

Proposal for a Capacity Market Rule Change



Making a positive difference
for energy consumers

Reference number: CP372

Title (a short title which summarises your CM rule change request)
Change to Rule 4.4.4

Name of organisation(s)/individual(s):
Capacity Market Advisory Group (CMAG)

Contact e-mail address:
CMAG@Elexon.co.uk

Contact Telephone Number:

N/A

Date submitted:

18/07/2023

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

Rule 4.4.4 prevents a change in the configuration of Generating Units that comprise a CMU once a CMU has Prequalified. This could prevent a Capacity Provider from making changes to their CMU if a situation arises where this is required to ensure delivery, which could ultimately result in termination and subsequent loss of capacity in the market. Rule 4.4.4 was further identified as a possible barrier to net zero, as older plants cannot change to adopt new, low carbon technologies on site.

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

Rule 4.4.4 was identified as a high priority area for change by CMAG Members. CMAG Members highlighted that Rule 4.4.4 is unclear as to what is considered 'configuration' and therefore it is not understood what changes a CP can make to the Generating Units that comprise their CMU to ensure delivery. Rule 4.4.4 was further identified as a possible barrier to net zero, as older plants cannot change Generating Units within their CMU to adopt new, low carbon technologies on site.

This is viewed as a larger issue for storage CMUs, which may need to change their configuration over time to account for battery degradation. A CMAG Member also noted Rule 4.4.4 has a particularly severe impact when aggregating small generating units; in the event that a single generating unit becomes unavailable, the whole CMU may be terminated as a result.

At CMAG Meeting 7, Ofgem noted it had worked up a proposal for an amendment to Rule 4.4.4 in its [5 year review of the Capacity Market](#), however this work had been paused in the 2021 Statutory Consultation due to the requirement for a system change as the Delivery Body was implementing its new portal.

Ofgem confirmed to CMAG, that its current position is that Rule 4.4.4 should be modified such that the following aspects of a Generating CMU's components can be altered, to the extent that none of these changes leads to a lower Auction Acquired Capacity Obligation (AACO) for that CMU. Those aspects that Ofgem are minded-to allow to change are:

- Fuel Type
- Generating Technology Class
- Metering arrangement
- Connection Capacity

Proposed solution to the issue:

To amend Rule 4.4.4 to allow a CMU to change its configuration after prequalification, so long as it does not lower its derated capacity or Auction Acquired Capacity Obligation (AACO).

The proposed legal text reviewed by CMAG is as follows:

4.4.4 ~~The configuration of Generating Units that comprise a CMU must not be changed once that CMU has Prequalified.~~ A CMU comprised of Generating Units may only change its configuration such that it does not lower its de-rated capacity **and AACO**. Where there is a change in technology class, the CMU must use the most recent de-rating factors for that technology class and subject to:

- a) Providing updated qualification Exhibit ZA – Fossil Fuel Emissions Declaration and Exhibit ZB – Fossil Fuel Emissions Commitment, where necessary.

6.10.1 Each of the following events is a Termination Event with respect to a Capacity Agreement (other than a Capacity Agreement that has been transferred under Rule 9.2.4(a)), and the Capacity Provider must notify the Delivery Body if any of the following events has occurred and is continuing:

:

(l) where the Capacity Agreement relates to a Generating CMU with a multi-year Capacity Obligation and the CM Settlement Body determines that the Capacity Provider has on three separate occasions, **other than occasions relating to changes of the CMU configuration under Rule 4.4.4**, invalidated the Metering Test Certificate relating to that Generating CMU;

List of alternative proposals already submitted which this proposal relates to (if any):

N/A

If you know the specific change to the Capacity Market (CM) Rules you wish to make, please select the type of change below and propose specific revised text, indicating the provision number from the CM Rules and highlighting the change (if left blank, the Capacity Market Advisory Group (CMAG)/Ofgem may suggest revised text to achieve the proposed solution above):

Amendment Addition Revocation Substitution

Analysis and evidence for the impact of the proposed change on industry and/or consumers, highlighting how the proposal meets the Ofgem/Capacity Market objectives set out in Regulation 78 of The Electricity Capacity Regulations 2014, any risks to consider and any implications for industry codes:

TBC by CMAG at Meeting 10 on 18 July 2023.

Urgency

Select this box if you would like this proposal to be treated as “urgent” (see 1.14 of “The Change Process for the Capacity Market Rules – Guidance” (2022) for details on the requirements of an urgent proposal)?

If selected, please include a justification, including any dates by which the CM Rule Change needs to be made and the consequences of not acting in time (Note that urgent proposals may be deprioritised or rejected if the Rule Change suggested cannot be implemented before the date(/s) set out in this section)

Confidentiality

We want to promote transparency in the Capacity Market Rule Change process. Submitting proposals directly to the Capacity Market Advisory Group (CMAG) supports transparency whilst ensuring that proposals benefit from the input of a panel of impartial capacity market experts whose role it is to support the development, scrutiny, and prioritisation of proposals to improve CM Rules.

Proposals submitted directly to Ofgem may be shared with CMAG or published on our website as part of a public consultation before any rule change is enacted, provided the information shared has not been marked as confidential.

To submit your proposal directly to CMAG, e-mail this document to cmag@elexon.co.uk

If you wish to submit confidential information to Ofgem as part of your proposal, there are two routes to do this:

1. Submit this document directly to CMAG (cmag@elexon.co.uk) excluding the confidential information, then submit a copy of this document plus an additional file containing the confidential information (marked as confidential) to emr_cmrules@ofgem.gov.uk
2. Submit this document plus an additional separate file containing the confidential information (marked as confidential) directly to Ofgem at emr_cmrules@ofgem.gov.uk

Nothing marked confidential will be shared outside of Ofgem without the express permission of the proposer.