

Proposal for a Capacity Market Rule Change



Making a positive difference
for energy consumers

Reference number:

Title:
Merging CMUs

Name of organisation(s)/individual(s):
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Date submitted:
8 November 2023

Proposal abstract:
Proposal to allow CMUs to be merged post Prequalification after the award of CM Agreements.

Description of the issue that the change proposal seeks to address:
CM Rules prohibit a change in CMU configuration after a CM agreement is awarded. This prevents Agreement holders from changing CMUs to reflect changes in project development and/or commercial structures. This unnecessarily limits the commercial flexibility of Agreement holders, increasing the risk of project non-delivery, preventing more efficient commercial structures, and ultimately increasing capacity market costs.

We do not believe the DB can cope with changes between pre-qual and the auction, so the merging of CMUs would only be after a CM agreement is awarded. However, if they think they can then ideally this rule change would allow a change in configuration prior to the auction, but it would not allow a change to the volume of total capacity as pre-qualified.

Proposed solution to the issue:

Amendment to the CM Rules to allow CMUs to be merged post being awarded a CM agreement subject to the total connection capacity and technology class of each component (and therefore derated obligation) being unchanged.

Doing so would provide greater flexibility to Agreement holders while maintaining all CM obligations entered into.

Elexon has raised with us an issue around the Regulation 30. WWA does not believe, given the discussions at the time, that the intent of the Regulation was to stop the most efficient delivery of the CM capacity, but to give parties assurances that if successful in the auction they would get an agreement that equalled the whole derated capacity and not to say 50%. Further I can trade away parts of an agreement and take on agreements, so this seems to happen in practice now anyway.

However, in this case we see no reason the CMUs cannot be merged and the CM owner just holds 2 agreements, but it attached to one CMU. In the meantime, we may need to discuss with DESNZ the need to change this part of the Regulations if it is

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

- Amendment to Rule 4.4.4 to allow CMU configuration to be changed post prequalification.
- New Rule setting out the process for merging a CMU post PQ, the following is our initial view on how this could most simply be done):
 - A process for each CMU connection capacity to be modified (subject to the constraint that the total connection capacity is equal to the initial CMUs' aggregate connection capacity).
 - All milestones/CM requirements that had been met as single CMUs would be unchanged. (Planning/Connection/FCM). This is only milestones that HAVE to be met at the time of the merger, so if one has met FCM and the other has not, but the rules do not require FCM is met, then the merger can proceed, but the new CMU would not have met FCM.
 - Metering arrangements would be updated if required. e.g. if metering assessment has been completed, a new metering assessments/test would be required for the merged CMU. If metering has not changed nothing needs to change.
 - Any future milestones and ongoing obligations would be met on a 'new' CMU' basis.

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:

The proposed change allows greater flexibility for capacity agreement holders to deliver their capacity obligations. In doing so, it increases the likelihood of capacity agreement delivery and by providing a further risk, mitigation tool for capacity providers reduces the risk of entering into a CM agreement. In the longer term, these factors can be expected to reduce the cost of capacity agreements.

We see no obvious negative impact of the proposed change. As the overall aggregate capacity obligation will be unchanged, there is no reduction in security of supply provided by the capacity provider.

We see two main advantages of this proposal v the status quo:

- Capacity providers with battery storage assets subject to EPT have well documented issues in relation to managing battery degradation to meet EPT. The ability to merge CMUs will help address this obligation by reducing any variability in individual asset degradation. We know DESNZ is suggesting allowing these sites to upgrade, but this could be an alternative option for parties; and
- For CMUs at the same site (e.g. as may be the case following a location change) , it will potentially remove the need for time consuming and costly metering test and bespoke metering arrangements. It also allows connection sharing which Ofgem believes is efficient given the connection queues.

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.