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Dear Mark,

Statutory Consultation on changes to the Capacity Market Rules 2014 (the “Rules”) pursuant to Regulation 79 of the Capacity Market Regulations 2014 (the “Regulations”)

Thank you for the opportunity to respond to the above consultation. We look forward to working alongside the BEIS and Ofgem EMR teams, as well as industry stakeholders, to achieve its objectives.

This response is made on behalf of National Grid Electricity Transmission (NGET). NGET was designated as the Electricity Market Reform (EMR) Delivery Body for the Feed in Tariffs with Contracts for Difference (CfD) and Capacity Market (CM) in December 2011, a role which was formally conferred on NGET by the Secretary of State pursuant to secondary legislation made under the Energy Act 2013.

The Delivery Body are supportive of change that ensures the objectives of the CM are delivered. Our aim is to facilitate any changes in the most efficient way to ensure the objectives continue to be delivered. Often changes to the Rules and Regulations will result in amendments being required to the EMR Portal, therefore in this consultation response we will comment on both the rule intent and system impacts.

We have been in discussion with participants and collecting feedback regarding the EMR Portal. It is understandably frustrating when Rule changes are not implemented as quickly as applicants might wish. To ensure we can deliver change in the most fast and efficient way, we are challenging and optimising our system development timescales to ensure we can deliver the priorities.

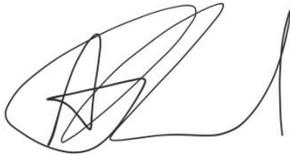
Whilst we accept that change is the norm and we must be agile in our delivery, more detailed or substantive changes do take longer to implement as they must be properly considered. The current change framework means that the timescales between consultation decisions and rules going live in the Portal are extremely short. We believe that a revised change framework that allows the Delivery Body to plan system change across a longer period would ultimately mean we could deliver a high volume of change and more substantial change the fastest and most efficient way. This is something that we are progressing with Ofgem and the EMR Delivery Partners.

In this letter, we have limited our response to those Change Proposals (CP) that we consider needing further clarification, consideration or input from the Delivery Body. Where we have not commented, please assume we are comfortable with Ofgem's intended approach.

Where amendments to the CM Rules are necessary, we intend to publish updated guidance documentation which will outline the change(s) and any related consequences for the Applicant. This documentation will be published prior to Prequalification in order to ensure that participants submit an application with the most relevant information to hand. Where appropriate we will liaise with the Settlement Body.

Should you wish to discuss any aspect of this response further with us, we would be happy to do so.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'A. Ford', written over a faint circular stamp or watermark.

Andrew Ford
EMR Stakeholder and Compliance Manager

Annex 1: Delivery Body response per Change Proposal

OBLIGATIONS OF CAPACITY PROVIDERS AND SYSTEM STRESS EVENTS	
<p>OF12 Component Reallocation</p>	<ul style="list-style-type: none"> ▪ National Grid EMR Delivery Body supports the principle of component reallocation. <p>As the Delivery Body, we are supportive of any change to reduce the barriers of entry to different technologies or business models.</p> <p>This change has been highlighted by industry as a key enabler for DSR participation. It is therefore a key priority for us to deliver this by delivery year 19/20 (as directed). It is however extremely important that the correct solution is progressed. As we have previously noted, this change is substantial for the EMR portal, it is therefore paramount that we work with Delivery Partners and Industry to get the assurance needed to make this change a success: We have highlighted three areas below where further clarity is required:</p> <ol style="list-style-type: none"> 1. <u>The exact wording within the CM Rules</u> In previous consultations, in order to deliver change by the required implementation dates we have developed the system and processes using Rules that are not yet final. This leads to the potential for a change in requirements during the development process and to potential rework, which ultimately adds cost to the consumer. A change of this size would make such an option unfeasible. In order to design a change like this, we would need the confirmed Rules to ensure the system is designed correctly. 2. <u>Validation that this is best solution for DSR</u> To make such a large change will require a lot of development. If the development is taking place in one part of the system, it is most efficient to make all the changes at the same time. In order to minimise the costs of delivery and truly remove the barriers to DSR participation, we consider it necessary for the consultation process to complete prior to commencing any development. We accept that consultation may be seen as further delay, however we believe this will drive the correct answer which may be quicker to implement. 3. <u>Is the EMR portal the best place for this change?</u> The Delivery Body has always tried to deliver changes within the Portal, in order to fully incorporate the different parts of the CM process. As component reallocation is a significant redesign to the system; it may require a different approach to ensure this is delivered in the most efficient way. We can do this in one of two ways:

	<ul style="list-style-type: none"> a. Implement the change within the existing EMR Portal b. Work with industry to design a DSR registration process outside of the EMR portal. Which has the potential to be extended beyond the scope of the CM <p>The best approach needs detailed consideration from all parties. We intend to use any agreed implementation period to make sure that any solution is fit for purpose.</p>
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RENEWABLE ENERGY IN THE CM (FUTURE CHANGES)

<p>CP263 Wind and other Technology Classes</p>	<ul style="list-style-type: none"> ▪ National Grid EMR Delivery Body is supportive of the principle of technology neutrality in the CM. <p>The Delivery Body is supportive of any proposal which helps to maintain the technology neutrality of the CM. The ability to add Technology Classes is functionality which is already present in system and wouldn't require a change to the EMR Portal. Although, it is important to consider the granularity of how renewable Technology Classes are assigned for de-rating purposes. This will ensure that the Technology Classes which are likely to perform better during stress events get higher derating values.</p>
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RULE 4.4.4 (DETERMINATION OF ELIGIBILITY)

<p>CP272, CP281, P284, CP287, CP306, CP308, CP310, CP322 and CP340 Changes to CMU Components</p>	<ul style="list-style-type: none"> ▪ National Grid EMR Delivery Body supports the request for clarification on this rule change proposal. <p>Currently, this Rule restricts CMUs from making a configuration change to their components in any way after they have Prequalified. As Delivery Body, we are supportive of any change which will allow clarifications to the Rule and allow some leniency to applicants who have had small changes between Prequalification and Delivery. Removing the Rule entirely may not have the desired outcome either, ultimately we believe to ensure the amount of capacity procured at the auction remains static, the derating and capacity of the CMU should not change.</p>
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PREQUALIFICATION INFORMATION

<p>CP318 Use of distributed generation in de-rating factors calculations</p>	<ul style="list-style-type: none"> ▪ National Grid EMR Delivery Body asks for this rule change proposal to be considered further. <p>We accept the rule change can't go ahead until this analysis is completed and the resulting de-rating factors are reviewed and endorsed by BEIS' Panel of Technical Experts (PTE). This analysis will be carried out over the summer/autumn with a view for inclusion in our 2019 Electricity Capacity Report and subsequent Auction Guidelines.</p> <p>The concerns raised around utilising output data for calculating de-rating factors are valid but as no availability data exists for distributed connected generators, unlike transmission connected generation, we have no choice but to use this data. We have explained previously to how the risks</p>
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	<p>associated with this can be minimised by using various data slicing techniques while also checking for stability in the resulting figures.</p> <p>The current approach of using the closest transmission technology de-ratings for distributed connected technologies has been appropriate in the past but may not be so in the future as the market is changing and more specific technology de-ratings will be required for small scale plant as their operational patterns will more than likely diverge from the larger scale transmission connected technologies.</p> <p>We believe CP318 should be categorised as “Propose to take forward in a future year” and not be rejected as it is vital that the appropriate de-rating factors are developed for distributed connected technologies. This is to ensure our CM target capacity recommendation is as accurate as possible and consumers are paying for the correct amount of capacity to meet the Reliability Standard.</p> <p>We are keen to work with Ofgem, following the endorsement from the PTE on using these new de-rating factors, to help develop a rule proposal which all parties understand. Also reflects distributed connected generation technologies true contribution to securing of supply into the future.</p>
<p>CP349 Non-firm Connection Agreements</p>	<ul style="list-style-type: none"> ▪ National Grid EMR Delivery Body supports the request for clarification on this rule change proposal. <p>We appreciate there are progressively more generators with interruptible contracts and believe a solution needs to be identified to reduce the risk of non-delivery during a System Stress Event. We do not believe this could be implemented retrospectively and would not be fair based on applicants who entered previous auctions with non-firm connection agreements.</p>

CAPACITY AUCTIONS	
<p>OF16 Auction Parameters</p>	<ul style="list-style-type: none"> ▪ National Grid EMR Delivery Body asks for this rule change proposal to be reconsidered. <p>The change suggested in OF16 is not possible through a parameter setting and involves a code change to the auction clearing – the main algorithm that drives the auction software. The cost and to implement is high and there is a possibility the change would not be available in time for the next set of auctions. We agree with the findings from Ofgem and if we were looking at future low volume auctions then this would be an appropriate change.</p> <p>Therefore changing the auction parameters would only have an impact on auctions where there are a low number of applicants. In an auction with greater participation it is unlikely that there will be a scenario where clearing rounds do not result in exit bids. We therefore believe this rule will not be effective.</p>
CAPACITY AGREEMENTS	
<p>CP326 New Build Agreements</p>	<ul style="list-style-type: none"> ▪ National Grid EMR Delivery Body supports this decision, however asks for part of the rule change proposal to be reconsidered. <p>Although we agree with Ofgem’s decision based on ESC feedback, we believe that some form of amendment to Rule 6.7.1 is still required. As a CMU that has met its Minimum Completion Requirement but not its Substantial Completion Milestone, it will not receive any penalties or payments associated with a stress event.</p>
OBLIGATIONS OF CAPACITY PROVIDERS AND SYSTEM STRESS EVENTS	
<p>CP327 Capacity Market Notices</p>	<ul style="list-style-type: none"> ▪ National Grid EMR Delivery Body supports this decision. <p>We are aware of the industry’s need for more information on the Capacity Market Notices (CMN) website. Within the System Operator, we are reflecting on how the CMN website can be improved to make industry participants aware of what market information already exists and where it can be located. It is likely that this will result in changes to the Frequently Asked Questions section of the website in addition to the embedded links that accompany any CMN.</p>

TESTING REGIME	
<p>CP277/CP344 DSR Alternative Delivery Periods</p>	<ul style="list-style-type: none"> ▪ National Grid EMR Delivery Body asks for this rule change proposal to be considered further. <p>Alternative delivery periods were introduced as they allowed a DSR CMU to Prequalify as a Proven DSR on the basis of existing evidence provided. This is not currently available to applicants doing post prequalification DSR tests who have to stick to settlement periods. Additionally, we believe the policy intent of SPDs is designed to ascertain CMUs appropriateness for delivery during a stress event. For that reason allowing the CMU to choose a time period outside a stress event would mean that it is not being assessed on its effectiveness at providing capacity during a stress event.</p> <p>In assessing the change for a different period for SPDs, the Delivery Body has identified that implementation would require a significant process change that will have a large impact on the Delivery Body if we were to be expected to assess minute by minute data from a whole day. The amount of data needed to be assessed increases by at least 30 times and this would be unworkable based on the systems we currently have in place.</p> <p>If this rule change was to be taken forward a way of minimising the data would be to require all CMUs using Alternative Delivery Periods to state the start and end of their Delivery Period which would dramatically reduce the amount of data needed to analyse.</p>
OBLIGATIONS OF CAPACITY PROVIDERS AND SYSTEM STRESS EVENTS	
<p>CP330 Private Network Agreement</p>	<ul style="list-style-type: none"> ▪ National Grid EMR Delivery Body asks for clarification on this decision. <p>Currently the Delivery Body has been working on the assumption that applicants cannot provide Private Network letters at 8.3.1 as the CM Rules only account for connection offers. A Private Network letter is not a connection agreement anywhere else in the CM Rules. Therefore we would require Ofgem to confirm definitively that in this circumstance, a Private Network letter is the same as a connection agreement. Either that or in the spirit of clarifying the Rules, it might be clearer if the 8.3.1(a) was updated to include Private Network letters.</p>

METERING CPS TESTING REGIME

**CP298/CP295/
 CP295/CP351
 Metering
 Configuration**

- **National Grid EMR Delivery Body seeks further discussion on these rule change proposals with Ofgem and ESC.**

Currently Ofgem have rejected a number of these change proposals, and we understand the reasons for rejection as the change proposals are not fully considered. Working with ESC it has become clear that some of these changes are needed in order to fully deliver OF12. The ability to monitor which components are connected to which CMUs will be vital in order to ensure components are only used in the way described by Ofgem's proposal. Therefore we would like to work with Ofgem and ESC to consider these changes further in the context of OF12