

Proposal for a Capacity Market Rules Change



Making a positive difference
for energy consumers

Reference number (to be completed by
Ofgem):

Name of Organisation(s) / individual(s):
ESC

Date Submitted:
01/12/2022

Type of Change:

- Amendment
- Addition
- Revoke
- Substitution

If applicable, whether you are aware of an alternative proposal already submitted which this proposal relates to:

[Click here to enter text.](#)

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

Secondary Trading to only be allowed if Capacity Market Units (CMUs) have metering aggregation rules set up and approved.

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

9.2.5(b) and the Definitions should be enhanced to prohibit secondary trades if the receiving CMU has not registered in full with the Settlement Body and specifically set up their aggregation rules with the Delivery Body if they are attempting to trade within DY.

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

[Click here to enter text.](#)

If CMUs secondary trade without setting up aggregation rules, as they are currently allowed to, and there were to be a stress event prior to CMUs setting up metering aggregation, ESC would automatically produce the maximum penalty amounts as part of the Penalties process due to there being no associated data for the CMU. Once this has occurred the Rules intentionally do not allow any retrospective adjustments to Penalties.

From a security of supply Secondary Trading with CMUs that have not set up aggregation rules pre-delivery year are also the most likely to fail any SPD during the DY.

It is ESC's view that there should be an additional control point for Secondary Trades (within DY and any trades 20 business day before the start of a Delivery Year) that require aggregation rules to be fully set up – this check will be in addition to the existing check the Delivery Body carry out when they process Secondary Trades.

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

[Click here to enter text.](#)

NB – the below is some suggested legal drafting, however a more thorough review will be needed by Ofgem Legal if this proposal is to be taken forward.

This obligation already exists and is applied by ESC (i.e. ESC can suspend payment if not met) but it is not clearly defined in the Rules and could help with clarity:

All CMUs with AACO or PTCO must have Aggregation Rules set up by Delivery Year start.

Moved definition (currently fairly hidden on p288 need moving to definitions section):

Aggregation Rule – is the formula set out by the Delivery Body and/or CM Settlement Body to determine the Metered Volume, in relation to any Settlement Period, where more than one Metering System is being used for a CMU, DSR CMU Component or Generating Unit at a single Metering Site

Rule updates on the validation of Secondary Trades:

9.2.5(b)

under Rule 9.2.4(a) can only be effected in respect of a CMU Transferor and CMU Transferee:

- (i) for which no amount payable under the Regulations is due and unpaid;
- (ii) for which no suspension of capacity payments as described in Rule 13.4.1ZA(b) is in effect for failure to demonstrate satisfactory performance days;
- (iii) in respect of which there is not a breach of Rule 8.3.3(f) (metering changes);
- (iv) in respect of which there is not a breach of Rule 14.5.7; **and**
- (v) **where, within Delivery Year or any trades 20 business day before the start of a Delivery Year, CMU Transferor and CMU Transferee are registered with the Settlement Body and have Aggregation Rules set up and approved with the Delivery Body.**

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:

[Click here to enter text.](#)

Valid aggregation rules will enable:

- 1) Greater number of CMUs to evidence performance in a Stress Event
- 2) Satisfactory Performance Day testing not impacted – where aggregation rules (and metered data) are correctly setup ESC can carry out SPD reporting on behalf of the capacity provider
- 3) CPs can monitor CMU Metered Volumes using My EMRS
- 4) Data analysis to better understand CM Scheme effectiveness is more accurate
- 5) Shift of data quality initiative to before Capacity Obligation being issued. This will reduce reliance on Settlement Body's payment suspension mechanism where CMUs are suspended due to failure to submit Aggregation Rules.

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

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