

Proposal for a Capacity Market Rule Change



Making a positive difference
for energy consumers

Reference number: CP389

Title (a short title which summarises your CM rule change request)

Connection Capacity Review

Name of organisation(s)/individual(s):

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Date submitted:

09/07/2025

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

Following [CP381 'Change to the definition of SCEC in Rule 3.5.5'](#) the CMAG agreed to review the Connection Capacity provisions in Rule 3.5 of the Capacity Market Rules to ensure they are clear and fit for purpose. This proposal seeks to make a series of changes to modify and clarify existing controls, correct typographical errors, expand eligible methodologies for the setting of Connection Capacity under Rule 3.5.5 and formally recognise the self-nomination of Connection Capacity for battery storage CMUs as per existing EMR DB guidance.

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

The Connection Capacity review seeks to address the following issues:

- Rule 3.4.5(c) only requires Applicants to specify CMU details with information for relevant shared connection agreements when the equation in Rule 3.5.5 is used. This means applicants may fail to provide all relevant CMU IDs where a connection agreement is shared but 3.5.5 is not used
- Rule 3.5.1A requires the apportionment of TEC or MEC at a Generating Unit (GU) level but this value does not exist in some cases
- There is a typographical error related to formatting in Rules 3.5.3 that references Existing Generating CMUs
- Concerns have been raised that the equation in Rule 3.5.5 does not apportion station TEC or MEC appropriately in some circumstances where there are mothballed or spare GUs within a power station
- EMR DB ['Method of Calculation and Capacity'](#) guidance allows for the self-nomination of Connection Capacity for battery storage CMUs but this is not recognised in the CM Rules.

Proposed solution to the issue:

The proposed solution seeks to achieve the following:

- Amend Rule 3.4.5 so that Applicants must specify which Grid Connection Agreements and Distribution Connection Agreements that apply to each CMU that is covered by each agreement.
- Amend Rule 3.5.1A so that TEC and MEC are not specified at a GU level while prohibiting the sum of Connection Capacities of GUs covered by a Grid Connection Agreement or Distribution Connection Agreement exceeding the relevant TEC or MEC value.
- Amend Rule 3.5.3 so that the Average Output is set at the GU level and not at the Existing Generating CMU level.
- Substitute the existing Rule 3.5.5 provisions with text that allows Applicants to set Connection Capacity using any suitable methodology subject to the following constraints:
 - The sum of the Connection Capacity of GUs subject to a Grid Connection Agreement or Distribution Connection Agreement does not exceed STEC;
 - The Connection Capacity of any GU does not exceed its CEC (as this shouldn't be physically possible); and
 - The Applicant determines the GU Connection Capacity in good faith (as per terminology used in Rule 3.5.2(c)(iii)(bb)).

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

Amend paragraph 3.4.5 to:

Statement as to Capacity Each Application must specify:

- (a) the Connection Capacity or DSR Capacity (as applicable) of the CMU and, in the case of a Generating CMU, each Generating Unit comprising such CMU, for the Delivery Year to which the Capacity Auction relates and, in the case of a Generating CMU or Interconnector CMU, the basis on which the Connection Capacity has been determined pursuant to Rule 3.5 or Rule 3.5A;
- (b) in the case of a Generating CMU, the Generating Technology Class to which each Generating Unit that comprises such a CMU belongs; and
- (c) ~~in the case where Rule 3.5.5 applies~~, each CMU to which the relevant Grid Connection Agreement or Distribution Connection Agreement (as applicable) applies.

Amend Paragraph 3.5.1A to:

The aggregate Connection Capacity of all Generating Units ~~that are subject to a single shared Grid Connection Agreement or Distribution Connection Agreement, and are comprised in one or more a~~ Generating CMUs, must not exceed, ~~in any given Delivery Year, the sum of the~~ Transmission Entry Capacity ~~or and~~ Maximum Export Capacity (as applicable), as set out in that shared Grid Connection Agreement or Distribution Connection Agreement ~~which apply to each of the Generating Units comprised in that Generating CMU.~~

Amend paragraph 3.5.3 to:

An Applicant for an Existing Generating CMU may, as an alternative to the determination of Connection Capacity set out in Rule 3.5.2, nominate a Connection Capacity for that Generating Unit equal to ~~its the~~ Average Output ~~of that Existing Generating CMU.~~

Substitute paragraph 3.5.5 with:

~~Subject to Rule 3.5.1A, an Applicant may, as an alternative to the determination of Connection Capacity set out in Rule 3.5.2 or 3.5.3, nominate a Connection Capacity for a Generating Unit comprised in a Generating CMU using any methodology it considers appropriate, provided that:~~

- ~~(a) the Connection Capacity determined for any individual Generating Unit does not exceed
 - i) for Transmission Connected CMUs, the Connection Entry Capacity of that Generating Unit, or,
 - ii) for Distribution Connected CMUs, the registered capacities (or inverter ratings, if applicable) of that Generating Unit; and~~
- ~~(b) the Connection Capacity for each Generating Unit is determined by the Applicant in good faith.~~

~~Subject to Rule 3.5.1A, an Applicant for a Generating CMU may, as an alternative to the determination of Connection Capacity set out in Rule 3.5.2 or 3.5.3, nominate a Connection Capacity for a Generating Unit comprised in that Generating CMU in accordance with following formula:~~

$$CC_i = \frac{UCEC_i}{SCEC} \times STEC$$

~~where:~~

~~CCI is the Connection Capacity of Generating Unit "i"; STEC is:~~

~~(a) in the case of a Generating Unit which is part of a Transmission CMU, the Transmission Entry Capacity for the power station of which Generating Unit "i" is a component; or~~

~~(b) in the case of a Generating Unit which is part of a Distribution CMU, the Maximum Export Capacity for the power station of which Generating Unit "i" is a component;~~

~~SCEC is:~~

~~(a) in the case of a Generating Unit which is part of a Transmission CMU:~~

~~(i) omitted;~~

~~(ii) the sum of the Connection Entry Capacities stated in that Grid Connection Agreement for each Generating Unit which is a component~~

~~of that power station;~~
~~(b) in the case of a Generating Unit which is part of a Distribution CMU:~~
~~(i) omitted;~~
~~(ii) the sum of the registered capacities (or inverter ratings, if applicable) stated in that Distribution Connection Agreement for each of the generating sets comprised in that power station;~~
~~UCECI is:~~
~~(a) in the case of a Generating Unit which is part of a Transmission CMU, the Connection Entry Capacity stated in the Grid Connection Agreement for Generating Unit "i"; or~~
~~(b) in the case of a Generating Unit which is part of a Distribution CMU, the registered capacity (or inverter rating, if applicable) stated in the Distribution Connection Agreement for Generating Unit "i";~~
~~"generating set" has the meaning given to it in the relevant Distribution Connection Agreement;~~
~~"power station" has the meaning given to it in the relevant Grid Connection Agreement or Distribution Connection Agreement as applicable.~~

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 table below summarises the expected impacts and highlights how each element of the proposal meets Ofgem's principal objective or the Capacity Market objectives.

Solution Reference	Impact on industry	Impact on consumers	Ofgem's Principal Objective/Capacity Market Objectives
3.4.5	All applicants with shared connection agreements will be expected to state which connection agreements relate to each CMU. The impact on Applicants of the extra administrative effort involved in providing this is expected to be low.	Improves Applicant compliance with the Capacity Market Rules ensuring the scheme functions as intended	Ofgem's principal objective - This will allow EMR DB to check compliance with Rule 3.5.1A ensuring that Connection Capacity is set at an appropriate level and increasing Delivery Assurance.
3.5.1A	Improves Applicant compliance with the Capacity Market Rules ensuring the scheme functions as intended	Improves Applicant compliance with the Capacity Market Rules ensuring the scheme functions as intended	Ofgem's principal objective - Replaces a control that is ineffective in some cases (See CMAG Meeting 27 slide 14) with a control that is intended to work in all cases. This strengthens Delivery Assurance.
3.5.3	None	None	Facilitating the efficient operation and administration of the Capacity Market - Clearly worded CM Rules reduce misinterpretation of obligations, improves compliance and reduces the number of queries between CM participants.

3.5.5	Will allow Applicants to use a wider range of methodologies to set Connection Capacity subject to appropriate constraints.	Possible lower auction clearing prices leading to lower customer bills	<p>Promoting investment in capacity to ensure security of electricity supply - This should allow more accurate values for Connection Capacity to be set which could improve auction liquidity on the basis that there may be some sites that are discouraged from entering the CM on the basis that they are required to deliver at a Connection Capacity set at their TEC or MEC value. Additionally, setting more flexible Connection Capacity values could allow sites with mothballed or spare units to more accurately reflect their ability to deliver (See CMAG 32 slides 32 and 33).</p> <p>Ofgem's principal objective - As per Impact of consumers.</p> <p>Note: The following concerns were highlighted in CMAG discussions that self-nomination could lead to the following:</p> <ol style="list-style-type: none"> 1) The ability to set Connection Capacity at levels lower than TEC/MEC could lead to less capacity at auction and higher auction clearing prices; and 2) Any improvements in auction liquidity are contingent on the self-nomination Connection Capacity being larger than the Connection Capacity set by the current Rules or there being cases where Applicants are not entering due to the TEC/MEC levels.
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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.