the CMU.	Reject
CP295	ESC	This proposal seeks to clarify the requirements for a shared auxiliary load circuit that is part of a CMU.	Reject
CP296	ESC	This proposal would establish an obligation to provide additional data to allow the application of Line Loss Factors by ESC.	Reject
CP297	ESC	This proposal would establish a requirement for applicants to specify at prequalification the volume and multiplier value of ineligible capacity on their site.	Reject
CP298	ESC	This proposal would allow the sharing of Capacity Market application data between ESC and NGET for the purposes of preventing and detecting fraud.	Reject
CP299	ESC	This proposal seeks to amend the Agreement Monthly Penalty Cap in the Electricity Capacity Regulations.	Reject
CP300	ESC	This proposal seeks to amend the timescales to implement the metering test rectification plan to account for more complex issues.	Partially Take Forward
CP301	ESC	This proposal seeks to update Schedule 6 to assist Capacity Providers to complete the Metering Test process.	Take Forward
CP302	ESC	This proposal seeks to update the metering standards specified in Schedule 7.	Take Forward
CP303	ESC	This proposal seeks to allow the use of Metering Equipment that does not meet the minimum accuracy classes specified in Schedule 7 where it can be demonstrated that the Overall Accuracy of the Metering Systems is within the allowed limits.	Reject
CP304	ESC	This proposal seeks to clarify the Metering requirements for a CMU that is a subset of a BM Unit.	Take Forward
CP305	ESC	This proposal seeks to oblige Capacity Providers to permit ESC to visit	Partially Take Forward

		generator offices and sites and provide information.	
CP306	WWA	This proposal seeks to remove restrictions on generation unit configurations.	Consider further
CP307	WWA	This proposal seeks to clarify the requirement to submit a VAT number at prequalification.	Take Forward
CP308	WWA	This proposal seeks to amend the Rules to require NGET to update the CM Register when it is notified of changes to CMU Type.	Reject
CP309	First Utility	This proposal seeks to consider "Maximum Credit" and "Credit Assessment Score" in the credit cover calculation.	Reject
CP310	Green Frog	This proposal seeks to amend the Rules to require NGET to update the CM Register when it is notified of changes to CMU Type.	Reject
CP311	Green Frog	This proposal would extend protections for network outages and constraints from transmission-connected generators to distribution-connected generators.	Reject
CP312	Green Frog	This proposal would normalise the schedule for construction reports.	Partially Take Forward
CP313	Innogy	This proposal would introduce 'Other Technology Class' to Schedule 3.	Consider further
CP314	Innogy	This proposal would add Wind to the list of 'Technology Class' options in Schedule 3.	Consider further
CP315	InterGen	This proposal would modify the obligation in relation to New Build CMUs from the Sixth Full Capacity Auction and all subsequent Full Capacity Auctions regarding the obligation to provide evidence of the Relevant Planning Consents.	Reject
CP316	InterGen	This proposal would establish minimum lengths of time between the auction and the delivery year.	Reject
CP317	Manx Utilities	This proposal would facilitate the participation of Distribution Interconnectors as Interconnector CMUs.	Consider further
CP318	NGET	This proposal would allow the use of distributed connected generation output data to calculate de-rating factors relevant to Technology Class Weighted Average Availability (TCWAA).	Reject
CP319	NGET	This proposal would amend Rule 3.4.1(g) to permit applicants to enter 'not applicable' on their application if they are not yet VAT registered.	Take Forward

CP320	NGET	This proposal would record the issue of a Meter Test Certificate for all CMUs, rather than just DSR.	Take Forward
CP321	NGET	This proposal would amend NGET's obligation to update the BETA value (β) on the Capacity Market register 5 days after a System Stress Event.	Take Forward
CP322	NGET	This proposal would prevent New Build CMUs from changing location once the Substantial Completion Milestone / Minimum Completion is met.	Reject
CP323	NGET	This proposal would amend Rule 8.4.2(a) so that 'system' tagged Demand Control Instructions do not trigger a Capacity Market Notice.	Take Forward
CP324	NGET	This proposal would implement a dead band following Capacity Market Notice publication when triggered by a DCI or Low Frequency event to mitigate against the potential confusion and lack of confidence in the process.	Reject
CP325	NGET	This proposal would amend the schedule of construction plan submission and change the requirement to provide an ITE report to only if there has been a material change to progress.	Partially Take Forward
CP326	NGET	This proposal would set Auction Acquired Capacity Obligation (AACO) to zero pending Substantial Completion or Minimum Completion by the start of the Delivery year to avoid providers who have not met their SCM or MCR from being eligible for payments.	Reject
CP327	NGIH	This proposal would require NGET to publish the information calculated by the GB System Operator in determining whether to publish a Capacity Market Notice (CMN).	Reject
CP328	NGIH	This proposal would create a new category of "conditionally prequalified" pending the applicant remedying its error or omission in the prequalification application form.	Reject
CP329	NGIH	This proposal would ensure that a reduction in TEC caused solely by the failure of the System Operator to deliver a connection does not incur a Termination Fee.	Take Forward
CP330	RWE	This proposal would amend Rule 8.3.1 should to clarify that it also relates to the submission of letters from Private Network owners deferred under Rule 3.7.3(c).	Reject
CP331	RWE	This proposal would amend Rule 8.5.1(ba), which relieves	Reject

		interconnectors of obligations when affected by any SO measure reducing output.	
CP332	RWE	This proposal would require interconnectors to demonstrate at least their Capacity Obligation to demonstrate Satisfactory Performance Days.	Reject
CP333	RWE	This proposal would remove the obligation to deliver from a CMU that had been tripped as a result of a system to generator intertrip and was subject to a restriction on its output.	Reject
CP334	RWE	This proposal would allow New Build CMUS to use a letter from a Private Network owner to Prequalify for a T-1 Auction.	Take Forward
CP335	ScottishPower	This proposal would require applicants to specify if the CMU is an alternative to another CMU application and if so provide the CMU ID to which it relates.	Reject
CP336	ScottishPower	This proposal would require applicants to demonstrate that a New Build CMU would be a CMRS CMU and that it will be wholly or mainly used to supply energy to the Distribution Network or the GB Transmission System.	Reject
CP337	ScottishPower	This proposal would remove the need for participants to repeatedly Opt-out stations that hold a connection agreement but have been closed for some time.	Reject
CP338	UK Power Reserve	This proposal would allow Capacity Providers of Distribution connected CMUs to aggregate CMRS CMUs as part of a CMU Portfolio for the purposes of Satisfactory Performance Days.	Take Forward
CP339	UK Power Reserve	This proposal would allow Capacity Providers to submit an updated Metering Assessment for a CMU after an initial Metering Assessment has been submitted.	Reject
CP340	UK Power Reserve	This proposal would allow Capacity Providers of Distribution-Connected CMUs to change whether their CMU is a CMRS metered or Non-CMRS metered CMU.	Reject
CP341	Uniper	This proposal would allow a CMU with an Agreement acquired in a T-4 Auction which then increases its Connection Capacity to bid in the additional capacity in the T-1 Auction.	Reject
CP342	Uniper	This proposal would allow CMUs to amend their Connection Capacity and De-rated Capacity post-auction for Secondary Trading Purposes.	Reject

CP343	Welsh Power	This proposal would allow recently commissioned, non-contracted, Existing CMUs to register for Secondary Trading once the plant has proven its ability to deliver capacity.	Take Forward
CP344	ADE	This proposal would permit the proving of Satisfactory Performance Days from data gathered by Balancing Services Metering.	Take Forward
CP345	WWA	This proposal would allow new CMUs to be transmission connected via private wires or a shared connection.	Reject
CP346	Anonymous	This proposal would require all CMUs to demonstrate during prequalification that they meet all emissions standards.	Reject
CP347	Centrica	This proposal would allow an applicant to nominate a Connection Capacity equal to or less than the Average Highest Output of the Existing Generating CMU.	Partially Take Forward
CP348	Restore	This proposal would add an additional methodology to determine the Connection capacity of a CMU.	Partially Take Forward
CP349	Engie	This proposal would require a Distribution Connection Agreement for a New Build Generating CMU to be firm.	Consider further
CP350	Saltend Cogeneration Company	This proposal seeks to allow an Existing Generating transmission CMU to pre-qualify for the Capacity Market in circumstances where its TEC is zero and it is intending to generate and export to a Private Network.	Consider further
CP351	NGET & ESC	This proposal seeks to move when metering information is collected and the level of detail which is collected.	Reject
CP352	Anonymous	This proposal will require all Prospective CMUs to demonstrate as part of the Extended Years Criteria, compliance with the Medium Combustion Plant Directive and Generator Controls.	Reject
CP353	ScottishPower	This proposal would create new Demand Side Response (DSR) Technology Classes with different minimum durations, and apply the extended performance testing to these newly created Technology Classes.	Consider further
OF12	Ofgem	DSR Component reallocation	Take Forward (delayed implementation)
OF13	Ofgem	Changes to the storage baseline formula	Take Forward
OF15	Ofgem	Changes to how connection capacity can be set	Consider further
OF16	Ofgem	Changes to the auction clearing algorithm	Take Forward

Annex B: Proposals and decisions (by Rules chapter)

This Annex sets out a short summary of each of the proposals, our minded to position, and our reasoning. Each proposal is referred to by the 'CP' reference number allocated on our website and our own proposals are labelled Of12, Of13, Of15 and Of16.

1. General Provisions

Proposed amendments

CP247 (Alkane), and CP343 (Welsh Power)

These proposals would extend Secondary Trading eligibility. CP247 would include any CMUs that were not prequalified for the auction but subsequently fulfil all prequalification requirements ahead of the delivery year as Acceptable Transferees. CP343 would allow recently commissioned, non-contracted, Existing CMUs to register for Secondary Trading once the CMU has proven its ability to deliver capacity.

Proposed decision

We are minded to take forward these proposals. Opening up Secondary Trading to more providers should increase liquidity and reduce non-delivery risk, benefitting consumers.

We recognise that the original policy intent may have been to exclude some providers from Secondary Trading in order to minimise the risk of gaming; the ability to trade into an agreement after the auction may increase the incentive to bid speculatively or withhold capacity. We believe any risk is minimal as there are Rules to prevent market manipulation. We monitor the Capacity Market and enforcement action can be taken against parties which breach these Rules. There is also no guarantee that capacity would be available in the secondary market, and any participant trading may have to pay a premium to the original party for doing so (the value of the trade), reducing the incentive to carry out this strategy.

CMUs that did not Prequalify for the T-1 Auction should also be eligible for Secondary Trading. To participate, these CMUs will need to undergo the prequalification process under Rules 3.13 and 4.9 to determine their eligibility, and we are therefore satisfied there are appropriate checks in place to determine that the Capacity Providers are reliable. Similarly, new projects delivering prior to their relevant first delivery year should be able to offer to provide capacity in the secondary market. These providers will have met the relevant milestones to deliver capacity and therefore we are satisfied that they will be reliable.

Proposals rejected

CP257 (Client Earth)

This proposal asks that Rules are amended to allow all types of CMU to bid for Capacity Agreements of up to at least 3, and potentially 15, delivery years.

We are unable to progress this proposal because it will require a change to Regulations, in addition to a Rules change. Ofgem is unable to amend the Regulations and must ensure consistency between the Regulations and the Rules.

CP286 (Energy UK)

Energy UK proposes that Ofgem publishes the open letter inviting rule change proposals at the end of the Prequalification Window and provides a six week period following this to submit proposals.

Proposed decision

We are minded to reject this proposal. We do not believe that it is appropriate to implement a timetable for the rules change process in the Rules themselves. We have issued guidance on our process and this would be the most appropriate location for any such changes should they be necessary.

We are not convinced that it is necessary to bind the publication of the open letter to the end of the Prequalification Window. The timing of the prequalification process can change each year and it is appropriate for Ofgem to maintain the flexibility to adjust the rules change process timetable accordingly. It is also possible for stakeholders to raise urgent rule change proposals outside of the submission window if necessary.

2. Auction Guidelines and De-rating

Proposed amendments

No proposed amendments.

Proposals rejected

No proposed amendments.

3. Prequalification Information

Proposed amendments

CP253 (Centrica), CP347 (Centrica) and CP348 (Restore)

These proposals all relate to Rule 3.6.1, which obligates Existing Generating CMUs to provide their three highest historical outputs. The average of these outputs can be used to set the connection capacity of the CMU (Rule 3.5.3), in which case each output must

be each higher than the de-rated capacity of the CMU in order for the generator to prequalify.

CP253 proposes to allow historical performance to be evidenced up to the end of the Prequalification Window, and that it be carried out separately for each generating unit. CP347 proposes to amend Rule 3.5.3 to allow connection capacity to be set "equal to or less than" the average highest output set by Rule 3.6.1. CP348 would add a new option to calculate connection capacity which would allow the applicant to select three historical outputs within the last 24 months to calculate their capacity.

Proposed decision

We are minded to partially take forward these proposals. The proposals seek to resolve several perceived issues with the current approach:

- by requiring highest outputs to be evidenced in Settlement Periods no later than one month before the start of the requalification window, Generating Units that commission close to or during the Prequalification Window cannot prequalify;
- where an Existing Generating CMU is comprised of several different Generating Units, it is likely that the three Settlement Periods in which highest outputs were achieved will vary from unit to unit; and
- Rule 3.5.3 allows connection capacity to be set equal to the outputs specified in Rule 3.6.1 but not below it. This could prevent participation of units whose outputs are expected to be lower than their previous highest outputs.

We agree that the some of the issues identified could pose a barrier to entry, and therefore competition. In addition, several prequalification disputes this year related to Rule 3.6.1. They highlighted that there was some ambiguity in the current functioning of the Rule, in particular the time period in which the highest historical periods should be specified. Changing this Rule should therefore help to simplify prequalification.

However, we do not agree that a CMU which consists of several generating units should be able to specify each unit's highest output on separate days. Rule 3.6.1 refers intentionally to the whole CMU, as this reflects the obligation a CMU would have during a real System Stress Event. If we were to allow units to be tested on separate periods, it could allow an overstatement of capacity in some circumstances, for example, where one unit is able to run at a higher output because other units are not running.

We therefore propose to allow a free choice of periods for evidencing historical output with the following constraints:

- The periods should be on separate days, as is the case currently. This should ensure reliability as it requires generators to show that they can perform on multiple different occasions.
- Periods should not be more than 24 months from the end of the Prequalification Window. This is to ensure the periods specified by the generator are recent

enough to represent a reliable estimate of the generator's performance, but that sufficient time is given not to exclude capacity which has been mothballed.

Consequently, generators would be able to specify any three periods when evidencing historical output, in contrast to the current requirement to provide the "highest" outputs. We are therefore proposing to replace the term 'Average Highest Output' in Rules 3.5.3 and 3.5.4 with the term 'Average Output'. This will allow CMUs to choose a lower output for the purpose of specifying their connection capacity. This addresses the issues identified in CP347. It should also remove the possibility of capacity being excluded on the basis that one of the generator's outputs does not meet their average highest output, once de-rated, as outlined in CP348.

We propose to remove the requirement to submit periods one month before the start of the Prequalification Window, as we believe that it creates a barrier to entry for Generating Units that commission close to or during prequalification. The previous logic for this gap, set out in CP86, was that generators may not know if the periods they chose were the highest or if recent generation could have been higher. Now that we allow a free choice we believe this problem no longer exists.

We propose to make equivalent changes for Interconnector CMUs.

CP275 (Endeco)

This proposal would add a missing comma into Rule 3.3.3(a) after the phrase "or is part of a CMU which currently has a Capacity Agreement".

Proposed decision

We are minded to take forward this proposal as part of our corrections of typographical errors.

CP288 (Energy UK), CP307 (WWA) and CP319 (NGET)

These proposals propose to amend Rule 3.4.1(g) in order to permit applicants to enter 'not applicable' on their application if they are not yet VAT registered.

Proposed decision

We are minded to take forward this proposal, as we believe that it clarifies the original policy intent and removes a risk of genuine capacity being excluded from the auction.

BEIS published a clarification note on 18th September 2017, stating that applicants who are not VAT registered should record their VAT identification number as "non applicable" ("n/a"). The requirement to specify a VAT number in the application is to provide a unique 'beneficiary identifier' for the purposes of EU state aid transparency and not to mandate applicants to apply for a VAT number if they are not VAT registered at the time of application.

We have also considered whether there is benefit in removing other specific references in Rule 3.4 for clarification, including the reference to postcodes in Rule 3.4.3. However, we do not feel this is required at this time.

CP293 (EP UK Investments)

This proposal would remove the exclusion that prevents Existing CMUs which opted out of the T-4 Auction for a delivery year on the basis that they would be closed down by the start of the delivery year from participating in the T-1 Auction.

Proposed decision

We are minded to take forward this proposal, on the basis that it should improve auction liquidity and market transparency on future plant availability, and therefore increase the competitiveness of the process.

The Rules currently prohibit CMUs which opted out as non-operational for the T-4 Auction from participating in the T-1 Auction for the same delivery year. However, CMUs opting out on the basis of intending to be operational during the delivery year are not prohibited from participating. If a plant wishes to maintain the option of participating in the T-1 Auction, the current rules incentivise them to opt out as intending to remain operational. This could distort market information on future plant availability.

To address this, we intend to allow opted-out CMUs to participate in T-1 Auctions. We recognise that removing this prohibition could introduce some risk of withholding in the T-4 Auction. However, the Rules and Regulations contain specific provisions to mitigate against the risk of market manipulation. Further, we agree with the proposer that circumstances may change in the three years between the auctions, and this change may enable additional genuine capacity to participate in the T-1 Auction.

We therefore believe that the potential benefits to this change outweigh the risks outlined above. We note that, in the form proposed, the change would enable participants who opted out in past T-4 Auctions to participate in forthcoming T-1 Auctions. We welcome views from stakeholders on the implications of this change and whether it would be necessary to implement these changes only for future opt-out decisions.

CP334 (RWE)

Rule 3.6.3(d) permits Existing CMUs which are not directly connected to the Distribution System to use a letter from the Private Network owner as evidence of their connection rights. This proposal would extend that provision to enable New Build CMUs bidding into the T-1 Auction to demonstrate their rights to use a Private Network.

Proposed decision

We are minded to take forward this proposal. New Build CMUs are currently able, via Rule 3.7.3(c)(ii) to use a letter from Private Network owner as evidence of their connection rights when prequalifying for a T-4 Auction. We think it is reasonable that this

be extended to cover prequalifying for a T-1 Auctions. It would also align the requirements for prequalification between Existing CMUs and New Build CMUs and as a result, the barriers to entry to the Capacity Market will be reduced.

Proposals rejected

CP242 (ADE), CP243 (ADE) and CP261 (E.ON)

These proposals all relate to removing barriers to participation of behind the meter generation, notably Combined Heat and Power (CHP) Generators. Several issues were identified which may prevent the participation of these generators:

1. the Regulations require Generating CMUs to export onto the transmission or distribution network. For CHPs this is often not the case, as they supply an on-site customer directly without exporting to the network;
2. CHPs may not be able to participate as Demand Side Response (DSR) CMUs because they often have high load factors, meaning the current baseline methodology is not appropriate; and
3. the Regulations define Demand Side Response as a non-permanent reduction in demand, whereas CHPs are often run semi-continuously.

CP243 and CP261 propose to address the first barrier. CP261 suggests removing the requirement to export to the distribution network. CP243 suggests amending Rule 3.6.1, which requires generators to specify previous Settlement Period performance, to help non-exporting units to qualify. CP242 seeks to address the second and third barriers by allowing CHPs to be included within aggregated DSR portfolios, and suggests an alternative to the standard DSR baseline methodology which can be applied to them.

Proposed decision

We are minded to reject all three proposals as they would each require amendments in the Regulations.

CP261 proposes to amend the definition of "non-CMRS distribution CMU" which currently requires each generating unit to export to the distribution network. However, a similar definition also appears in the Regulations and therefore amending it would introduce an inconsistency between the Rules and Regulations.

CP243 recognises that the Regulations provide a barrier to entry into the Capacity Market and attempts to provide an alternative method which removes the obligation for some generators to provide a Distribution Connection Agreement. However, the definitions of "non-CMRS distribution unit" and "CMRS distribution unit" in the Regulations require export onto the distribution network. Removing the obligation to provide a distribution connection agreement would therefore not remove this barrier and would lead to an inconsistency between the Rules and Regulations.

CP242 intends to allow CHP units to qualify as DSR units by proposing an alternative baseline methodology. They argue that participation of CHP units as DSR is currently allowed by the Regulations but not possible in practice.

The Regulations state that for an activity to be classified as DSR, there must be a clear minimum amount of import that is ordinarily required and that a participant will modify their activities to actively reduce the amount that they would ordinarily need for a specific period of time. This reduction would then be rewarded under a Capacity Market agreement.

The attempt to classify CHP (which provides permanent reduction in electricity use but with variable magnitude) as DSR does not meet the conditions of qualification as DSR set out in the Regulations. We conclude that a Regulations change is required to enable the proposed changes to the Rules.

We are conscious of the matters highlighted in these proposals and that there may be available capacity, which is not explicitly excluded by the Regulations, but which in practice faces technical barriers which preclude participation in the Capacity Market. We will continue to work with BEIS and stakeholders to find solutions to these issues.

CP254 (Centrica), CP341 (Uniper) and CP342 (Uniper)

These proposals seek to allow CMUs which have won agreements in the T-4 Auction to bid "incremental capacity" into the T-1 Auction (CP254 and CP341) or the Secondary Trading market (CP342). Two hypothetical examples are given of when this may be needed: one where a CMU does not enter its full capacity into the T-4 Auction because one of its units is mothballed; and one where a Capacity Provider upgrades their site, increasing their connection capacity between the T-4 and T-1 Auctions.

Proposed decision

We are minded to reject these proposals. While there may be merit in allowing genuinely incremental capacity into T-1 Auctions and the Secondary Trading market, we believe that these proposals have not adequately considered the wider changes to the CM framework that would be required to accurately account for incremental capacity.

In the case of bidding incremental capacity into the T-1 Auction, verification measures would be needed to establish that the capacity was genuinely incremental, and the treatment of any incremental capacity for the purpose of providing Satisfactory Performance Days would need to be clarified. It is also unclear how a CMU comprised of capacity from different auctions would be treated, for example if the T-1 Auction price differs from that of the T-4 Auction.

Enabling generators to bid incremental capacity into the secondary market would be simpler as there are already mechanisms for how to treat additional capacity with a different price. However the proposal has not set out the process by which incremental capacity will be verified by NGET and therefore would not be implementable without wider changes.

Further, we have not seen evidence that such circumstances apply to significant volumes of capacity. These proposals would require significant changes to the current arrangements, and the benefits of such changes would therefore need to outweigh the implementation costs and risks.

CP255 (Client Earth)

This proposal would introduce a requirement that generating units participating in T-4 Auctions, for delivery years from 2022 onwards, must meet an Emissions Performance Standard of 450 g/kWh of CO₂.

Proposed decision

We are rejecting this proposal because it would require changes to the General Eligibility Criteria in the Regulations. We note that Government has made clear its intention to impose an emissions limit on coal generators from delivery year 2025/26 and to prevent unabated coal from participating in the relevant auctions for that year. Any further emissions limit should be left to wider policy development by Government.

CP269 (WWA) and CP283 (EnergyUK)

These identical proposals would remove the requirement to name a holding company during prequalification.

Proposed decision

We are minded to reject these proposals. While the proposer argues that removing the requirement would remove a barrier to the sale of companies during prequalification, we do not believe that removing these requirements altogether is appropriate. Information about the holding company is used by NGET and ESC when validating information provided by the applicant.

CP258 (Drax) and CP315 (InterGen)

These proposals would allow more flexibility around the provision of planning consents. CP258 proposes to reinstate the option for applicants to defer provision of Relevant Planning Consents until 22 working days before the auction, but with an application fee payable if the consent is not provided. CP315 proposes to require Relevant Planning Consents to be submitted by the end of the Prequalification Window, but to allow them to be varied until 22 working days before the auction.

Proposed decision

We are minded to reject these proposals. We introduced the requirement to submit planning consents at prequalification in 2016 with implementation delayed until the Sixth Full Capacity Auction. We introduced the change to significantly simplify the prequalification process and reduce the number of unnecessary speculative applications. As the Capacity Market becomes more established applicants will be able to plan sufficiently ahead of time to have secured Relevant Planning Consents by the

Prequalification Window. The ability to defer Relevant Planning Consents to 22 working days before the auction has resulted in a number of speculative applications which have then been withdrawn when Planning Consents were not secured.

CP258 proposes the introduction of an application fee that would become payable if planning permission is not submitted by 22 working days before the auction. This would be a substantial addition to the prequalification process with little evidence of benefit in the amount of additional capacity it would be likely to bring forward. As such, we are not convinced by this option for reinstating the deferral of planning permission.

CP315 proposes allowing planning permission to be varied between prequalification and the auction. Enabling substantial changes to the planning permission in the four months between prequalification and the auction could undermine the application submitted during the prequalification, while providing this flexibility for only four months does not appear to be of major benefit.

CP296 (ESC)

This proposal would obligate Capacity Providers using Balancing Services and Bespoke metering configurations to submit distribution boundary point Meter Point Administration Numbers (MPANs) or Metering System Identifiers (MSIDs) during prequalification. ESC argues that this is necessary to allow them to apply line loss adjustment to metered volumes. An exception would be for Unproven DSR and New Build CMUs who would supply the data as part of their DSR or Metering Tests as applicable.

Proposed decision

We are minded to reject this proposal as it currently stands. We are keen to encourage improvements to the data sharing process between NGET and ESC. However, we do not think this proposal is the most efficient approach.

Incorporating this data collection into the prequalification process would increase the prequalification burden on applicants and NGET. We do not feel this change is sufficiently necessary to justify that burden. An interim process is already in place to facilitate the data collection and exchange between NGET and ESC. NGET has indicated to us that any change requiring applicants to provide this type of information at prequalification would also require substantial IT system changes. A more efficient approach for applicants and NGET could be to include the data as part of the Metering Assessment process but this requires further consideration by Delivery Partners and therefore we do not intend to take forward this proposal.

CP297 (ESC)

This proposal seeks to provide NGET and the CM Settlement Body with sufficient information in order to exclude ineligible capacity (for example capacity which is part of a low carbon support scheme) that is located behind a Meter Point used by a CMU.

Proposed decision

We are minded to reject this proposal. It would require wider changes to the Rules and to systems and data arrangement. It is therefore not practicable in this round of changes. As noted in our response to CP263, CP313 and CP314, we recognise that multiple technologies are increasingly being co-located on the same site. However, this raises several challenges within the current Rules including to metering, systems, prequalification requirements (eg connection agreements) and de-rating. We note that Rule 3.4.3(b) already addresses the issue in cases where CMUs are located behind a single Meter Point which makes this change less urgent.

CP298 (ESC) and CP351 (NGET/ESC)

CP298 seeks to give NGET an explicit right to share applicant information with the Settlement Body and require all applicants to consent to NGET sharing its information. It also seeks to formalise ESC's role in fraud prevention and detection.

CP351 would make metering information collected and validated after the auction by ESC, rather than collected during prequalification by NGET.

Proposed decision

We are minded to reject these proposals. NGET and ESC are currently analysing the existing legal framework relevant for sharing various data with an aim of establishing and formalising this process. We expect this to provide more detail on what the requirements are to enable the necessary processes. As the work is still ongoing, it is not appropriate to pre-empt what changes to the Rules may be appropriate. We will consider any necessary Rules amendments once NGET and ESC's data sharing review work has concluded.

CP298 also requests us to formalise ESC's role to prevent and detect fraud. We consider this to be beyond the scope of our existing powers as set out in the existing Regulations and therefore do not intend to make any amendments to do this.

CP317 (Manx Utilities)

This proposal would enable Distribution Interconnectors to take part in the Capacity Market, thereby allowing the Isle of Man interconnector to prequalify.

Proposed decision

We are minded to reject this proposal in its current form. The changes would enable Distribution Interconnectors to prequalify as Balancing Mechanism Units, as opposed to Interconnector CMUs. This change would permit the Distribution Interconnector to act as a Despatch Controller for CMUs located on the Isle of Man. CMUs located on the Isle of Man fail to comply with General Eligibility Criteria set out in Regulation 15(3) and are not eligible to participate in the GB Capacity Market. As such, the changes would be inconsistent with the Regulations and cannot be taken forward.

The current proposal is not clear on the barriers to participation of Distribution Interconnectors. We think that further thought needs to be given to this area and we encourage stakeholders to provide further proposals where barriers are identified.

CP318 (NGET)

This proposal follows a previous rules change proposal (CP191) which sought to amend the de-rating factor calculation under Rule 2.3.5 so that output data is used to calculate the de-rating factors for Distribution Connected CMUs. This proposal asks that Ofgem consider the issues further.

Proposed decision

We are minded to reject this proposal. Last year, we rejected CP191 on the basis that the methodology and data available were not sufficient to calculate robust de-rating factors. We note that issues remain around data availability. This proposal suggests further discussion about these issues. We continue to welcome proposals and further analysis in this area, and we would be happy to participate in further discussion.

As noted in our response to CP191, we continue to believe that any methodology based on output data will need to account for the differences between output and availability to capture the full capabilities of CMUs which, for example, may only choose to generate in certain periods.

CP335 (Scottish Power)

This Rule proposes to require applicants to specify whether their prequalification application is a mutually exclusive alternative of another prequalification application and if so provide the CMU ID to which it relates.

Proposed decision

We are minded to reject this proposal. The information is revealed after the credit cover deadline, which limits the benefit of the change. Given the costs of the necessary systems changes to enable checks of whether Applications are alternative versions of each other, we do not consider there to be sufficient benefit from taking the proposal forward.

CP336 (Scottish Power)

This proposal would require applicants to demonstrate that their New Build CMU would be a CMRS CMU and that it will be wholly, or mainly, used to supply energy to the Distribution Network or the GB Transmission System. The effect of this Rule would be that behind the meter generation would be treated as DSR and therefore only eligible for one year agreements.

Proposed decision

We are minded to reject this proposal. While we recognise there are incentives for capacity to be located behind the meter we do not think that limiting these CMUs in the way proposed would be beneficial for consumers. Demand Side Response is defined as a temporary reduction in demand. Some generators which are located behind the meter may run regularly and should rightly be classified as generation. Some of these generators may not be able to participate in the CM if required to participate as Demand Side Response.

CP337 (Scottish Power)

This proposal would remove the requirement for generators to opt-out of the Capacity Market if they hold a connection agreement but have been closed for a long time.

Proposed decision

We are minded to reject this proposal. We understand that there are administrative challenges involved with the opt-out notification process. However, up-to-date reliable information is vital as it affects CM procurement recommendations. Therefore, it is appropriate for opt-outs to be submitted for each relevant auction. Over the last couple of years changes have already been incorporated in the prequalification system to simplify the process to resubmit an opt-out notification. Given this, we do not believe the benefits of this proposal outweigh the costs of the change.

CP345 (WWA)

This proposal seeks to allow New Build Transmission CMUs to prequalify when locating on existing sites and sharing an existing connection agreement. Currently, each Transmission CMU must provide a copy of their Bilateral Connection Agreement (BCA) in order to prequalify. A BCA only applies to one party and therefore New Build Generating CMUs who wish to locate on the same site as an Existing CMU and make commercial arrangements to share the TEC on the site may not be able to prequalify.

The proposal suggests two ways to enable these CMUs to prequalify. Firstly by signing a Bilateral Embedded Generation Agreement (BEGA) and providing this in order to prequalify. Secondly, by treating the new generator as being connected via a Private Wire to the existing site and requiring the provision of an agreement with the owner of the private wire.

Proposed decision

We are minded to reject this proposal. Although we agree in principle that allowing shared connections between generators on a non-discriminatory basis will be beneficial for competition in the Capacity Market we do not think that either of the solutions provided would be adequate.

While we can understand the parallels between this situation and a distribution connected generator requiring a BEGA, we believe this would not align closely enough with the purpose of the BEGA.

The second option, to treat the site as a Private Network, would fit more clearly within the current structure of the Rules and connections framework and we note that it replicates some of the provisions currently applicable to Private Networks connected to the distribution system. However the proposal creates consequential changes that would be required, including amendments to the definition of Private Network. We believe that further thinking is required to find a workable solution.

CP291 (Engie) and CP295 (ESC)

These proposals seek to clarify the treatment of auxiliary load in the Rules.

CP291 intends to clarify the treatment of auxiliary load when that load is a separate Balancing Mechanism Unit (BMU). The proposal suggests that Rule 8.6 does not make clear how any auxiliary load is netted off the CMU output when the auxiliary load is a separate BMU (or proportion of one).

CP295 seeks to clarify how auxiliary load should be divided for sites that share the load amongst a number of generating units, and where the auxiliary load is not separately metered for each unit. ESC proposes the introduction of 'multipliers', which would be specified at prequalification and which would subdivide the CMU's auxiliary load between units based on the unit's share of the overall capacity of the site.

Proposed decision

We are minded to reject these proposals, predominantly due to dependencies on other ongoing processes.

We consider CP291 to have crossovers with a BSC code modification proposal currently under review on the Applicable Balancing Services Volume Data Methodology³. This would potentially impact arrangements to allow aggregation across BMUs, necessary for the proposed Rule change to take full effect. We therefore do not think it is appropriate to take forward CP291 at this stage.

We think there is potential benefit from ESC's proposal in CP295. However, we understand there is further work necessary between ESC and NGET to facilitate this change. In the immediate term, we do not consider there to be an urgent case for change. There are existing temporary arrangements in place that use existing data provided by applicants at prequalification to enable the Settlement Body to carry out settlement calculations. In addition, Government has published a FAQ⁴ giving participants guidance on the treatment of auxiliary load. This FAQ outlines how auxiliary load should be treated where it is not separately metered and it is shared between more than one CMU or generating unit.

³ <https://www.elexon.co.uk/mod-proposal/p354/>

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/452486/FAQCapacity_Market_2015_volume_3.pdf

Proposals to be considered in future

CP349 (ENGIE)

This proposal would amend the prequalification requirements to necessitate that Distribution Connection Agreements are 'firm'. For a connection to be firm, it must not be part of a scheme that could result in curtailment of access when the network is operating normally.

We agree with the proposer that where a number of generators have interruptible connections it may affect their ability to all generate simultaneously in a System Stress Event. However, this proposal was received with insufficient time for us to fully consider it for this round of Rules amendments. We think that the issue raised requires further thought. In particular, rather than prevent generators with interruptible contracts from participating, it may be more appropriate to de-rate them in accordance with the risk that they are restricted from delivering during a System Stress Event. We intend to consult on a minded-to position in 2019. We welcome initial stakeholder views on this proposal to help inform our thinking.

CP350 (Saltend Cogeneration)

This proposal would allow a site which is connected to a Private Network and which is not connected to a distribution network to prequalify. Specifically it would add an acceptable alternative to a connection agreement for these sites.

We are supportive of changes to the Rules which will allow genuine capacity to compete in the Capacity Market. However, this proposal was received with insufficient time for us to fully consider it for this round of Rules amendments. We intend to consult on a minded-to position in 2019. We welcome stakeholder views on this proposal now to help inform our thinking.

CP353 (Scottish Power)

This proposal would create new Demand Side Response (DSR) Technology Classes with different minimum durations, and apply the extended performance tests to these newly created Technology Classes.

Proposed decision

We recognise that DSR portfolios may contain storage assets which mean they are limited in the duration for which they can provide electricity. When Government introduced the new Storage Technology Classes in December 2017 they noted a number of respondents to their consultation who had argued that other technology classes, including DSR, may have limited duration. Government stated that they would "consider this further and come forward with proposals if necessary"⁵ but that the case for action was less clear.

We support further consideration of whether changes are needed to ensure value for money for consumers. In particular we believe more thought needs to be given on how DSR CMUs would incorporate limited duration technologies into their portfolios, and how to take account of limited duration assets in Unproven DSRs. However, this proposal was received with insufficient time for us to fully consider it for this round of Rules

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/664272/capacity-market-consultation-improving-framework-response.pdf

amendments. We intend to consult on a minded-to position in 2019. We welcome initial stakeholder views on this proposal to help inform our thinking.

Of15 (Ofgem)

We have considered amendments to the calculation of connection capacity in previous consultation rounds. In our 2016 decision, we set out that the most appropriate method of determining connection capacity is allowing applicants a free choice of capacity at prequalification and subsequently testing participants to this level. We confirmed this in our 2017 consultation and set out further details of our proposal including the format and timing of tests and the associated penalties.

However, implementation of our proposed changes requires amendments to the Regulations, including changes to establish partial terminations and penalties for not passing tests. Without these in place we cannot take forward our proposal fully. We intend to work with BEIS to pursue amendments to the Regulations when they are possible, and will subsequently consult on amendments to the Rules in the manner proposed in our 2017 decision.

In the meantime, we intend to change the way that historical performance periods are submitted, giving applicants a choice over which periods to submit. We will enable applicants to set their connection capacity using the average of those periods, giving them more freedom and allowing them to choose a lower figure for their capacity if desired. This will allow some of the benefits of our Of15 proposal without amending the Regulations. Full details of the changes we intend to make are set out in our response to CP253, CP347 and CP348.

4. Determination of Eligibility

Proposed amendments

No proposed amendments.

Proposals rejected

CP272 (EDF), CP281 (Energy UK), P284 (Energy UK), CP287 (Energy UK), CP306 (WWA), CP308 (WWA), CP310 (Green Frog Power), CP322 (NGET) and CP340 (UK Power Reserve)

All of these proposals seek to change the way in which Capacity Providers can amend their CMUs once they have prequalified.

Changes to configuration

CP272, CP281 and CP306 all propose to amend Rule 4.4.4, which currently prevents a change to the configuration of Generating Units or DSR CMU Components after prequalification. Specifically, CP272 seeks to allow limited changes to the configuration of CMUs as long as the physical assets do not change. The proposer argues that over the lifetime of a Capacity Obligation, industry changes could require CMUs to alter their Balancing Market identifiers and other relevant IDs. CP281 and CP306 suggest deleting Rule 4.4.4 altogether, arguing that it stops participants from delivering capacity in the

most efficient manner because it limits choice over plant type and configuration once a CMU has prequalified.

Changes to metering

CP284, CP308, CP310 and CP340 all propose to allow CMUs to change their CM Unit Type from CMRS to non-CMRS or vice versa. They would provide NGET with an explicit permission to amend the Capacity Market Register when this occurs.

Changes to connection type

CP287 seeks to allow Capacity Providers to alter their site connection point from Distribution-connected to Transmission-connected or vice versa.

Changes to location

CP322 proposes to limit changes of location until after the Financial Commitment Milestone (FCM) has been met, and then to prevent changes in location after either the Substantial Completion Milestone (SCM) or Minimum Completion Requirement (MCR) is met.

Our Views

We are minded to reject all of these proposals in their current form but are supportive of increasing the flexibility for CMUs after prequalification, noting that controls would be needed to allow such flexibility.

Changes to BMU IDs and metering

While Rule 4.4.4 prevents changes to the configuration of components within a CMU, we do not think it prevents a Capacity Provider from updating BMU IDs if required. For this reason, we do not consider the changes outlined in CP272 to be needed.

Similarly, changing between CMRS and non-CMRS is already possible under the current Rules, via the notification under Rule 8.3.3(f)(ii) and several CMUs have already done this. Therefore we do not believe the changes suggested by CP284, CP308, CP310 and CP340 are necessary.

Changes to connection type

Allowing Capacity Providers to switch between connection types would require extensive changes to the Rules, which were not provided with the CM Rule change proposal. We can see circumstances where an Existing Generating CMU may wish to reduce generating capacity and seek to switch from the Transmission to the Distribution network. However, we consider these situations to be very rare, and consider the proposed changes to provide only very limited benefits to potential Capacity Providers. Therefore we do not believe that the current Rules are a barrier for Capacity Providers to participate or to deliver capacity in an efficient and economic manner. Given the limited benefits and the changes required to Rules we do not intend to take this proposal forward.

Changes to location

We would support controls to prevent CMUs from abusing the rule which allows changes of location, but we believe further thought in this area is necessary. We do not expect

that many providers would want to move the location of their CMU after they have met their SCM or MCR, and therefore preventing this will have little impact. Requiring sites to have met their FCM before changing their location could prevent legitimate changes in location, for example where a site becomes unusable for reasons outside of the developer's control. Therefore we do not propose to take forward CP322.

Changes to configuration

In principle, we agree that removing Rule 4.4.4 could increase flexibility for Capacity Providers and allow them to deliver capacity at the lowest cost and thereby bring benefits to consumers. However, we do not consider completely removing the rule to be appropriate. Doing so would not account for the potential consequences of Capacity Providers changing their configurations, for example the need to ensure they remain eligible to hold a capacity agreement. Allowing reconfiguration could also encourage speculative developments, increasing the risk of non-delivery and costs for consumers.

Any changes which allow the reconfiguration of components within a CMU must take into account the wider consequences of the change and balance the benefits and risks appropriately. We believe Rule 4.4.4 could be changed to allow certain elements of the configuration of a CMU to change. Although we are not proposing to make Rules changes this year because of the further thinking required in this area, our current view is that there would be benefits in amending the Rules in the future to allow changes to:

- the Primary Fuel Type; or
- elements of the physical configuration of the unit, such as the relative sizes of generating units on a site.

We do not think changes should be allowed to the technology class, as this would require a change in de-rating factor and therefore a change to the size of the agreement.

We are interested to hear views from stakeholders on whether this Rule currently restricts the economic and efficient delivery of capacity. If stakeholders think the Rule acts as a barrier for achieving this, we would like to invite views on alternative approaches including appropriate checks and balances that ensure Capacity Providers will meet the eligibility criteria set out in the Rules. We also welcome input from the industry on other aspects or elements of a CMU that Capacity Providers should be allowed to change after prequalification.

CP328 (NGIH)

This proposal aims to change the prequalification process to allow applicants to correct errors. Specifically it suggests that NGET, where it believes that capacity would be eligible but for an error or omission in the application form, it could conditionally prequalify a CMU pending the applicant remedying its error or omission.

Proposed decision

We are minded to reject this proposal as it would not be possible without changes to the Regulations. The Regulations establish a Request for Reconsideration, as detailed in Regulation 69, as the means by which errors in Applications for prequalification can be corrected. The opportunity to do so is constrained by the prohibition on new information or evidence in Regulation 69(5). Introducing an alternative process within the Rules would make them inconsistent with the Regulations.

We note that conditional prequalification leads to a requirement to provide credit cover. We do not think that it would be appropriate to require credit cover from applicants because of errors or omissions in the application form.

5. Capacity Auctions

Proposed amendments

CP273 (EDF)

This proposal suggests amending the way that excess capacity is communicated to participants in the auctions. Currently it is rounded to the nearest 100MW in T-1 Auctions and the proposer suggests amending it to be rounded to the nearest 1GW, which would mirror the T-4 Auctions.

Proposed decision

We are minded to take forward a version of this proposal, which will give the Auctioneer the discretion to set the excess capacity parameter for each auction.

The excess capacity is rounded to reduce the chances that bids in the auction can be attributed to specific plant, and to mitigate risks of a bidder strategically withholding capacity in order to push up the clearing price. EDF noted that rounding to the nearest 100MW may not achieve these objectives for T-1 Auctions, where the size of plants is large compared to the volume of capacity being procured.

We agree that the rounding may need to change depending on other parameters such as the target capacity and the relative size of portfolios in the auction. Therefore, we propose to require the auctioneer to determine this figure for each auction. We believe that giving this role to the auctioneer addresses the issues raised by the proposer, and future-proofs the Rules to ensure reasonable rounding for each auction.

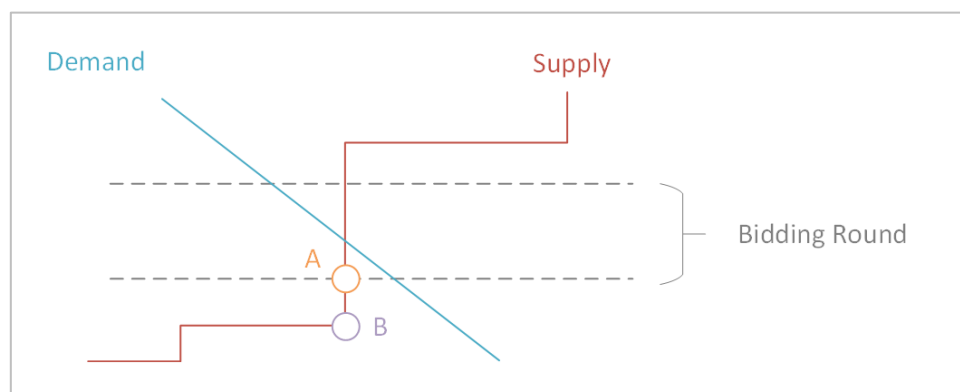
Of16 (Ofgem)

We are proposing relatively minor amendments to section 5.9 of the Rules (Capacity Auction clearing) to specify that an exit bid is required for the auction to clear.

Currently, due to the slope of the demand curve, the auction may clear even if there is no Exit Bid in the clearing round (see Figure 1). This may not be the most efficient outcome for consumers as there could be participants willing to commit to a lower price for the same capacity.

In Figure 1, there is no exit bid within the Clearing Round and the current Rules would lead to a clearing price shown by Point A, the Bidding Round Price Floor. However, it may be that by continuing the auction the same volume of capacity could be secured at a lower price, indicated by Point B. While this situation may be unlikely in practice, we believe it is sensible to eliminate this risk.

Figure 1 – Auction clearing when there is no Exit Bid in the Clearing Round



Proposals rejected

CP249 (Anonymous), CP250 (Anonymous) and CP251 (Anonymous)

These proposals seek to publish Price Maker/Price Taker status on the CM Register (CP250 and CP251) and to prohibit Price Maker CMUs from submitting exit bids below the Price Taker Threshold (CP249).

Proposed decision

We are minded to reject these proposals. We do not believe that it is beneficial to publish a CMU's status as a Price Maker or Price Taker on the CM Register. Ofgem is already able to monitor both the submission of Price Maker Memorandums (PMMs) and bidding in the auction and can identify and investigate any irregularities. The publication of PMM status therefore does not add further protection for consumers. Publishing these details could also expose commercially sensitive information regarding a CMU's expected costs and revenues.

We do not believe it is necessary or desirable to require Price Makers to submit exit bids above the Price Taker Threshold. Making this change could unnecessarily raise the price in the auction by forcing CMUs to exit at the Price Taker Threshold, even if they would be willing to bid a lower amount. It is reasonable for providers to change their bid during the auction, based on information revealed in the auction, including where this goes above or below the Price Taker Threshold.

CP264 (E.ON) and CP266 (E.ON)

These proposals would allow Existing Generating CMUs who successfully prequalify to have the option of withdrawing from the auction (CP264) or amending their bidding capacity (CP266) before the auction.

Proposed decision

We are minded to reject these proposals. Capacity Providers already have the opportunity to opt-out of participating in the Auction at the prequalification stage by submitting an opt-out notification. If the economics of its operation change between

prequalification and the Auction, as highlighted in the proposal, we would expect the bidding strategy of the CMU to change accordingly. Providers have the option of becoming a Price Maker and submitting bids above the Price Taker Threshold and as high as the auction price cap. If providers believe they will only be able to regularly and reliably fulfil a proportion of their obligation, they have the option of trading part of the obligation away in the Secondary Trading market.

Giving CMUs the opportunity to either withdraw or reduce their capacity between prequalification and the Auction adds a significant administrative complexity into an already complex part of the CM process. This complexity, in combination with the limited benefits, mean that we do not believe a change would be beneficial.

CP316 (InterGen)

This proposal would add into the rules a defined minimum time between the end of a Capacity Market Auction and the start of the relevant delivery year. InterGen proposes that this is 9 months for a T-1 Auction and 45 months for a T-4 Auction.

Proposed decision

We are minded to reject this proposal. We agree that the operational timelines of Capacity Providers should be considered when timetables for auctions are decided. However, this is already possible within the existing Capacity Market framework.

Further, there may be genuine reasons to vary the auction start date, taking into account the potential impact on participants or consumers. Regulation 26 recognises the needs for this discretion and gives the Secretary of State the ability to delay or cancel an auction. We therefore believe that amending the Rules in the way proposed is unnecessary, and would be inconsistent with the Regulations.

6. Capacity Agreements

Proposed amendments

CP329 (NGIH)

This proposal would amend the Rules so that a reduction in Transmission Entry Capacity (TEC) caused solely by the failure of the System Operator (SO) to deliver a connection would not lead to a Termination Fee under Rules 6.10.1(g) or 6.10.1(ga).

Proposed decision

We are minded to take forward this proposal. The Rules already contain provisions to explicitly accommodate failures by the SO to deliver connections; in Rule 6.7.7 the Long Stop Date is extended in such instances.

Rules 6.10.1(g) and 6.10.1(ga) require NGET to terminate a CMU if it does not hold sufficient TEC at any time during a delivery year. This discrepancy could result in a CMU being terminated for not holding TEC despite being able to push their Substantial Completion Milestone back beyond the original Long Stop Date. Under these

circumstances, the CMU would be exposed to £35,000/kW penalties and a ban from participating in further Capacity Market Auctions for two years. We agree that this termination event is inconsistent with the wider arrangements for New Build Generating and Interconnector CMUs.

Proposals rejected

CP326 (NGET)

NGET recommends that the Auction Acquired Capacity Obligation (AACO), defined in Rule 8.5.3, is set to zero until a CMU has met the Substantial Completion Milestone (SCM) or Minimum Completion Requirement (MCR). The aim is to manage the risk of a New Build CMU being incomplete at the start of the delivery year but still receiving payments. As a related change, NGET propose an amendment to Rule 6.7.1 (Achieving the Substantial Completion Milestone) to allow changes to the AACO where the party has not met the SCM but has met the MCR. They also propose that there should be more formal reporting requirements on MCRs.

Proposed decision

We are minded to reject this proposal as we do not think it is required. In accordance with Rule 6.7.4(a)(i), an agreement will not take effect until either the SCM or MCR is met. We have confirmed with ESC that, as a result of this Rule, a CMU will not receive payments until this occurs.

We do not propose to add an additional reporting requirement in relation to MCRs. It is not evident to us that there is a need for them at this time.

7. Capacity Market Register

Proposed amendments

CP270 (EDF) and 271 (EDF)

These proposals recommend publishing detailed information about individual CMU components on the Capacity Market Register (CMR).

CP270 proposes that the connection capacity, de-rated capacity and technology type for each component making up each Generating CMU is published. Currently, the CMR only includes the aggregate capacities for CMUs. In cases where a CMU consists of multiple components, information about individual components is not available.

Proposal CP271 suggests that the CMR should make a distinction between "DSR – Turn down" and "DSR – Generating" CMUs, and whether the DSR CMU is supported by onsite generation.

Proposed decision

We intend to consider these issues further with a view to taking forward changes in the future. However we do not intend to make changes before the next prequalification round due to the significant systems changes that would be required.

We support the principle of increased transparency with the wider market about the capacity that enters the Capacity Market Auctions. We think this can provide valuable information for market participants, benefit policymaking, and result in better value for money for consumers.

However, these proposals require significant changes to NGET's systems, in particular requiring parts of the system to work at a component level, rather than at a CMU level. Similar changes are being designed as part of our proposal Of12. During the implementation of Of12 we will consider what information could improve transparency without making the CMR less user-friendly.

In the meantime we believe there are alternative ways in which some of this information can be made available. We intend to publish aggregated figures about the types of DSR with agreements in our 2018 Capacity Market Operational Report.

CP321 (NGET)

This proposal would change the timing of updates to the BETA value (β) following a System Stress Event. It would amend Rule 7.5.1(o) to require NGET to update β on the Capacity Market Register five days after the end of the month in which a System Stress Event occurs, rather than the current timescale of five days after a System Stress Event.

The BETA value (β) indicates whether a Relevant Balancing Service has been provided in a relevant Settlement Period, and is used in the Adjusted Load Following Capacity Obligation (ALFCO) calculation.

Proposed decision

We are minded to take forward this proposal, as it will align timescales across Delivery Partners in the Rules. NGET requires EMRS to have calculated the necessary data before NGET can make the corresponding updates to the CM Register. EMRS is dependent on receiving information from participants before the data can be transferred to NGET. As such, it is unrealistic to require NGET to update the Register within 5 days of the System Stress Event. The proposed change will enable NGET to publish the information as soon as is possible within the wider settlement framework.

Proposals rejected

No proposals rejected.

8. Obligations of Capacity Providers and System Stress Events

Proposed amendments

CP256 (Client Earth), CP346 (Anonymous), and CP352 (Anonymous)

These proposals would all add new standards for generators participating in the Capacity Market.

- CP256 would require a generator covered by the Large Combustion Plant (LCP) Best Available Techniques Reference (BREF) documents to hold a permit stating that it will comply with the best available techniques in relation to emissions and energy efficiency set out in the LCP BREF. It would also amend the Rules to refer to the latest version of the LCP BREF, dated April 2017.
- CP346 would require all CMUs to demonstrate during prequalification that they hold a valid Greenhouse Gas Emissions Permit, as required under the European Union's Emissions Trading Scheme (EU ETS).
- CP352 would require all CMUs to demonstrate during prequalification their compliance with the Medium Combustion Plant Directive (MCPD) and Generator Controls.

Proposed decision

We are minded to reject these proposals but take forward a small clarification amending the definition of BREF to refer to the latest applicable version of the document. Making this amendment ensures that existing compliance requirements under the Capacity Market Rules reflect wider policy.

We are minded to reject the proposals to require all CMUs to demonstrate compliance with best available techniques under LCP BREF, compliance with all emissions standards including EU ETS, and compliance with MCPD and Generator Controls. Generators are obliged to comply with relevant emissions standards, and there are separate mechanisms for enforcing compliance within those legislative instruments.

If a generator is prevented from generating in a particular delivery year because of non-compliance then they would be further penalised under the CM framework. A generator that cannot generate within the delivery year would be unable to meet its satisfactory performance requirements and would not receive capacity payments and would be terminated. We believe therefore that a further change to the Rules is not required to enforce compliance with these standards.

CP279 (Energy UK), CP289 (Engie), and CP290 (Engie)

These proposals all concern incorrect definitions or formulae relating to a Capacity Obligation where a CMU includes more than one BMU/component.

- CP279 suggests amendments to the Adjusted Load Following Capacity Obligation (ALFCO) in Rule 8.5.2. It argues that the current definition of the term QME_i is too narrow, and it should not refer just to CMUs providing Relevant Balancing Services.
- CP289 identifies some issues when a CMU includes more than one BMU/component. These issues are exacerbated when some, but not all, of the BMUs comprising a CMU are providing Relevant Balancing Services. Adjustments to the ALFCO are required to address the ambiguity as to whether the subscript 'i'

refers to a CMU or a BMU. In addition, it is suggested that the System Operator should notify the Settlement Body of the units (BM or non-BM) that provide Relevant Balancing Services.

- CP290 argues that the Rules that are used to determine the actual output (E_{ij}) of a Generating CMU in a System Stress Event should change in order to distinguish the CMU from its constituent BMUs.

Proposed decision

We are minded to take forward these proposals, as they would clarify definitions and formulae relating to a Capacity Obligation where a CMU includes more than one BMU/component. However, implementing these changes would have a significant impact on systems. We are therefore proposing to delay implementation of these amendments until next year.

As the Rules currently stand, the Settlement Body can apply Rule 8.5.2 only under certain circumstances, and as a result it cannot correctly calculate the genuine Capacity Obligation for every occasion. In addition, the lack of clarity over the use of CMUs and BMUs/components in definitions and formulae could potentially lead to an incorrect calculation of the actual output of a Generating CMU in a System Stress Event (due to a lack of the required data).

These proposals address these issues, clarifying the terms relating to BMUs and CMUs, which in turn ensures that the Capacity Obligation calculation sums these terms in line with the policy intent. These additional clarifications take into account which units (BM or non-BM) provide Relevant Balancing Services, and their respective impact on the Capacity Obligation calculation, as well as the calculation of the actual output (E_{ij}) of a Generating CMU in a System Stress Event.

CP304 (ESC)

This proposal aims to clarify the metering requirements for a CMU which is a BMU. Rule 8.3.3(g)(ii) requires a Capacity Provider for a CMU that is a subset of a BMU to select the relevant Bespoke Metering Configuration Solution when they confirm the Metering Configuration Solution. The Bespoke Metering Configuration Solution is defined within Schedule 7. This proposal argues that the arrangements should be tested against the Code of Practice in place at the time of Registration for Settlement, rather than current industry standards.

Proposed decision

We are minded to take forward this proposal as it would clarify the standards against which the metering system of a CMU that is a subset of a BM unit will be tested. This proposal is consistent with the intent of the Rules, and ensures that a metering system will be assessed against the relevant and applicable Governing Documents, while removing ambiguity around which standards the system must comply with. In order to confirm the validity and accuracy of the data submission an additional Proving Test will be carried out. This will confirm that the stored metered data can be transferred correctly.

CP305 (ESC)

This proposal would oblige Capacity Providers to permit ESC to visit generator offices and sites and oblige Capacity Providers to assist ESC with its queries. It would also shorten the notice ESC is required to give to conduct site visits for metering purposes.

Proposed decision

We are minded to take forward part of this proposal. We agree that ESC needs certainty that both it and Capacity Providers are compliant with Anti-Money Laundering and other financial crime legislation. To do this, ESC needs adequate access to Capacity Providers, documents, and information to conduct due diligence. However, we do not believe that granting ESC the ability to conduct site visits is appropriate through the Rules. This is a major change to the roles and responsibilities assigned to ESC and could be made by the Government through the Regulations.

Instead, we are minded to make changes to facilitate ESC's access to sites to inspect metering. We propose to reduce the window for accessing metering equipment to one month from the current two months. We believe this is necessary to allow ESC to more actively prevent and mitigate metering fraud, such as including units in receipt of low carbon subsidies in a CMU.

CP323 (NGET)

This proposal would amend Rule 8.4.2(a) so that Capacity Market Notices (CMNs) are not triggered when a Demand Control Instruction has been issued for a 'system' tagged event, such as those related to demand control or voltage tests.

Proposed decision

We are minded to take forward this proposal. CMNs are intended to notify stakeholders when there is a situation that may lead to a System Stress Event. Under the current arrangements, a CMN must be issued when any System Operator Instigated Demand Control Event is issued. In practice, this would currently include Demand Control Events issued as a result of local constraint issues or DNOs' voltage testing arrangements, which are not themselves indicative of any capacity challenge.

This proposed change would exclude any such Demand Control Events from triggering a CMN, where the event had been flagged by the SO as a 'system' issue. This would reduce the risk of unnecessary and potentially confusing CMNs being issued.

Of13 (Ofgem)

We consulted last year on amendments to Rule 8.6.2, which calculates the capacity delivered by a Generating Unit which is a Storage Facility. We did this in order to prevent these CMUs from being over-rewarded by the current arrangements and to align the baseline methodology to that used for DSR CMUs.

Currently the baseline is derived from the level of consumption in the Settlement Periods directly before the period in which capacity delivered is being measured. We believe this creates a perverse incentive, and may allow a Storage Facility to be over-rewarded, as it

could consume more electricity just before the System Stress Event in order to increase the measurement of its capacity delivered.

In our 2017 consultation response, we decided to take forward the proposal but with a delayed implementation because of the systems implications for ESC. We said that we would work with ESC and NGET to develop final drafting. We are now publishing the final drafting for consultation.

Changes to the drafting since our 2017 consultation

As noted in our decision last year, we recognise that there could be a seasonal pattern in storage consumption and we are altering our drafting to reflect this. In addition to the six weeks of historical consumption data used to make the baseline, it will also now include the last 10 days (both working and non-working) and the last six Settlement Periods. This will reduce the possibility of baseline manipulation while better taking into account seasonal changes in consumption. We also intend to include a requirement on ESC to monitor for any manipulation of the baseline, in line with the requirement it already holds for DSR CMUs.

In addition, to further align the baseline with the DSR methodology, the mean average of the "Adjusted Demand Sample" in a Settlement Period will be the Provisional Baseline Demand for the storage CMU during that period. This amendment adds to the overall aim of this proposal to capture accurately the 'demand reduction' that a storage facility can provide by ceasing to consume when it might normally be doing so. It aligns the formula with the original policy intent while allowing more consistency between technology types.

Finally, in the event of a Capacity Market Warning (CMW), the Provisional Baseline Demand for a storage CMU will be determined for each of the six Settlement Periods prior to the Settlement Period in which the CMW is issued. It would be appropriate for storage units, in a similar way to DSR CMUs, to ignore any Settlement Period where data is not available, or where a CMW is in force.

Changing the baseline formula in these ways will provide a truer reflection of the consumption behaviour of the storage site at comparable times to the System Stress Event. We expect that the amendments will be implemented for the 2018/19 delivery year.

Proposals rejected

CP267 (E.ON)

This proposal seeks to allow a New Build CMU applicant to submit a Parent Company Guarantee (PCG) instead of either a letter of credit or cash deposit when required to submit credit cover.

Proposed decision

We are minded to reject this proposal. As the proposal notes, this change would require amendments to Regulation 53(3). As we do not have the relevant powers to make amendments to the Regulations, we are not able to make this change.

CP278 (National Grid Gas)

This proposal seeks to relieve a Capacity Provider of their Load Following Capacity Obligation (or to reduce it) in any Settlement Period in which its Capacity Committed CMU is affected by an Operating Margins instruction from the gas transmission system operator.

Proposed decision

We are minded to reject this proposal. CCGTs are already able to participate in both the Capacity Market and Operating Margin tenders, and can reflect in their bids risks such as coincident Operating Margin/Capacity Market events.

The proposed change would introduce differential treatment for CCGTs by relieving them of their obligations in these events. We do not see clear benefits to such a treatment. Further, we do not believe that it is appropriate for electricity consumers to bear the risk of non-delivery in the event that a System Stress Event coincides with an Operating Margin instruction.

CP282 (Energy UK), CP311 (Green Frog Power)

These identical proposals would remove the Capacity Obligation of Distribution CMUs in periods when they are subject to an interruption by a DNO ('Relevant Interruptions'). Relevant Interruptions are currently only defined for Transmission CMUs.

Proposed decision

We are minded to reject these proposals as it could have an unfavourable impact on consumers where generators have non-firm access rights.

As the CM Rules currently stand, there is no differentiation between firm and non-firm connection agreements. We agree that it would be appropriate to provide equivalent 'relevant interruptions' protection for Distribution connected generators with firm access rights, as these generators share similar characteristics to Transmission connected generators with firm capacity.

However, Distribution connected generators who have non-firm access rights may be curtailed when the network is constrained, and may in some cases benefit from lower connection costs as a result. It would not be appropriate for these CMUs to be absolved of their Capacity Obligation and exempt from CM penalties in this event.

We have received a related change proposal, CP349, which seeks to require that all Generating Units have firm access rights. This proposal was received too late for us to consider in the current round and we intend to consult on a minded-to position in 2019. We intend to consider CP282 and CP311 alongside CP349.

CP292 (Engie)

This proposal would amend the storage baseline formula to prevent the 'electricity generated' from turning negative, which could cause double penalties to apply if a storage CMU is consuming in a System Stress Event.

Proposed decision

We are minded to reject this proposal. The proposer believes that there is a risk of double penalties, based on the view that the 'A' term in the storage output formula can take a negative value. Rule 8.6.2 defines this term as 'electricity generated' by the CMU. In our view, this definition implies that the term refers to output and not consumption, and therefore cannot take a negative value. We have confirmed with the ESC that the term can only take positive values in their system. We therefore conclude that there is not a risk of double penalties for storage, and so this rule change is not required.

CP294 (ESC)

This proposal relates to the obligation and output of an Interconnector CMU. It proposes to:

- introduce a methodology for calculating the ALFCO for Interconnector CMUs; and
- amend Chapter 8 of the Rules so that actual metered volume is used to calculate an Interconnector CMU's output during a System Stress Event, rather than the Interconnector Scheduled Transfer (IST)

Proposed decision

We are minded to reject these amendments. We do not think it is necessary to introduce a methodology for calculating the ALFCO of an Interconnector CMU. BEIS introduced a methodology for doing this in December 2017, which ensures Interconnector CMU performance is subject to over delivery payments and under delivery penalties.

We are also minded to reject the proposal to use metered volume to calculate an Interconnector's output in a System Stress Event. When the Rules for Interconnectors were originally drafted, IST was deliberately chosen as the output metric to reflect an Interconnector CMU's position at market close. The proposal in its current form would not provide the data necessary to account for both the output of the Interconnector and any actions taken at the request of the SO.

CP330 (RWE)

This proposal seeks to add a clarification to Rule 8.3.1 in order to explicitly state that where a CMU has deferred the submission of its Distribution Connection Agreement, the submission of letters from Private Network owners is also acceptable.

Proposed decision

We are minded to reject this proposal, as we believe the current drafting of 8.3.1(a) is sufficiently clear. Rule 8.3.1(a) states, "Where the Capacity Provider has made a declaration or provided a letter in its Application in accordance with Rule 3.7.3(c)... the Capacity Provider must provide a copy of its connection offer". We believe that a letter from the Private Network Owner is an acceptable form of connection offer for this purpose. Therefore this change is not required.

CP324 (NGET)

The proposed change would introduce a 'deadband' period for any Capacity Market Notices (CMNs) triggered as a result of an unexpected demand control or low frequency event. Rule 8.4.6(d) requires that a CMN should remain in place until "an Inadequate System Margin is no longer forecast to arise [...] at any time within the next four hours". The deadband would prevent the cancellation of the CMN until a set time had elapsed.

Proposed decision

We are minded to reject this proposal. There would be clear benefits to minimising the risk of unnecessary and inappropriate cancellations of CMNs. However, we have not seen sufficient evidence that this would be likely or that the potential scale of impact would justify a change. The current proposal also does not consider any alternative methods for reducing the data flow lag outside of the Rules. It is not evident that the situation is caused by the Rules as opposed to systems operation.

We note that the proposal offers a broad range of time for the proposed deadband period of 1 to 2 hours, ie between 2 and 4 Settlement Periods. We would need further analysis on this point were we to consider taking forward a related Rules change. Were a deadband period to be introduced, it should both provide the SO with sufficient time to update their calculations without risking security of supply or favouring certain types of CMU by excessively reducing the warning period.

CP327 (NGIH)

This proposal would put a requirement on the GB System Operator (SO) to publish the information it uses to calculate whether a Capacity Market Notice (CMN) should be issued, every half hour in real time.

Proposed decision

We are minded to reject this proposal. We consulted last year on the need for Rules changes regarding information provision for CMNs. We concluded that a similar change was not required, noting that CMNs are not intended to be despatch tools. Instead, there should be clear signposting to all stakeholders to information to inform their despatch decisions. No new evidence has been provided to change this view.

There is, however, still improvement to be made by the SO in terms of how they direct participants to relevant margin information and alerts. We expect the SO to review how it publicises information sources to enable participants to access the same information.

CP331 (RWE)

The proposal requests the removal of Rule 8.5.1(ba). This rule relieves Interconnectors of all obligations when affected by SO actions to reduce output below the level of their Interconnector Scheduled Transfer. RWE argue that this is necessary to achieve technology neutrality and fairness between different CMU types as other CMUs do not have an equivalent carve out.

Proposed decision

We are minded to reject this proposal. Interconnectors require different arrangements to other forms of CMUs, to account for their specific technical and commercial characteristics. The amendment as proposed could result in an Interconnector CMU being judged to be underperforming because it is responding to a request from the System Operator to reduce output.

As noted in CP294, we agree that it may be more appropriate to use metered output to calculate an Interconnector's performance in a System Stress Event. However, we believe that a better way to achieve this would be through modifying the ALFCO formula, to ensure that Interconnector obligations also reflect changes to operation that result from SO instructions. Such a change would require more complex amendments than those in this proposal, with likely impacts on systems and data flows.

CP333 (RWE)

The proposal seeks to remove the CMU's delivery obligation where a system to generator intertrip has fired. System to generator intertrips provide a service designed to protect the transmission system from overload in the event of failures on transmission lines. In such an event, where an intertrip scheme has been 'armed', a generator may be instructed by the SO to restrict their output so as not to overload the local transmission system. The proposed amendment would incorporate intertrips into the existing carve out for 'relevant interruptions' under rule 8.5.1(c).

Proposed decision

We are minded to reject this proposal, as we do not think it is appropriate to remove a CMU's obligation in its entirety due to an intertrip. An intertrip may prevent a generator from meeting its full obligation under the Rules. However, in some instances, the intertrip would only affect part of the CMU's ability to meet its Capacity Obligation. In these cases it would be disproportionate to remove the full obligation.

A more suitable approach may be to account for intertrips within the ALFCO formula, as currently occurs for Relevant Balancing Services. However, this would require further consideration than provided in this proposal.

CP339 (UKPR)

This proposal would allow Capacity Providers to submit an updated Metering Assessment for a CMU after an initial submission has been made.

Proposed decision

We are minded to reject this proposal as the recent changes made by the Department for Business, Enterprise and Industrial Strategy (BEIS) included a provision that enables participants to update their Metering Assessments. In its autumn consultation, BEIS amended Rule 3.6.4 to allow an applicant to amend a completed Metering Assessment, provided the approved Metering Assessment is compliant with Rule 3.6.4(a)(ii) and the updated Metering Assessment is submitted by the required Metering Test Certificate deadline.

Of12 (Ofgem)

We consulted last year on amendments to several Rules, which would allow DSR CMU Components to be altered during a delivery year. We did this in order to provide Capacity Providers with greater flexibility and so that DSR CMUs have the capability to maintain reliability of their portfolios throughout the delivery year.

In our 2017 consultation response, we decided to take forward the principle of DSR component reallocation, but following stakeholder feedback we removed the requirement for additional tests of the CMUs within the same delivery year. We also noted that the changes would not take effect until the 2018/19 delivery year due to systems implications, and that we would consult on the final legal drafting this year.

From our further engagement with stakeholders and the Delivery Partners, we understand that these proposals require a fundamental system change. The current system building blocks are based on CMUs rather than CMU Components, and this granularity of change comes with an implementation burden for the EMR Delivery Partners. In order to introduce these changes into the Rules without disrupting the efficient operation of their systems, we are consulting on the final drafting of our proposal but do not plan to implement the changes until next year, in time for the 2019/20 delivery year.

Changes to the drafting since our 2017 consultation

As we stated in last year's consultation, we believe it is appropriate that where a component has been added or removed, the CMU or Portfolio is required to conduct a New DSR Test or New Joint DSR Test and demonstrate delivery of their Capacity Obligation. However, this could result in the unfavourable outcome of those DSR CMUs being considered Unproven DSR CMUs until the New DSR Test or New Joint DSR Test is undertaken.

We consider this potential outcome as excessive and not in accordance with the flexible approach of Of12. To remain consistent with the original intent, we propose that the DSR Test Certificate shall remain valid for the delivery year during which components were added or removed. For such DSR CMUs, the DSR Test Certificate will no longer be valid for the subsequent delivery year, and a New DSR Test or New (Joint) Test will be required, if these DSR CMUs are to participate in the subsequent delivery year.

9. Transfer of Capacity Obligations

Proposed amendments

No proposed amendments.

Proposals rejected

CP245 (ADE)

This proposal seeks to facilitate Secondary Trading by removing the requirement that a Capacity Obligation transferred is at least equal to the Minimum Capacity Threshold of 2MW, and replace it with a new "minimum trading threshold" of 500kW.

Proposed decision

We agree that there could be some benefits to reducing the Secondary Trading threshold as this could enable small CMUs to trade away parts of their agreements. However, these benefits are likely to be limited due to the potential capacity impacted by such a change. Our discussions with ESC and NGET have highlighted that this proposal would incur significant costs as it would require fundamental changes to systems. As set out in our cover letter, scope for systems changes is low this year and therefore we do not propose to take forward this change.

CP248 (Alkane)

This proposal seeks to amend Rule 9.2.5(a) in order to allow the transfer of Capacity Agreements at any time outside of the Prequalification Window. Currently, transfers can only take place after the T-1 Auction for the relevant delivery year has concluded

Proposed decision

We are minded to reject this proposal. We have rejected similar proposals (CP127, CP132, and CP182) in the last two years on the same issue, noting that the current Secondary Trading arrangements are untested and it would be preferable to have further evidence before considering a change. Consultation responses at the time did not provide further evidence to support these changes and the proposer on this occasion has also not submitted any new evidence to support this proposal.

Although the proposal could benefit some Capacity Providers by giving them the option to trade away or take on agreements at an earlier stage, we are not convinced of the net benefits to consumers of this proposal. For example, a more liquid T-1 Auction and a

subsequent lower clearing price directly benefits consumers, while the benefits of Secondary Trading ahead of this point are less clear.

Secondary Trading has only been available to providers for a short time and, to date, activity has been limited. However, we remain open to views on how arrangements could be improved, and we note that we are minded to take forward changes this year (CP247 and CP343) to improve the rules around Secondary Trading.

CP262 (E.ON)

This proposal would amend the Rules such that the transfer of a Capacity Market agreement, in whole or part, for a whole delivery year, also transfers the associated obligation to demonstrate Satisfactory Performance Days for the capacity transferred.

Proposed decision

We are rejecting this proposal as BEIS has recently made changes to this effect⁶. We agree that these changes were necessary to enable Secondary Trading and allow Capacity Providers to securely trade away their obligations without retaining performance requirements. This should increase the incentives for Capacity Providers to participate in Secondary Trading.

10. Volume Reallocation

Proposed amendments

No proposed amendments.

Proposals rejected

No proposals rejected.

11. Transitional Arrangements

Proposed amendments

No proposed amendments.

Proposals rejected

No proposals rejected.

⁶

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/670438/20171218_CM_Amen_dment_Rules_4_2017.pdf

12. Monitoring

Proposed amendments

CP312 (Green Frog) and CP325 (NGET)

These proposals seek to simplify and clarify the timeframes for submitting the construction reports required under Rule 12.2.1 (regarding monitoring of progress of construction). CP312 proposes to fix the timings of these reports to take place mid-month every quarter until the Substantial Completion Milestone. CP325 proposes to set the requirement for the frequency of these reports to every six months following 1 June after the CM Agreement has been awarded, and proposes to limit the requirement on an Independent Technical Expert (ITE) update to circumstances in which the information provided under Rule 12.2.1 has changed in the preceding six-month period.

Proposed decision

We are minded to take forward the principle of these proposals. We agree that fixing the timings of the reports and limiting the requirement for an ITE update would simplify the process. Currently, the timing requirements for individual construction reports depend on the timing of the related auction. This creates an unnecessary complexity for participants in delivering, and for NGET in tracking, construction reports for CMUs across different delivery years.

We propose to amend the Rules to require construction reports to be submitted by 1 June and 1 December in each year following the auction in which the CM Agreement was awarded until the Substantial Completion Milestone has been met. Additionally, we agree that the current requirement on Capacity Providers to provide an ITE update in each of its construction updates is excessive and propose to limit this requirement to circumstances where the information in the report has changed.

We are not currently proposing to alter the requirement specified in 12.2.1B to submit additional construction reports 3 months and 9 months after the auction date in which that specific CMU was awarded a CM Agreement. However, we welcome further stakeholder views on this point.

Proposals rejected

No proposals rejected.

13. Testing Regime

Proposed amendments

CP244 (ADE)

This proposal seeks to only require a new DSR (Joint) test for affected components, rather than the entire CMU in three situations:

- where there are inconsistencies in metering configuration details between the Metering Test Certificate and the DSR Test Certificate;
- where metering arrangements have changed since the initial DSR Test;
- where the Settlement Body becomes aware that a Capacity Provider has failed to notify them about faulty meters, a change in metering configuration, or has submitted incorrect information, and where the situation is not effectively remedied.

The proposal also sought to add a 'catch-all' provision, which would allow new DSR (Joint) Tests to cover any potential circumstances where a DSR Test Certificate is no longer valid.

Proposed decision

We are minded to take forward this proposal, but only in the circumstances where metering arrangements have changed.

Inconsistencies in the metering configuration

It is important that DSR Tests are undertaken based on the correct and verified metering configuration. If there are inconsistencies between a DSR Test Certificate and the Metering Test Certificate then it is appropriate that a new DSR (Joint) Test of the entire CMU is undertaken. Therefore we do not intend to make a change for this circumstance.

Where metering arrangements have changed

In the case of metering arrangements changing, we agree that a new DSR (Joint) Test of the entire DSR CMU is not necessary and not consistent with the new approach to DSR component re-allocation as outlined in Of12. However, to remain consistent with the planned wider treatment of DSR CMUs, and to avoid creating inappropriate incentives to introduce non-performing components, we propose to also require the Capacity Provider to undertake new Metering Tests of the affected components. In this case, the DSR Test Certificate will not be valid for subsequent delivery years, and a new DSR (Joint) Test will be required.

Failure to notify Settlement Body of certain information

Capacity Providers can avoid such situations by complying with the Rules. Furthermore the prospect of a New DSR (Joint) Test serves as an incentive to comply with the Rules. For these reasons, we are minded to leave these Rules unchanged.

Inclusion of a catch-all provision

The proposer argued that a catch-all provision was necessary to cover a range of situations where DSR Tests might be required, but where there is no provision in the Rules to address the specific situation in question. We do not believe that inserting a catch-all provision is appropriate as it is unclear whether this would be an appropriate solution in all circumstances.

CP276 (Endeco)

This proposal aims to clarify the process for providing DSR Alternative Delivery Period data to NGET. It would confirm that metering data using a time sampling frequency higher than half-hourly will be acceptable to NGET.

Proposed decision

We are minded to take forward this proposal. As the Rule 13.2.6A(a)(ii) currently stands, the process for using DSR Alternative Delivery Periods for prequalification is not clear. The proposed amendment would clarify the application of DSR Alternative Delivery Periods in Rule 13.2.6A. This proposal would also improve the consistency of the metering data formats across the three metering options.

CP277 (Endeco) and CP344 (ADE)

These identical proposals would permit Satisfactory Performance Days (SPDs) to be demonstrated through DSR Alternative Delivery Periods, with data gathered by Balancing Services Metering. This is in acknowledgement of the potential for CMUs to be delivering Balancing Services which would meet the Satisfactory Performance Day criteria, but which may not fall precisely on the beginning of a Settlement Period.

Proposed decision

We are minded to take forward these proposals. As Rule 13.4.1 currently stands, it only recognises data precisely within a Settlement Period. It does not allow Capacity Providers to use DSR Alternative Delivery Periods, which can be any continuous period of 30 minutes, to meet their SPDs. The proposed changes will enable Capacity Providers to demonstrate satisfactory performance in a way which is consistent with the intent of the Rules, removing the risk of genuine capacity failing to meet its SPD obligations. We note that the proposal referred specifically to CMUs using a Balancing Services Metering Configuration, as these meters are able to record output of a finer granularity than the 30 minute Settlement Periods. We recognise that a Bespoke Metering Configuration could also provide this and therefore these providers would also be able to use DSR Alternative Delivery Periods.

CP280 (Energy UK)

This proposal aims to clarify the requirement to perform additional Satisfactory Performance Days (SPDs). Currently any CMU which fails to deliver energy during System Stress Events in two separate winter months is obliged to demonstrate six additional SPDs. This is required even when a Provider may have been exempted from their obligation to deliver, for example as a result of transmission constraints or providing balancing services.

Proposed decision

We are minded to take forward this proposal. There are legitimate reasons why a Provider may not have a Delivery Obligation during specific System Stress Events, and these are provided for in the Rules. In such circumstances, there is little benefit in requiring a Provider to subsequently demonstrate additional Satisfactory Performance Days.

CP300 (ESC)

This proposal seeks to allow Capacity Providers more time to rectify issues identified in a failed Metering Test where the Capacity Provider has been notified of the failure a significantly in advance of the relevant Metering Test Certificate deadline. The proposal suggests that the current rectification timeframe of 40 working days may not be sufficient to rectify complex changes to Metering Arrangements.

The proposal also intends to clarify that the 40 working day time limit given to the Capacity Provider may not exceed the Metering Test Certificate deadline specified in Rule 8.3.3(e). Specifically, the proposal suggests that Ofgem introduces a new provision in Rule 13.3.8(b) that requires Capacity Providers to implement their rectification plans before the Metering Test Certificate deadline.

Proposed decision

We are minded to take forward part of this proposal. We agree that 40 working days may not be sufficient to implement complex changes to a site's Metering Arrangements. We believe this is an unnecessary restriction where the changes are happening a long time before the Metering Test Certificate deadline. For this reason, we propose to eliminate the current 40 working day deadline limit on rectification plans. This would still require Capacity Providers to complete their Metering Assessments sufficiently early to meet the deadline for submitting their Metering Test Certificate to NGET by the current deadline in the Rules, taking into account the processing time required by the EMR Settlement Body.

We are minded to reject the proposed changes to introduce deadlines for implementing rectification plans. In our view, the proposed changes do not meet the objectives of clarifying the Rules around the Metering Test Certificate deadlines, but add new complexity to them. We think clarification of this issue would be better achieved by making changes to Delivery Partners' guidance documentation relating to Metering Tests.

CP320 (NGET)

This proposal seeks to amend Rule 7.5.1(l) to record the issuing of a Meter Test Certificate for all CMUs, rather than just DSR CMUs.

Proposed decision

We are minded to take forward this proposal. Recording the issuing of Meter Test Certificates for all CMUs ensures a consistent and transparent process, and will help to streamline processes carried out by Delivery Partners by making clear in the CMR if the required metering milestones have been met by all CMUs.

CP338 (UK Power Reserve)

This proposal would enable Capacity Providers of CMRS Distribution CMUs to aggregate the output of a group of Capacity Committed CMUs simultaneously (of a combined capacity of no more than 50MW) to perform Satisfactory Performance Days.

We are minded to take forward this proposal. Demonstrating performance at an aggregate level is already available for non-CMRS Distribution CMUs. Extending this provision to CMRS Distribution CMUs will ensure fairness between metering types, while offering additional options for CMRS Distribution CMUs to demonstrate their satisfactory performance.

Proposals rejected

CP259 (E.ON)

This proposal seeks to allow an additional window for completing DSR Tests, up to 30 working days after Prequalification Results Day. This would allow Capacity Providers to complete tests for Unproven CMUs prior to the auction, confirming their proven capacity and adjusting the CMU's size accordingly, before entering it into the auction.

Proposed decision

We are minded to reject this proposal. Currently Capacity Providers can undertake the necessary DSR Tests or Joint DSR Tests prior to the Prequalification Window or after the award of a Capacity Agreement, up to one month prior to the commencement of the delivery year. This gives a significant amount of time for Capacity Providers to complete DSR Tests. We have not seen evidence that the current available time is insufficient.

CP260 (E.ON) and CP332 (RWE)

Both CP260 and CP332 seek to amend the testing regime under Chapter 13 in order that Interconnector CMUs should demonstrate Satisfactory Performance Days equal to or greater than their Capacity Obligation, rather than demonstrating an output greater than zero.

Proposed decision

We are minded to reject the proposals to amend Rule 13.4.1A. As specified in the September 2014 Government Consultation on Capacity Market supplementary design proposals and Transitional Arrangements,⁷ the Satisfactory Performance Day testing regime applicable to other CMUs is not suitable for Interconnectors.

A Capacity Committed CMU other than an Interconnector, must nominate three Settlement Periods in the previous winter where they can demonstrate that they have delivered up to the level of their Capacity Obligation. This is not applicable for Interconnectors as they do not have control over the direction of their flow. Requiring an Interconnector to meet its Capacity Obligation for SPDs in winter would not test whether it was able to deliver on its obligation, but would test whether price differentials between the interconnected markets were sufficient at any point during winter for the Interconnector to import to GB.

We believe the current Rules on SPDs are appropriate for the specific functioning of Interconnector CMUs.

⁷ Consultation on Capacity Market supplementary design proposals and Transitional Arrangements: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/358461/CM_October_Condoc_FINAL.pdf

14. Data Provision

Proposed amendments

No proposed amendments.

Proposals rejected

No proposals rejected.

15. Schedules & Exhibits

Proposed amendments

CP252 (Centrica) and CP285 (Energy UK)

These proposals suggest rationalising the number of certificates and declarations required as part of prequalification. At present, where the applicant for a Generating CMU is not the Legal Owner of each Generating Unit comprised in the Generating CMU, they are required to obtain either a Legal Owner Declaration signed by two directors of the Legal Owner or an applicant Declaration signed by two directors of the Legal Owner. These proposals suggest removing those requirements, as the Prequalification Certificate (Exhibit A) and Certificate of Conduct (Exhibit C) already require an applicant to confirm the veracity of their Application.

Proposed decision

We are minded to take forward a related amendment which would simplify the Exhibits required, but we are not intending to take forward the specific amendments in these proposals.

Each of the existing Exhibits has a distinct role. Exhibits A and C relate to applicant and Owner declarations, and relate to matters such as the solvency and conduct of the applicant. Exhibits D, F and G in contrast confirm and identify the applicant, the bidder in the auction, and Capacity Provider if successful in the auction. We therefore do not believe that it would be appropriate to remove the requirement to submit the relevant forms.

However, we agree with the proposer that there is scope to simplify the existing requirements, in particular where the applicant is the Legal owner of each Generating Unit in a Prospective CMU. Currently an *Existing* Generating CMU with one Despatch Controller and Generating Units all owned by a single owner is required to submit only Exhibit D (an Applicant Declaration). However, a *Prospective* Generating CMU with similar arrangements is required to submit both Exhibits F and G (Aggregator and Legal Owner declarations).

We propose to align the requirements for Existing and Prospective Generating CMUs to rectify this inconsistency in the Rules. This change will mean that where the Existing or Prospective Generating CMU consists of Generating Unit(s) with the same single owner and a separate Despatch Controller, the applicant would be required to provide only Exhibit D.

CP301 (ESC)

ESC has proposed revisions to Schedule 6 (the Metering Statement). These are to improve efficiency for both participants and ESC. Metering testing arrangements have now been in operation for two years and ESC has identified a number of recurring issues arising from current drafting. In particular, these concern information participants must provide to reduce metering test delays or, potentially, failed tests.

Proposed decision

We are proposing to take forward these changes as they should reduce the risk of unnecessary failed metering tests and reduce the number of clarifications needed by ESC to manage potential settlement risks. This will improve efficiency for both participants and ESC by providing greater clarity as to the information needed for metering tests.

CP302 (ESC)

This proposal would update the standards specified in Schedule 7 to account for older standards in effect at the time of Metering Equipment installation. Schedule 7 sets out the Bespoke Technical Requirements for Metering Equipment under the CM Rules. This proposal would update the specified standards for Measurement Transformers.

Proposed decision

We are minded to take forward this proposal. We agree that it is sensible to update Schedule 7 to reflect the latest International Electrotechnical Commission (IEC) and British Standards (BS) standards. We also agree that existing metering equipment should be compliant with standards in effect at the time of installation, rather than have to be replaced to meet more recent standards which would incur additional costs for participants. We intend to take forward ESC's drafting changes other than where they appear to duplicate existing requirements in Section F.

Proposals rejected

CP246 (ADE)

This proposal suggests that the definitions for Relevant Balancing Services in Schedule 4 are either missing or do not adequately account for how STOR sites interact with the Capacity Market. It proposes to modify the definitions of Declared Availability and Contracted Output to solve this.

Proposed decision

We are minded to reject this proposal. We agree that the proposed change may facilitate the participation of additional capacity into the Capacity Market, and further clarify the definitions of 'Declared Availability' and 'Contracted Output'. However, this change would

have large system impacts, including issues with data submission and data processing, and is also dependent on data flows resulting from BSC Modification P354 and ABSVD C16.

As part of implementing the P354 and ABSVD C16 (currently anticipated in April 2019), the necessary infrastructure should be in place so that the SO will be able to provide any Balancing Services volume data at the unit/component level. This should in turn facilitate the data flows required to implement CP246.

CP263 (E.ON), CP313 (Innogy), and CP314 (Innogy)

These proposals seek to enable onshore wind and other renewable technologies to participate in the Capacity Market. CP263 proposes that renewable energy generators not in receipt of low carbon subsidies be added to the list of Generating Technology Classes in Schedule 3, including onshore wind and solar. CP314 would also add onshore wind to Schedule 3, whereas CP313 suggests the introduction of an 'Other Technology Class', which would enable any technologies not currently specified to participate.

Proposed decision

We believe that the Capacity Market should be a market-wide, technology neutral mechanism.

As the proposals note, the current exclusion of several technologies in Schedule 3 could form a barrier to entry to the market. Making these changes should help to facilitate innovation and, where it encourages new sites to compete, directly benefit consumers by increasing liquidity and competition in the auction.

However, we also recognise that some renewable providers have received subsidies as part of the Renewable Obligation and Contracts for Difference schemes. Once their subsidies have come to an end there is currently no Rule to prevent these generators from participating alongside new unsubsidised renewables. While this capacity would not be expected to affect the clearing price as it would otherwise be deducted from the target capacity, it would increase the total cost of the capacity mechanism for consumers as the total volume of capacity will increase. There is therefore a policy question of whether it is fair for consumers to pay for these generators.

Adding new technologies to the Capacity Market is not simple. Currently the Rules do not contain a methodology to de-rate wind or solar technologies. There may also be further consequential changes required to ensure these technologies are able to participate appropriately. We are aware that some sites should be considered as "hybrid" as they may have multiple technologies which are co-located and interdependent. These sites would potentially need different de-rating factors to reflect this. We believe that before adding the technologies proposed there must be a comprehensive assessment of the appropriateness of de-rating methodologies and the existing framework of obligations.

We therefore do not intend to take forward the proposed Rules changes in the current round. We intend to work with Government to assess the policy questions involved, and

to consider further the appropriate methodologies for de-rating wind, and to include co-located sites. To inform this further analysis, we request views on what technologies should be included in Schedule 3, for evidence on the likely level of participation by low carbon generators, and on the impact participation could have on existing pipelines of projects.

CP265 (E.ON)

This proposal seek to revoke BEIS' decisions to amend Schedule 3 (Generating Technology Classes) to separate out the storage technology class into multiple categories with different durations.

Proposed decision

We are minded to reject this proposal. BEIS took forward these changes in December 2017 to reflect that some technologies have a limited duration and therefore may be less reliable in System Stress Events that have a longer duration. We support an approach to de-rating which gives an accurate representation of the reliability of different technologies and therefore do not think that this proposal would be in the interests of consumers.

CP274 (EDF)

This proposal seeks to amend the DSR baselining methodology to take account of System Stress Events which fall on a non-working days. Currently, the baseline is created from data points that include the equivalent Settlement Periods on the same day of the week for the last six weeks, except where those equivalent Settlement Periods are on non-working days (in which case they are disregarded). The baseline does not explicitly take into account situations where the System Stress Event itself falls on a non-working day, for example a Bank Holiday Monday.

Proposed decision

We are minded to reject this proposal. We agree with the proposer that under limited circumstances the current DSR baseline formula may yield less accurate results. However, there is a low probability of such events occurring, and therefore we believe the benefits of this change would be small. Further, this proposal would require significant changes to ESC's systems and, as noted in our cover letter, there is limited scope for such changes. The combination of limited benefit and high cost of implementation mean that we are minded to reject this proposal.

CP303 (ESC)

This proposal would allow the use of Metering Equipment that does not meet the minimum accuracy classes specified in Schedule 7 (Bespoke Technical Requirements), provided that it can be demonstrated that the Overall Accuracy of the Metering Systems is within the allowed limits.

⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/664272/capacity-market-consultation-improving-framework-response.pdf

Proposed decision

We are minded to reject this proposal. Schedule 7 sets out specific requirements for the criteria for measurement transformers. This is in addition to the overall accuracy requirements of the energy measurements set out in the same schedule. The proposal would, in essence, make the criteria for measurement thresholds redundant where the overall accuracy of the system requirements are met. While we understand the aim of reducing unnecessary meter testing failures, the proposal does not provide sufficient consideration of potential risks from making the requirements less stringent.

16. Other

Proposed amendments

No proposed amendments.

Proposals rejected

CP268 (E.ON)

This proposal asks that NGET publish the specific dates for key milestone reporting and independent technical expert progress reports.

Proposed decision

We are minded to reject this proposal on the basis that Rules amendments are not required to implement these changes. We are supportive of the principle of the proposal, and agree that improving the information available to participants will reduce barriers to entry and improve the efficiency of the scheme. NGET is currently developing an IT solution to inform applicants of the dates relevant to their CMU as outlined in this proposal. We therefore believe that a Rules change is not required, though we will continue to engage with NGET and stakeholders to ensure that this solution delivers the intended benefits.

CP299 (ESC)

This proposal seeks to amend the formula for the Agreement Monthly Penalty Cap. When a System Stress Event occurs and CMUs are subject to Capacity Provider Penalties for under-delivery those Penalties are subject to an Agreement Monthly Penalty Cap. However, Rules and Regulations currently allow for that cap to become a negative value; and do not provide for month-to-date penalties to follow Physically Traded Capacity Obligations to other CMUs. This proposal seeks to address both of these issues.

Proposed decision

We are unable to take forward this proposal because it requires amendments to the Regulations, and in particular Schedule 1 section 6A(3). The Authority does not have the ability to make amendments to the Regulations and this power rests with BEIS. We agree that the Agreement Monthly Penalty Cap should not be negative for any Capacity Provider and have passed this proposal to BEIS for consideration.

CP309 (First Utility)

This proposal seeks to amend the credit cover calculation set out in The Electricity Capacity (Supplier Payment etc.) Regulations 2014 Part 6 provision 27. It proposes that the calculation of the amount of credit cover required takes into account the "Maximum Credit" (MC) value and the "Credit Assessment Score" (CAS), as calculated for independent assessor credit reports.

Proposed decision

We are unable to take forward this proposal because the changes required to enact it are in The Electricity Capacity (Supplier Payment etc.) Regulations 2014. The Authority does not have the ability to make amendments to the Regulations and this power rests with BEIS. We have informed BEIS of this proposal.