

Proposal for a Capacity Market Rule Change



Making a positive difference
for energy consumers

Reference number: CP377

Title (a short title which summarises your CM rule change request)
Increasing flexibility for SPD Portfolios

Name of organisation(s)/individual(s):
EMR Delivery Body

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

CM Rule 13.4.1B allows Capacity Providers to aggregate delivered capacity across a group of Capacity Committed CMUs with the same Capacity Provider to allow for better flexibility in meeting the SPD obligation by delivering as a CMU Portfolio. Rule 13.4.1B(b) prevents Distribution and Transmission CMUs with aggregate connection capacity of all generating units greater than 50MW from being part of a CMU Portfolio.

We would like to change 13.4.1B to allow CMU Portfolios to be formed across Company Groups and remove the current 50MW limit on single Distribution and Transmission CMUs to allow for greater flexibility to meet the SPD milestone.

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

Company Groups

Currently a CMU Portfolio is defined as “a group of Capacity Committed CMUs with the same Capacity Provider”. We have seen many examples where CMUs are ultimately under the control of a common parent company but have been entered into the market under different Applicant companies, and these Applicant companies become the Capacity Provider. This has created an artificial restriction on CMU Portfolios as the same CMUs could be entered under the ultimate holding company. Following discussions with Capacity Providers in this situation there are a number of reasons a Group may choose to enter through different Applicant companies, the most common being to allow proper financial settlement of any agreements against the same asset.

50MW limit

Under 13.4.1B(b) for Distribution and Transmission CMUs no individual CMU can have an aggregate connection capacity over 50MW. This limit seems to have been introduced to mirror the requirements in Regulation 4 that limit the size of Generating CMUs which are a combination of two or more generating units but this justification was dismissed in the original consultation decision. We believe that allowing aggregated SPDs does not undermine the intent of Regulation 4 as those sites would still have to meet all other CM obligations independently, most notably SCM. This limit stops some CMUs taking advantage of SPD Portfolios and could lead to increased costs to providers to meet their Capacity Obligation individually rather than in aggregate.

Proposed solution to the issue:

Company Groups

We are proposing using the existing Group definition in the rules to allow Capacity Provider Groups to use CMUs within a company group (be that relationship a direct Holding/Subsidiary or Subsidiary/Subsidiary relationship) to meet the aggregated Capacity Obligation.

Group means, for any person, another person who is the direct or indirect Holding Company of that person and any Subsidiary of that Holding Company

This will allow for greater flexibility to providers to still structure their Applications and Agreements on a granular level whilst also not restricting CMU Portfolios.

50MW limit

We are proposing removing any limits to the size of a CMU which can participate in a CMU Portfolio so that a CMU of any size can be a part of a CMU Portfolio.

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

13.4.1B

*Subject to Rule 13.4.1D and for the purposes of the definition of “Satisfactory Performance Day” in Rule 13.4.1, 13.4.1ZA and 13.4.1ZE(b), in the case of a group of Capacity Committed CMUs with the same Capacity Provider **Group** (a “CMU Portfolio”), where those CMUs are either:*

(a) DSR CMUs which consist of DSR CMU components on two or more different sites; or

(b) Distribution and Transmission CMUs, ~~where, for each such CMU the aggregate connection capacity of all generating units is no greater than 50MW.~~ the demonstration that can be made to meet the requirements of Rule 13.4.1ZA or 13.4.1ZE(b) is capacity delivered in aggregate by the CMU Portfolio at a level equal to or greater than their combined Capacity Obligations for at least one Settlement Period (which Settlement Periods may fall within a System Stress Event) on three separate days during the Winter of a relevant Delivery Year.

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:

During the current SPD Window we have been approached by multiple participants wishing to combine CMUs that currently do not meet the requirements of CMU Portfolios, either due to the 50MW single CMU cap or the restriction that a portfolio must be between CMUs shared by a single Capacity Provider. We have allowed CMU Portfolios to be submitted where they belong to the same Group during the current SPD window and this change would ensure a transparent and consistent understanding across participants.

If this change is not made Capacity Providers will have to complete CMU transfers to Holding Companies to then meet their obligation in aggregate, a process that would require administration costs for both the Applicant and potentially causing non-market downsides for the Capacity Provider, for example payments being made to a holding company rather than the correct subsidiary. As this behaviour is possible through CMU transfers we believe it is appropriate to remove this administrative burden by explicitly allowing Capacity Provider Groups. This change will promote the CM Rule Change Objective to facilitate the efficient operation and administration of the Market.

As per the original proposal – CP124 – unnecessary costs may be incurred by participants where they can meet an obligation across an organisation’s portfolio but outside of the strict Applicant companies and Capacity Provider boundaries. This aggregated obligation could be used to meet a CMUs Capacity Obligation during a Stress Event through Volume Reallocation and we feel currently represents an unnecessary and artificial hurdle for Capacity Providers.

The original consultation stated that the 50MW size restriction is “arbitrary for the purposes of testing” and following Provider feedback has become a blocker for Capacity Providers with CMU Portfolios. We believe there is no justification for the 50MW size restriction and so to allow the efficiency described above propose removing this limit for Distribution and Transmission CMUs.

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.