Proposal for a Capacity Market Rules Change

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Reference number*(to be completed by Ofgem)*:
CP353

Name of Organisation(s) / individual(s):	**Date Submitted:**
ScottishPower	**13 –March 2018**

Type of Change:	**If applicable, whether you are aware of an alternative proposal already submitted which this proposal relates to:**
☐ **Amendment** ☒ **Addition** ☐ **Revoke** ☐ **Substitution**	

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

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.

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

The recently introduced approach to the de-rating of Limited Duration Storage (Generation Technology Class) supports the Government's – and the CM's – objective of delivering security of supply at least cost to the consumer.

However, under current rules, if a DSR CMU consisting of storage is located behind the meter (BTM) it will not be subject to duration de-rating. This risks over-rewarding such storage and increasing costs to consumers. It is also contrary to the CM policy of technology neutrality and unfair to other market participants. Accordingly, it is important that any DSR CMU consisting of BTM storage is de-rated according to its duration and tested appropriately.

In the absence of a change to the rules, as extended performance tests apply only to Capacity Storage Generating Technology Classes, the new de-rating approach can be circumvented by storage developers locating their projects BTM and participating as DSR.

The creation of the new Demand Side Response (DSR) Technology Classes, in particular Storage DSR, would obligate the EMR Delivery Body to consult on the de-rating factor to apply to the new Classes.

We are aware that some other forms of DSR may also have duration limits. In due course, duration de-rating and appropriate testing should be extended to all applicable DSR technologies.

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

The drafting below illustrates the intent of the proposed rule change. Further work is required on the drafting to ensure that it is fully fit for purpose. The additions are highlighted in red.

- *Define a DSR Storage Technology Class for the purpose of the rules*

In Rule 1.2.1, in the appropriate place, insert:

DSR Storage Technology Class means DSR that is classed as DSR Storage as per Schedule 3B.

- *Ask Unproven DSR developers to declare if they plan to use Storage as part of their DSR CMU*

3.10 Additional Information for an Unproven DSR CMU
3.10.1 Business Plan
(a) (v) For the purpose of de-rating, each Applicant for an Unproven DSR CMU must include details of any known intention to use a generating unit that is categorised as a DSR Storage Technology Class.

- *Metering Assessments should capture the use of a DSR Storage Technology Class and the appropriate de-rating should be applied to the DSR test*

8.3.2 DSR Tests
If an Unproven DSR CMU is awarded a Capacity Agreement:
(a) the Capacity Provider must provide a DSR Test Certificate evidencing a Proven DSR Capacity greater than 2MW by no later than one month prior to the start of the first Delivery Year (where an associated Metering Assessment has captured the use of a DSR Storage Technology Class, the appropriate de-ratings will be used in determining the Proven DSR Capacity).

- *Extend the extended performance tests to the DSR Storage Technology Classes*

13.4A Demonstrating extended performance
13.4A.1 This Rule 13.4A applies to a Capacity Committed CMU in a Storage Generating Technology Class or a DSR Storage Technology Class, in its capacity as a Registered Holder, a Transferor or a Transferee (as the case may be).

SCHEDULE 3B:
1.1 The DSR Technology Classes for the purposes of these Rules are the classes specified in the first column of the following table. The second column of the table contains further details about the make-up of the CMU to be included in each such class.

Technology Class	Plant types included
DSR Storage: 30mins	Any DSR CMU that includes any Storage Generating Technology Class with a minimum 30 minute duration
DSR Storage: 60mins	Any DSR CMU that includes any Storage Generating Technology Class with a minimum 60 minute duration
DSR Storage: 90mins	Any DSR CMU that includes any Storage Generating Technology Class with a minimum 90 minute duration
DSR Storage: 120mins	Any DSR CMU that includes any Storage Generating Technology Class with a minimum 120 minute duration
Etc up to 12 hours	Etc up to 12 hours

Analysis and evidence on the impact on industry and/or consumers including any risks to note when making the revision - including, any potential implications for industry codes:

In the absence of any change, consumers will suffer from the inefficient outcome of auctions that secure insufficient capacity to meet the CM's reliability standard. In the case of T-4 auctions, any shortfall in capacity would need to be re-procured in future CM auctions which would lead to an increase in costs to consumers. In the case of T-1 auctions, there would be no opportunity to replace any shortfall in capacity – but as the Government cannot accept a lower standard of security of supply, there would be a requirement to increase auction targets to 'buy through' any DSR CMU that is obviously utilising duration-limited storage technology (this would be ascertained during prequalification) – again at increased cost to consumers.

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

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