

CM Wholesale Markets Team
Ofgem

By e-mail to:
EMR_CMRules@ofgem.gov.uk

28th May 2019

Dear Sir/Madam,

Five Year Review of the Capacity Market Rules – First Policy Consultation

We refer to Ofgem's current consultation on changes to the Capacity Market Rules. Moyle Interconnector Limited ('Moyle'), an interconnector unit connecting the GB electricity transmission system to that of Northern Ireland, has participated in the Capacity Market since capacity year 2017/18 (though Moyle is not a participant in the current capacity year, from which interconnectors are prohibited).

At this time we offer brief remarks in response to two specific questions included in section 6 of Ofgem's consultation paper.

Question 28: How should the ALFCO formula be adjusted for Interconnectors when their output is affected by actions by NGENSO?

Moyle acknowledges Ofgem's previous decision in principle that ALFCO for an interconnector unit should be adjusted down if ESO actions reduce the unit's output. Although the present wording of Rule 8.5.1 may be imperfect, its practical effect is as intended, that is the unit will not be penalised when the ESO reduces its output below its LFCO.

An alternative approach would be to treat such ESO actions in a similar way to balancing actions through the Balancing Mechanism, which are handled through a QBOA in Rule 8.5.2. Effectively the ESO action would be handled as another QBOA. Rule 8.5.4(b), which defines the QBOA, would need to be expanded to cover ESO non-BM actions.

Question 29: Should system to generator intertrips be included as a RBS in Schedule 4 to relieve providers of their obligations when affected by such an intertrip?

Yes, certainly intertrips should be included as a RBS. Intertrips are an important tool in managing the transmission system and additionally offer value to consumers by providing alternatives to high cost investment in physical infrastructure, promoting an efficient network.

However, a unit connecting in conjunction with an intertrip will be unfairly disadvantaged if that intertrip is accompanied by an increased risk of a capacity market penalty. One commercial solution to this risk is that the ESO should compensate the unit for any capacity market penalty incurred due to activation of the intertrip, through its connection agreement.

A more efficient approach, which would avoid the need for individual providers to agree suitable commercial arrangements with the ESO, is for the design of the capacity market rules to exclude penalisation of a unit due to intertrip activation. Therefore modification of Schedule 4 would be appropriate. The reduction in a unit's LFCO could be handled in a similar way to BM actions, so that the unit's ALFCO is lower by the extent of the reduction in output caused by activation of the intertrip.

In general when considering Relevant Balancing Actions, ESO actions on an interconnector and intertrips we encourage an approach in the rules which is as far as possible consistent.

Please do not hesitate to contact me if you require any further information.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'T. Cox', written in a cursive style.

Tim Cox