

CAPACITY MARKET RULES

Consultation Draft

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CHAPTER 1: GENERAL PROVISIONS

1. General Provisions

1.1 Definitions

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| the Act | means the Energy Act 2013 |
| EA 89 | means the Electricity Act 1989 |
| the Regulations | means the Electricity Capacity Regulations 2014 |
| Acceptable Transferee | has the meaning given in Rule 9.2.5 and 9.2.6 |
| Active Energy | means the electrical energy produced, flowing or supplied by an electric circuit during a time interval, being the integral with respect to time of instantaneous Active Power, measured in units of watt-hours or standard multiples thereof |
| Active Power | means the product of voltage and the in-phase component of alternating current measured in units of watts and standard multiples thereof, that is: 1000 watts = 1 kW 1000 kW = 1 MW |
| Additional Information | means the additional information to be submitted with an Application, being: (a) in the case of an Application relating to an Existing Generating CMU, such information as is required pursuant to Rule 3.6; (b) in the case of an Application relating to a Prospective Generating CMU, such information as is required pursuant to Rule 3.7; (c) in the case of an Application relating to a Proven Customer Demand Response CMU, such information as is required pursuant to Rule 3.8; or (d) in the case of an Application relating to an Unproven Customer Demand Response CMU, such information as is required pursuant to Rule 3.9 |
| Adjusted Load Following Capacity Obligation (ALFCO) | has the meaning given in Rule 8.5.2 |
| Administrative Parties | has the meaning given to that term in the Regulations |
| Affected Person | has the meaning given in Rule 12.2 |
| Agent | means a person nominated by an Applicant to submit one or more Applications on its behalf pursuant to Rule 3.3.5 |

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| Applicant | means: (a) in relation to a Generating CMU; (i) the legal owner of that Generating CMU, provided that such legal owner has Despatch Control; or (ii) the person determined to be the Applicant in accordance with Rule 3.12.6(b); or (b) in relation to a Customer Demand Response CMU, the CDR Provider of that Customer Demand Response CMU |
| Applicant Confidential Information | means all data and other information of whatever nature and in whatever form, including but not limited to written, oral, electronic and in a visual or machine-readable form (including but not limited to CD-ROM, magnetic and digital form) and relating to the affairs of an Applicant that is furnished to the Delivery Body by the Applicant or an Applicant-related Party under or in accordance with these Rules, the Regulations or the Auction Guidelines |
| Applicant-related Party | means, in relation to a CMU, its Applicant (or Bidder or Capacity Provider, as applicable), its Portfolio Holder, its Portfolio Adjustment Payer and any Agent its Applicant may appoint |
| Application | means the application that is to be completed by the Applicant in accordance with Rule 3.4.1(a) and includes a Registration Declaration |
| Application Process | has the meaning given in Rule 3.1.1 |
| Auction Guidelines | has the meaning given in Rule 2.2.1 |
| Auction Monitor | has the meaning given in Rule 5.12.1(a) |
| Auction Parameters | has the meaning given to that term in the Regulations |
| Auction Results Day | has the meaning given in Rule 5.9.4 |
| Auction Window | has the meaning given to that term in the Regulations |
| Auctioneer | has the meaning given to that term in the Regulations |
| Authority | means the Gas and Electricity Markets Authority |
| Average Availability | has the meaning given in Rule 2.3.4(a)(i) |
| Back-feed Milestone | means: (a) for a CMRS Transmission CMU, the date on which its Energisation Operational Notification is received; and (b) for any other Generating CMU, the commencement of activities to commission the Generating Unit(s) comprising the Generating CMU which involve energising that Generating Unit |
| Balancing and Settlement Code (BSC) | means the code of that title as amended from time to time |

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| Balancing Mechanism | has the meaning given to that term in the NGET Transmission Licence |
| Balancing Service | has the meaning given to that term in the NGET Transmission Licence |
| Baseline Demand | means, for a Customer Demand Response CMU Component and a Settlement Period, the baseline Demand of that Customer Demand Response CMU in that Settlement Period calculated in accordance with the Baseline Methodology |
| Baseline Methodology | means the methodology set out in Schedule 3 |
| Bid | means a bid made by a Bidder in a Capacity Auction in accordance with Rule 5 (and “ Bidding ” must be construed accordingly) |
| Bid Bond | has the meaning given in Rule 4.6.1(a)(ii) |
| Bid Capacity | has the meaning given in Rule 5.8.2 |
| Bid-Offer Acceptance | means a bid-offer acceptance issued by the System Operator to a BM Unit in accordance with BC2.7 of the Grid Code |
| Bidder | means the person who is the Applicant for any Prequalified CMU and who makes a Bid |
| Bidding Round | has the meaning given in Rule 5.3.4 |
| Bidding Round Price | has the meaning given in Rule 5.3.4 |
| Bidding Window | has the meaning given in Rule 5.3.8 |
| Bilateral Connection Agreement | means an agreement entered into pursuant to Paragraph 1.3.1 of the CUSC, a form of which is set out in Exhibit 1 to Schedule 2 of the CUSC |
| Bilateral Embedded Generation Agreement | means an agreement entered into pursuant to Paragraph 1.3.1 of the CUSC, a form of which is set out in Exhibit 2 to Schedule 2 of the CUSC |
| BM Responsible Party | means the person responsible for an Export under paragraph 1.2.2 of Section K of the BSC |
| BM Unit | has the meaning given to that term in the BSC |
| BMU Specific Trade | means an electricity trade undertaken by the System Operator whereby, as a condition of the trade, a BM Unit is required to submit and follow specific Final Physical Notification Data |
| Boundary Point | has the meaning given in the BSC |
| BSCCo | means ELEXON Limited (or any successor to that company acting in the capacity as BSCCo under the BSC) |
| Business Day (BD) | means any day other than a Saturday, Sunday, bank holiday or public holiday |
| Capacity Agreement | has the meaning given in Rule 6.2.1 |

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| Capacity Agreement Notice | means a notice issued by the Delivery Body to a Capacity Provider following a Capacity Auction setting out the terms of the Capacity Agreement of that Capacity Provider for a Capacity Committed CMU |
| Capacity Auction | means a capacity auction conducted pursuant to Rule 5 |
| Capacity Committed CMU | means a CMU that is identified as a “Capacity Committed CMU” in the Capacity Market Register |
| Capacity Market Confidential Information | means all data and other information of whatever nature and in whatever form, including but not limited to written, oral, electronic and in a visual or machine-readable form (including but not limited to CD-ROM, magnetic and digital form) either: <ul style="list-style-type: none"> (a) relating to the affairs of an Applicant or CMU to the extent relevant to its participation in the capacity market or its obligations under these Rules; or (b) supplied to an Applicant Related Party under or in accordance with these Rules, the Regulations or the Auction Guidelines |
| Capacity Market Register | has the meaning given to that term in the Regulations |
| Capacity Market Transfer Notice | has the meaning given to that term in the Regulations |
| Capacity Market Unit or CMU | has the meaning given to that term in the Regulations |
| Capacity Market Warning | means a warning issued in accordance with Rule 8.4.7 |
| Capacity Obligation | means an obligation awarded pursuant to a Capacity Auction to provide a determined Volume of capacity (whether by way of generating electricity or Demand Side Response) during one or more Delivery Year(s) when required to do so in accordance with these Rules |
| Capacity Payment | has the meaning given to that term in the Regulations |
| Capacity Provider | means, for any Capacity Committed CMU and Delivery Year, the person who was the Applicant for that CMU at Prequalification |
| Capital Expenditure | means capital expenditure under International Accounting Standard 16 |
| CDR Capacity | means: <ul style="list-style-type: none"> (a) in the case of a Proven Customer Demand Response CMU, its Proven CDR Capacity; and (b) in the case of a Unproven Customer Demand Response CMU, its Unproven CDR Capacity, expressed in MW to one decimal place |
| CDR Provider | has the meaning given to that term in the Regulations |

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| CDR Test | means a test of a Customer Demand Response CMU carried out pursuant to Rule 13.1 |
| CDR Test Certificate | means a certificate issued by the Delivery Body in relation to a Customer Demand Response CMU following a CDR Test pursuant to Rule 13.2.11 |
| CDR Volume | means the excess (if positive) of: <ul style="list-style-type: none"> (a) the sum of the Baseline Demand of each Customer Demand Response CMU Component comprising the Customer Demand Response CMU in that Settlement Period, over (b) the Customer Demand Response CMU's Metered Volume (positive or negative) in that Settlement Period, expressed in MWh to one decimal place. For these purposes, a net imported Metered Volume is positive and a net exported Metered Volume is negative |
| Central Meter Registration Service | has the meaning given to that term in the BSC |
| CfD Counterparty | means [<i>insert corporate name and registered number</i>] and any other person designated as such pursuant to [Chapter 2 of Part 2] of the Act |
| Clearing Capacity | means a target Volume of Capacity for the Capacity Auction determined by the Demand Curve for a particular Price |
| CMRS CMU | means a CMRS Transmission CMU or a CMRS Distribution CMU |
| CMRS Distribution CMU | means a Generating CMU which Exports electricity to a Distribution Network where the Metering System is registered in the Central Meter Registration Service in accordance with Section K of the BSC |
| CMRS Transmission CMU | means a Generating CMU which Exports electricity to the Transmission Network where the Metering System for the corresponding BM Unit is registered in the Central Meter Registration Service in accordance with paragraph 3.2 of Section K of the BSC |
| CMU Component | means a Customer Demand Response CMU Component or a Generating CMU Component |

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| Connection Capacity | <p>means, for:</p> <ul style="list-style-type: none"> (a) a CMRS Transmission CMU, its Connection Entry Capacity (as defined in Section 11 of the CUSC); and (b) a Distribution CMU: <ul style="list-style-type: none"> (i) the connection capacity stated in its Distribution Connection Agreement; (ii) where there is no Distribution Connection Agreement, the connection capacity stated in its connection offer to connect to the relevant Distribution Network; or (iii) where there is no Distribution Connection Agreement and no connection offer to connect to the relevant Distribution Network, the connection capacity anticipated by the Applicant or Capacity Provider (as applicable) acting in good faith, <p>in each case, as at the date of the Application and expressed in whole MW</p> |
| Connection and Use of System Code (CUSC) | has the meaning set out in the NGET Transmission Licence |
| Construction Milestones | means for any Prospective Generating CMU, the Financial Commitment Milestone and the milestones to completion contemplated by Rule 3.7.2(b) |
| Construction Plan | means all the information provided pursuant to Rule 3.7.2 |
| Consumer Prices Index (CPI) | means the UK Consumer Prices Index (All Items) published by the Office for National Statistics or, if such index ceases to be published, such other consumer prices index or any index which may replace it |
| Contractual CDR Control | has the meaning given to that term in the Regulations |
| Control | of a person by another means that the other (whether alone or acting in concert with others, whether directly or indirectly and whether by ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that person or of any other person which Controls that person or otherwise controls or has the power to control the affairs and policies of that person or of any other person which Controls that person |
| Core Industry Document | means the Connection and Use of System Code, the Balancing and Settlement Code and the Grid Code |
| Core Industry Document Owner | means, in relation to a Core Industry Document, the body or entity which is responsible for the management and operation of procedures for making changes to such documents |

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| Core Winter Period | means the period from and including the 1st of December in any year to and including the last day of February in the following year |
| Credit Support | means the provision by an Applicant of either a Bid Bond or Performance Collateral |
| Custodian | means [Law Debenture] or other third party appointed by the [●] from time to time |
| Customer | means a person to whom electrical power is provided (whether or not the same person as the person who provides the electrical power) |
| Customer Demand Response or CDR | has the meaning given to that term in the Regulations |
| Customer Demand Response CMU | has the meaning given to that term in the Regulations |
| Customer Demand Response CMU Component | has the meaning given to that term in the Regulations |
| Decisive Influence | over a person by another means that the other person has control of that person for the purpose of Article 3, subsections 2 and 3 of Council Regulation (EC) No 139/2004 of 20 January 2003 but does not have Control of that person |
| Defaulting CMU | means, in relation to a Capacity Auction in respect of Delivery Year “t”, a CMU that Prequalified for any Capacity Auction in respect of Delivery Years t-1 or t-2 but for which the Capacity Provider has: <ul style="list-style-type: none"> (a) failed to make a Bid in the first Bidding Round of such Capacity Auction; (b) has been disqualified from Bidding under Rule 5.5.4; or (c) has had a Capacity Agreement terminated for breach of Ethical Requirements for Delivery Years t-1 or t-2 |
| Delivery Body | has the meaning given to that term in the Regulations |
| Delivery Year | has the meaning given to that term in the Regulations |
| Demand | means the demand for Active Power (in MW) |
| Demand Control Instruction | means an instruction for Demand reduction issued by the System Operator under the Grid Code |
| Demand Curve | has the meaning given to that term in the Regulations |
| Demand Side Response or DSR | means: <ul style="list-style-type: none"> (a) the supply of electricity to a Distribution Network by a Non-CMRS Distribution CMU; and/or (b) Customer Demand Response |

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| De-rated Capacity | means, for any CMU and Capacity Auction, an amount (in MW) equal to the product of: <ul style="list-style-type: none"> (a) for a Generating CMU, its Connection Capacity; or (b) for a Customer Demand Response CMU, its CDR Capacity; and the De-rating Factor |
| De-rated Technology Class | means a class of Generating Unit, defined by the technology used to generate electricity, for which the Secretary of State requires the Delivery Body to publish a De-Rating Factor Range, identified in the list attached as Schedule 4 |
| De-rating Factor | means, for a CMU and Capacity Auction, the factor (expressed to two decimal places) selected by the Applicant in relation to that CMU and falling within the De-rating Factor Range applicable to the De-rated Technology Class to which such CMU belongs provided that: <ul style="list-style-type: none"> (i) if the factor so selected is above that De-rating Factor Range the De-rating Factor will be the highest number in the range; and (ii) if the factor so selected is below that De-rating Factor Range then the De-rating Factor will be the lowest number in the range |
| De-rating Factor Range | has the meaning given to that term in Rule 2.3.3 |
| Despatch Control | means, for a Generating CMU, control exercised by a person over whether or not that Generating CMU generates in a Settlement Period, provided that a person does not cease to have Despatch Control by: <ul style="list-style-type: none"> (a) contracting with another person for the service of operating the Generating Unit; (b) contracting with another person to supply electricity in a Settlement Period; (c) in the case of a CMRS CMU, agreeing that another person may be the BM Responsible Party under the BSC; or (d) entering into a Balancing Services Contract with the System Operator |
| Disconnection | means the physical separation of a [Distribution Network or a] Generating Unit (or a Customer) from the GB Transmission System or a User System (as defined in the Grid Code) as the case may be |
| Distribution CMU | means a CMRS Distribution CMU or a Non-CMRS Distribution CMU |
| Distribution Code | means the Distribution Code required to be prepared by a DNO in accordance with standard condition 9 (Distribution Code) of the licence granted to it pursuant to section 6(1)(c) of the EA 89 |

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| Distribution Connection Agreement | means, for a Distribution CMU, an agreement entered into between a DNO and the person responsible for that CMU for the connection of that CMU to and use of a Distribution Network |
| Distribution Network | has the meaning given to that term in the Regulations |
| Distribution Network Operator (DNO) | has the meaning given to that term in the Regulations |
| Documentary Collateral | has the meaning given to it in Schedule 2, Rule 1.1 |
| Downgrade Event | has the meaning given to it in Schedule 2, Rule 3.1 |
| DSR CMU | means a Non-CMRS Distribution CMU or a Customer Demand Response CMU |
| Dynamic Parameters | means those parameters listed in Appendix 1 to BC1 of the Grid Code under the heading “BM Unit Data – Dynamic Parameters” |
| Eligible Secondary Trading Entrant | means a Secondary Trading Entrant which has Prequalified in accordance with Rule 4.8 |
| Emergency Instruction | means an instruction issued by the System Operator in accordance with BC2.9 of the Grid Code |
| Energisation Operational Notification (EON) | has the meaning given to that term in the Grid Code |
| Ethical Requirements | means the conduct requirements and/or prohibitions set out in Rules 5.10 and 5.11 |
| Excluded CMU | means: <ul style="list-style-type: none"> (a) for a Capacity Auction for Delivery Year “t”, an Existing Generating CMU that is, for any Capacity Auction in respect of Delivery Years t-1 or t-2, Retired; or (b) for a T-1 Auction for Delivery Year “t”, an Existing Generating CMU that was, in the T-4 Auction in respect of Delivery Year t, Non-Operational Opted-out |
| Existing Generating CMU | means a CMU falling within paragraphs (1)(a) or (1)(c) of the definition of “generating CMU” in the Regulations |
| Exit Bid | means a notification given withdrawing a Bid in accordance with Rule 5.4.5-5.4.8 |
| Exit Ranking | has the meaning given in Rule 5.8.3(a) |
| Export | has the meaning given to that term in the Regulations |
| Final Physical Notification Data (FPN) | has the meaning given in the BSC |
| Financial Commitment Declaration | has the meaning given in Rule 3.7.2(c) |

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| Financial Commitment Milestone | means, for a Prospective Generating CMU, Capital Expenditure having been incurred in an amount at least equal to 50 per cent of the Financial Commitment Declaration made for that Capacity Committed CMU |
| Frequency | means the number of alternating current cycles per second (expressed in Hertz) at which a System (as defined in the Grid Code) is running |
| Frozen Physical Notification | means for a Settlement Period and Capacity Committed CMU, the Final Physical Notification Data or, in the absence thereof, the data that describes the Capacity Provider's best estimate of the expected input or output of Active Power of that Capacity Committed CMU in the Settlement Period as set out in the Physical Notifications which are most current at the time a Capacity Market Warning is given |
| Gate Closure | means, in relation to a Settlement Period, the spot time 1 hour before the spot time at the start of that Settlement Period |
| GB Transmission System | has the meaning given to the term 'national electricity transmission system' in the NGET Transmission Licence |
| General Eligibility Criteria | has the meaning given to that term in the Regulations |
| Generating CMU | has the meaning given to that term in the Regulations |
| Generating Unit | means any equipment in which electrical conductors are used or supported or of which they form part which produces electricity, and includes such equipment which produces electricity from storage |
| Generation Licence | means a licence for the generation of electricity, as modified from time to time, granted pursuant to section 6(1)(a) of the EA 89 |
| Generation Licence Exemption | means an exemption from section 4(1)(a) of the EA 89 granted under section 5 of the EA 89 |
| Generator | means a person who generates electricity under a Generation Licence or a Generation Licence Exemption acting in its capacity as a generator in Great Britain or the Offshore Area |
| Grid Code | has the meaning given to that term in the Transmission Licence |
| Grid Connection Agreement | means, in relation to a CMRS Transmission CMU, a Bilateral Connection Agreement or a Bilateral Embedded Generation Agreement between the System Operator and a person responsible for the CMU |
| Grid Entry Point | means an Onshore Grid Energy Point (as defined in the Grid Code) or an Offshore Grid Entry Point (as defined in the Grid Code) |
| Grid Supply Point | means a point of supply from the Transmission Network to DNOs or Non Embedded Customers (as defined in the Grid Code) |

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| 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 |
| Half Hourly Meter | means a Meter which provides measurements on a half hourly basis for settlement purposes under the Core Industry Documents |
| High Demand Settlement Period | means a Settlement Period in a Core Winter Period where demand is above the 50 th percentile of the demand in all the Settlement Periods falling between 7am and 7pm on Business Days in that Core Winter Period |
| Holding Company | means, in relation to a company, any other company in respect of which it is a Subsidiary |
| [Independent Technical Advisor | means an experienced technical consultant with expertise in the construction and operation of Generating Units, independent of the relevant Capacity Provider, engaged by that Capacity Provider at its expense to prepare the independent technical assessment, report, certificate or commentary required by Rules 6.6, 6.7, 6.10, 8.3 or 11.2] |
| Inside Information | means, for a Capacity Auction, information: <ul style="list-style-type: none"> (a) of a precise nature; (b) which has not been made public; (c) which relates, directly or indirectly, to the Capacity Auction or the Capacity Agreements which may result; and (d) which, if it were made public, would be likely to significantly affect the Price |
| Insolvent | means that, for an Applicant or Capacity Provider, that any of the following occurs or has occurred: <ul style="list-style-type: none"> (c) it is, or is deemed for the purposes of section 123(1)(e) or 123(2) of the Insolvency Act 1986 to be, unable to pay its debts as they fall due (save that the words “proved to the satisfaction of the court” are deemed omitted from such sections); (d) it admits its insolvency or its inability to pay its debts as they fall due; (e) it suspends making payments on any of its debts or announces an intention to do so; (f) by reason of actual or anticipated financial difficulties, it begins negotiations with any creditor for the rescheduling or restructuring of any of its indebtedness; (g) a moratorium is declared in respect of any of its indebtedness; (h) any step is taken with a view to a moratorium or a composition, assignment or similar arrangement with any of its creditors; (i) a meeting of its shareholders, directors or other officers is |

convened for the purpose of considering any resolution, to petition for or to file documents with a court or any registrar for its winding-up, administration or dissolution or any such resolution is passed;

- (j) any person presents a petition, or files documents with a court or any registrar for its winding-up, administration or dissolution or seeking relief under any applicable bankruptcy; insolvency, company or similar law;
- (k) any liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer is appointed in respect of it or any of its assets;
- (l) its shareholders, directors or other officers request the appointment of, or give notice of their intention to appoint, a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer in respect of it or any of its assets; or
- (m) any other analogous step or procedure is taken in any jurisdiction

**Insolvency
Termination Event**

means, for a Capacity Provider, that the Capacity Provider has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, which:

- (a) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; and
- (b) is not dismissed, discharged, stayed or restrained, in each case within 90 days of the institution or presentation thereof

**Interim Operational
Notification (ION)**

has the meaning given to that term in the Grid Code

**International
Accounting Standard
16**

means the International Financial Reporting Standard titled "IAS 16 - Property, Plant and Equipment" promulgated by the International Accounting Standards Board ("IASB"), together with the IASB's pronouncements thereon from time to time

IT Auction System

means the IT infrastructure hosting the Capacity Auction

kW

means kilowatt

kWh

means kilowatt-hour

Lead Party

has the meaning given to that term in the BSC

| | |
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| Long-Stop Date | <p>means:</p> <ul style="list-style-type: none"> (a) for any Refurbishing CMU, the date 24 months after the Auction Results Date of the Capacity Auction in which it was awarded its Capacity Agreement; and (b) for any other Prospective Generating CMU, the date falling 18 months after the start of the CMU's first scheduled Delivery Year, <p>as set out in the Capacity Agreement applicable to that CMU</p> |
| Low Carbon Exclusion | has the meaning given to that term in the Regulations |
| Low Carbon Grant | means a grant to which regulation 34 of the Regulations applies |
| Mandatory CMU | means a generating CMU which is owned by a licensed generator |
| [Market Manipulation | <p>means:</p> <ul style="list-style-type: none"> (a) the submission of Applicant Confidential Information and/or Bidding in a Capacity Auction in each case which: <ul style="list-style-type: none"> (i) gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of a Capacity Agreement; (ii) secures, or attempts to secure, by a person, or persons acting in collaboration, the Price of a Capacity Agreement at an artificial level; or (iii) employs or attempts to employ a fictitious device or any other form of deception or contrivance which gives, or is likely to give, false or misleading signals regarding the Price obtained in a Capacity Auction; or (b) disseminating information through the media which gives, or is likely to give, false or misleading signals as to the supply of, or demand for, or likely Price of a Capacity Agreement in the Capacity Auction or value of a Capacity Agreement in the Secondary Market where the person doing this knows or ought to have known the information to be false or misleading] |
| Maximum Export Limits | means a series of MW figures and associated times, making up a profile of the maximum level at which a BM Unit may be exporting (in MW) to the Transmission Network at the Grid Entry Point or Grid Supply Point, as applicable |

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| Maximum Obligation Period | means, in respect of the T-4 Auction: (a) for a Prospective Generating CMU for which an Applicant has stated pursuant to Rule 3.7.2(e) that Capital Expenditure per kW of the resulting Connection Capacity of the CMU (excluding contingency) is anticipated to exceed the Ten Year Minimum £/kW Threshold, ten Delivery Years including the first Delivery Year for which the Capacity Agreement is awarded; (b) for a Prospective Generating CMU for which an Applicant has stated pursuant to Rule 3.7.2(e) that Capital Expenditure per kW of the resulting Connection Capacity of the CMU (excluding contingency) is anticipated to exceed the Three Year Minimum £/kW Threshold and to be lower than the Ten Year Minimum £/kW Threshold, three Delivery Years including the first Delivery Year for which the Capacity Agreement is awarded; and (c) for all other CMUs (including Prospective Generating CMUs not included in (a) or (b) above), one Delivery Year, and, in respect of the T-1 Auction, means one Delivery Year for all CMUs. |
| Meter | means a device for measuring Active Energy |
| Meter Point | means a Boundary Point between a CMU and: (c) for a CMRS Transmission CMU, the Transmission System; and (d) for a Distribution CMU, the relevant Distribution Network |
| Meter Point Administration Number | means the unique serial identification number assigned (and maintained) by a DNO in relation to a Meter |
| Metered Volume | means, for a CMU or CMU Component and a Settlement Period, the net aggregate volume of Active Energy, determined as at one or more Meter Points, which flowed in that Settlement Period to or from that CMU or CMU Component |
| Metering System | has the meaning given to that term in the BSC |
| Minimum Capacity Threshold | has the meaning given to that term in the Regulations |
| Minimum Completion Requirement | has the meaning given in Rule 6.8.2 |
| Minimum Obligation | means, for an Applicant for a Generating CMU and Delivery Year, the lowest value which may be assigned as the De-rated Capacity of that CMU for the Delivery Year |
| Minimum Price | has the meaning given to it in Rule 5.4.8 |
| MW | means megawatt |
| MWh | means megawatt hours |

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| Net CONE | has the meaning given to that term in the Regulations |
| NGET | means National Grid Electricity Transmission plc |
| NGET Transmission Licence | means the Transmission Licence granted to NGET, as modified from time to time |
| Non-CMRS Distribution CMU | means a Generating CMU which supplies electricity to a Distribution Network that is not a CMRS Distribution CMU |
| Non-Matched Clearing Round | has the meaning given in Rule 5.8.2 |
| Non-Operational Opted-out | means, for an Existing Generating CMU, the statement in its Opt-out Notification that such CMU is Opting-out pursuant to Rule 3.10.2(g)(ii) |
| Offshore Area | has the meaning given to that term in the Regulations |
| Operating Margin | means Contingency Reserve (as defined in the Grid Code) plus Operating Reserve (as defined in the Grid Code) |
| Opt-out | <p>means, to state in the Opt-Out Notification of an Existing Generating CMU for a Capacity Auction that the CMU is:</p> <ul style="list-style-type: none"> (e) opting out of the Capacity Auction and will be closed down, decommissioned or otherwise non-operational by the commencement of the Delivery Year to which the Capacity Auction relates; or (f) opting out of the Capacity Auction and will be temporarily non-operational for all the Winter of the Delivery Year to which the Capacity Auction relates but will be operational thereafter; or (g) opting out of the Capacity Auction but will remain operational during the Delivery Year to which the Capacity Auction relates, <p>(and “Opted-out” and “Opting-out” must be construed accordingly)</p> |
| Opt-out Notification | means a notification under Rule 3.10 by the owner of a Mandatory CMU |
| Penalty Scaling Factor | has the meaning given in the Regulations |
| Performance Collateral | has the meaning given to it in Rule 4.6.1(a)(i) |
| Permitted On-Site Generating Unit | has the meaning given to that term in the Regulations |
| Permitted Person | means a UK limited liability company and any other person who becomes a Permitted Person from time to time pursuant to Rule 3.12.2 |
| Portfolio | means, for any Portfolio Holder, the Capacity Committed CMUs for which it is the Portfolio Holder |

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| Portfolio Adjustment Payer | means |
| Portfolio Holder | has the meaning given in Rule 3.2 |
| Prequalification | means written confirmation by the Delivery Body pursuant to Rule 4.5 or 12.4 that a CMU has prequalified for a Capacity Auction (and “ Prequalify ” and “ Prequalified ” must be construed accordingly) |
| Prequalification Certificate | means a directors’ certificate in the form set out in Exhibit B |
| Prequalification Decision | has the meaning given in Rule 4.4.1 |
| Prequalification Results Day | means, for any Capacity Auction, the Business Day on which the Delivery Body notifies each Applicant (through its Agent, if applicable) of the matters set out in Rule 4.5.1 in accordance with that Rule |
| Prequalification Window | means, for any Capacity Auction, the period specified in the Auction Guidelines within which applications for prequalification are to be made |
| Prequalified CMU | means a CMU that has Prequalified for a Capacity Auction |
| Pre-Refurbishment CMU | means the Existing Generating CMU comprised within any Refurbishing CMU |
| Price | means, for any Capacity Auction, the price per [MW/kW] determined by the Capacity Auction to be payable to Capacity Committed CMUs which have been successful in the Capacity Auction |
| Price Cap | has the meaning given to that term in the Regulations |
| Price-Maker | means, for any Capacity Auction, a Prequalified CMU which has been registered as a Price-Maker on the Capacity Market Register following a notification under Rule 4.5.1(b) or 4.7.2 that it is a Price-Maker |
| Price-Maker Certificate | means a directors’ certificate in the form set out in Exhibit C |
| Price-Maker Memorandum | means, for an Applicant and Capacity Auction, a memorandum which includes evidence of: <ul style="list-style-type: none"> (a) the Board’s decision to nominate the Applicant as Price-Maker in that Capacity Auction; and (b) the reasons for that decision, including any information and analysis which the Board considers key to the decision |
| Price-Taker | Means, for any Capacity Auction, a Prequalified CMU other than a Price-Maker in that Capacity Auction |

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| Price-Taker Threshold | has the meaning given to that term in the Regulations |
| Prospective Generating CMU | means a CMU falling within paragraphs (1)(b) or (1)(d) of the definition of “generating CMU” in the Regulations |
| Proven CDR Capacity | means the capacity of a Customer Demand Response CMU as evidenced by the CDR Test Certificate issued for that Customer Demand Response CMU |
| Proven Customer Demand Response CMU | has the meaning given to that term in the Regulations |
| Reconsidered Decision | has the meaning given in Rule 12.3.4 |
| Refurbishing CMU | <p>means a CMU which, at the date of its Application, meets the requirements for both:</p> <ul style="list-style-type: none"> (a) an Existing Generating CMU; and (a) a Prospective Generating CMU, <p>(notwithstanding that the Connection Capacity of the alternative CMU's may be different), in the latter case by virtue of an improvements programme being conducted over a period not exceeding 24 months from the Auction Results Date of the Capacity Auction for which it is applying and involving Capital Expenditure per kW of the Connection Capacity of the resulting CMU (excluding contingency) in excess of the Three Year Minimum £/kW Threshold</p> |
| Registered Holder | has the meaning given in Rule 7.4.6(a) |
| Registration Declaration | means the declaration to be made by an Applicant in a Prequalification Application in accordance with Rule 3.11 |
| Relevant Planning Consent | <p>means:</p> <ul style="list-style-type: none"> (a) a section 36 EA 89 consent; (b) a section 37 EA 89 consent; (c) a Transport and Works Act Order; (d) a Town and Country Planning Act 1990 permission or a Town and Country Planning (Scotland) Act 1997 permission and may include one or more of the same; (e) a Development Consent Order under the Planning Act 2008; or (f) a deemed planning permission granted under section 90 of the Town and Country Planning Act 1990 or section 57 of the Town and Country Planning (Scotland) Act 1997 in conjunction with the consents listed in (a) to (c) above |
| Reliability Standard | has the meaning given to that term in the Regulations |

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| Retired | means, for an Existing Generating CMU and a Capacity Auction, either: <ul style="list-style-type: none"> (a) a statement in the Opt-out Notification that such CMU is Opting-out pursuant to Rule 3.10.2(g)(i); or (b) receipt of a notice from the Delivery Body that it has been identified to be generating electricity during all or part of a Delivery Year for which it has declared itself to be Non-Operational Opted-out pursuant to Rule 3.10.4 |
| Satisfactory Performance Day | has the meaning given in Rule 13.3.1 |
| Secondary Trading Entrant | means the Applicant for: <ul style="list-style-type: none"> (a) an Existing Generation CMU comprising biomass plant which is exiting the Low Carbon Exclusion(s) in which it participates; or (b) a Proven Customer Demand Response CMU, wishing to acquire a Capacity Obligation through secondary trading |
| Security | means a mortgage, standard security, assignation, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect |
| Settlement Agent | means the person for the time being appointed as Settlement Agent under the Regulations |
| Settlement Body | means the person for the time being appointed as Settlement Body under the Regulations |
| Settlement Period | has the meaning given to that term in the Regulations |
| Solvency Certificate | means a solvency certificate in the form set out in Exhibit D |
| Spot Test | means the test conducted by the Delivery Body pursuant to Rule 13.1 of a Capacity Provider's ability to provide capacity at a level equal to or greater than its Capacity Obligation at six hours' notice by the Delivery Body |
| Spot Test Decision | has the meaning given in Rule 12.2.6 |
| Subsidiary | means a subsidiary within the meaning of section 1159 of the Companies Act 2006 |

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| Substantial Completion Milestone | <p>means:</p> <ul style="list-style-type: none"> (a) subject to Rule 6.7.2, for a CMRS Transmission CMU: <ul style="list-style-type: none"> (i) the issuance of an ION for the whole of the Connection Capacity of that Generating Unit; and (ii) evidence that the CMU is compliant with the Grid Code, taking into consideration any existing derogations (full details of which must be provided); (b) subject to Rule 6.7.2, for a Distribution CMU: <ul style="list-style-type: none"> (iii) the date on which all Distribution Network Operator commissioning tests are completed such that the full Connection Capacity is permitted to despatch into the Distribution Network; and (iv) evidence that the CMU is compliant with the relevant Distribution Code, taking into consideration any existing derogations (full details of which must be provided); (c) for a Refurbishing CMU, the relevant test from (a) or (b) above being met, and the completion of all construction and commissioning works (subject only to snagging items) as described in its Construction Plan such that the CMU has resumed full commercial operations |
| System Margin | <p>means the margin in any period between:</p> <ul style="list-style-type: none"> (a) the sum of Maximum Export Limits; and (b) forecast Demand plus the Operating Margin, <p>for that period</p> |
| System Operator | <p>means NGET or any successor Transmission Licensee with a Transmission Licence pursuant to which Section C of the Transmission Licence standard conditions has effect</p> |
| System Operator Instigated Demand Control Event | <p>has the meaning given in Rule 8.4.2</p> |
| System Stress Event | <p>has the meaning given in Rule 8.4.1</p> |
| Ten Year Minimum £/kW Threshold | <p>has the meaning given to that term in the Regulations</p> |
| Termination Fee | <p>means TF1 or TF2, each of which has the meaning given in Rule 6.10</p> |
| Termination Notice | <p>has the meaning given in Rule 6.10.2</p> |
| Three Year Minimum £/kW Threshold | <p>has the meaning given to that term in the Regulations</p> |
| T-1 Auction | <p>has the meaning given in Rule 5.3.1</p> |

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| T-4 Auction | has the meaning given in Rule 5.3.1 |
| Transmission Entry Capacity | has the meaning given to that term in the Grid Code |
| Transmission Licence | means any licence for electricity transmission, as modified from time to time, granted pursuant to section 6(1)(b) of the EA 89 |
| Transmission Licensee | means any person who is authorised by a Transmission Licence to participate in the transmission of electricity |
| Transmission Network | means those parts of the GB Transmission System that are owned or operated by a Transmission Licensee within the transmission area specified in its Transmission Licence |
| Ultimate Parent | means, in relation to a company, a Holding Company of that company that does not itself have a Holding Company |
| Unproven CDR Capacity | means the estimated Proven CDR Capacity that an Applicant or Capacity Provider (as applicable) anticipates (acting in good faith) will be evidenced by CDR Testing for an Unproven Customer Demand Response CMU |
| Unproven Customer Demand Response CMU | has the meaning given to that term in the Regulations |
| Unresolved Spot Test Failure | means a failed Spot Test that has not yet been resolved by either: <ul style="list-style-type: none"> (a) a subsequent Spot Test; or (b) a successful appeal of the relevant Spot Test Decision pursuant to the appeals process set out in Rule 12.3 and the Regulations |
| Value of Lost Load (VoLL) | means the 'Value of Lost Load' published by the Authority from time to time |
| Volume | means a volume of electrical generating capacity or CDR Volume expressed in MWh or kWh |
| Winter | means a period from 1 October to 30 April |

1.2 Interpretation

- 1.2.1 Unless the context otherwise requires, a reference in these Rules and in each Capacity Agreement Notice to a particular code or licence must be construed, at any particular time, as including a reference to any modification (including re-numbering) of that code or licence in force at that time.
- 1.2.2 A reference in these Rules and in each Capacity Agreement Notice to:
- (a) an agreement is to such agreement as amended, supplemented, novated or replaced from time to time;
 - (b) a document is to the version of such document in force for the time being,

unless the context otherwise requires and subject to any express provision to the contrary in these Rules or a Capacity Agreement Notice.

1.3 Times and dates

1.3.1 Except where otherwise provided:

- (a) where anything is to be done under these Rules or a Capacity Agreement by or not later than a Business Day or any period is to run to a Business Day, such thing may be done or such period must run up to 1700 hours on such Business Day; and
- (b) where anything which is to be done on a Business Day is done:
 - (i) after 1700 hours on a Business Day, or
 - (ii) on a day which is not a Business Day,it is to be treated as having been done on the next following Business Day.

1.3.2 References to times of the day in these Rules or a Capacity Agreement are to London time.

1.4 Hierarchy of documents

In the event of any conflict or inconsistency between the Regulations, these Rules and any Auction Guidelines, the following order of precedence must apply:

1.4.1 the Regulations prevail over these Rules and any Auction Guidelines; and

1.4.2 these Rules prevail over any Auction Guidelines.

1.5 Coordinating Changes to these Rules

1.5.1 The [Authority] must establish (and, where appropriate, revise from time to time) joint working arrangements for change co-ordination with each Core Industry Document Owner to facilitate the identification, co-ordination, making and implementation of change to the Core Industry Documents consequent on a modification to these Rules including, but not limited to, changes that are appropriate in order to avoid conflict or inconsistency as between these Rules and any Core Industry Document, in a full and timely manner.

1.5.2 The working arrangements referred to in Rule 1.5.1 must be such as to enable the consideration, development and evaluation of proposed amendments to these Rules, and the implementation of approved amendments to these Rules, to proceed in a full and timely manner and enable changes to the Core Industry Documents consequent on an amendment to be made and given effect wherever possible (subject to any necessary consent of the Authority) at the same time as such approved amendment to these Rules is made and given effect.

CHAPTER 2: AUCTION GUIDELINES AND DE-RATING

2. Auction Guidelines and De-rating

2.1 Purpose of this Chapter

These Rules describe the process and requirements for publication of the Auction Guidelines and set out the process for determining the de-rating ranges by the Delivery Body.

2.2 Capacity Auction Timetable and Guidelines

2.2.1 The Delivery Body must publish auction guidelines that will include further specific details as to the running of each individual Capacity Auction (the “**Auction Guidelines**”) prior to the opening of the Prequalification Window.

2.2.2 The Auction Guidelines must contain a timetable for the Capacity Auction, including dates for each of the steps in the second column below. The dates will, unless the Delivery Body or the Secretary of State determines otherwise, be approximately as indicated in the first column.

| Date | Activity |
|----------------|---|
| T – [22] weeks | Prequalification Window opens |
| T – [16] weeks | Prequalification Window closes |
| T – [10] weeks | Prequalification Results Day |
| T – [7] weeks | Notification of updated Auction Parameters and confirmation of the conditional Prequalified Applicants which have fully Prequalified pursuant to Rule 4.6.2 |
| T – [3] weeks | Notification of “post-appeals” identity and status of Prequalified CMUs pursuant to Rule 5.3.5(a) and associated update of affected Auction Parameters |
| T – [3] weeks | In relation to T-1 Auction only, reconfirmation of the final Volume contracted in the relevant T-4 Auction announced pursuant to Rule 5.3.5(b) and Associated update of affected Auction Parameters |
| T – [1] week | Price-Maker decisions to be notified to Auctioneer |
| T | Time for first Bidding Window to commence and first Bidding Window to close |

2.2.3 The Auction Guidelines must also provide the following information:

- (a) the Auction Parameters determined by the Secretary of State for the relevant Capacity Auction;
- (b) where to access the relevant forms to be completed by Applicants as part of the Prequalification process and relevant file formats for the Application and Additional Information;

- (c) instructions on using the Capacity Auction software, including the file format for Bid submission in the Capacity Auction and reconfirmation of the Prequalification Certificate; and
- (d) any other information which is to be included in the Auction Guidelines from time to time under these Rules or Regulations including pursuant to Rule 2.3 and Rule 3.12.

2.3 De-rating of CMUs

2.3.1 The Delivery Body must calculate and publish in the Auction Guidelines for the T-4 Auction for each Delivery Year a De-rating Factor Range for each De-rated Technology Class.

2.3.2 The De-rating Factor Ranges so published apply to determine the De-rated Capacity of CMUs in the relevant De-rated Technology Class participating in any Capacity Auction for that Delivery Year, as well as the De-rated Capacity of CMUs that assume Capacity Agreements through secondary trading of Capacity Agreements that relate to that Delivery Year.

2.3.3 A De-rating Factor Range for a De-rated Technology Class extends from:

- (a) for CMRS CMUs, the Technology Class Weighted Average Availability (“**TCWAA**”) of that De-rated Technology Class; and
- (b) for DSR CMUs, the Average Availability of Balancing Service DSR CMUs (“**AABSDSR**”)

to, in each case, minus two standard deviations (each limit of such range expressed as a decimal to two decimal places).

2.3.4 With respect to the first Delivery Year, TCWAA and AABSDSR are calculated by the Delivery Body as follows:

- (a) for TCWAA, by:
 - (i) determining the Average Availability (AA) for each BM Unit in the Technology Class over the seven immediately preceding Core Winter Periods. The Average Availability is a mean average equal to:
 - (aa) the sum of each declared Maximum Export Limit of that BM Unit at real time in High Demand Settlement Periods over the seven Core Winter Periods, excluding any declared Maximum Export Limit which exceeds the 95th percentile of all declared Maximum Export Limits of that BM Unit in those Core Winter Periods, divided by
 - (bb) the sum of the highest declared Maximum Export Limit figure from each Core Winter Period, excluding any declared Maximum Export Limit which exceeds the 95th percentile of the declared Maximum Export Limits of that BM Unit in that Core Winter Period (“**BM Unit Max MEL**”); and

- (ii) determining the mean average of AA for all BM Units in that De-rated Technology Class, weighted according to the BM Unit Max MEL of each such BM Unit; and
 - (b) for AABSDSR, by determining the mean average of the declared availabilities of all Balancing Service DSR CMUs at real time in High Demand Settlement Periods over the seven immediately preceding Core Winter Periods, divided by their contracted volumes.
- 2.3.5 For the purposes of this Rule 2.3, a “Balancing Service DSR CMU” is a DSR CMU which provides the System Operator with Short Term Operating Reserve, Frequency Control by Demand Management, Firm Frequency Response or Fast Reserve balancing services.
- 2.3.6 The Delivery Body:
- (a) must, with respect to the second, third and fourth Delivery Years, in each case after the conclusion of the T-4 Capacity Auction for the preceding Delivery Year;
 - (b) must, promptly following the inclusion of any new De-rated Technology Class by the Secretary of State pursuant to the Regulations; and
 - (c) may, at any other time,
- consult interested parties as to whether the calculation methodology for TCWAA and/or AABSDSR is achieving its objective and/or whether an alternative calculation (for which it may make proposals) would be more effective.
- 2.3.7 The objective referred to in Rule 2.3.6 is of deriving a percentage which most reliably reflects the mean average availability to generate in the Delivery Year (taking into account all independent technical and commercial factors) of the fleet of assets in that De-rated Technology Class in Great Britain or the Offshore Area.
- 2.3.8 Following any consultation in accordance with Rule 2.3.6, the Delivery Body may propose a revised calculation methodology for the TCWAA or AABSDSR which, if approved by [the Secretary of State/the Authority], must be applied for subsequent Delivery Years.
- 2.3.9 If no revised calculation methodology is approved under Rule 2.3.8 following any consultation, the calculation methodology applied for the previous Delivery Year must be applied.

CHAPTER 3: PREQUALIFICATION INFORMATION

3. Application for Prequalification: Process and Information

3.1 Purpose of this Chapter

3.1.1 These Rules govern the processes by which:

- (a) an Applicant may apply to the Delivery Body for Prequalification of a Capacity Market Unit to participate in a Capacity Auction for a given Delivery Year (the “**Application Process**”); and
- (b) the owner of a Mandatory CMU for which no Application is made must notify the Delivery Body that the Capacity Market Unit is Opting-out of the Capacity Auction, and whether it will remain operational.

3.1.2 The purpose of the Application Process is to allow the Delivery Body, pursuant to the Rules set out in Chapter 4, to determine for each Capacity Market Unit which is the subject of an Application, *inter alia*:

- (a) whether the Capacity Market Unit is a CMRS CMU or a DSR CMU;
- (b) in the case of a Generating CMU, whether the Generating CMU comprises of an Existing Generating CMU or Prospective Generating CMU, and whether a Refurbishing CMU; and
- (c) whether the Capacity Market Unit should Prequalify.

3.2 The meaning of a Portfolio Holder

The “**Portfolio Holder**” for a CMU means:

3.2.1 if a person has Control of the Applicant, the Ultimate Parent of that person;
or

3.2.2 if no person satisfies the test in Rule 3.2.1 above but a person has:

- (a) a Decisive Influence over the Applicant; and
- (b) Control of the person that operates the CMU,

the Ultimate Parent of that person; or

3.2.3 if no person satisfies the tests in Rule 3.2.1 or 3.2.2 above and one person only has a Decisive Influence over the Applicant, the Ultimate Parent of that person; or

3.2.4 if no person satisfies the tests in Rules 3.2.1 or 3.2.2 above and more than one person has a Decisive Influence over the Applicant, the Ultimate Parent of one of such persons as nominated by the board of directors (or other governing body) of the Applicant and evidenced in the Application; or

3.2.5 if no person satisfies the tests in Rule 3.2.1 or 3.2.2 above and no person has Decisive Influence over the Applicant, the Applicant.

3.3 Submitting an Application for Prequalification

- 3.3.1 An Application to Prequalify a CMU for a Capacity Auction may only be made by the Applicant for that CMU (subject to Rule 3.3.5).
- 3.3.2 Subject to Rule 4.2.4, an Applicant may only make one Application for a CMU for a Capacity Auction provided that, for a Refurbishing CMU, a joint Application must be submitted for both the Pre-Refurbishment CMU and the Prospective Generating CMU.
- 3.3.3 An Application may not be made for a CMU for a Capacity Auction if:
- (a) that CMU, or any CMU Component comprised in that CMU, has, or at any time has had, a Capacity Agreement, or is part of a CMU which has, or at any time has had, a Capacity Agreement for the Delivery Year for which the Capacity Auction is to be held;
 - (b) the Delivery Body has already received an Opt-out Notification for the CMU for that Capacity Auction;
 - (c) the CMU is a Defaulting CMU or an Excluded CMU (but without prejudice to the requirement to submit an Opt-Out Notification in accordance with Rule 3.10); or
 - (d) the Application relates to a Refurbishing CMU where a Capacity Agreement for a Refurbishing CMU having the same Pre-Refurbishment CMU has been reduced in the preceding two years pursuant to Rule 6.8.3(a) and provided that this Rule does not prevent an Application in relation to the Pre-Refurbishment CMU.
- 3.3.4 An Applicant must make separate Applications for a Capacity Auction with respect to separate CMUs.
- 3.3.5 An Applicant may nominate an Agent to submit one or more Applications on the Applicant's behalf provided that:
- (a) the identity of the Applicant and the fact of the agency are disclosed in the Application; and
 - (b) only one Agent is nominated for an Application.

3.4 Application Process

- 3.4.1 For each CMU which an Applicant wishes to Prequalify, and for each Capacity Auction, the Applicant must:
- (a) submit a separate application form and the required Additional Information (together, an "**Application**") to the Delivery Body;
 - (b) comply with the requirements of the Application Process; and
 - (c) cooperate with the Delivery Body and other Administrative Parties in the execution of their duties.
- 3.4.2 Without prejudice to Rule 3.12, an Application will not be considered or accepted unless it is submitted:
- (a) during the Prequalification Window; and
 - (b) in accordance with:

- (i) these Rules;
- (ii) the timetable and requirements for submission set out in the Auction Guidelines applicable to the relevant Capacity Auction; and
- (iii) such other requirements as may be specified by the Delivery Body from time to time.

3.4.3 In submitting an Application, an Applicant:

- (a) is bound to comply with the Auction Guidelines applicable to the relevant Capacity Auction; and
- (b) consents to the disclosure of Applicant Confidential Information in accordance with these Rules or the Regulations.

3.4.4 An Applicant may nominate an Agent to submit one or more Application(s) on the Applicant's behalf provided that:

- (a) the identity of the Applicant and the fact of the agency are disclosed in the Application; and
- (b) only one Agent may be nominated for an Application.

3.5 Information to be provided in all Applications

3.5.1 General details about the Applicant

Each Applicant must provide such details in each Application as are required pursuant to these Rules or the Auction Guidelines or as specified by the Delivery Body under Rule 3.4.2(b)(iii), including:

- (a) the name of the Applicant;
- (b) if relevant, the corporate registration number of the Applicant;
- (c) contact details, including registered address of the Applicant and name of authorised contact person at the Applicant or Agent who is responsible for liaising with the Delivery Body in relation to the Application and any resulting Capacity Agreement;
- (d) bank account details for payment of Capacity Payments;
- (e) in the case of an Applicant which is a Generator, whether or not it holds a Generation Licence at the time of making the Application; and
- (f) in the case of an Application that is submitted by an Agent, the name of the Agent and a declaration by the Agent that it is acting as a disclosed Agent of the Applicant.

3.5.2 Legal status of the Applicant

- (a) Subject to Rule (b), each Applicant must be a Permitted Person and provide in the Application:
 - (i) details of its corporate form and legal status; and

(ii) a copy of its constitutive documents and other related evidence as required for the relevant type of person under the Auction Guidelines.

(b) Rule 3.5.2(a) does not apply to Applicants who have previously submitted an Application containing the information required by this Rule 3.5.2 if the information remains accurate and up to date.

3.5.3 Nominations relating to the CMU

Each Applicant will be required to specify in the Application:

(a) the CMU to which the Application relates (including a description of, and the location of, the CMU Component(s), all relevant Meters and Meter Point Administration Numbers for all the relevant Meter(s), and BM Unit Identification Numbers (as defined in the Balancing and Settlement Code) if applicable);

(b) as at the time of submitting the Application, the identity of the Portfolio Holder and the basis on which this has been determined pursuant to Rules 3.2.1 to 3.2.5 (together with supporting evidence); and

(c) the nominated Portfolio Adjustment Payer for the CMU.

3.5.4 Classification of the CMU

(a) Each Applicant must declare whether the CMU to which the Application relates comprises an Existing Generating CMU, a Prospective Generating CMU, a Proven Customer Demand Response CMU or an Unproven Customer Demand Response CMU. The Applicant for a Refurbishing CMU should declare itself to be both:

(i) an Existing Generating CMU with respect to its existing Generating Units (the Pre-Refurbishment CMU); and

(ii) a Prospective Generating CMU and a Refurbishing CMU with respect to the Generating Units that will result from the proposed works.

(b) Classification of a Generating CMU pursuant to Rule 3.5.4(a) determines the Additional Information which must be included in the Application pursuant to Rules 3.6 to 3.9 below (and the Applicant for a Refurbishing CMU must provide such information for each of the CMUs so declared).

3.5.5 Statement as to De-rated Capacity

Each Applicant must state in the Application:

(a) the Connection Capacity or CDR Capacity (as applicable) of the CMU for the Delivery Year to which the Capacity Auction relates;

(b) in the case of a CMRS CMU, the Technology Class to which such CMU belongs; and

(c) its selected De-rating Factor for the CMU.

3.5.6 Declaration of Solvency

Each Applicant must declare in the Application that neither it nor its Portfolio Adjustment Payer is Insolvent at the time of making the Application.

3.5.7 Low Carbon Exclusion status

- (a) Each Applicant must declare that, at the time of making the Application, the CMU to which the Application relates:
 - (i) does not benefit from a Low Carbon Exclusion and will not be benefitting from a Low Carbon Exclusion at the commencement of, or during, the relevant Delivery Year;
 - (ii) is currently benefitting from a Low Carbon Exclusion but will not be benefitting from the Low Carbon Exclusion (or any other Low Carbon Exclusion) at the commencement of the relevant Delivery Year because such benefit will expire in accordance with its terms prior to that time; or
 - (iii) comprises biomass co-firing plant which is currently benefitting from a Low Carbon Exclusion.
- (b) Each Applicant must declare that, at the time of making the Application, the CMU to which the Application relates has not and will not benefit from a Low Carbon Grant either during, or in the ten years prior to the commencement of, the relevant Delivery Year.
- (c) Applicants who make a declaration under Rule 3.5.7(a)(ii) must, with the Application, provide a copy of the document which sets out the term of their entitlement to benefit from the Low Carbon Exclusion.
- (d) Applicants who make a declaration under Rule 3.5.7(a)(iii) must, with the Application, provide a Capacity Market Transfer Notice in respect of the CMU to which the Application relates.
- (e) Applicants who are eligible for a Low Carbon Exclusion must provide [a letter from the Authority (or, if applicable, the Counterparty Body) to confirm that they will not be benefitting from that support at the commencement of the relevant Delivery Year].

3.5.8 Ethical Conduct of the Applicant

Each Applicant must declare in the Application whether, at the time of making the Application:

- (a) it has complied with all laws intended to prohibit or restrict anti-competitive practices relevant to its Application or proposed participation in the Capacity Auction;
- (b) it or any Applicant-related Party has engaged in Market Manipulation and provide a description of any such actions;
- (c) it or any Applicant-related Party has done anything which would constitute a breach of the Bribery Act 2010 as amended from time

to time with a view to influencing the outcome of a Capacity Auction;

- (d) it or any Applicant-related Party has offered to pay or give any sum of money, inducement or valuable consideration directly or indirectly to any officer of an Administrative Party;
- (e) it or any member of the Applicant's Group, or any person to whom Capacity Market Confidential Information has been disclosed, has disclosed Capacity Market Confidential Information, whether directly or indirectly, to another person/entity (including advisors and providers of finance), and provide a description of the circumstances of any such disclosure as well as the information disclosed, except where the disclosure was:
 - (i) to the Delivery Body;
 - (ii) to a member of that Applicant's Group;
 - (iii) to its Agent provided that such Agent is not also the Agent of another Applicant (unless the other Applicant is a member of the Applicant's group);
 - (iv) to any person that shares the same Portfolio Holder as the Applicant;
 - (v) to any shareholder in the Applicant; or
 - (vi) in respect of information that was already public; and
- (f) it or any member of the Applicant's Group is involved in a joint venture or other cooperative agreement with any person which is, or is in the same Group as a person which is, also an Applicant. If so, the Applicant must provide details of the procedures put in place between the Applicant and the other entity to ensure the Applicant and the other entity remain in competition with one another and ensure there is no distortion of the Capacity Auction.

3.6 Additional Information for an Existing Generating CMU

3.6.1 Previous Settlement Period performance

Each Applicant for an Existing Generating CMU must identify in the Application three specific Settlement Periods within the two previous calendar years (or, if the CMU has not been operational in the two previous calendar years, the most recent two calendar years of operation) where the CMU has successfully delivered capacity to a level equal to or greater than the De-rated Capacity of the CMU.

3.6.2 Grid Code compliance

- (a) Each Applicant for an Existing Generating CMU to which the Grid Code applies must declare that it is compliant with the Grid Code in relation to that CMU, taking into consideration any existing derogations (full details of which must be provided).

- (b) Each Applicant for an Existing Generating CMU to which the Grid Code applies which is not compliant with the Grid Code at the time of Application must declare that:
 - (i) it will be compliant at least six months prior to the commencement of the relevant Delivery Year by virtue of a pending derogation; and
 - (ii) such non-compliance does not materially affect its ability to be a Capacity Provider.

3.6.3 Connection Arrangements

- (a) Each Applicant for an Existing Generating CMU that is directly connected to the Transmission Network must:
 - (i) declare that the CMU has entered into a Grid Connection Agreement which is in force and which provides for Transmission Entry Capacity at least equal to the De-rated Capacity of the CMU; and
 - (ii) provide a copy of the Grid Connection Agreement with the Application.
- (b) Each Applicant for an Existing Generating CMU that is a Distribution CMU must:
 - (i) declare that the CMU has a Distribution Connection Agreement which is in force and which permits at least the De-rated Capacity of the CMU; and
 - (ii) provide a copy of such Distribution Connection Agreement with the Application.

3.7 Additional Information for a Prospective Generating CMU

3.7.1 Relevant Planning Consents

Each Applicant for a Prospective Generating CMU must declare in the Application that it has obtained all Relevant Planning Consents for the CMU.

3.7.2 Construction Plan

Each Applicant for a Prospective Generating CMU must state in the Application:

- (a) a brief description of the nature of the construction, repowering or refurbishment works to be undertaken;
- (b) a schedule identifying the earliest and latest dates for achieving the following Construction Milestones:
 - (i) except for a Refurbishing CMU, the:
 - (aa) commencement of construction works; and
 - (bb) achievement of the Back-feed Milestone; and
 - (ii) achievement of the Substantial Completion Milestone.

- (c) the amount of Capital Expenditure it proposes to have incurred in relation to that CMU within 12 months after the Auction Results Date if it is successful in the Capacity Auction (the “**Financial Commitment Declaration**”);
- (d) whether the expected Capital Expenditure per kW of Connection Capacity of the CMU (excluding contingency) is
 - (i) equal to or greater than the Ten Year Minimum £/kW Threshold;
 - (ii) equal to or greater than the Three Year Minimum £/kW Threshold and less than the Ten Year Minimum £/kW Threshold; or
 - (iii) less than the Three Year Minimum £/kW Threshold; and
- (e) that the Construction Plan:
 - (i) is, to the best of its knowledge and belief, based on reasonable assumptions;
 - (ii) accurately summarises the planned works; and
 - (iii) is not misleading.

3.7.3 Connection Arrangements

- (a) Each Applicant for a Prospective Generating CMU that is or will be directly connected to the Transmission Network must declare that the CMU has entered into a Grid Connection Agreement which is in force and which provides or which will, before the beginning of the relevant Delivery Year, provide for Transmission Entry Capacity at least equal to the De-rated Capacity of the CMU and provide a copy of the Grid Connection Agreement with the Application.
- (b) Subject to Rule 3.7.3(c) below, Applicants for a Prospective Generating CMU that is, or will be, directly connected to a Distribution Network must either:
 - (i) declare that the CMU has a Distribution Connection Agreement which is in force and which permits at least the De-rated Capacity of the CMU to connect to the Distribution Network and provide a copy of such Distribution Connection Agreement with the Application; or
 - (ii) declare that the CMU has a connection offer to connect to the relevant Distribution Network which permits or which will, before the beginning of the relevant Delivery Year, permit at least the De-rated Capacity of the CMU to connect to the Distribution Network and provide a copy of such connection offer with the Application; or
 - (iii) declare that the CMU will have such a connection offer by the date 18 months prior to the commencement of the relevant Delivery Year.

- (c) Rule 3.7.3(b)(iii) above does not apply to Applications to participate in a T-1 Auction.

3.7.4 Grid Code Compliance

Each Applicant for a Refurbishing CMU must include in its Application the declaration required by Rule 3.6.2 with reference to the Pre-Refurbishment CMU.

3.8 Additional Information for a Proven Customer Demand Response CMU

3.8.1 CDR Test Certificate

Each Applicant for a Proven Customer Demand Response CMU must include in the Application a CDR Test Certificate relating to that Customer Demand Response CMU.

3.8.2 Business Model

- (a) Each Applicant for a Proven Customer Demand Response CMU must include in the Application a business model for each Customer Demand Response CMU Component that comprises that Customer Demand Response CMU setting out the following:
 - (i) the type of Customer Demand Response effected by the Customer Demand Response CMU Component¹;
 - (ii) a summary of the relationship between the CDR Provider and the Customer Demand Response CMU Component²;
 - (iii) to the extent not already provided in order to obtain a CDR Test Certificate, the information referred to in Rule 13.2.5; and
 - (iv) details of the programme or strategy for procuring that the anticipated CDR Capacity is available, including:
 - (aa) method(s) of achieving load reduction;
 - (bb) equipment controlled or installed, or to be controlled or installed; and
 - (cc) details of how the CDR Capacity of the Customer Demand Response CMU has, or will be, secured to the CDR Provider.
- (b) Each Applicant for a Proven Customer Demand Response CMU must declare that the business model:
 - (i) is, to the best of its knowledge and belief, based on reasonable assumptions;
 - (ii) accurately describes the manner in which any CDR Capacity has been secured; and
 - (iii) is not misleading.

¹ E.g. load reduction or on-site generation through a Permitted On-Site Generating Unit.

² E.g. owner, supplier, aggregator.

3.9 Additional Information for an Unproven Customer Demand Response CMU

3.9.1 Business Plan

- (a) Each Applicant for an Unproven Customer Demand Response CMU must include in the Application a business plan setting out the following:
 - (i) details of the Unproven Customer Demand Response CMU proposal including steps already taken to acquire the CDR Capacity and/or Contractual CDR Control;
 - (ii) all the information required for a business model pursuant to Rule 3.8.2 in relation to any Customer Demand Response CMU Component with which the CDR Provider has already established a relationship;
 - (iii) such information required for a business model pursuant to Rule 3.8.2 as is available to the CDR Provider in relation to any Customer Demand Response CMU Component with which the CDR Provider intends to establish a relationship; and
 - (iv) details of the programme or strategy for procuring any further Customer Demand Response CMU Components to ensure that the Unproven CDR Capacity is available, including:
 - (aa) method(s) of achieving load reduction;
 - (bb) equipment controlled or installed, or to be controlled or installed;
 - (cc) details of how the CDR Capacity of the Customer Demand Response CMU has, or will be, secured to the CDR Provider; and
 - (dd) such other requirements as may be specified by the Delivery Body from time to time.
- (b) Each Applicant for an Unproven Customer Demand Response CMU must declare that the Business Plan:
 - (i) is, to the best of its knowledge and belief, based on reasonable assumptions;
 - (ii) accurately describes the manner in which any CDR Capacity has been, or will be, secured; and
 - (iii) is not misleading.

3.9.2 CDR Testing

Each Applicant for an Unproven Customer Demand Response CMU must confirm that it will complete a CDR Test in relation to that CMU prior to the commencement of the Delivery Year to which the Capacity Auction relates.

3.10 Opt-out Notifications

3.10.1 For each Capacity Auction, if no Application is made in relation to a Mandatory CMU, the legal owner of that Mandatory CMU must, during the Prequalification Window, make an Opt-out Notification to the Delivery Body. An Opt-out Notification may not be made for the Pre-Refurbishment CMU of any Refurbishing CMU for which an Application is made.

3.10.2 An Opt-out Notification must state:

- (a) the name of the CMU owner submitting the notification;
- (b) if relevant, the corporate registration number of the CMU owner;
- (c) contact details, including registered address of the CMU owner and name of authorised contact person at the CMU owner who is responsible for liaising with the Delivery Body in relation to the Opt-out Notification;
- (d) the CMU to which the Opt-out Notification relates (including a description of, and the location of, the CMU Component(s) and Meter Point Administration Numbers for all the relevant Meter(s));
- (e) the Connection Capacity of the CMU for the Delivery Year to which the Capacity Auction relates; and
- (f) as at the time of submitting the Opt-out Notification, the identity of the Portfolio Holder and the basis on which this has been determined pursuant to Rules 3.2.1 to 3.2.5 (together with supporting evidence).
- (g) whether the CMU:
 - (i) will be closed down, decommissioned or otherwise non-operational by the commencement of the Delivery Year to which the Capacity Auction relates;
 - (ii) will be temporarily non-operational for all the Winter of the Delivery Year to which the Capacity Auction relates but will be operational thereafter; or
 - (iii) will remain operational during the Delivery Year to which the Capacity Auction relates,

in each case providing a summary of the reasons for that statement.

3.10.3 The Delivery Body will notify the Settlement Agent of any Opt-out Notification under Rule 3.10.2(g)(ii) and the Settlement Agent will notify the Delivery Body if the CMU generates during the relevant Winter. If a person submits an Opt-Out Notification which makes a statement under Rule 3.10.2(g)(ii) above and in fact generates electricity from that CMU during the Winter, then, on becoming aware of such facts or so notified by the Settlement Agent, the Delivery Body must serve notice on that person that the CMU will be treated as though it had made the statement in 3.10.2(g)(i) above and Rule 6.10.1(g) applies.

- 3.10.4 The person submitting an Opt-out Notification must make a declaration of the matters set out in Rule 3.5.8 as at the date of the Opt-out Notification.
- 3.10.5 Save with respect to the first Delivery Year, the Delivery Body must no later than four weeks prior to the closure of the Prequalification Window notify each of those persons who the Authority has informed it (at the relevant time) are owners of CMUs that generate pursuant to a Generation Licence, at the contact details provided by the Authority, of its obligation to comply with this Rule, provided that:
- (a) such information has been provided to the Delivery Body by the Authority a reasonable time prior to that four week period commencing; and
 - (b) any failure of the Delivery Body to notify a person and/or any failure of a person to receive a notice does not relieve that person of its obligation to comply with this Rule.
- 3.10.6 For the purposes of Rule 3.10.2(f) and Rule 3.10.3:
- (a) Rule 3.2 is to be read as if references to the Applicant were references to the person submitting the Opt-out Notification; and
 - (b) Rule 3.5.8 is to be read as if:
 - (i) references to the Applicant were references to the person submitting the Opt-out Notification; and
 - (ii) references to Applicant-related Parties were references to the person submitting the Opt-out Notification and the Portfolio Holder.

3.11 Declaration to be made when submitting an Application

- 3.11.1 A person submitting an Application or an Opt-out Notification must ensure and confirm in the Application or the Opt-out Notification that:
- (a) in all material respects, the Application or Opt-out Notification and, in the case of an Application, all Additional Information submitted by the Applicant; and
 - (b) in all respects, each of the specific declarations referred to in Rules 3.5 to 3.10 (where relevant),
- is true and correct (or, to the extent that the Additional Information is a copy document, that it is a true and correct copy) and that the Application and Additional Information has been authorised by the board of directors of the Applicant or the person submitting the Opt-out Notification (as applicable) or otherwise duly authorised.
- 3.11.2 Each Application must be accompanied by a Prequalification Certificate signed by each of its directors and a Solvency Certificate signed by each of the directors of the Portfolio Adjustment Payer.
- 3.11.3 Each person submitting an Application must ensure that copies of the papers prepared to inform the decisions referred to in Rule 3.11.1(b) above and the issuance of a Prequalification Certificate are retained for a period

up to and including the fifth anniversary of the end of the relevant Delivery Year.

- 3.11.4 Each Opt-out Notification must be accompanied by a statement, signed by each of the directors of that person, that each of the directors of the relevant person has formed the opinion, on the basis of due and careful enquiry as to the Applicant's situation at the date of the statement, that the person can correctly make the declaration in Rule 3.10.3.

3.12 Procedure for non-Permitted Persons or Applicants with non-compliant information

- 3.12.1 Any evidence which does not, in the opinion of the Delivery Body, meet the requirements of these Rules or the Auction Guidelines or such other requirements as specified by the Delivery Body under Rule 3.4.2(b)(iii) may be rejected by the Delivery Body. However, failure by the Delivery Body to reject evidence does not constitute, and must not be taken as constituting, a representation that such evidence satisfies the aforementioned requirements.

- 3.12.2 A potential Applicant who is not a Permitted Person may apply to the Delivery Body at any time when a Prequalification Window is not open to have its relevant legal form approved or confirmed by [the Secretary of State/the Authority].

- 3.12.3 Where, in the case of any Generating CMU, the legal owner does not have Despatch Control, the owner may apply to the Delivery Body at any time when a Prequalification Window is not open to have [the Secretary of State/the Authority] determine which person should be deemed the 'Applicant' for that Generating CMU for the purposes of these Rules, the Regulations and the Auction Guidelines.

- 3.12.4 In the case of an application to be a Permitted Person under Rule 3.12.2, such application must include:

- (a) relevant constitutional documents;
- (b) nature of registration, if applicable;
- (c) evidence of power to perform Capacity Agreements, including Capacity Obligations; and
- (d) evidence that declarations made by the relevant governance body of the person will have equivalent legal force and effect as a declaration authorised by the board of directors of a limited company.

- 3.12.5 In the case of an application under Rule 3.12.3 where the legal owner does not have Despatch Control, the application must include:

- (a) the identity of the person who is legal owner;
- (b) the identity of the person who has Despatch Control; and
- (c) details of the nature of the arrangement under which the person who has Despatch Control enjoys its rights, including who benefits economically from such operation.

- 3.12.6 The Delivery Body will seek instructions from [the Secretary of State/the Authority] with respect to any application under Rule 3.12.2 or 3.12.3. With respect to an application:
- (a) under Rule 3.12.2, a person is a Permitted Person if so determined by the [Secretary of State/the Authority];
 - (b) under Rule 3.12.3, the Applicant is the person who the [Secretary of State/the Authority] determines should be the Applicant.
- 3.12.7 With respect to an application under Rule 3.12.4, if the Delivery Body is advised by [the Secretary of State/the Authority] that the proposed corporate form and evidence is satisfactory it must accept such corporate form as a Permitted Person in these Rules (and such evidence as the necessary evidence for the purposes of Rule 3.5.2) [and the [Authority] must propose a corresponding modification to these Rules].
- 3.12.8 A potential Applicant who considers that it satisfies the relevant requirements but is not able to produce the Additional Information in the form required by these Rules or the Auction Guidelines may apply to the Delivery Body at any time when a Prequalification Window is not open to have its alternative evidence approved by [the Secretary of State/the Authority] such that its alternative evidence becomes acceptable Additional Information.
- 3.12.9 Any such application must include:
- (a) the alternative evidence; and
 - (b) an explanation of why the alternative evidence should be approved by [the Secretary of State/the Authority] such that it becomes acceptable Additional Information.
- 3.12.10 The Delivery Body will seek instructions from [the Secretary of State/the Authority] with respect to any such application.
- 3.12.11 If the Delivery Body is advised that such alternative evidence is satisfactory it must accept such evidence for the purposes of the relevant Rule in the Auction Guidelines and [the Authority must propose a corresponding modification to these Rules].
- 3.12.12 Potential Applicants wishing to participate in a particular Capacity Auction are responsible for submitting any applications under this Rule 3.12 sufficiently in advance of the relevant Prequalification Window for the process set out in this Rule 3.12 to have concluded.
- 3.12.13 No Administrative Party has any duty to accept any application under this Rule 3.12, or to consider or determine such application prior to the opening of the next Prequalification Window.

3.13 Application process for Secondary Trading Entrants

- 3.13.1 A Secondary Trading Entrant may submit an Application at any time from the Auction Results Day for the relevant T-1 Auction up to the end of the relevant Delivery Year, other than during:
- (a) a Prequalification Window for any Capacity Auction; or

(b) the period between the end of a Prequalification Window for any Capacity Auction and the Auction Results Day for that Capacity Auction.

3.13.2 An Application submitted in accordance with Rule 3.13.1 must comply with Chapter 3, except to the extent that this Chapter 3 requires the submission of the Application during the Prequalification Window.

3.14 Retention of Applications and Opt-out Notifications by the Delivery Body

3.14.1 Subject to Rule 3.14.2, the Delivery Body must retain all Applications and Opt-out Notifications (including the Additional Information and any evidence submitted with the Application or Opt-out Notification) for a period of five years from the end of the relevant Delivery Year.

3.14.2 The Delivery Body must retain all Applications which as at the end of the period referred to in Rule 3.14.1 are the subject of a review or appeal brought in accordance with these Rules or the Regulations until such review or appeal has been determined and no further review or appeal may be brought.

CHAPTER 4: DETERMINATION OF ELIGIBILITY

4. Determination of eligibility

4.1 Purpose of this Chapter

These Rules govern the process by which the Delivery Body determines whether to prequalify a CMU on the basis of an Application received pursuant to these Rules in Chapter 3.

4.2 Delivery Body to assess the completeness of an Application

4.2.1 Following receipt of an Application in accordance with Chapter 3, the Delivery Body must check that:

- (a) the Application has been completed and submitted in accordance with these Rules; and
- (b) the required Additional Information appears to have been included.

4.2.2 If the Delivery Body becomes aware during the period up to but excluding the tenth Business Day prior to the closure of the Prequalification Window that an Application has not been completed or submitted in accordance with these Rules or is missing required Additional Information, the Delivery Body must within five Business Days of becoming aware of that fact notify the relevant Applicant that the Application has not been completed or submitted in accordance with these Rules or the required Additional Information is missing (as applicable) and that the Application is deemed to have not been submitted.

4.2.3 The Delivery Body has no obligation to consider and check an Application prior to the date referred to in Rule 4.2.2 and the absence of any notification by the Delivery Body under Rule 4.2.2 does not indicate that an Application will be accepted.

4.2.4 An Applicant may resubmit a revised Application during the Prequalification Window in which case such Application will be treated as a new Application and the previous Application(s) will be deemed not to have been submitted, provided that the resubmitted Application clearly identifies the reason for the resubmission.

4.3 Delivery Body to review complete Applications

4.3.1 For each Application submitted in accordance with these Rules, the Delivery Body must:

- (a) review the Additional Information submitted with the Application;
- (b) [notify the Secretary of State, Authority and/or CfD Counterparty of each Applicant and CMU together with the declaration made by such Applicant with regard to Low Carbon Exclusions for that CMU pursuant to Rule 3.5.7 and request confirmation that no Low Carbon Exclusion applies;]

- (c) where the Application is for a Generating CMU, satisfy itself that the Generating CMU is not a Defaulting CMU or an Excluded CMU for that Capacity Auction;
- (d) request verification from BSCCo in respect of any Settlement Periods identified in an Application pursuant to Rule 3.6.1; and
- (e) [provide a copy of any relevant evidence submitted with the Application to the Secretary of State, the Counterparty Body, the Authority or BSCCo as appropriate and request confirmation from that person as to whether the evidence is satisfactory,]

in each case by no later than 15 Business Days after the closure of the Prequalification Window.

4.3.2 [Upon receipt of a request from the Delivery Body pursuant to Rule 4.3.1(d) or 4.3.1(e), BSCCo must:

- (a) verify whether the relevant capacity was delivered during the three specific Settlement Periods identified by the Applicant; and
- (b) notify the Delivery Body in writing of the result within 10 Business Days.]

4.3.3 [Upon receipt of a request from the Delivery Body pursuant to Rule 4.3.1(b) or 4.3.1(e), the relevant person must notify the Delivery Body in writing within 10 Business Days whether there is any Low Carbon Exclusion and whether the evidence is satisfactory.]

4.4 Decisions to be made by the Delivery Body

4.4.1 The Delivery Body must, for each CMU for which an Application has been received, determine whether the CMU has prequalified for the Capacity Auction (the “**Prequalification Decision**”).

4.4.2 The Delivery Body must not Prequalify a CMU where:

- (a) it is aware that the Application has not been completed or submitted in accordance with the Rules;
- (b) the required Additional Information is missing; or
- (c) no satisfactory response has been received from a person from whom it is requested under Rule 4.3.

4.4.3 Save as may be amended following any appeal process or a failure to provide Credit Support as required by Rule 4.6, the Prequalification Decision will be final and binding on the Applicant and all other persons who participate in the relevant Capacity Auction.

4.5 Notification of Prequalification decision to Applicants

4.5.1 On the Prequalification Results Day, the Delivery Body will notify each Applicant (through its Agent, if applicable) other than a Secondary Trading Entrant of:

- (a) the Prequalification Decision for each CMU for which it has made an Application;

- (b) where the Prequalification Decision is that the CMU has Prequalified:
 - (i) if the CMU is a Prospective Generating CMU (other than a Refurbishing CMU) or an Unproven Customer Demand Response CMU, that its Prequalification is conditional upon the Applicant satisfying the Credit Support requirement in Rule 4.6;
 - (ii) where the CMU is a Prospective Generating CMU or a Customer Demand Response CMU, that it is a Price-Maker (which status, in the case of a Refurbishing CMU, does not automatically extend to the Pre-Refurbishment CMU);
 - (iii) where the CMU is an Existing Generating CMU, that it is a Price-Taker unless it complies with Rule 4.7;
 - (iv) the Maximum Obligation Period of the Capacity Agreement that the Applicant may bid for in the Capacity Auction for that CMU;
 - (v) the status of the CMU as a CMRS CMU or a DSR CMU and,
 - (vi) in the case of a Generating CMU, whether it is an Existing Generating CMU or Prospective Generating CMU and if it is a Refurbishing CMU; and
- (c) the entry to be made on the Capacity Market Register for each of the items in this Rule 4.5.1 in accordance with the Rules set out in Chapter 7.

4.5.2 The Delivery Body must, within a reasonable period of time after the Prequalification Results Day for each Capacity Auction, notify the Authority of the Prequalification results including details of any CMU on the list provided by the Authority pursuant to Rule 3.10.5 which was either not the subject of a completed Application or Opt-out Notification for a Capacity Auction or which failed to Prequalify for that Capacity Auction.

4.6 Conditional Prequalification and submission of Credit Support

- 4.6.1 An Applicant for either a Prospective Generating CMU (other than a Refurbishing CMU) or an Unproven Customer Demand Response CMU who receives notice from the Delivery Body under Rule 4.5.1(b)(i) of its conditional Prequalification must within [five] Business Days of such notification:
- (a) provide the following Credit Support to the Settlement [Body/Agent]:
 - (i) in the case of an Application for a Prospective Generating CMU (other than a Refurbishing CMU), performance collateral in accordance with Schedule 2 in an amount equal to 100 per cent of Termination Fee One for that CMU calculated on the assumption that the CMU receives a Capacity Obligation equal to its De-rated Capacity (“**Performance Collateral**”); or

- (ii) in the case of an Application for an Unproven Customer Demand Response CMU, a bid bond in accordance with Schedule 2 for an amount equal to £4,420 per MW of the Unproven CDR Capacity for that CMU as specified by the Applicant pursuant to Rule 3.5.5(a) (a “**Bid Bond**”);
 - (b) obtain from the Settlement [Body/Agent] a receipt for the Credit Support provided under Rule 4.6.1(a); and
 - (c) provide the Delivery Body with a copy of the receipt received from the Settlement [Body/Agent] under Rule 4.6.1(b).
- 4.6.2 Within [five] Business Days of receiving from an Applicant a copy of a receipt in accordance with Rule 4.6.1(c), the Delivery Body must notify that Applicant that it is fully Prequalified.
- 4.6.3 If the Delivery Body has not received a copy of a receipt in accordance with Rule 4.6.1(c) within [five] Business Days of providing notice under Rule 4.5.1(b)(i), the Delivery Body must notify that Applicant that it has not Prequalified.
- 4.6.4 The Delivery Body must notify all Bidders of the list of fully Prequalified Bidders (excluding any Applicant to whom Rule 4.6.3 applies) no later than 10 Business Days after providing notice under Rule 4.5.1(b)(i).
- 4.6.5 The Delivery Body must issue [authenticated communication codes/instructions] to all Applicants with fully Prequalified CMUs no later than [15] Business Days prior to the commencement of the first Bidding Round in the relevant Capacity Auction.

4.7 Provision of a Price-Maker Memorandum and Certificate by Applicants

- 4.7.1 Each Applicant for an Existing Generating CMU who receives a notice from the Delivery Body under Rule 4.5.1(b)(iii) and who wishes to be a Price-Maker must:
- (a) lodge a Price-Maker Memorandum with the Custodian and provide a receipt for the same to the Delivery Body; and
 - (b) submit a Price-Maker Certificate to the Delivery Body;
- no later than five Business Days prior to the commencement of the first Bidding Round of the relevant Capacity Auction.
- 4.7.2 Within two Business Days of receiving the receipt and Price-Maker Certificate the Delivery Body must:
- (a) notify the Applicant that it is a Price-Maker; and
 - (b) update the Capacity Market Register accordingly.

4.8 Notification of Prequalification decision to Secondary Trading Entrants

- 4.8.1 Upon receiving an Application from a Secondary Trading Entrant pursuant to Rule 3.13.1 for a CMU, the Delivery Body must notify the Secondary Trading Entrant within three months:
- (a) of the Prequalification Decision for the CMU; and

- (b) where the Prequalification Decision for the CMU is that the CMU has Prequalified, that the Secondary Trading Entrant is an Eligible Secondary Trading Entrant for the purposes of Rule 9.2.5(d).

4.9 Disputes relating to Prequalification

Applicants who, upon receipt of the notification provided under Rule 4.5 to 4.8, wish to dispute the relevant Prequalification Decision may do so in accordance with the process set out in Chapter 12.

CHAPTER 5: CAPACITY AUCTIONS

5. Capacity Auction

5.1 Purpose of this Chapter

These Rules describe the process and requirements for a Capacity Auction, set out the duties of the Auctioneer with respect to Capacity Auctions and set out the rules for Capacity Auction participants.

5.2 The role of the Auctioneer

The Delivery Body may, in consultation with the Secretary of State, appoint a third party to operate the Capacity Auction (including to set up the IT Auction System). In such circumstances, the third party must perform the functions of the Auctioneer as set out in these Rules and the Delivery Body must remain responsible for the discharge of such functions by the Auctioneer in accordance with these Rules.

5.3 Capacity Auction format

5.3.1 Subject to Rule 5.7, a Capacity Auction must be held for each Delivery Year:

- (a) during the Auction Window commencing not less than four years and not more five years prior to the commencement of that Delivery Year (the “**T-4 Auction**”); and
- (b) during the Auction Window commencing not less than 12 months and not more than 24 months prior to the commencement of that Delivery Year (the “**T-1 Auction**”).

5.3.2 The Auctioneer must use its reasonable efforts to conduct the Capacity Auction in an efficient manner so as to minimise the Capacity Auction duration.

5.3.3 The Auctioneer must notify and seek advice from the Secretary of State if it considers that the Capacity Auction is not or is likely not to be concluded within 5 Business Days of the beginning of the first Bidding Window.

5.3.4 The Capacity Auction must be run as a series of fixed price bidding rounds (a “descending clock”) starting with a round at the Price Cap and with the price in each subsequent round of bidding (each a “**Bidding Round**” and a “**Bidding Round Price**”) reducing until the Capacity Auction clears in accordance with Rule 5.8.

5.3.5 No later than 15 Business Days prior to the commencement of the first Bidding Round, the Delivery Body must confirm:

- (a) the date and time on which the Capacity Auction will start;
- (b) the identity and status of Prequalified Bidders and their aggregate De-rated Capacity, reflecting the outcome of any appeals which have concluded by the start of the Business Day which precedes the date of the announcement; and

- (c) in the case of a T-1 Auction, the aggregate Volume contracted in the relevant T-4 Auction adjusted for any cancellation or termination of Capacity Agreements and/or delays in the commissioning of Prospective Generating CMUs.
- 5.3.6 Prior to the start of each Bidding Round the Auctioneer must announce:
- (a) the Bidding Round Price and corresponding Clearing Capacity as determined by the Demand Curve for that Bidding Round; and
 - (b) except in relation to the first Bidding Round, the total Volume bid in the prior Bidding Round rounded to the nearest 100MW.
- 5.3.7 The Secretary of State must issue guidance to the Auctioneer as to the process for determining the size of the decrement in the Bidding Round Price between Bidding Rounds and the Auctioneer must set the decrements in accordance with such guidance.
- 5.3.8 The Auctioneer must specify in advance the time when the Bidding Round will begin and end (the “**Bidding Window**”).

5.4 Bidding into a Capacity Auction

5.4.1 Bid format

Each Bid must be made on an electronic platform provided by the Auctioneer, in the form prescribed by the Auctioneer as referenced in the Auction Guidelines.

5.4.2 In the first Bidding Round, each Bidder must make a Bid which:

- (a) identifies the CMU for which the Bid is made;
- (b) specifies the duration in whole Delivery Years (not being greater than the Maximum Obligation Period) of Capacity Agreement required; and
- (c) certifies that the Prequalification Certificate submitted with its Application remains true and correct in all respects.

5.4.3 In each subsequent Bidding Round, each Bidder is treated as having Bid in that Bidding Round at the Bidding Round Price in relation to:

- (a) an Existing Generating CMU, its full De-rated Capacity;
- (b) a Customer Demand Response CMU, the proportion of its De-rated Capacity Bid in the previous Bidding Round; and
- (c) a Prospective Generating CMU, its full De-rated Capacity over the duration of Capacity Agreement Bid in the previous Bidding Round;

unless it withdraws or modifies its Bid during the Bidding Window.

5.4.4 No Bidder may withdraw or modify its Bid during the first Bidding Window.

5.4.5 Thereafter, each Bidder may only withdraw Bids:

- (a) in relation to Price-Makers, at any time; and

- (b) in relation to Price-Takers, once the Bidding Round Price has fallen below the Price-Taker Threshold,

provided that in all cases an Exit Bid is made in accordance with this Rule 5.4.

- 5.4.6 The submission of an Exit Bid for a Refurbishing CMU withdraws that CMU from the Auction as a Prospective Generating CMU but does not withdraw the Pre-Refurbishment CMU from the Capacity Auction as an Existing Generating CMU and Rule 5.4.3 applies to it in that capacity. A Bidder may thereafter withdraw its Bid for the Pre-Refurbishment CMU in accordance with Rule 5.4.5 and submit an Exit Bid in relation to its participation as an Existing Generating CMU at a price below that submitted in its Exit Bid as a Refurbishing CMU.
- 5.4.7 A Bidder may modify its Bid in relation to a Prospective Generating CMU by electing to receive only a single year Capacity Agreement by submitting an Exit Bid in accordance with Rule 5.4.8 and stating that it will continue to participate in the Bidding Round at a lower Minimum Price until such time as it submits a further Exit Bid in accordance with Rule 5.4.8 or the Capacity Auction clears.
- 5.4.8 Each Bidder that withdraws from a Bidding Round must notify the Auctioneer of the minimum price (the “**Minimum Price**”) at which it would be willing to commit the Volume it Bid in the preceding Bidding Round. The Minimum Price may not:
 - (a) in the case of a Price-Taker, be higher than the Price-Taker Threshold; and
 - (b) be higher than the Price in the last Bidding Round in which the Bidder did not withdraw or lower than the Bidding Round Price of the Bidding Round in which it withdraws.

5.5 Qualification to bid in the Capacity Auction

- 5.5.1 In a Capacity Auction, each Bidder may make a Bid for Prequalified CMUs only and must not make a Bid in respect of:
 - (a) Defaulting CMUs;
 - (b) Excluded CMUs in relation to that Capacity Auction; or
 - (c) Existing Generating CMUs that have Opted-out in relation to that Capacity Auction.
- 5.5.2 Only Bidders that are in compliance with the terms and conditions of the IT Auction System maintained by the Auctioneer may Bid.
- 5.5.3 Only Bidders that have completed the necessary formalities to obtain authentication codes to be able to submit, modify or withdraw Bids in the IT Auction System may Bid.
- 5.5.4 Only Bidders that are in compliance with the terms of any continuing Capacity Agreement previously awarded to it in a prior Capacity Auction may Bid.

5.5.5 Where a Bidder is disqualified from Bidding by this Rule 5.5, the Auctioneer must withdraw its Bid from all Bidding Rounds.

5.6 Disqualification from future bid submission

If a Bidder does not make a Bid in the first Bidding Round or is disqualified from Bidding under Rule 5.5 in relation to a Prequalified CMU in a Capacity Auction for a particular Delivery Year, that CMU may not participate in the Capacity Auctions that relate to that Delivery Year or that relate to the two subsequent Delivery Years.

5.7 Capacity Auction suspension or cancellation

5.7.1 The Delivery Body or the Auction Monitor may recommend to the Secretary of State the suspension and/or cancellation of a Capacity Auction where it has identified evidence of non-compliance with Chapter 5 of these Rules.

5.7.2 The Delivery Body must inform the Secretary of State if the aggregate Volume of Prequalified CMUs or the Volume Bid in the first Bidding Round is less than the minimum Volume determined by the Secretary of State to be awarded in the Capacity Auction as part of the Auction Parameters and specified in the Auction Guidelines.

5.7.3 A Capacity Auction may be disrupted by failure of the IT Auction System, such that submission of Bids and Exit Bids is impaired, or the process of determining whether the Capacity Auction has cleared is impaired or by other exceptional circumstances. The Auctioneer may either determine that it is reasonable to continue the Capacity Auction or recommend to the Secretary of State the suspension of the Capacity Auction for a specified period not exceeding six months.

5.7.4 The Delivery Body must suspend or cancel a Capacity Auction by issuing a notice to all Bidders on the written instruction of the Secretary of State to do so.

5.7.5 Upon the written instruction of the Secretary of State to suspend a Capacity Auction pursuant to Rule 5.7.4, the Auctioneer must give Bidders for the relevant Capacity Auction a minimum of 10 Business Days notice of the resumption of any Capacity Auction suspended under this Rule 5.7 and must notify Bidders whether the Capacity Auction will restart at the Price Cap or at the Price given for the Auction Round prior to the suspension.

5.7.6 The cancellation of one or more Capacity Auctions with respect to a given Delivery Year does not affect the validity of a Capacity Agreement that has already been awarded with respect to that Delivery Year.

5.8 Capacity Auction clearing

5.8.1 The methodology for determining whether the Capacity Auction clears must be as set out in this Rule 5.8.

5.8.2 The Capacity Auction must clear when the aggregate Volume of Bids (the "**Bid Capacity**") in a Bidding Round is less than (a "**Non-Matched Clearing Round**") the Clearing Capacity for that Bidding Round Price.

5.8.3 The Auctioneer must determine the Price to be used in determining the Capacity Payment of each Bidder awarded a Capacity Agreement by:

- (a) subject to Rule 5.8.5, ranking the Exit Bids of Bidders that withdrew from the Capacity Auction in the Bidding Window for the Non-Matched Clearing Round according to their respective Minimum Price with the lowest Minimum Price highest ranked (the “**Exit Ranking**”); and
- (b) determining if the Clearing Capacity can be equalled exactly by cumulatively adding the Volume of each Exit Bid in the order of their Exit Ranking to the Bid Capacity of the Non-Matched Clearing Round, (taking the Minimum Price of the last included Bid for the purposes of determining the Clearing Capacity) in which case the Price must be the Minimum Price of the Exit Bid that when added causes the Clearing Capacity to be met exactly; and
- (c) in the event that the process in Rule 5.8.3(b) above does not result in a Price being determined then, where the calculation in Rule 5.8.4 results in:
 - (i) a positive number, the Price must be the Minimum Price of the Exit Bid that causes the Clearing Capacity to be exceeded; and
 - (ii) where the calculation in Rule 5.8.4 results in a negative number, the Price must be the Minimum Price of the next lowest ranked Exit Bid.

5.8.4 For the purposes of Rule 5.8.3(c) the Auctioneer must calculate the integral

$$\int_{Ql}^{Qh} P(Q)dQ$$

and subtract the product of

$$Ph(Qh - Ql)$$

Where:

P is the Price;

Q is the Volume;

P(Q) represents the Demand Curve (price as a function of quantity);

Qh is the sum of the Bid Capacity of the Non-Matched Clearing Round and the aggregate of the Volume of all Exit Bids in the order of their Exit Ranking up to and including the Exit Bid that caused the Clearing Capacity to be exceeded;

Ql is Qh minus the Volume of the Exit Bid that caused the Clearing Capacity to be exceeded; and

Ph is the price of the Exit Bid that caused the Clearing Capacity to be exceeded.

5.8.5 The Auctioneer must, when completing the Exit Ranking for Exit Bids with the same Minimum Price:

- (a) where the Exit Bids have different Volumes, consider them each separately as equally ranking alternatives for determining whether they are each separately capable of setting the Price for a Capacity Auction in accordance with Rules 5.8.3(b) and 5.8.3(c), before applying Rules 5.8.3(b) and 5.8.3(c) to determine whether in aggregate they are capable of setting the Price pursuant to those Rules; and
- (b) where the Exit Bids have the same Volume, rank them:
 - (i) according to the duration of Capacity Agreement that the Bidder has Bid, where the shortest duration is highest ranked; and
 - (ii) thereafter, if there is still more than one Bidder ranked equally, by random chance selection with the first selected highest ranked and so on until the Exit Ranking is complete.

5.8.6 In relation to a Non-Matched Clearing Round:

- (a) each Bidder that participated in the Non-Matched Clearing Round must be awarded a Capacity Agreement;
- (b) each Bidder that participated in the Bidding Round prior to the Non-Matched Bidding Round that Bid a Minimum Price that falls below the Price determined in accordance with Rule 5.8.3(b) must be awarded a Capacity Agreement; and
- (c) the Bidder(s) whose Exit Bid(s) is/are equal to the Price in accordance with Rule 5.8.3(b) must be awarded a Capacity Agreement.

5.8.7 The Auctioneer will:

- (a) in relation to a Refurbishing CMU that has submitted an Exit Bid:
 - (i) when applying the calculation in Rule 5.8.4 increase or decrease the Volume attributable to that CMU to the Volume applicable to it as a Pre-Refurbishment CMU when the Price being applied for the purposes of performing the calculation (or relevant part thereof) falls below the Minimum Price specified in the Refurbishing CMU's Exit Bid;
 - (ii) when applying Rule 5.8.6, only award a multiyear Capacity Agreement to the Bidder if the Minimum Price of the Exit Bid submitted by it as a Refurbishing CMU is below or equal to the Price; and
- (b) when applying Rule 5.8.6 to a Bidder that has submitted an Exit Bid between Bidding Rounds in relation to a Prospective Generating CMU but indicated it will continue to participate in the Capacity Auction in relation to a single year Capacity Agreement only award a multiyear Capacity Agreement if the Minimum Price of the Exit Bid submitted in relation to the multiyear Capacity Agreement is below or equal to the Price.

5.9 Capacity Auction results

- 5.9.1 The Delivery Body must within 24 hours of the Capacity Auction clearing notify Bidders whether, based on the provisional results, they have been awarded with a Capacity Agreement for each CMU, the Price, the length of the Capacity Agreement provisionally awarded and that such result is provisional. Such notification is provisional only and does not constitute notification of a Capacity Agreement.
- 5.9.2 The Delivery Body must notify the Secretary of State of the provisional results of the Capacity Auction (including the information provided to bidders in Rule 5.9.1 above) within 24 hours of the conclusion of the Capacity Auction.
- 5.9.3 The Auction Monitor must report to the Secretary of State, with a copy to the Authority, within 5 Business Days of the conclusion of the Capacity Auction on whether the procedures in the Rules and Auction Guidelines have been properly followed in the conduct of the Capacity Auction.
- 5.9.4 Unless instructed to the contrary pursuant to the Regulations, the Delivery Body must publish the following results of the Capacity Auction to Bidders, the Auction Monitor and the other Administrative Parties within eight Business Days of the Capacity Auction concluding (the “**Auction Results Day**”):
- (a) the Price;
 - (b) the aggregate Volume of Capacity Agreements awarded;
 - (c) the total forecast cost of the Capacity Obligations (being the product of the Price and the aggregate Volume of Capacity Agreements awarded);
 - (d) the CMUs that were awarded a Capacity Agreement; and
 - (e) the duration of the Capacity Agreement for each CMU,
- and include such results on the Capacity Market Register. The results of the Capacity Auction may be notified by the Delivery Body to other Applicants and made publicly available at the same time.
- 5.9.5 The result of a Capacity Auction is final when it is entered in the Capacity Market Register in accordance with Rule 7.4.3 and Capacity Agreements come into force from this time.
- 5.9.6 Should a Bidder be withdrawn prior to the Capacity Auction becoming final in accordance with Rule 5.9.5 on the instruction of the Secretary of State, then a Bidder that participated in the Capacity Auction but was not initially awarded a Capacity Agreement may be awarded a Capacity Agreement.

5.10 [Prohibition on Market Manipulation

All Applicant-related Parties must not engage in Market Manipulation.]

5.11 Prohibition on other unreasonable business methods

5.11.1 The following activities are prohibited in relation to the Capacity Auction:

- (a) doing anything which would constitute a breach of any law intended to prohibit or restrict anti-competitive practices relevant to participation in the Capacity Auction;
- (b) any member of the Applicant's Group or any Applicant-related Party submits to the Delivery Body or the Authority any information in connection with the Capacity Auction which is false or misleading;
- (c) doing anything which would constitute a breach of the Bribery Act 2010 as amended from time to time with a view to influencing the outcome of a Capacity Auction;
- (d) offering to pay or give any sum of money, inducement or valuable consideration directly or indirectly to any officer of an Administrative Party;
- (e) any member of the Applicant's Group or any Applicant-related Party discloses, or attempts to disclose, or incites another person to disclose, any information relating to any Bid made by the Applicant, whether directly or indirectly, to any person, except where the disclosure is:
 - (i) to the Delivery Body;
 - (ii) to a member of that Applicant's Group;
 - (iii) to any Agent nominated by or on behalf of the Applicant to conduct its Application and Bidding provided that such Agent is not also the Agent of any other Applicant (unless such other Applicant is a member of the Applicant's group);
 - (iv) to any person that shares the same Portfolio Holder as the Applicant;
 - (v) to a provider of finance for the purpose of raising finance for a Bid;
 - (vi) to any shareholder in the Applicant;
 - (vii) to the Applicant's professional advisors; or
 - (viii) the information was already public;
- (f) any member of the Applicant's Group or any Applicant-related Party obtains or attempts to obtain information relating to a Bid made by any other Applicant save where such disclosure to the Applicant would be permitted under Rules 5.11.1(e)(ii) to 5.11.1(e)(vii).

5.11.2 [All Applicant-related Parties must maintain effective information barriers between those employees and executives engaged in Prequalification for and Bidding in the Capacity Auction and all other employees, so as to limit the dissemination of Inside Information other than as required due to the reasonable business needs of the Applicant-related Parties.]

5.12 Auction Monitor and Audit of Capacity Auctions

5.12.1 Appointment of Auction Monitor

- (a) The [●] has the right to appoint a third party to monitor the conduct of and participation in Capacity Auctions (an “**Auction Monitor**”) from time to time.
- (b) The identity, contact details and duration of the appointment of the Auction Monitor must be published on [●]’s website.

5.12.2 General monitoring functions of Auction Monitor

- (a) Where an Auction Monitor has been appointed under Rule 5.12.1, all Capacity Auctions falling within the time period specified in the appointment must be monitored by that Auction Monitor.
- (b) The Auction Monitor must monitor each Capacity Auction and, if it observes any evidence of non-compliance with these Rules, report the matter to the Secretary of State within five Business Days after the Auction Results Day for each Capacity Auction.
- (c) The Auction Monitor may, upon request by the Delivery Body, Secretary of State and/or the Authority, report from time to time on any specific issue related to the functioning of any Capacity Auction processes.
- (d) An Auction Monitor that requires further information from a Bidder in order to perform its functions under this Rule 5.12 may notify the Authority and the Authority may, if it considers it appropriate, seek such information from the Bidder in the exercise of its powers under these Rules or the general law.

5.12.3 Monitoring functions of Auction Monitor in the event of breach or non-conformity

- (a) The Delivery Body may consult with the Auction Monitor with respect to any challenge or dispute raised by a Bidder with respect to the conduct of a Capacity Auction and the Auction Monitor must advise the Delivery Body as to its view of the most appropriate cause of action.
- (b) The Auction Monitor must report a breach or suspected breach of these Rules or the Auction Guidelines or law to the Secretary of State and copy its report to the Authority.
- (c) If the Auction Monitor suspects that an IT malfunction may be causing a Rule breach it must notify the Delivery Body.
- (d) Any report issued in accordance with Rule 5.12.3(b) above must clearly state the nature of the breach or non-conformity potentially indicated by the evidence identified. It must make precise recommendations to remedy the situation, proposing a specific timeline for their implementation. Where appropriate, it may recommend:
 - (i) the cancellation or suspension of a Capacity Auction;

- (ii) the termination of a Capacity Agreement; or
 - (iii) the prohibition of an Applicant from Bidding in accordance with Rule 5.5 or 5.6.
- (e) The Delivery Body must comply with an instruction of the Secretary of State which gives effect to or relates to the recommendations of an Auction Monitor.

CHAPTER 6: CAPACITY AGREEMENTS

6. Capacity Agreements

6.1 Purpose of this Chapter

These Rules govern:

- 6.1.1 the issue of Capacity Agreement Notices;
- 6.1.2 the express terms that each Capacity Agreement Notice must contain; and
- 6.1.3 the universal provisions that apply to each Capacity Agreement in relation to termination.

6.2 Nature of Capacity Agreement Notices and Capacity Agreements

- 6.2.1 A capacity agreement is the term used to describe the rights and obligations accruing to a Capacity Provider in relation to a particular Capacity Committed CMU in respect of one or more Delivery Years under or by virtue of the Regulations and these Rules, including the right to receive Capacity Payments in relation to the Capacity Committed CMU and the Capacity Obligation in relation to the Capacity Committed CMU (“**Capacity Agreement**”).
- 6.2.2 A Capacity Agreement Notice records for convenience certain details of the Capacity Agreement applying to a Capacity Provider in relation to a Capacity Committed CMU and the Capacity Provider’s right under the Capacity Agreement to receive Capacity Payments in relation to a Capacity Committed CMU in respect of one or more Delivery Years.
- 6.2.3 Neither the registration of a Capacity Committed CMU (or its Capacity Provider) in the Capacity Market Register nor the issuance of a Capacity Agreement Notice nor the existence of a Capacity Agreement is intended to create contractual relations between, nor does any of them give rise to contractual rights for the benefit of, a Capacity Provider or an Administrative Party. Where there is an inconsistency between a Capacity Agreement Notice and the terms of the Capacity Market Register, the terms of the Capacity Market Register prevail.

6.3 Issuing Capacity Agreement Notices

- 6.3.1 The Delivery Body must issue a Capacity Agreement Notice in the form set out in Schedule 1 for each CMU that is successful in a Capacity Auction by no later than 20 Business Days after the Auction Results Day for that Capacity Auction. Information contained in a Capacity Agreement Notice must reflect the equivalent information recorded in the Capacity Market Register, and record the terms of the relevant Capacity Agreement.
- 6.3.2 If a Capacity Provider owns more than one CMU that is successful in a Capacity Auction, a separate Capacity Agreement Notice will be issued for each such CMU. Capacity Agreement Notices will be issued based on the specific CMU nominated in an Application. A Capacity Provider may not seek to modify the aggregation of CMU Components to which a Capacity Agreement Notice applies.

- 6.3.3 A Capacity Provider may comment in writing to the Delivery Body on the factual accuracy of a Capacity Agreement Notice issued to it within 10 Business Days of the date on which the Capacity Agreement Notice is issued by the Delivery Body.
- 6.3.4 If no comments are received by the Delivery Body within 10 Business Days after the date on which a Capacity Agreement Notice was issued to a Capacity Provider, the Capacity Agreement Notice will be deemed to be a factually accurate record of the Capacity Agreement.
- 6.3.5 Subject to Rule 6.3.7, if the Delivery Body receives comments from a Capacity Provider with regard to the factual accuracy of a Capacity Agreement Notice and agrees with such comments, the Delivery Body must re-issue that Capacity Agreement Notice to the Capacity Provider with such amendments as are necessary to correct such factual inaccuracy and, if applicable, must update the Capacity Market Register as soon as reasonably practicable and Rule 6.3.3 applies to the reissued Capacity Agreement Notice. The Delivery Body must not consider comments other than as to factual accuracy.
- 6.3.6 Subject to Rule 6.3.7, if the Delivery Body receives comments from a Capacity Provider with regard to the factual accuracy of a Capacity Agreement Notice and does not agree with such comments, the Capacity Provider and the Delivery Body must discuss the alleged factual inaccuracy with a view to agreeing any necessary amendments to the Capacity Agreement Notice.
- 6.3.7 If the Capacity Provider and the Delivery Body are unable to agree any necessary amendments to a Capacity Agreement Notice in respect of comments received from the Capacity Provider pursuant to Rule 6.3.6 (including as to whether any comment relates to factual accuracy or not) within 20 Business Days after the Delivery Body received such comments, the Capacity Provider may, within a further [10] Business Days, appeal the determination in accordance with the appeals process set out in Chapter 12, failing which the Capacity Agreement Notice will be deemed to be factually accurate.
- 6.3.8 If a Capacity Provider of a CMU that has been notified of provisional success in a Capacity Auction in accordance with Rule 5.9.1 in a Capacity Auction does not receive a Capacity Agreement Notice from the Delivery Body within 20 Business Days after the relevant Auction Results Day, it may request in writing that the Delivery Body issue a Capacity Agreement Notice.
- 6.3.9 Subject to Rule 6.3.11, if the Delivery Body receives a request from a Capacity Provider pursuant to Rule 6.3.8 and agrees that a Capacity Agreement Notice should have been issued, the Delivery Body must issue that Capacity Agreement Notice to the Capacity Provider and, if applicable, update the Capacity Market Register as soon as reasonably practicable and Rule 6.3.3 applies to the issued Capacity Agreement Notice.
- 6.3.10 Subject to Rule 6.3.11, if the Delivery Body receives a request from a Capacity Provider pursuant to Rule 6.3.8 and does not agree that a

Capacity Agreement Notice should have been issued, the Capacity Provider and the Delivery Body must discuss the alleged failure by the Delivery Body with a view to agreeing on whether a Capacity Agreement Notice should be issued.

- 6.3.11 If the Capacity Provider and the Delivery Body are unable to agree on whether a Capacity Agreement Notice should be issued within 20 Business Days after the Delivery Body received a request from a Capacity Provider pursuant to Rule 6.3.8, the Capacity Provider may, within a further 10 Business Days, appeal the determination in accordance with the appeals process set out in Chapter 12, failing which the request will be deemed to have been withdrawn.

6.4 Indexation

- 6.4.1 Subject to Rule 6.4.2, Capacity Payments for Capacity Agreements with a duration exceeding one Delivery Year are to be adjusted for the forthcoming Delivery Year on each 30 September (commencing with the 30 September falling at the end of the first Delivery Year) with effect from the following day by the application of the CPI adjustment as follows:

$$\text{Applicable change in Capacity Payment} = \frac{\text{CPI}_t}{\text{CPI}_{\text{base}}}$$

Where,

CPI_t is the average CPI for the months falling during the Winter of the current Delivery Year then expiring; and

CPI_{base} is the average CPI for the months falling during the Winter prior to the commencement of the first Delivery Year.

- 6.4.2 Rule 6.4.1 only applies to Capacity Payments payable pursuant to the Regulations:
- (a) to a Capacity Provider with a Capacity Agreement of multi-year duration; and
 - (b) from the end of the first Delivery Year to which the relevant Capacity Agreement applies.

6.5 Survival

Rights and obligations which accrue prior to the date of expiry or earlier termination of a Capacity Agreement survive such expiry or termination.

6.6 Achieving the Financial Commitment Milestone

A Prospective Generating CMU will be considered to have met its Financial Commitment Milestone obligation if, within 12 months of the Auction Results Day for the Capacity Auction in respect of which the Capacity Agreement was awarded, it has provided the Delivery Body with a report prepared by an Independent Technical Advisor at the Capacity Provider's cost confirming that Capital Expenditure has been incurred in an amount at least equal to 50 per cent of the Financial Commitment Declaration for that CMU together with reasonable supporting evidence.

6.7 Achieving the Substantial Completion Milestone

- 6.7.1 A Capacity Provider is not liable for, or entitled to, any payments in respect of a particular CMU if the relevant System Stress Event precedes the date on which the Substantial Completion Milestone for such CMU is reached.
- 6.7.2 A Prospective Generating CMU (other than a Refurbishing CMU) will have met its Substantial Completion Milestone obligation if at least 90 per cent of the Volume stated in its Capacity Agreement has achieved operational status by the Long Stop Date, based, where available, on the CMU's ION certification status or, in the case of a Non-CMRS Distribution CMU, based on the certification of an Independent Technical Advisor.
- 6.7.3 A Refurbishing CMU will have met its Substantial Completion Milestone obligation only when 100 per cent of the Volume stated in its Capacity Agreement is subject to the relevant certification described in Rule 6.7.2 and the CMU has resumed full commercial operations prior to the Long Stop Date.
- 6.7.4 Where the Substantial Completion Milestone in respect of part of the Connection Capacity of a Prospective Generating CMU has been reached (due to a partial completion) by the start of the first Delivery Year of its Capacity Agreement, the Capacity Agreement will take effect with respect to that part of the CMU only and all payments (whether Capacity Payments or incentives) will be calculated to reflect the proportion which the part of the Connection Capacity that has reached the Substantial Completion Milestone bears to the total Connection Capacity of the CMU, until such time as the Substantial Completion Milestone is achieved with respect to the full Connection Capacity.
- 6.7.5 The Capacity Provider must notify the Delivery Body when an ION is issued (or, in the case of a Generating Unit connected to a Distribution Network, when all Distribution Network Operator commissioning tests are completed) for a Prospective Generating CMU which is the subject of a Capacity Agreement.
- 6.7.6 The Capacity Provider must notify the Delivery Body when all construction and commissioning works (subject only to snagging items) have been completed for a Refurbishing CMU such that the CMU has resumed full commercial operations.
- 6.7.7 The term of a Capacity Agreement and the relevant Long Stop Date must be extended day for day for any delay in achieving the Substantial

Completion Milestone that results solely from a failure of a Transmission Licensee or the relevant Distribution Network Operator to provide an active connection point when required to do so in accordance with a valid Grid Connection Agreement or Distribution Connection Agreement, including as a result of the failure of their subcontractors (provided that such subcontractor is not the Capacity Provider or in the same Group). The relevant Capacity Provider must, to secure such extension, provide a report of an Independent Technical Advisor substantiating its claim and identifying the relevant number of days of delay. The Delivery Body must update the Capacity Market Register to reflect any such extension within 5 Business Days of receiving such report.

- 6.7.8 The term of a Capacity Agreement and the relevant Long Stop Date must not be otherwise extended by virtue of any delay by a Prospective Generating CMU in achieving the Substantial Completion Milestone, howsoever caused.

6.8 Sanctions for Delay in Achieving Milestones

- 6.8.1 The Delivery Body must notify the Secretary of State and the Capacity Provider if it becomes aware of any Prospective Generating CMU which fails to reach:

- (a) its Financial Commitment Milestone in accordance with Rule 6.6; or
- (b) in the case of a Prospective Generating CMU (other than a Refurbishing CMU) its Minimum Completion Requirement by the Long Stop Date, or
- (c) in the case of a Refurbishing CMU its Substantial Completion Milestone by the Long Stop Date in accordance with Rule 6.7,

and Rules 6.8.3, 6.10.2 and 6.10.4 apply.

- 6.8.2 A Prospective Generating CMU has reached its Minimum Completion Requirement if at least 50 per cent of the Volume stated in its Capacity Agreement has achieved operational status, determined on the same basis as specified in Rule 6.7.2.

- 6.8.3 Where the Delivery Body has given notice under Rule 6.8.1 for a Refurbishing CMU:

- (a) the Capacity Agreement of such Refurbishing CMU must be reduced to a one year duration;
- (b) the De-rated Capacity of such Refurbishing CMU must be restored to the De-rated Capacity of the Pre-Refurbishment CMU (i.e. the chosen De-rating Factor multiplied by the Connection Capacity of the Pre-Refurbishment CMU); and
- (c) the Delivery Body must update the Capacity Market Register accordingly.

- 6.8.4 Where Rule 6.8.3 applies, the Delivery Body must, for each Delivery Year after the first Delivery Year to which such Capacity Agreement previously applied, add the Volume set out in the Capacity Agreement Notice of the

Refurbishing CMU to the Volumes sought to be contracted in the relevant T-1 Auctions.

6.8.5 Where a Prospective Generating CMU (other than a Refurbishing CMU) has achieved operational status for:

- (a) More than 90 per cent of the Volume stated in its Capacity Agreement at the Long Stop Date, then, at such date; or
- (b) More than 50 per cent and less than 90 per cent of the Volume stated in its Capacity Agreement at the Long Stop Date, then, at the date six months after the Long Stop Date, the Capacity Agreement will take effect with respect to that part of the CMU that has achieved operational status only and all payments (whether Capacity Payments or incentives) will be calculated to reflect the proportion which the part of the Connection Capacity that has reached operational status bears to the total Connection Capacity of the CMU originally stated in its Capacity Agreement.

6.8.6 The Delivery Body must, for each Delivery Year after the Delivery Year in which Rule 6.8.5 is applied, add any Volume by which a Capacity Agreement is reduced through the application of Rule 6.8.5 to the Volumes sought to be contracted in the relevant T-1 Auctions.

6.9 Exclusion of Force Majeure

The obligations set out in these Rules and Regulations and forming the Capacity Agreement are not excused by events outside of the control of the Capacity Provider and apply regardless of any assertion of force majeure, frustration or equivalent legal doctrine.

6.10 Termination

6.10.1 A Capacity Provider must notify the Delivery Body if any of the following circumstances has occurred and is continuing:

- (a) an Insolvency Termination Event affecting the Capacity Provider;
- (b) where it is the Capacity Provider of a Prospective Generating CMU (other than a Refurbishing CMU), a failure to achieve its Financial Commitment Milestone as determined in accordance with Rule 6.6;
- (c) where it is the Capacity Provider for a Prospective Generating CMU (other than a Refurbishing CMU), a failure to achieve its Minimum Completion Requirement as determined in accordance with Rule 6.78;
- (d) without prejudice to the operation of any Regulations which render its Capacity Agreement null and void ab initio, its CMU no longer satisfies the General Eligibility Criteria set out in the Regulations;
- (e) it has made a declaration in its Application in accordance with Rule 3.7.3(b)(iii) but has not provided a copy of its connection offer to the Delivery Body as required by Rule 8.3.1;
- (f) it has made a declaration in accordance with Rule 3.9.2 and Rule 8.3.2(b) applies; or

- (g) a notice has been served on it by the Delivery Body under Rule 3.10.3.

6.10.2 Procedure for automatic termination

- (a) Where the Delivery Body:
 - (i) has been notified of, or otherwise becomes aware of the occurrence of, any of the circumstances referred to in Rule 6.10.1, or
 - (ii) [receives a direction from the Secretary of State or the Authority to terminate the Capacity Agreement for an actual [or suspected] failure to comply with the Ethical Requirements;]

it must issue a written notice to the Capacity Provider, the Secretary of State and the Authority (a "Termination Notice") stating that the Capacity Agreement will terminate in 60 Business Days and specifying which of the grounds in Rule 6.10.2(a) to (g) applies.

- (b) At the expiry of the notice period referred to in Rule 6.10.2(a), the Capacity Agreement is automatically terminated unless the Termination Notice has been withdrawn under Rule 6.10.2(d).
- (c) Where a Capacity Agreement is terminated, the Delivery Body must:
 - (i) update the Capacity Register to reflect the termination of the Capacity Agreement; and
 - (ii) notify the Settlement [Body/Agent] of the termination of the Capacity Agreement, and the grounds for its termination.
- (d) The Delivery Body:
 - (i) may withdraw a Termination Notice in accordance with a Reconsidered Decision made under Rule 12.3.4; and
 - (ii) must immediately withdraw a Termination Notice on the instruction of the Secretary of State or the Authority.

6.10.3 Voluntary termination for Existing Generating CMUs fully converting to biomass

- (a) A Capacity Provider of an Existing Generating CMU fully converting to biomass may voluntarily request termination of its Capacity Agreement in order to become eligible to participate in a Low Carbon Exclusion.
- (b) In order to have its Capacity Agreement terminated in accordance with Rule 6.10.3(a), the Capacity Provider must:
 - (i) send a notice to the Delivery Body requesting termination of the Capacity Agreement, and

- (ii) include in the notice a report prepared by an Independent Technical Advisor verifying that the CMU has fully converted to biomass,

before the end of the Prequalification Window for the T-1 Auction in respect of the relevant Delivery Year.

- (c) Upon receiving a request from a Capacity Provider in accordance with Rule 6.10.3(b), the Delivery Body must:

- (i) notify the Capacity Provider, the Secretary of State, the Authority and the Settlement [Body/Agent] that the Capacity Agreement is terminated with immediate effect; and

- (ii) update the Capacity Market Register accordingly,

prior to the Prequalification Results Day for the T-1 Auction in respect of the relevant Delivery Year.

6.10.4 Termination Fees

- (a) If a Capacity Agreement is terminated on the ground in Rule 6.10.1(b), the Capacity Provider must pay Termination Fee one ("TF1") to the Settlement Body.

- (b) If a Capacity Agreement is terminated on the ground in Rule 6.10.1(c), the Capacity Provider must pay Termination Fee two ("TF2") to the Settlement Body.

- (c) An amount which a Capacity Provider is liable to pay under paragraph (a) or (b) is due immediately upon the termination of the Capacity Agreement.

- (d) For the purposes of paragraphs (a) and (b), TF1 and TF2 are to be calculated in accordance with the following formulae:

$$TF1 = 0.5 \times N \times V$$

$$TF2 = (0.5 \times N \times V) + \left(10 \times \frac{CPI_x}{CPI_{base}} \times V\right)$$

where:

TF1 and TF2 are amounts in pounds;

N is Net CONE;

V is the Volume of the Capacity Obligation in kWh;

CPI_{base} is the arithmetic mean of the monthly values of CPI published in the capacity year starting on 1st October 2013;

CPI_x is the arithmetic mean of the monthly values of CPI published in the capacity year preceding the capacity year in which the termination fee falls due.

CHAPTER 7: CAPACITY MARKET REGISTER

7. Capacity Market Register

7.1 Purpose of this Chapter

These Rules govern the establishment and maintenance by the Delivery Body of the Capacity Market Register.

7.2 Establishment, form and maintenance of the Capacity Market Register

7.2.1 The Delivery Body must establish and maintain a Capacity Market Register in accordance with these Rules.

7.2.2 The Capacity Market Register may be in electronic form.

7.2.3 The Capacity Market Register must be established by the time the Prequalification Window for the first Capacity Auction closes.

7.3 Effect of registration determinative

For the purpose of these Rules, and subject to Rule 7.6:

7.3.1 the Prequalification status and De-rated Capacity of a CMU; and

7.3.2 the existence and terms of the Capacity Agreement relating to a Capacity Committed CMU and related right to a Capacity Payment,

is confirmed at the point at which the particulars of the Prequalification Decision or Capacity Agreement (as relevant) are entered in the Capacity Market Register by the Delivery Body.

7.4 Contents of the Capacity Market Register

The Delivery Body must ensure that the Capacity Market Register contains, by way of entries made in it:

7.4.1 a record of any Opt-out Notifications made in accordance with Rule 3.10 and the Prequalification Decision made by the Delivery Body for each CMU that is the subject of an Application for a Capacity Auction, including:

(a) where a CMU has Opted-out of a Capacity Auction, the basis on which it has Opted-out;

(b) the maximum term of the Capacity Agreement that the Applicant may bid for in the Capacity Auction for that CMU; and

(c) where a CMU is a Generating CMU, whether the CMU comprises a Prospective Generating CMU or an Existing Generating CMU, as the case may be, and whether it is a Refurbishing CMU,

(each such record to be made on the Prequalification Results Day);

7.4.2 the status of an Applicant as Price-Maker or Price-Taker with respect to a CMU;

7.4.3 a record of each Capacity Committed CMU in respect of which a Capacity Agreement is awarded in a Capacity Auction, each such record to be made not later than ten Business Days after the Auction Results Day;

- 7.4.4 a record of each Capacity Committed CMU which may be eligible to acquire Capacity Obligations through secondary trading, subject to the criteria for trading set out in Chapter 9;
- 7.4.5 a record of any Exit Bid made in respect of a CMU not awarded a Capacity Agreement in the Capacity Auction, each such record to be made not later than 14 Business Days after the Auction Results Day;
- 7.4.6 in respect of each Capacity Agreement the following information (such information to be recorded not later than [five] Business Days after the date of issue of the Capacity Agreement Notice):
- (a) the name(s) of the Capacity Provider (the “**Registered Holder**”), initially the person to whom the Delivery Body awarded the Capacity Agreement following the Capacity Auction, as amended by any subsequent transfer of all or part of the Capacity Agreement;
 - (b) the name of the Portfolio Holder and Portfolio Adjustment Payer for the Portfolio to which the CMU belongs, initially the Portfolio Holder and Portfolio Adjustment Payer advised by the Applicant, as amended as contemplated by Rule 7.6.3;
 - (c) a description of the CMU to which the Capacity Agreement relates (including location of the CMU the MPAN numbers, BM Unit ID and other identification codes for the relevant Meters) and whether the CMU is a CMRS CMU or a DSR CMU and, in the case of a Generating CMU, whether such CMU comprises a Prospective Generating CMU or an Existing Generating CMU, and whether a Refurbishing CMU;
 - (d) the date of issue of the Capacity Agreement Notice;
 - (e) the term of the Capacity Agreement;
 - (f) the Volume;
 - (g) the Price determined in the relevant Capacity Auction;
 - (h) the relevant Delivery Years; and
 - (i) the unique identification number given to the Capacity Agreement Notice by the Delivery Body;
- 7.4.7 a note of any Capacity Agreements which have been terminated prior to expiry, which must be made by the Delivery Body not later than [two] Business Days after the Delivery Body receives notice of the termination;
- 7.4.8 a record of each Capacity Committed CMU which is subject to an Unresolved Spot Test Failure;
- 7.4.9 a record of any CMU in respect of which Capacity Payments must be adjusted pursuant to Rule 13.3.12 due to an Unresolved Spot Test Failure; and
- 7.4.10 subject to Rule 7.6.4 the full legal name of any person who has submitted particulars to the Delivery Body of a Security interest it may have over the

rights of a Capacity Committed CMU under a Capacity Agreement, and of the nature of that Security interest.

7.5 Capacity Market Register procedures

The Delivery Body may from time to time draw up a methodology statement of principles [approved by the Authority] to assist it in maintaining the Capacity Market Register and carrying out its functions in respect thereof.

7.6 Delivery Body amendments to the Capacity Market Register

The Delivery Body must update the Capacity Market Register as provided in these Rules and as set out in this Rule 7.6.

7.6.1 Amending the Capacity Market Register to give effect to the outcome of an appeal

Where the Delivery Body is required by the Regulations to amend the Capacity Market Register to give effect to:

- (a) a decision of the Authority or the court on review or appeal under these Rules or the Regulations; or
- (b) a redetermination by the Delivery Body pursuant to a direction by [the Authority or] the court,

the Delivery Body must within five Business Days of receipt of the decision or instruction amend the Capacity Market Register as required by that decision or instruction.

7.6.2 Updating the Capacity Market Register to reflect a transfer of a Capacity Agreement

Where a Capacity Agreement is to be transferred in whole or in part from the Registered Holder to another person (the “**Transferee**”) in accordance with Rule 9.2.3:

- (a) the Registered Holder and the Transferee must each submit to the Delivery Body in writing requests which are:
 - (i) in the form prescribed by the Delivery Body; and
 - (ii) identical in all material respects;
- (b) the Delivery Body must inform both the Registered Holder and the Transferee that the requests have been received and, in the event that the requests are not in the prescribed form and/or identical in all material respects, must draw this to their attention and give them the opportunity to correct the requests;
- (c) the Delivery Body may refuse to accept an incorrect, ambiguous or incomplete submitted request;
- (d) the Delivery Body must, upon receiving requests from both the Registered Holder and the Transferee in accordance with Rule 7.6.2(a) above:
 - (i) amend the particulars of the Capacity Agreement recorded in the Capacity Market Register to show the Transferee as

the new Registered Holder and the relevant Portfolio Holder; and

- (ii) notify the Transferee, the previous Registered Holder and the [Settlement [Body/Agent]] that the Capacity Market Register has been so amended,

within five Business Days of receipt of the request for a transfer under Rule 9.2.3(a) and within thirty Business Days of receipt of the request for a transfer under Rule 9.2.3(b); and

- (e) the Transferee is not the Registered Holder until such time as the particulars of the Capacity Agreement recorded in the Capacity Market Register identify the Transferee as such.

7.6.3 Amending the Capacity Market Register for a change in the Portfolio Holder or Portfolio Adjustment Payer

Where, as a result of any transfer of a Capacity Agreement or otherwise as contemplated in Chapter 9, the identity of the Portfolio Holder or Portfolio Adjustment Payer of all or any part of a Capacity Agreement changes, the Capacity Market Register must only be amended upon receipt of notice from both the existing Portfolio Holder or Portfolio Adjustment Payer and the new Portfolio Holder or Portfolio Adjustment Payer to that effect certifying that the Portfolio Holder has changed, which of Rules 3.2.1 to 3.2.5 applies and providing supporting evidence and such amendments must be made within five (5) Business Days of receipt and must be notified to the two notifying Parties.

7.6.4 Amending the Capacity Market Register to reflect notification of a Security interest over the rights of a Capacity Provider

The Capacity Market Register must only be amended in relation to the registration of a Security interest upon receipt of notice from both the Registered Holder and the beneficiary of the Security interest and such amendments must be made within five Business Days of receipt and must be notified to the Registered Holder and the beneficiary of the Security interest.

7.6.5 Amending the Capacity Market Register to reflect a decision of the Authority or Court

The Capacity Market Register may be amended by the Delivery Body:

- (a) where the Authority notifies the Delivery Body that it has made an enforcement decision against a person on the grounds of fraud and that as a consequence an entry on the Capacity Market Register should be corrected; or
- (b) where a decision of the Authority or a Court of competent jurisdiction or the operation of law requires the amendment of the Capacity Market Register.

7.7 Capacity Market Register to be publicly available

- 7.7.1 Subject to Rule 7.7.3, the contents of the Capacity Market Register must be available for inspection by the public on request at reasonable notice during the Delivery Body's working hours [or on-line].
- 7.7.2 Subject to Rule 7.7.3, at the request of any person the Delivery Body must provide a written statement of any entry on the Capacity Market Register within five Business Days.
- 7.7.3 Rules 7.7.1 and 7.7.2 do not apply to entries on the Capacity Market Register made pursuant to Rule 7.4.1, 7.4.2 or 7.4.5.

7.8 Applications for rectification of the Capacity Market Register and Appeals

- 7.8.1 Where any person considers that an entry maintained in respect of it or any Capacity Committed CMU for which they are the Capacity Provider under this Chapter 7 should be amended or deleted, they may apply to the Delivery Body in writing requesting that the entry be amended or deleted.
- 7.8.2 If the Delivery Body agrees with the request, the Delivery Body must within five Business Days of receiving the request:
 - (a) amend or delete the relevant entry in the Capacity Market Register as set out in the request; and
 - (b) notify the person who made the request that the Capacity Market Register has been so amended.
- 7.8.3 If the Delivery Body does not agree with any such application, the Delivery Body must within five Business Days notify the person who made the request that the Delivery Body has rejected the request and may provide reasons for that decision. A person who receives a notice under Rule 7.8.2 may refer the decision to the Authority in accordance with Chapter 1 of Part 11 of the Regulations.

7.9 Replacement Capacity Agreement Notice

Following any new or amended entry on the Capacity Market Register for a Capacity Committed CMU pursuant to this Chapter 7, the Delivery Body must issue a Capacity Agreement Notice to the relevant Capacity Provider recording the new or amended details of the Capacity Agreement for that Capacity Committed CMU.

CHAPTER 8: OBLIGATIONS OF CAPACITY PROVIDERS AND SYSTEM STRESS EVENTS

8. Obligations of Capacity Providers

8.1 Purpose of this Chapter

These Rules describe the specific obligations to be met by a Capacity Provider, including where a System Stress Event occurs, and the issue of a Capacity Market Warning by the System Operator.

8.2 General obligation to maintain eligibility

A Capacity Provider must promptly notify the Delivery Body:

8.2.1 if the relevant CMU ceases to meet the General Eligibility Criteria or reasonably expects to fail to meet the General Eligibility Criteria; or

8.2.2 of any other material change in the information submitted by the Capacity Provider in its Application pursuant to Chapter 3,

at any time up to the end of the final Delivery Year to which its Capacity Agreement applies.

8.3 Specific obligations and consequences

8.3.1 Connection Arrangements

Where the Capacity Provider had made a declaration in its Application in accordance with Rule 3.7.3(b)(iii):

- (a) the Capacity Provider must provide a copy of its connection offer to the Delivery Body by no later than the date falling eighteen months prior to the commencement of the relevant Delivery Year; and
- (b) failure to comply with Rule 8.3.1(a) will result in automatic termination of the Capacity Agreement in accordance with Rule 6.10.1(e).

8.3.2 CDR Testing

Where the Capacity Provider has made a declaration in its Application in accordance with Rule 3.9.2:

- (a) the Capacity Provider must provide a CDR Test Certificate which evidences a Proven CDR Capacity equal to or greater than its Unproven CDR Capacity to the Delivery Body by no later than the start of the relevant Delivery Year;
- (b) if the Capacity Provider fails to provide a CDR Test Certificate in accordance with Rule 8.3.2(a):
 - (i) the Bid Bond will be called in accordance with Schedule 2, paragraph 5.1; and
 - (ii) unless Rule 8.3.2(c) applies the Capacity Provider's Capacity Agreement will be terminated;

- (c) if the Capacity Provider provides a CDR Test Certificate which evidences a Proven CDR Capacity less than its Unproven CDR Capacity but greater than 2MW, the Capacity Obligation of that Capacity Committed CMU must be reduced to its Proven CDR Capacity (and the Capacity Market Register adjusted accordingly).

8.3.3 Metering

- (a) A Capacity Provider must notify in advance the Delivery Body and the Settlement [Body/Agent] of any proposed change to the information provided pursuant to Rule 3.5.3(a) and obtain the prior confirmation of the Settlement [Body/Agent] that such arrangements will continue to meet the standards required at Prequalification.
- (b) Failure to obtain confirmation from the Settlement [Body/Agent] in accordance with Rule 8.3.3(a) will result in the Capacity Provider's entitlement to Capacity Payments being suspended in accordance with Regulations until such time as the Capacity Provider has obtained confirmation of the Settlement [Body/Agent] pursuant to Rule 8.3.3(a).

8.3.4 Baseline Changes

- (a) A Capacity Provider for a Customer Demand Response CMU must notify the Settlement [Body/Agent] in advance of any proposed change in the information submitted under Rule 13.2.5(a) to 13.2.5(c) and obtain confirmation from the Settlement [Body/Agent] that this does not affect its ability to determine the Baseline Demand with accuracy on a half-hourly basis the Baseline Demand.
- (b) Failure to obtain confirmation from the Settlement [Body/Agent] in accordance with Rule 8.3.4(a) will result in the Capacity Provider's entitlement to Capacity Payments being suspended in accordance with Regulations until such time as the Capacity Provider has obtained confirmation of the Settlement [Body/Agent] pursuant to Rule 8.3.4(a).

8.3.5 Provision of data to the Settlement Agent

- (a) A Capacity Provider must provide to the Settlement Agent provisional and final physical notification data for each Capacity Committed CMU in accordance with the Core Industry Documents and obtain confirmation from the Settlement Agent that the data has been so provided.³
- (b) Failure to provide data to the Settlement Agent in accordance with Rule 8.3.5(a) will result in the Capacity Provider's entitlement to Capacity Payments being [suspended in accordance with Regulations] until such time as the Capacity Provider has obtained confirmation of the Settlement Agent pursuant to Rule 8.3.5(a).

8.3.6 Solvency

³ See also Rule 8.5.1(b).

- (a) Upon an Administrative Party becoming aware that a Capacity Provider has become Insolvent, it must notify the other Administrative Parties and, provided that no Insolvency Termination Event has occurred, the Settlement [Body/Agent] will commence annual net payments in accordance with the Regulations.
- (b) Upon an Insolvency Termination Event occurring in respect of a Capacity Provider, the relevant Capacity Agreement will terminate automatically in accordance with Rule 6.10.1(a).

8.3.7 Evidence of Capital Expenditure

Where a Prospective Generating CMU has been awarded a Capacity Agreement with a duration exceeding one Delivery Year:

- (a) it must provide the Delivery Body, prior to the end of the first Delivery Year to which such Capacity Agreement applies, with a certificate from an Independent Technical Advisor confirming that it is satisfied, on the basis of evidence reviewed, that the Capital Expenditure incurred on such CMU is:
 - (i) less than the Three Year Minimum £/kW Threshold;
 - (ii) greater than Three Year Minimum £/kW Threshold and less than the Ten Year Minimum £/kW Threshold; or
 - (iii) greater than the Ten Year Minimum £/kW Threshold;
- (b) if the Maximum Obligation Period consistent with the amount of Capital Expenditure so certified is shorter than the term of the Capacity Agreement included in the Capacity Market Register, the Delivery Body must update the Capacity Market Register so that the Capacity Agreement term is equal to the Maximum Obligation Period for such Capital Expenditure; and
- (c) if it fails to provide the Delivery Body with a certificate in accordance with Rule 8.3.7(a), the Delivery Body must update the Capacity Market Register so that the Capacity Agreement term is one Delivery Year.

8.4 Triggering a Capacity Obligation and System Stress Events

8.4.1 Definition of a System Stress Event

“System Stress Event” means a Settlement Period in which a System Operator Instigated Demand Control Event occurs where such event lasts at least 15 continuous minutes (whether the event falls within one Settlement Period or across more than one consecutive Settlement Periods, and where the event falls across multiple consecutive Settlement Periods, each of those Settlement Periods will be a “System Stress Event”).

8.4.2 Definition of a System Operator Instigated Demand Control Event

“System Operator Instigated Demand Control Event” means where:

- (a) the System Operator gives a Demand reduction instruction to one or more DNOs pursuant to OC6.5 of the Grid Code; and/or

- (b) an automatic low Frequency Demand Disconnection takes place pursuant to OC6.6 of the Grid Code,

except where such action results from either:

- (c) failures or deficiencies in the Transmission System or a Distribution Network; or
- (d) the System Operator issuing a Bid-Offer Acceptance(s) to reduce output or an Emergency Instruction(s) to reduce output to the extent that the Volume of that Bid-Offer Acceptance(s) or that Emergency Instruction(s) exceeds the Volume of the Demand reduction instruction issued or the automatic low Frequency Demand Disconnection that took place.

8.4.3 Duration of a System Operator Instigated Demand Control Event

A System Operator Instigated Demand Control Event:

- (a) commences at the earlier of the time at which:
 - (i) the Demand reduction instruction is given by the System Operator; or
 - (ii) the automatic low Frequency Demand Disconnection takes place; and
- (b) ends at the time at which the System Operator instructs the last outstanding DNO to:
 - (i) restore Demand in accordance with OC6.5 of the Grid Code; or
 - (ii) reconnect in accordance with OC 6.6 of the Grid Code.

8.4.4 Notification of a Demand reduction instruction or an automatic low Frequency Demand Disconnection

As soon as reasonably practicable after the System Operator:

- (a) gives a Demand reduction instruction to one or more DNOs pursuant to OC6.5 of the Grid Code; or
- (b) becomes aware that an automatic low Frequency Demand Disconnection has taken place pursuant to OC6.6 of the Grid Code,

the System Operator must notify the Settlement [Body/Agent] and the Delivery Body.

8.4.5 Determination of a System Stress Event

- (a) As soon as reasonably practicable after the System Operator:
 - (i) gives a Demand reduction instruction to one or more DNOs pursuant to OC6.5 of the Grid Code; or
 - (ii) becomes aware that an automatic low Frequency Demand Disconnection has taken place pursuant to OC6 of the Grid Code,

the System Operator must:

- (iii) undertake a root cause analysis to determine whether or not such action resulted from any matter falling within Rules 8.4.2(c) or 8.4.2(d) and hence whether a relevant System Operator Instigated Demand Control Event has occurred; and
 - (iv) if it determines under Rules 8.4.5(a)(iii) that a relevant System Operator Instigated Demand Control Event has occurred, determine whether the System Operator Instigated Demand Control Event lasted at least 15 continuous minutes and hence whether a System Stress Event has occurred.
- (b) A determination by the System Operator that a System Stress Event or a System Operator Instigated Demand Control Event has occurred may be made in its sole discretion and will be final and binding on all Administrative Parties and Capacity Providers.

8.4.6 Notification of a System Stress Event

As soon as reasonably practicable after determining that a System Stress Event has occurred, the System Operator must publish details of the Settlement Period that has been classified as a System Stress Event, or the Settlement Periods that have been classified as System Stress Events. Such details will be published on the website specified by the System Operator from time to time.

8.4.7 Capacity Market Warning

- (a) The System Operator must publish a Capacity Market Warning in accordance with Rule 8.4.7(b) at times when, in the System Operator's reasonable opinion, there is an inadequate System Margin, as determined under Rule 8.4.8.
- (b) A Capacity Market Warning must be published by the System Operator on the website specified by the System Operator from time to time [and/or] issued by such data transmission facilities as are in place between the System Operator and Capacity Providers.
- (c) A Capacity Market Warning must contain the following information:
 - (i) the commencement time of the warning;
 - (ii) the Settlement Period(s) for which the warning is applicable;
 - (iii) information about the circumstances that have triggered the warning; and
 - (iv) for information purposes only, the System Operator's expectations as to:
 - (aa) Demand;
 - (bb) the aggregate capacity that Capacity Committed CMUs are likely to deliver; and

- (cc) the aggregate capacity that [BM Units] that are not Capacity Committed CMUs are likely to deliver, for the Settlement Period(s) for which the warning is applicable.
- (d) Where possible, and if required, each Capacity Provider should take such preparatory action as it deems necessary taking into account the information contained in the Capacity Market Warning.
- (e) A Capacity Market Warning will remain in force from the stated time of commencement until:
 - (i) if a System Stress Event occurs on the day the warning is issued, 23:59:59 on the day the System Stress Event ends as determined by the System Operator; or
 - (ii) if a System Stress Event has not occurred by 23:59:59 on the day the warning is issued, 00:00:00 on the following day.
- (f) The System Operator will give notice of the expiry of a Capacity Market Warning by publishing notice of such expiry on the website specified by the System Operator from time to time [and/or] by such data transmission facilities as are in place between the System Operator and Capacity Providers.

8.4.8 Inadequate System Margin

- (a) The System Operator will monitor the total of the Maximum Export Limits received against forecast Demand and the Operating Margin.
- (b) Taking into account the matters described in Rule 8.4.8(a) above, together with the Dynamic Parameters, the System Operator will calculate whether the anticipated level of System Margin for any period is inadequate [in accordance with an algorithm to be advised by the Secretary of State from time to time].

8.5 Discharging a Capacity Obligation

8.5.1 Response to a Capacity Market Warning

During a System Stress Event, a Capacity Provider must deliver electrical energy or reduce demand at a Capacity Committed CMU to at least:

- (a) in the case of a System Stress Event falling four or more hours after the commencement of the Settlement Period immediately following a Capacity Market Warning, its Adjusted Load Following Capacity Obligation; or
- (b) in the case of a System Stress Event in respect of which a Capacity Market Warning was published less than four hours prior to the commencement of such System Stress Event, its:
 - (i) then Frozen Physical Notification, in the case of a CMRS CMU;
 - (ii) [●], in the case of a Non-CMRS Distribution CMU; or

- (iii) Baseline Demand, in the case of a Customer Demand Response CMU,

as applicable, and provided that a Capacity Provider must have no obligation pursuant to this Chapter 8:

- (c) during a System Stress Event in respect of which there has been no prior Capacity Market Warning; or
- (d) in any Settlement Period where the electricity market is suspended under Section G (Contingencies) of the Balancing and Settlement Code.

8.5.2 Adjusted Load Following Capacity Obligation (ALFCO)

The Adjusted Load Following Capacity Obligation of a Capacity Committed CMU “i” in Settlement Period “j” (“ALFCO_{ij}”) is a Volume in MWh calculated as follows:

$$ALFCO_{ij} = LFCO_{ij} + QBOA_{ij} + \min(QBST_{ij}, 0) + \min(QAS_{ij}, 0) - QBSCCC_{ij}$$

where

LFCO_{ij} has the meaning given in Rule 8.5.3 below.

QBOA_{ij} has the meaning given in Rule 8.5.4(a) below.

QBST_{ij} has the meaning given in Rule 8.5.4(b) below.

QAS_{ij} has the meaning given in Rule 8.5.4(c) below.

QBSCCC_{ij} has the meaning given in Rule 8.5.4(e) below.

8.5.3 Load Following Capacity Obligation (LFCO)

The Load Following Capacity Obligation of a Capacity Committed CMU “i” in Settlement Period “j” (“LFCO_{ij}”) is a Volume in MWh calculated as follows:

$$LFCO_{ij} = \frac{AACO_{ij} + PTCO_{ij}}{2} \times \min\left(\frac{(\sum_i CMCC_{ij} + \sum ILR_j)}{\sum_i AACO_{ij}}, 1\right)$$

where

AACO_{ij} is the Auction Acquired Capacity Obligation of that Capacity Committed CMU for Settlement Period “j”, being the value in MW of the Capacity Obligation taken on by that Capacity Committed CMU for the Delivery Year in which Settlement Period “j” falls, as set out in the Capacity Market Register for that Capacity Committed CMU.

PTCO_{ij} is the Physically Traded Capacity Obligation of that Capacity Committed CMU, being the aggregate value in MW of any additional Capacity Obligation acquired by a Capacity Provider of that Capacity Committed CMU by way of a transfer under Rule 9.2.3(a) for the Delivery Year (or part Delivery Year) in which

Settlement Period “j” falls, as set out in the Capacity Market Register for that Capacity Committed CMU.

\sum_i is the sum over all Capacity Committed CMUs

CMCC_{ij} is the Capacity Market Capacity Contribution, being the aggregate of the capacity delivered by all Capacity Committed CMUs in Settlement Period “j” as determined by the Settlement Agent on an *ex post* basis.

ILR_i is the Involuntary Load Reduction, being the aggregate volume of load shed by Distribution Network Operators in Settlement Period “j” in order to meet Demand Control Instructions as determined by the Delivery Body on the basis of data provided by the Distribution Network Operators, who must provide such information to the Delivery Body upon request on an *ex post* basis.

8.5.4 Adjustments to LFCO to account for Balancing Services

The Load Following Capacity Obligation of that Capacity Committed CMU in a Settlement Period must be reduced to account for the provision and successful delivery by the BM Unit of balancing services to the System Operator in the following circumstances:

- (a) Reduced output pursuant to Negative Bid-Offer Acceptances (QBOA)

A Capacity Committed CMU “i” that is operating at reduced output during Settlement Period “j” because it (or any CMU Component of that Capacity Committed CMU) has, in its capacity as a BM Unit, been instructed to operate at such output by the System Operator through a Bid-Offer Acceptance in the Balancing Mechanism must be accounted for by use of the factor QBOA_{ij} which is calculated as follows:

$$QBOA_{ij} = \sum_{n < 0} (QAO_{ij}^n + QAB_{ij}^n)$$

where

n has the meaning given to “Bid-Offer Pair Number” in Annex X-2 of the BSC

QAO_{ij}ⁿ has the meaning given to “Period BM Unit Total Accepted Offer Volume” in Annex X-2 of the BSC

QAB_{ij}ⁿ has the meaning given to “Period BM Unit Total Accepted Bid Volume” in Annex X-2 of the BSC

- (b) Reduced output pursuant to a BMU Specific Trade (QBST)

A Capacity Committed CMU “i” that is operating at reduced output during Settlement Period “j” because it (or any CMU Component of that Capacity Committed CMU) has, in its capacity as a BM Unit, been instructed to operate at such output by the System Operator

through a BMU Specific Trade must be accounted for by the factor $QBST_{ij}$ which is the value in MW of any instructed increase (expressed as a positive number) or instructed reduction (expressed as a negative number) in the output of that Capacity Committed CMU.

- (c) Reduced output pursuant to the delivery of a Balancing Service (QAS)

A Capacity Committed CMU “i” that is operating at reduced output during Settlement Period “j” because it (or any CMU Component of that Capacity Committed CMU) has, in its capacity as a BM Unit, delivered energy reductions through the provision of Balancing Services must be accounted for by the factor QAS_{ij} which has the meaning give to “BM Unit Applicable Balancing Services Volume” in Annex X-2 of the BSC.

- (d) Balancing Services Contract Capacity Credit (BSCCC)

(i) The Balancing Services Contract Capacity Credit for Capacity Committed CMU “i” is a Volume (in MWh) equal to that proportion of the capacity of such CMU the despatch of which is controlled by the System Operator by virtue of a balancing services contract entered into pursuant to Condition C16 of its Transmission Licence provided that:

(aa) if the Capacity Provider has not notified the System Operator at the time of entering into such balancing services contract (or, if later, on Prequalification) that it is participating in the Capacity Market and wishes to claim a Balancing Services Contract Capacity Credit; or

(bb) if the Lead Party of the BM Unit which corresponds to the CMU has given the System Operator notice⁴ in accordance with paragraph 6.4.5 of section Q of the Balancing and Settlement Code that it does not wish any volumes of Active Energy to be submitted for the BM Unit (pursuant to paragraph 6.4.5 of Section Q of the Balancing and Settlement Code),

the Balancing Services Contract Capacity Credit for Capacity Committed CMU “i” must be set to zero.

- (e) Sterilised capacity pursuant to a Balancing Services agreement (QBSCCC)

Output from a Capacity Committed CMU “i” (or any CMU Component of that Capacity Committed CMU) that is effectively under the direct instruction of the System Operator rather than a Capacity Provider during Settlement Period “j” as a result of a

⁴ The System Operator is working on the consequential code changes which result from the Rules which will include revisions to this statement detailing the precise calculation for different balancing services.

Balancing Services agreement must be accounted for by the factor QBSCCC_{ij} which must be calculated as follows:

$$QBSCCC_{ij} = \max \left(0, BSCCC_{ij} - \sum_{n>0} (QA0_{ij}^n + QAB_{ij}^n) - \max(QAS_{ij}, 0) \right)$$

where each such factor has the meaning given previously in this Rule 8.5.4.

8.5.5 Shortfalls and Excess Volumes

- (a) If a Capacity Provider fails to deliver electrical energy or reduce demand in accordance with Rule 8.5.1 in any Settlement Period, penalties will be applied in accordance with the Regulations.
- (b) If, in delivering electrical energy or reducing demand in accordance with Rule 8.5.1, a Capacity Provider delivers more than its Adjusted Load Following Capacity Obligation in any Settlement Period, the Capacity Provider will be paid for this excess volume in accordance with the Regulations.

8.6 Requirement to provide general assistance

A Capacity Provider must provide such other information and assistance as an Administrative Party reasonably requires to determine whether the Capacity Provider is complying with the terms of its Capacity Agreements, the Regulations and these Rules.

CHAPTER 9: TRADING AND ASSIGNMENT OF CAPACITY OBLIGATIONS

9. Trading

9.1 Purpose of this Chapter

This Chapter sets out the eligibility requirements for transferring Capacity Agreements. In conjunction with Chapters 5 and 6 it sets out some of the procedures for effecting and consequences of such transfers.

9.2 Restrictions on transfer and eligibility to trade

9.2.1 No Capacity Agreement may be transferred other than in accordance with this Chapter.

9.2.2 A Capacity Provider may not transfer its Capacity Agreement where there is a continuing right to terminate the relevant Capacity Agreement under Rule 6.10.2.

9.2.3 A Capacity Provider may transfer its Capacity Agreement by:

- (a) transferring all or part of its Capacity Agreement Volume in the Delivery Year for all or a specified number of Settlement Periods in the Delivery Year to an Acceptable Transferee provided that:
 - (i) the Transferee nominates a CMU to perform the Capacity Agreement;
 - (ii) the Volume transferred and, following the transfer, the Volume specified in the Capacity Agreement for both transferor and transferee, is at least equal to the Minimum Capacity Threshold; and
 - (iii) the transfer must relate to a period of at least 24 hours; or
- (b) transferring its Capacity Agreement outright together with the relevant CMU (or, if it is a Prospective Generating CMU, together with all the contractual and other rights then owned by the Capacity Provider and necessary for it to achieve its Substantial Completion Milestone) to an Acceptable Transferee;

in each case such transfer of the Capacity Agreement to be in accordance with these Rules (including the requirements relating to the Capacity Market Register) and in accordance with the Regulations. An individual transfer under Rule 9.2.3(a) may not relate to more than one Delivery Year.

9.2.4 Transfers of a Capacity Agreement:

- (a) under Rule 9.2.3(a) can only be effected on the Capacity Market Register after the T-1 Auction for the relevant Delivery Year has concluded and provided that, in the case of a Prospective Generating CMU and its second or third Delivery Year, it has achieved the Substantial Completion Milestone no later than 10 Business Days prior to the date of the T-1 Auction for that Delivery Year;

- (b) under Rule 9.2.3(a) can only be effected by a CMU for which:
 - (i) no amount is due and unpaid; and
 - (ii) there is no Unresolved Spot Test Failure; and
 - (iii) no Capacity Payment suspension is in effect under Rules 8.3.3, 8.3.4 or 8.3.5; and
 - (c) under Rule 9.2.3(b) can be effected on the Capacity Market Register at any time.
- 9.2.5 An Acceptable Transferee in relation to Rule 9.2.3(a), for any Delivery Year, is any of the following:
- (a) a Bidder in a Capacity Auction for that Delivery Year (which may include a CMU which Opted-out under Rule 3.10.2(g)(iii) at the T-4 Auction and has since Prequalified in the T-1 Auction, but not otherwise) in relation to a Prequalified CMU that does not have a Capacity Agreement for that Delivery Year;
 - (b) a Capacity Provider for a subsequent Delivery Year in relation to the De-rated Capacity of a Prequalified Prospective Generating CMU that has achieved the Substantial Completion Milestone prior to the commencement of its Capacity Obligation (provided that the transfer relates only to the period prior to such subsequent Delivery Year);
 - (c) a Capacity Provider for a CMU that Prequalified for that Delivery Year that does not have a Capacity Agreement for that Delivery Year equal to the full De-rated Capacity of that Prequalified CMU; or
 - (d) an Eligible Secondary Trading Entrant;
- provided that:
- (e) the Volume transferred, when aggregated with all other Capacity Agreements of the proposed transferee in relation to that CMU and Delivery Year, will not exceed the aggregate De-rated Capacity of the transferee's CMU at any point in time;
 - (f) the CMU to which the Volume is being transferred satisfies the criteria set out in Rule 9.2.4(b); and
 - (g) any such person is not also a Bidder or Capacity Provider of a Defaulting CMU or any CMU which has had its Capacity Agreement terminated for breach of the Ethical Requirements in the last 2 years.
- 9.2.6 An Acceptable Transferee for the purposes of Rule 9.2.3(b) is a person who has obtained written confirmation from the Delivery Body that it:
- (a) has provided a Prequalification Certificate,
 - (b) is not also a Capacity Provider of a Defaulting CMU or any CMU which has had its Capacity Agreement terminated for breach of the Ethical Requirements in the last 2 years; and

- (c) is complying with any requirement to provide or maintain Credit Support that may be applicable.
- 9.2.7 An Acceptable Transferee providing Credit Support pursuant to Rule 9.2.6(c) may notify the Settlement [Body/Agent] that this is to substitute the Credit Support provided by the Capacity Provider that is transferring its Capacity Agreement. From the date the substitute Credit Support is effectively and unconditionally provided, the Settlement [Body/Agent] will consent in writing to the Credit Support which it replaces being released on the following 1 April or 1 October (as the case may be) in accordance with Schedule 2, Rule 4.1.
- 9.2.8 A Capacity Provider must not transfer, sell or otherwise dispose of any interest in a Capacity Committed CMU such that it ceases to satisfy the necessary Prequalification requirements to be the Applicant of that CMU, unless it transfers the CMU to an Acceptable Transferee that has satisfied the requirements of Rule 9.2.6, and the Capacity Agreement of the CMU must only transfer once these requirements are met.
- 9.2.9 A Capacity Committed CMU may not be transferred, sold or otherwise disposed of in whole or material part other than together with the Capacity Agreement as contemplated in Rule 9.2.3(b).
- 9.2.10 The restrictions in Rules 9.2.4 and 9.2.9 do not prevent the grant or enforcement of Security over both the Capacity Committed CMU and the Capacity Agreement for the purpose of securing the payment of any indebtedness to any lender or group of lenders (and whether or not acting through a trustee) provided that such Security is registered on the Capacity Market Register and any transfer, sale, entry into possession or other disposal that may occur on the enforcement of the Security may only be effected so that both the Capacity Committed CMU and the Capacity Agreement are transferred to the same person, who is an Acceptable Transferee.

9.3 Registration of transfers

Transfers will be effected by their entry in the Capacity Market Register in accordance with Rule 7.6.2.

9.4 Effect of transfer

- 9.4.1 Any transfer of a Capacity Agreement pursuant to Rule 9.2.3(a) results in the transfer of any obligation to pay penalties and right to receive payments provided for in the Regulations or these Rules that attach to the performance or failure to perform such Capacity Agreement from the date of transfer to, in the case of a transfer pursuant to Rule 9.2.3(a), the end of the period of transfer.
- 9.4.2 To the extent that there are any outstanding amounts accrued or payable to or by the transferor at the date of transfer pursuant to Rule 9.2.3(a) due to its rights or obligations under the Capacity Agreement or these Rules, those rights and obligations survive and the amounts are, or will when due be, payable to or by the transferor.

- 9.4.3 Any transfer of a Capacity Agreement together with the relevant CMU pursuant to Rule 9.2.3(b) transfers all rights and obligations, (including for the period prior to the date of transfer) to the transferee (and such rights and obligations survive).
- 9.4.4 For the purposes of calculating the penalty caps that may be payable in respect of a Capacity Obligation transferred during a Delivery Year:
- (a) in the case of a transfer under Rule 9.2.3(a), no account may be taken for the purposes of calculating the CCMUCi of the Capacity Committed CMU which:
 - (i) assumes the Capacity Obligation (or the CPC of its Portfolio Holder) of any amount which may have been paid or received by the transferor (or its Portfolio Adjustment Payer) in that Delivery Year; or
 - (ii) transfers the Capacity Obligation (or the CPC of its Portfolio Holder) of any amount which may be paid by the transferor (or its Portfolio Adjustment Payer) in that Delivery Year; and
 - (b) in the case of a transfer under Rule 9.2.3(b), no account may be taken by a new Portfolio Holder, for the purposes of calculating its soft Cumulative Portfolio Cap (CPC), of any amount which may have been paid or received by the previous Portfolio Adjustment Payer in respect of the Capacity Committed CMU transferred.
- 9.4.5 In relation to the transfer, sale or other disposal of any direct or indirect interest in a Capacity Committed CMU or Capacity Provider that results in the Capacity Committed CMU ceasing to be part of the Portfolio of its registered Portfolio Holder, the Capacity Provider must ensure that the registered Portfolio Holder for that Capacity Committed CMU prior to the transfer, sale or disposal and the Portfolio Holder (if any) after the transfer, sale or disposal must make the appropriate notifications to the Delivery Body in accordance with Rule 7.6.3 to amend the Capacity Market Register.
- 9.4.6 Where a transfer has been effected under Rule 9.2.3(b) of a CMU for which the Transferor is Insolvent, the Settlement [Body/Agent] must resume monthly payments within five Business Days of the transfer being effected on the Capacity Market Register (and must pay the new Capacity Provider any accrued and unpaid Capacity Payment balance, to the extent exceeding accrued incentives).

CHAPTER 10: TRANSITIONAL ARRANGEMENTS

10. Transitional Arrangements

10.1 Purpose of this Chapter

10.1.1 These Rules govern the arrangements to be put in place to:

- (a) facilitate the conduct of a T-4 Auction for the Delivery Year commencing on 1 October 2018 (the “**First Full Capacity Auction**”); and
- (b) progressively facilitate the delivery of Demand Side Response.

10.1.2 The arrangements referred to in Rule 10.1.1(a) include changes to enable the First Full Capacity Auction to proceed on an abridged timetable.

10.1.3 The arrangements referred to in Rule 10.1.1(b) include:

- (a) T-1 Auctions allowing DSR CMUs to bid for Capacity Agreements in respect of the Delivery Years commencing on 1 October 2016 and 1 October 2017 (such Delivery Years being the “**DSR Transition Period**” and such Capacity Auctions being the “**DSR Transition Capacity Auctions**”);
- (b) for DSR Transition Capacity Auctions:
 - (i) an additional time banded product available, focusing on certain peak hours during winter only to encourage participation; and
 - (ii) a reduction in the bid bond requirement for Applications;
- (c) for delivery of Capacity Obligations during the DSR Transition Period:
 - (i) an adjustment to the incentives and caps applicable to non-delivery; and
 - (ii) testing of delivery in the absence of System Stress Events;
- (d) the possibility of extending the DSR Transition Period in respect of certain transitional arrangements; and
- (e) final transition to the full enduring regime as governed by these Rules (other than this Chapter 10).

10.2 Application of these Rules to transitional arrangements

Save as expressly amended pursuant to this Chapter 10, these Rules apply to the First Full Capacity Auction and each DSR Transition Capacity Auction.

10.3 Timetable for the First Full Capacity Auction

The timetable included in the Auction Guidelines for the First Full Capacity Auction will be as directed by the Secretary of State.

10.4 DSR Transition Capacity Auctions

10.4.1 Auctioned products

- (a) DSR Transition Capacity Auctions will be split into two separate auctions (each a “**sub-auction**” for two separate DSR products, being:
 - (i) a full capacity product equivalent to that which would be auctioned in a full Capacity Auction and based on the delivery of an Adjusted Load Following Capacity Obligation; and
 - (ii) a time banded capacity product based on the delivery of capacity during the peak hours of 9am-11am and 3pm -7pm on weekdays in Winter.
- (b) References in the Rules to Capacity Auctions will, for the purposes of the DSR Transition Capacity Auctions, include each of the sub-auctions.
- (c) Both sub-auctions must be held within the Auction Window. The sub-auction for Adjusted Load Following Capacity Obligations must be held first and the sub-auction for the time banded capacity product held thereafter.
- (d) The Volume to be procured in each of the sub-auctions will be determined by the Secretary of State and published as part of the Demand Curve for a DSR Transition Capacity Auction.

10.4.2 Prequalification and Eligibility

- (a) The following DSR CMUs must be prohibited from participating in a DSR Transition Capacity Auction and an Applicant must not be permitted to submit an Application for a DSR Transition Capacity Auction in relation to any such DSR CMU:
 - (i) any DSR CMU that has been awarded a Capacity Agreement in a Capacity Auction (other than a DSR Transitional Capacity Auction) in any previous year; and
 - (ii) any Generating Unit with a Connection Capacity of 50MW or higher.
- (b) For the DSR Transition Capacity Auctions, an Applicant will be required to submit a reduced Bid Bond equal to £442/MW.

10.4.3 Delivery Obligations of DSR Capacity Committed CMUs awarded Capacity Agreements pursuant to this Chapter 10

- (a) The Capacity Obligation of a Capacity Committed CMU in respect of a sub-auction pursuant to Rule 10.4.1(a)(i) must be determined in accordance with Rule 8.5.1 save that any Capacity Committed CMU with a Capacity Agreement pursuant to a sub-auction for time banded capacity must have no Capacity Obligation in the event of any System Stress Event occurring during a Settlement Period falling outside of the periods referred to in Rule 10.4.1(a)(ii).

- (b) For Delivery Years in the DSR Transition Period, the Delivery Body must (in consultation with the System Operator) carry out sufficient simulations of System Stress Events (each such simulation being deemed to be a System Stress Event) so that, when taken together with any actual System Stress Events that occur during such Delivery Year, the aggregate of the Settlement Period Penalties payable by a Capacity Provider of a Capacity Committed CMU during such Delivery Year would, in the event that E_{ij} for that Capacity Committed CMU during each such System Stress Event were zero, be equal to or greater than the aggregate of the Capacity Payments paid for that Capacity Committed CMU pursuant to Regulations in that Delivery Year.

10.4.4 Capacity Incentives

- (a) For the purpose of determining the Settlement Period Penalty pursuant to Rule 14.3.1 for a Capacity Committed CMU “i” which has a Capacity Obligation pursuant to a time banded capacity sub-auction in Settlement Period “j”, CMO_{ij} must be [●].
- (b) For the purpose of Rule 14.3.2, the Secretary of State may determine a different value for the Penalty Scaling Factor for the determination of the Capacity Market Penalty Rate in relation to any Capacity Obligation awarded pursuant to a DSR Transition Capacity Auction.
- (c) For the purpose of Rule 14.3.3, “a” must equal 100% for the determination of the Annual Penalty Cap in relation to any Capacity Obligation awarded pursuant to a DSR Transition Capacity Auction.

CHAPTER 11: MONITORING

11. Monitoring

11.1 Purposes of this Chapter

These Rules govern the provision of information to and monitoring of Capacity Providers by the Delivery Body, Auction Monitor and the Administrative Parties.

11.2 Monitoring of construction progress of Prospective Generating CMUs

11.2.1 The Capacity Provider of any Prospective Generating CMU must, no less frequently than every six months from the date of the Capacity Auction until such time as the Substantial Completion Milestone is achieved, deliver to the Delivery Body a progress report specifying, for each Generating Unit comprising such CMU:

- (a) a schedule identifying the earliest and latest dates on which each of the Construction Milestones are then expected to be achieved, with an explanation of any material change in such dates since the last report;
- (b) any material changes to the works described in the Construction Plan,
accompanied by:
- (c) an assessment from an Independent Technical Advisor; and
- (d) a certificate from two directors of the board of the Capacity Provider stating that they believe the report to give a fair view of the matters described above.

11.2.2 The Delivery Body must monitor the construction of Prospective Generating CMUs by reviewing the progress reports provided to the Delivery Body under Rule 11.2.1(a).

11.2.3 The Delivery Body may seek further information from a Capacity Provider with respect to any of the matters described in a progress report provided under Rule 11.2.1(a) or any other matter relating to the construction or refurbishment of each of the Generating Units comprising such Prospective Generating CMU, and the Capacity Provider must give the Delivery Body such further information as soon as reasonably practicable.

11.2.4 Where it is apparent from a progress report that the latest date on which a:

- (a) Refurbishing CMU is expecting to achieve the Substantial Completion Milestone is later than the Longstop Date; or
- (b) other Prospective Generating CMU is expecting to achieve the Substantial Completion Milestone is later than the first day of the relevant Delivery Year;

the Delivery Body must request the Capacity Provider to provide it with a remedial plan which demonstrates that steps can and will be taken to accelerate the programme such that the latest date on which the Substantial Completion Milestone is expected to be reached is prior to date

referred to in 11.2.4(a) or 11.2.4(b). The relevant Capacity Provider must use all reasonable endeavours to provide a remedial plan meeting such requirements and the remedial plan must be accompanied by:

- (c) a commentary from an Independent Technical Advisor addressing whether the remedial plan is achievable and (if it does not result in a date earlier than that referred to in (a) or (b) above) identifying any areas where further acceleration could be achieved; and
- (d) a certificate from two directors of the board of the Capacity Provider stating that they believe the remedial plan is fair and achievable.

11.2.5 A Capacity Provider must provide a remedial plan where requested by the Delivery Body as soon as reasonably practicable and in any event within no more than [120] days. Where a Capacity Provider does not do so, the Delivery Body must notify the Secretary of State and the Authority.

11.2.6 A Capacity Provider must afford a Independent Technical Advisor providing an assessment for any purposes under these Rules with reasonable access to the books and records of the Capacity Provider and to the site of the Generating Unit as and when reasonably requested by the Independent Technical Advisor but subject to such reasonable conditions as to access time and supervision as the Capacity Provider may impose.

11.3 Monitoring of Capacity Auctions and Capacity Providers

11.3.1 The [Delivery Body/Secretary of State] may in accordance with Rule 5.12.1 appoint a third party to monitor Capacity Auctions (the “**Auction Monitor**”).

11.3.2 A Capacity Provider must permit the Delivery Body or any of their officers, agents or representatives (including any Independent Technical Advisor appointed for the purposes of this Chapter 11, at reasonable times and intervals, and upon reasonable notice, to visit any of its offices, to inspect and photocopy extracts from any of its books and records and to discuss its obligations under these Rules with its officers and auditors. The cost and expense of each such visit must be borne by the Capacity Provider.

11.3.3 A Capacity Provider subject to monitoring of the kind described in Rule 11.3.2 must:

- (a) bear any costs it incurs as a result of such monitoring; and
- (b) reimburse to the Delivery Body or the Auction Monitor, as the case may be, all reasonable costs the Delivery Body or the Auction Monitor incurs in conducting such monitoring.

11.3.4 Where a Capacity Provider is required to provide information to the Delivery Body in accordance with obligations imposed upon the Capacity Provider by Rule 8, the Delivery Body may request the Capacity Provider to provide further information for the purposes of verifying that the information required to be provided is in accordance with the obligations imposed upon the Capacity Provider by Rule 8.3 and the Capacity Provider must do so.

11.4 Further monitoring obligations

Further monitoring obligations may be specified in the Auction Guidelines.

11.5 Provision of information for monitoring purposes

Upon request, an Applicant, Bidder or Capacity Provider must provide such information and assistance as an Administrative Party reasonably requires in order to enable it to discharge the monitoring obligations imposed on that Administrative Party by these Rules or the Auction Guidelines.

CHAPTER 12: DISPUTES AND APPEALS

12. Dispute Resolution and Appeals

12.1 Purpose of this Chapter

These Rules prescribe the procedure to be followed where an Affected Person wishes to appeal an Administrative Party decision or determination of the kind identified in this Chapter.

12.2 Sole and exclusive remedy for an Affected Person

The sole and exclusive remedy of:

- 12.2.1 an Applicant [or Secondary Trading Entrant] who is dissatisfied with a Requalification Decision of the Delivery Body;
- 12.2.2 [a Capacity Provider or any person who has a security interest in the rights of a Capacity Provider who is dissatisfied with any decision of the Delivery Body not to accede to any request for the rectification of the Capacity Market Register under Rule 7.8.1;]
- 12.2.3 [a Capacity Provider who has been unable to agree with the Delivery Body any necessary amendments to the Capacity Agreement Notice in respect of comments submitted by the Capacity Provider to the Delivery Body under Rule(s) 6.3.3;]
- 12.2.4 [a Capacity Provider who has been unable to agree with the Delivery Body on whether a Capacity Agreement Notice should be issued as requested by the Capacity Provider under Rule 6.3.8;]
- 12.2.5 [a Capacity Provider who is dissatisfied with a decision of the Delivery Body to issue a notice of termination to the Capacity Provider in accordance with Rule 6.10.2;]
- 12.2.6 [a Capacity Provider who is dissatisfied with a decision by the Delivery Body to carry out a Spot Test in relation to a CMU owned by that Capacity Provider (a “**Spot Test Decision**”); or]
- 12.2.7 [an Applicant, Secondary Trading Entrant, Bidder or Capacity Provider who is otherwise dissatisfied with:
 - (a) a notice it has received from the Delivery Body pursuant to these Rules, or
 - (b) an entry made or not made in respect of it in the Capacity Market Register,]

(each an “**Affected Person**”) is to refer the matter for redetermination in accordance with this Chapter 12 and to appeal any such redetermination in accordance with Chapter 1 of Part 11 of the Regulations.

12.3 Requesting reconsideration by the Delivery Body

12.3.1 An Affected Person may request the Delivery Body to reconsider a matter referred to in Rule 12.2 (a “Delivery Body Reviewable Decision”).

12.3.2 The request must:

- (a) be submitted in writing to the Delivery Body within five Business Days of receiving notice of the decision;
- (b) include the reason for requesting the reconsideration; and
- (c) comply with any relevant requirements set out in the Auction Guidelines.

12.3.3 The request may include a reasonable amount of additional information which the Affected Person considers relevant.

12.3.4 Upon receiving such a request the Delivery Body must within five Business Days reconsider the matter and notify the Affected Person of the outcome of the reconsideration (the “**Reconsidered Decision**”).

12.3.5 An Affected Person who is dissatisfied with a Reconsidered Decision may appeal the Reconsidered Decision in accordance with Chapter 1 of Part 11 of the Regulations.

12.4 Consequences of Appeal

12.4.1 Where a Reconsidered Decision or any determination under Part 9 of the Regulations results in the relevant Applicant earning or maintaining Prequalified status and the Capacity Auction to which the Application related:

- (a) has not yet occurred, the Bidder may participate in that Capacity Auction and the Delivery Body will notify the Applicant to that effect confirming each of the relevant matters contemplated in Rule 4.5; or
- (b) has already occurred, the Delivery Body must issue to the Bidder a Capacity Agreement for an amount of capacity equal to the De-rated Capacity determined in respect of the relevant Application at the Clearing Price.

12.4.2 Where the Bidder has been awarded a Capacity Agreement (and become a Capacity Provider) following successful participation in the Capacity Auction the Delivery Body must update the Capacity Market Register and issue a Capacity Agreement Notice to the relevant Capacity Provider in accordance with Rule 7.9 to record the amount of the increase or decrease in De-rated Capacity.

12.4.3 Where a Reconsidered Decision or any determination which results from an appeal under Chapter 1 of Part 11 of the Regulations results in a Spot Test Decision being overruled, the Delivery Body must not Spot Test the relevant Capacity Provider in the current Delivery Year.

CHAPTER 13: TESTING REGIME

13. Testing Regime

13.1 Purpose of this Chapter

These Rules prescribe the procedures for:

13.1.1 the CDR Testing of Customer Demand Response CMUs; and

13.1.2 the Spot Testing of Capacity Committed CMUs.

13.2 CDR Testing

13.2.1 Each Customer Demand Response CMU must prove its CDR Capacity by a CDR Test in accordance with this Rule 13.1.

13.2.2 A Customer Demand Response CMU can participate in a CDR Test either:

- (a) prior to the commencement of the Prequalification Window for a Capacity Auction (in which case the Customer Demand Response CMU may submit an Application for Prequalification as a Proven Customer Demand Response CMU); or
- (b) after the award of a Capacity Agreement but prior to the commencement of the Delivery Year for that Capacity Agreement (in which case the Customer Demand Response CMU must submit an Application for Prequalification as an Unproven Customer Demand Response CMU).

13.2.3 No CDR Test may take place between the commencement of a Prequalification Window and the Auction Results Day.

13.2.4 A CDR Test is the same regardless of whether it is carried out pursuant to Rule 13.2.2(a) or 13.2.2(b).

13.2.5 In order to carry out a CDR Test, an Applicant or Capacity Provider (as applicable) must provide the Delivery Body with the following information in relation to the Customer Demand Response CMU to be tested:

- (a) details of all Permitted On-Site Generating Units and electricity connections from or through which electricity is or could be supplied to the site where and/or electrical apparatus through which the Customer Demand Response will be effected;
- (b) the Meter Point Administration Number(s) of the meters for that site and/or connection point, and details of any other meters necessary to identify and monitor the Customer Demand Response from any Customer Demand Response CMU Component;
- (c) details of the meter data collection and communications arrangements in place to ensure that metering data from the applicable Meter Point Administration Numbers and/or other meters will be communicated to the Settlement [Body/Agent] so as to permit:

- (i) the calculation of the Baseline Demand of that Customer Demand Response CMU from the commencement of the Delivery Year; and
 - (ii) the timely calculation of any other amounts to be calculated in accordance with the Rules or Regulations;
- (d) historic data relating to the Demand at each Customer Demand CMU Component for at least the previous 6 weeks together with evidence satisfactory to the Settlement [Body/Agent] that though a combination of historic data sets and the data collection processes referred to in 13.2.5(b) it will be possible to establish the Baseline Demand for that Customer Demand Response CMU by the outset of the Delivery Year;
- (e) all historic data in the Applicant's possession or which is otherwise available to it relating to the Demand at each Customer Demand CMU Component to the extent that the same would be relevant to the calculation of the Baseline Demand of that Customer Demand Response CMU if it were being calculated at the date the information is being submitted; and
- (f) a notice from the Settlement [Body/Agent] to the Applicant or Capacity Provider (as applicable), confirming that they are satisfied with the arrangements described in 13.2.5(a) to 13.2.5(e).

13.2.6 Following the submission of the information referred to in Rule 13.2.5 above, the Applicant or Capacity Provider (as applicable) must for each Customer Demand Response CMU either:

- (a) prior to Prequalification only, provide historic information to the Settlement [Body/Agent] and Delivery Body that identifies three separate Settlement Periods within the 2 years prior to the start of the Prequalification Window in which:
 - (i) a Baseline Demand can be calculated for that Customer Demand Response CMU Component; and
 - (ii) each Customer Demand Response CMU Component of the Customer Demand Response CMU delivered a Metered Volume (net of any related imports) in discharge of an obligation to deliver a balancing service including details of the amount of such Metered Volume; or

together with a calculation of the Customer Demand Response of the Customer Demand Response CMU which is thereby evidenced in each such Settlement Period, the lowest of which is identified as the CDR Capacity of the Customer Demand Response CMU divided by two; or

- (b) give the Delivery Body and Settlement [Body/Agent] no less than 2 Business Days notice of its intention to test activate the Customer Demand Response CMU and of the Settlement Period in which such activation will be carried out.

13.2.7 The Delivery Body may:

- (a) at any time up to 4 hours prior to the relevant Settlement Period, instruct the Applicant or Capacity Provider (with a copy to the Settlement [Body/Agent]) not to activate the Customer Demand Response CMU in that Settlement Period for any reason, provided that no more than two instructions may be submitted by the Delivery Body to an Applicant or Capacity Provider under this Rule 13.2.7(a) for any proposed CDR Test; and
- (b) at any time instruct the Applicant or Capacity Provider (with a copy to the Settlement [Body/Agent]) not to activate the Customer Demand Response CMU in that Settlement Period if the System Operator has issued an Emergency Instruction in respect of that Settlement Period;

and, on receipt of such instruction, the Applicant or Capacity Provider must:

- (c) if received no later than 4 hours prior to the Settlement Period, not activate, and otherwise must seek to not activate or de-activate (as applicable), the Customer Demand Response CMU; and
- (d) may submit a new notice under Rule 13.2.6(a) above, taking into consideration any reasons given by the Delivery Body in a notice issued under (a) or (b) above.

13.2.8 The Delivery Body's rights to give any instruction under Rule 13.2.7 apply notwithstanding that the effect may be to prevent a CDR Test Certificate from being issued prior to any deadline applicable to the Applicant or Capacity Provider under these Rules or Regulations.

13.2.9 Within 5 Business Days of:

- (a) receipt of historic information under Rule 13.2.6(a) above; or
- (b) the occurrence of the Settlement Period in which a Customer Demand Response CMU is permitted to be activated in a CDR Test in accordance with this Rule 13.2,

the Settlement [Body/Agent] must, for each of the three Settlement Periods in the case of 13.2.9(a) and for the activation Settlement Period in the case of 13.2.9(b) notify the Delivery Body and the Applicant or Capacity Provider of its verified calculations of:

- (c) Baseline Demand;
- (d) the Customer Demand Response evidenced (which can be zero); and
- (e) the Proven CDR Capacity calculated by multiplying the Customer Demand Response by two (and in the case of 13.2.9(a) using the Settlement Period which evidenced the lowest Customer Demand Response.

13.2.10 If the Settlement [Body/Agent]'s notice does not notify the same CDR Capacity as calculated by the Applicant in its notice under Rule 13.2.6(a) the Applicant may within 2 Business Days of receipt thereof issue a notice

under Rule 13.2.6(b) above, in which case Rules 13.2.7 to 13.2.9 above once again apply.

13.2.11 Within five Business Days of receipt of the notice under Rule 13.2.9, and provided that no notice has been issued under Rule 13.2.10, if applicable, the Delivery Body must issue a CDR Test Certificate to the Applicant or Capacity Provider (as applicable) confirming that the CDR Test has occurred and setting out the Proven CDR Capacity of the Customer Demand Response CMU, which must be that notified by the Settlement [Body/Agent] pursuant to Rule 13.2.9.

13.3 Spot Testing by Delivery Body

13.3.1 A Capacity Committed CMU which has not:

- (a) delivered capacity at a level equal to or greater than its Capacity Obligation;
- (b) for at least one Settlement Period (which Settlement Periods may fall within a System Stress Event) on three separate Winter days during the relevant Delivery Year

(a “**Satisfactory Performance Day**”) may be subject to Spot Testing.

13.3.2 The Capacity Provider of a Generating CMU must notify the Delivery Body of the occurrence of a Satisfactory Performance Day within five Business Days of its occurrence together with reasonable supporting evidence.

13.3.3 The Capacity Provider of a Customer Demand Response CMU must:

- (a) notify the Delivery Body of at least three and no more than six separate Winter days which it expects to be Satisfactory Performance Days and must give the Delivery Body no less than 6 hours advance notice of the relevant Settlement Period;
- (b) following such notice, the Delivery Body must notify the Capacity Provider of a fixed value of ALFCO to be achieved by the Customer Demand Response CMU during the Spot Test Settlement Period no later than four hours prior to such Settlement Period; and
- (c) if the Customer Demand Response CMU achieved that fixed value of ALFCO during that Settlement Period it must notify the Delivery Body of the occurrence of a Satisfactory Performance Day within 5 Business Days of its occurrence, together with reasonable supporting evidence (failing which it must notify a further day which it expects to be a Satisfactory Performance Day).

13.3.4 The Delivery Body must notify the Capacity Provider if it is aware that any Satisfactory Performance Day notified in accordance with Rules 13.3.2 or 13.3.3 is not a Satisfactory Performance Day properly notified in accordance with this Rule 13.

13.3.5 Once three Satisfactory Performance Days have occurred, two of which are consecutive, and have been properly notified to the Delivery Body for a CMU in accordance with this Rule 13, Rules 13.3.2 and 13.3.3 must cease

to apply for that Delivery Year and the Capacity Committed CMU must not be subject to Spot Testing in that Delivery Year.

13.3.6 Spot Testing must be conducted by the Delivery Body at least once and may be conducted on up to two occasions, between 1 May and 30 September in the Delivery Year. If a Capacity Committed CMU has not met the requirement of Rule 13.3.1 by the end of Winter, the Delivery Body may in its sole discretion decide whether or not to Spot Test a Capacity Committed CMU more than once.

13.3.7 The Capacity Provider of a Capacity Committed CMU which is subject to a Spot Test(s) must bear any costs it incurs as a result of the Spot Test(s).

13.3.8 The Delivery Body must conduct a Spot Test of a Capacity Committed CMU by providing six hours' notice to the relevant Capacity Provider of:

- (a) a Settlement Period that will be the Spot Test Settlement Period; and
- (b) a fixed value of ALFCO to be achieved by the CMU during the Spot Test Settlement Period.

13.3.9 Notice under Rule 13.3.8 must be provided:

- (a) in consultation with the System Operator; and
- (b) by means of an authenticated communications system;

which may include the use of communications systems used for issuing notifications under balancing services contracts, provided that the issuance of such a notice must not be treated as a balancing service instruction for the purposes of any balancing services contract.

13.3.10 As soon as practicable following the Spot Test Settlement Period the Capacity Provider must submit to the Delivery Body a statement of the output of the Capacity Committed CMU during such Settlement Period (as determined under the Regulations) which:

- (a) evidences a Metered Volume or CDR Volume equal to or exceeding the Capacity Committed CMU's Capacity Obligation; and
- (b) [in the case of a CMRS CMU,] has been verified by the Settlement [Body/Agent]⁵.

13.3.11 Where the Capacity Provider provides a statement under Rule 13.3.10 to the satisfaction of the Delivery Body, the Delivery Body must notify the Capacity Provider within five Business Days of receiving the statement that the Capacity Committed CMU has passed the Spot Test.

13.3.12 Where the Capacity Provider fails to provide a statement under Rule 13.3.10 to the satisfaction of the Delivery Body, the Delivery Body must, within 10 Business Days of having provided notice to the Capacity Provider under Rule 13.3.8:

⁵ Process for capturing metered data from non-CMRS CMUs is being developed.

- (a) notify the Capacity Provider that:
 - (i) the Capacity Committed CMU has failed the Spot Test;
 - (ii) the Capacity Committed CMU's entitlement to Capacity Payments in that Delivery Year will be suspended in accordance with the Regulations;
 - (iii) the Capacity Committed CMU's entitlement to Capacity Payments in a subsequent Delivery Year will be suspended in accordance with the Regulations in the event that Spot Test has not been passed prior to the end of the prior Delivery Year;
 - (iv) the Capacity Payments for the next Delivery Year for which the Capacity Committed CMU (or any CMU Component in it) has a Capacity Agreement will be scaled down by a factor in accordance with the Regulations;
 - (v) the Capacity Committed CMU's liability for penalties is unaffected;
 - (vi) the Capacity Provider may request the Delivery Body to conduct a second Spot Test of the Capacity Committed CMU; and
- (b) notify the Settlement [Body/Agent] that the Capacity Committed CMU has failed the first Spot Test.

13.3.13 Where the Delivery Body receives a request from a Capacity Provider for a second Spot Test it must, within 20 Business Days of receipt, provide notice to the Capacity Provider in accordance with Rule 13.3.8 of the second Spot Test.

13.3.14 Rules 13.3.8 to 13.3.12 apply to the second Spot Test as if it were the first Spot Test.

13.3.15 Where, in respect of the second Spot Test, the Capacity Provider fails to provide a statement under Rule 13.3.10 to the satisfaction of the Delivery Body, the Delivery Body must within five Business Days of providing notice to the Capacity Provider under Rule 13.3.8:

- (a) notify the Capacity Provider that the Capacity Committed CMU has failed the second Spot Test; and
- (b) notify the Settlement [Body/Agent] that the Capacity Committed CMU has failed the second Spot Test.

13.3.16 If requested by the Capacity Provider, further Spot Tests of the Capacity Committed CMU may be conducted by the Delivery Body during that Delivery Year within 20 Business Days of the date it receives the request, and Rules 13.3.8 to 13.3.12 apply to the subsequent Spot Test as if it were the first Spot Test. If a new Delivery Year commences the Delivery Body must, on request, conduct up to two further Spot Tests of a Generating CMU [which in such a case may be in Winter]. Where a Capacity

Committed CMU passes a subsequent Spot Test its Capacity Payments will be amended in accordance with the Regulations.

CHAPTER 14: CAPACITY INCENTIVES

14. Capacity Incentives

14.1 Purpose of this Chapter

The purpose of this Chapter is to detail the financial incentives regime that will apply to incentivise the delivery of capacity by each Capacity Committed CMU, at both the CMU and portfolio level.

14.2 Determining the output of a Capacity Committed CMU (E)

For the purpose of assessing its performance against its Capacity Obligations, the capacity delivered by a Capacity Committed CMU “i” in Settlement Period “j” is:

14.2.1 in the case of a Generating CMU:

- (a) the Metered Volume of that Generating CMU; or
- (b) if the Generating CMU is connected to the GB Transmission System, the lower of:
 - (i) the Metered Volume of that Generating CMU; and
 - (ii) the Final Physical Notification Data of that Generating CMU prevailing at Gate Closure plus the energy contribution arising from any System Operator instructions in relation to that Generating CMU; and

14.2.2 in the case of a Customer Demand CMU, the sum of the CDR Capacity for each Customer Demand CMU Component of that Customer Demand CMU in that Settlement Period, in each case divided by two;

(hereinafter, “ E_{ij} ”).

14.3 Determining the CMU penalty for delivery failure and the CMU payment for over-delivery

14.3.1 Settlement Period Penalty (SPP) and over-delivery payment (ODP)

If E_{ij} is less than CMO_{ij} , the amount due (in £) in respect of a delivery failure, in respect of a Capacity Committed CMU “i” in Settlement Period “j” is calculated as follows:

$$SPP_{ij} = PR_j \times (CMO_{ij} - E_{ij}) \times h_j$$

If E_{ij} is more than CMO_{ij} , the amount due (in £) in respect of over-delivery payment, in respect of a Capacity Committed CMU “i” in Settlement Period “j” in calendar month “m” is calculated as follows:

$$ODP_{ijm} = ODR_{jm} \times (E_{ij} - CMO_{ij}) \times h_j$$

where

PR_j has the meaning given in Rule 14.3.2;

ODR_{jm} has the meaning given in Rule 14.3.2;

CMO_{ij} is the Capacity Market Obligation of Capacity Committed CMU “i” in Settlement Period “j” being ALFCO_{ij} in the case of a System Stress Event that occurs following a Capacity Market Warning pursuant to Rule 8.5.1(a) and FRPN_{ij} in the case of a System Stress Event that occurs following a Capacity Market Warning pursuant to Rule 8.5.1(b);

ALFCO_{ij} is the Adjusted Load Following Capacity Obligation of a Capacity Committed CMU “i” in Settlement Period “j” as determined in accordance with Rule 8.5.2;

FRPN_{ij} is Final Physical Notification Data of a Capacity Committed CMU “i” in Settlement Period “j”;

E_{ij} is the actual performance of Capacity Committed CMU “i” in Settlement Period “j” as determined in accordance with Rule 14.2; and

h_j will be 1 where there is a System Stress Event in Settlement Period “j” or 0 where there is no System Stress Event in Settlement Period “j”,

SPP_{ij} is a positive figure, and that amount is payable by the Capacity Provider to the [Settlement Agent] in respect of a delivery failure by the Capacity Provider in respect of the relevant Capacity Committed CMU;

ODP_{ijm} is a positive figure, and that amount is payable to the Capacity Provider by the [Settlement Agent] for excess delivery by the Capacity Provider in respect of the relevant Capacity Committed CMU,

such payments to be made in accordance with Regulations.

14.3.2 Capacity Market Penalty Rate (PR) and Over-Delivery Rate (ODR)

The Capacity Market Penalty Rate (in £/MWh) to be applied to CMRS Transmission CMUs and CMRS Distribution CMUs in Settlement Period “j” must be calculated as follows:

$$PR_j = (Z_t \times VoLL_t) - CO_j$$

The Capacity Market Penalty Rate (in £/MWh) to be applied to Non-CMRS Distribution CMUs and Customer Demand Response CMUs in Settlement Period “j” must be calculated as follows:

$$PR_j = Z_t \times VoLL_t$$

where

Z_t is the Penalty Scaling Factor (being a figure between 0 and 1) which applies to Delivery Year “t”;

VoLL_t is the Value of Lost Load which applies to Delivery Year “t”;

CO_j is the prevailing System Buy Price (‘cash out’) for Settlement Period “j” as calculated and published by BSCCo.

The Capacity Market Over-Delivery Rate (in £/MWh) to be applied to all CMUs in Settlement Period “j” in calendar month “m” shall be calculated as follows:

$$ODR_{jm} = \min\left(PR_j, \frac{TPR_m}{TODV_m}\right)$$

Where

PR_j is the Capacity Market Penalty Rate applying to CMRS Transmission CMUs and CMRS Distribution CMUs in Settlement Period “j”.

TPR_m is the total penalty revenue (in £) collected by the Settlement Agent in calendar month “m”. This includes all aggregate revenues collected as a result of Rules 14.3.5 and 14.4.6.

$TODV_m$ is the aggregate volume (in MWh) of over-delivery in calendar month “m”.

14.3.3 Annual Penalty Cap (APC)

A Capacity Provider’s penalty liability with respect to a Capacity Committed CMU will be capped by reference to a hard annual penalty cap (in £) applied to that individual CMU, calculated with reference to its annual capacity payment for the relevant Delivery Year in accordance with the following formula:

$$APC = a \times CMU_i \text{ capacity} \times \text{capacity price}_{Ti}$$

where

a is [a percentage value];

CMU_i capacity is the capacity in MW of Capacity Committed CMU “i” accepted in the Capacity Auction as evidenced in the Capacity Market Register; and

capacity price $_{Ti}$ is the clearing price for Capacity Committed CMU “i” for Delivery Year “t” as evidenced in the Capacity Market Register.

14.3.4 Soft Cumulative CMU Cap (CCMUCim)

A soft Cumulative CMU Cap will be applied (in £) on a running basis during a Delivery Year such that a Capacity Committed CMU’s total penalty exposure in a Delivery Year for any [calendar month] is capped at the following:

$$CCMUCim = (P_i / \text{Max } P_i) \times \min(\text{Max } P_i, APC + ODP_i)$$

where:

$P_i = \sum^{\text{All } j \text{ periods}} SPP_{ij}$ is the sum of all SPP_{ij} for Capacity Committed CMU “i” falling due for payment in the current [calendar month] together with all payments that fell due in any preceding [calendar month] in respect of that Delivery Year;

Max P_i is the cumulative theoretical maximum penalty exposure of Capacity Committed CMU “i”, being the sum of the Settlement Period Penalties (SPP) which would have fallen due in the current [calendar month] and any preceding [calendar month] in respect of that Delivery Year had E_i been set to zero in all Settlement Periods in all such calendar months.

APC is the Annual Penalty Cap as determined in accordance with Rule 14.3.3; and

$ODP_i = \sum_{M=1}^{M=m-1} ODP_{ijm}$ is the sum of all ODP_{ijm} paid from the start of the Delivery Year calendar month “1” to calendar month “m-1” in respect of that Delivery Year.

14.3.5 SPP Settlement Amount (SPPSA) for any [calendar month]

As a result of the foregoing, the amount to be settled to, or by, the Capacity Provider in respect of any Capacity Committed CMU for any [calendar month] (SPPSA_{im}) is:

$$SPPSA_{im} = \min(CCMUC_i, P_i) - X_i - ODP_i$$

where

X_i is the total penalties that fell due for payment in respect of CMU “i” in all preceding [calendar months] in the current Delivery Year;

P_i has the meaning given in Rule 14.3.4;

$CCMUC_i$ is the Cumulative CMU CAP determined under Rule 14.3.4; and

ODP_i has the meaning given in Rule 14.3.4.

14.4 Liability of the Portfolio Holder for portfolio penalties

14.4.1 Portfolio Holder Adjustment (PHA)

Where a Portfolio Holder’s Portfolio comprises more than one Capacity Committed CMU the Portfolio Adjustment Payer may be liable for a further payment if, on a cumulative aggregated basis, the SPP Settlement Amounts of all the Capacity Committed CMUs in the Portfolio are less than they would be had the Cumulative CMU Caps for all Capacity Committed CMUs in the Portfolio been assessed on an aggregate basis. Having made such a payment, the Portfolio Adjustment Payer may then be entitled to a refund if further SPP Settlement Amounts are paid such that the total paid in the Delivery Year then exceeds the aggregate Cumulative CMU Caps. The amount of such payment or refund (the “**Portfolio Holder Adjustment**”) for any [calendar month] is calculated in accordance with this Rule 14.4.

14.4.2 Annual Portfolio Holder Penalty Cap

The Portfolio Holder’s Adjustment will be calculated by reference to a portfolio annual penalty cap (in £) which aggregates the Annual Penalty Cap of each Capacity Committed CMU in the Portfolio, as follows:

$$PAPC = \sum_{i=1}^{\text{CMUs in Portfolio}} APC_i$$

where APC_i is the Annual Penalty Cap (APC_i) of a Capacity Committed CMU in the Portfolio or (i) where it became part of the Portfolio during the Delivery Year, the proportion thereof that relates to the period from the date of transfer until the end of that Delivery Year; or (ii) where it ceased to be in the Portfolio during the Delivery Year, only such proportion as relates to the period for which it was in the Portfolio.

14.4.3 Cumulative Aggregate Portfolio Holder Penalty (PP)

The sum of all Settlement Period Penalties across all Capacity Committed CMUs in the Portfolio (whether positive or negative) falling due for payment in the current [calendar month] together with all payments that fell due in any preceding [calendar month] in respect of that Delivery Year is expressed as follows:

$$PP = \sum_{i=1}^{\text{CMUs in Portfolio}} SPP_{ij}$$

where SPP_i is the aggregate Settlement Period Penalties (SSP_{ij}) of a Capacity Committed CMU in the Portfolio or, (i) where it became part of the Portfolio during the Delivery Year, the proportion thereof that relates to the period from the date of transfer up to and including the current [calendar month]; or (ii) where it ceased to be in the Portfolio during the Delivery Year, only such proportion as relates to the period for which it was in the Portfolio.

14.4.4 Cumulative Maximum Aggregate Portfolio Holder Penalty (MaxPP)

The theoretical maximum penalty exposure of all Capacity Committed CMUs in a Portfolio at any point in a Delivery Year is expressed as follows:

$$\text{MaxPP} = \sum_{i=1}^{\text{CMUs in Portfolio}} \text{Max } P_i$$

where $\text{Max}P_i$ is the cumulative theoretical maximum penalty exposure ($\text{Max } P_i$ as calculated in accordance with Rule 14.3.4) of a Capacity Committed CMU in the Portfolio or, (i) where it became part of the Portfolio during the Delivery Year, the proportion thereof that relates to the period from the date of transfer up to and including the current [calendar month]; or (ii) where it ceased to be in the Portfolio during the Delivery Year, only such proportion as relates to the period for which it was in the Portfolio.

14.4.5 Soft Cumulative Portfolio Cap (CPC)

A soft Cumulative Portfolio Cap will be applied (in £) on a running basis during a Delivery Year such that the total penalty exposure applicable to all the Capacity Committed CMUs in the Portfolio in a Delivery Year on any [Settlement Date] is capped at the following:

$$CPC = \left(\frac{PP}{\text{Max PP}} \right) \min(\text{Max PP}, \text{PAPC} + \sum_{i=1}^{\text{CMUs in Portfolio}} ODP_i)$$

where:

ODP_i has the meaning given in Rule 14.3.4.

14.4.6 PHA for any [calendar month]

As a result of the foregoing, the adjustment amount to be settled to, or by, the Portfolio Payer for any [calendar month] (PHA) is:

$$PHA = \min(CPC, PP) - \left(\sum_{i=1}^{\text{CMUs in Portfolio}} (X_i + ODP_i + SPPSA_i) \right) - PPHA$$

where:

PPHA is the sum of all Portfolio Holder Adjustments for that Portfolio (positive or negative) falling due in respect of any previous [calendar month] in the Delivery Year;

X_i is the cumulative total penalties that fell due for payment in all preceding [calendar months] in respect of the current Delivery Year (X_i as calculated in accordance with Rule 14.3.5) of a Capacity Committed CMU in the Portfolio or, (i) where it became part of the Portfolio during the Delivery Year, the proportion thereof that relates to the period from the date of transfer up to and including the preceding [calendar month]; or (ii) where it ceased to be in the Portfolio during the Delivery Year, only such proportion as relates to the period for which it was in the Portfolio;

ODR_i has the meaning given in Rule 14.3.4; and

SPPSA_i is the SPP Settlement Amount (SPPSA_i) (as calculated in accordance with Rule 14.3.5) of a Capacity Committed CMU in the Portfolio or, (i) where it became part of the Portfolio during the calendar month, the proportion thereof that relates to the period from the date of transfer up to and including the end of the current [calendar month]; or (ii) where it ceased to be in the Portfolio during the calendar month, only such proportion as relates to the period it was in the Portfolio.

14.5 Liability and Capacity Market Warning

A Capacity Provider is not liable for, nor entitled to, any payments in respect of a System Stress Event not preceded by a Capacity Market Warning or where a Capacity Market Warning is issued and no System Stress Event occurs.

SCHEDULE 1: TEMPLATE CAPACITY AGREEMENT NOTICE

CAPACITY AGREEMENT NOTICE

This Capacity Agreement Notice is issued pursuant the Capacity Market Rules (the “Rules”). Terms have the meaning prescribed to them in these Rules unless otherwise indicated.

The Registered Holder of the Capacity Agreement to which this Capacity Agreement Notice relates has the rights and obligations of a Capacity Provider pursuant to the Regulations and these Rules.

Neither the registration of a Capacity Committed CMU (or its Capacity Provider) nor the issuance of a Capacity Agreement Notice is intended to create contractual relations and does not give rise to contractual rights for the benefit of a Capacity Provider or any Administrative Party. Where there is an inconsistency between a Capacity Agreement or a Capacity Agreement Notice and the terms of the Capacity Market Register, the terms of the Capacity Market Register prevail.

Part A: Capacity Obligation

Capacity Obligation

In accordance with Rule 8.5, the Registered Holder must deliver electrical energy or reduce demand at the Capacity Committed CMU to which this Capacity Agreement Notice relates in accordance with Rule 8.5.1.

Capacity Payment

The Registered Holder is entitled to a Capacity Payment for the Capacity Committed CMU to which this Capacity Agreement relates in accordance with the Regulations.

Part B: Capacity Agreement Details

| | | |
|--------|--|--|
| (iv) | Identification number | |
| (v) | Relevant Delivery Year(s) | |
| (vi) | Auction (T-4 or T-1) | |
| (vii) | Date of Auction Results Day | |
| (viii) | Price to be used to determine Capacity Payment | |
| (ix) | Date(s) of amendment to or transfer of Capacity Agreement (if any) and details | |

Part C: Capacity Provider Details

| | | |
|-------|---|--|
| (x) | Registered Holder | |
| (xi) | Corporate registration number (if applicable) | |
| (xii) | Registered address | |

| | | |
|--------|--|--|
| (xiii) | Name and contact details of authorised contact person or any Agent appointed | |
| (xiv) | Bank account details for payment of Capacity Payments/Over supply Payments | |
| (xv) | Names of previous Registered Holders, if any, and dates of transfer | |

Part D: Portfolio Details

| | | |
|---------|---|--|
| (xvi) | Portfolio Holder | |
| (xvii) | Corporate registration number of Portfolio Holder (if applicable) | |
| (xviii) | Registered address of Portfolio Holder | |
| (xix) | Name and contact details of authorised contact person at Portfolio Holder | |
| (xx) | Names of previous Portfolio Holders, if any, and dates of transfer | |
| (xxi) | Portfolio Adjustment Payer | |
| (xxii) | Corporate registration number of Portfolio Adjustment Payer (if applicable) | |
| (xxiii) | Registered address Portfolio Adjustment Payer | |
| (xxiv) | Name and contact details of authorised contact person at Portfolio Adjustment Payer | |
| (xxv) | Bank account details for payment of Portfolio Adjustments | |

Part E: CMU Details

| | | |
|----------|---|--|
| (xxvi) | Description and location of CMU Component(s) | |
| (xxvii) | Meter Point Administration Numbers for relevant Meter(s) or details of metering and communications arrangements | |
| (xxviii) | BM Unit ID (if applicable) | |
| (xxix) | Type of CMU (CMRs/DSR) | |
| (xxx) | Classification <i>(for Generating CMUs only – Existing, Prospective and, if applicable Refurbishing)</i> | |
| (xxxi) | Construction Milestone Dates <i>(for Prospective Generating CMUs only)</i> | |
| (xxxii) | Longstop Date <i>(for Prospective Generating CMUs only)</i> | |
| (xxxiii) | De-rated Capacity | |

Part F: Transferability

The Capacity Agreement to which this Capacity Agreement Notice relates may be amended, transferred or terminated only in accordance with these Rules.

SCHEDULE 2: CREDIT REQUIREMENTS

1 Permissible forms of credit

- 1.1 An Applicant must use one of the following permissible forms of credit to provide Credit Support in an amount at least equal to the Secured Amount and which must be Valid for at least the Validity Period:
- 1.1.1 a Performance Bond or Letter of Credit from a Qualified Bank;
 - 1.1.2 a Performance Bond from a Qualified Company;
 - 1.1.3 a Qualifying Guarantee;
 - 1.1.4 a Bilateral Insurance Policy;
 - 1.1.5 an Insurance Performance Bond; or
 - 1.1.6 an Independent Security Arrangement
("Documentary Collateral"); or
 - 1.1.7 a cash deposit in a Bank Account; or
 - 1.1.8 cash provided to the Settlement [Body/Agent] for credit to an Escrow Account.

2 Maintenance of Credit Support

- 2.1 Where an Applicant is required to provide Credit Support it must at all times thereafter maintain Credit Support equal to or more than the Secured Amount. Immediately upon any reduction occurring in the amount of Credit Support provided by the Applicant, or any Documentary Collateral being for any reason drawn down or demanded respectively, the Applicant will procure that new Documentary Collateral is issued or existing Documentary Collateral is reinstated (to the satisfaction of the Settlement [Body/Agent]) to the full value of the Secured Amount or the amount of the cash deposit or Escrow Account is restored to the full value of the Secured Amount.

3 Downgrade of credit

- 3.1 If the Applicant becomes aware that:
- 3.1.1 the bank issuing the Performance Bond or Letter of Credit ceases to be a Qualified Bank;
 - 3.1.2 that the company giving the Performance Bond ceases to be a Qualified Company;
 - 3.1.3 that the entity giving the Qualifying Guarantee ceases to hold an Approved Credit Rating and has not had an Independent Credit Assessment; or
 - 3.1.4 the entity providing the Bilateral Insurance Policy, Insurance Performance Bond or Independent Security Arrangement ceases to meet the Requirements,
(a "Downgrade Event")

then the Applicant must notify the Settlement [Body/Agent] in writing as soon as it becomes so aware.

- 3.2 If the Settlement [Body/Agent] becomes aware of a Downgrade Event, the Settlement [Body/Agent] may notify the Applicant to that effect in writing.

- 3.3** Where a Downgrade Event occurs as a consequence of the Settlement [Body/Agent] having reasonable cause to doubt the continued rating of the bank, company or other entity (as the case may be), such notice must be accompanied by a statement setting out the Settlement [Body/Agent]'s reasons for having such doubt.
- 3.4** The Applicant must within 21 days of the giving of such notice by the Settlement [Body/Agent] or the Applicant, whichever is the earlier, provide replacement Documentary Collateral, cash deposit in the required amount in a Bank Account and/or cash placed to the credit of the Escrow Account.
- 3.5** From the date the replacement Documentary Collateral, Bank Account cash deposit or credit to the Escrow Account is effectively and unconditionally provided and Valid, the Settlement [Body/Agent] will consent in writing to the Documentary Collateral, Bank Account cash deposit or Escrow Account credit which it replaces being released.

4 Release of Credit Support

- 4.1** The Settlement [Body/Agent] will notify the Settlement [Body/Agent] that the Credit Support may be released on:

4.1.1 in the case of a Bid Bond, the date on which:

- (i) the Applicant providing the Bid Bond is unsuccessful in their Application at a Capacity Auction;
- (ii) the Applicant has transferred all or part of its Capacity Agreement pursuant to Rule 9.2.3(a) to an Acceptable Transferee for a whole Delivery Year and the Acceptable Transferee has provided substitute Credit Support in accordance with Rule 9.2.7; or
- (iii) the Applicant has provided a CDR Test Certificate meeting the requirements of Rule 8.3.2(a) and

4.1.2 in the case of Performance Collateral, the date on which:

- (i) the Applicant providing the Performance Collateral is unsuccessful in their Application at a Capacity Auction; or
- (ii) the Prospective Generating CMU achieves its Financial Commitment Milestone for that CMU.

4.1.3 Following receipt of such notice, the Settlement [Body/Agent] must procure that the Credit Support is released as soon as reasonably practicable.

5 Draw down of Credit Support

- 5.1** If the Credit Support is not released pursuant to this Schedule 2, Rule 4.1.1 or 4.1.2 by the date which is:

5.1.1 in the case of a Bid Bond, the date on which the first Delivery Year commences; or

5.1.2 in the case of Performance Collateral, the date falling 18 months after the date of the relevant Capacity Auction

then the Settlement [Body/Agent] will notify the Settlement [Body/Agent] that the Credit Support may be drawn down by delivering a Notice of Drawing within 60 days from the date specified in this Schedule 2, Rule 5.1.1 or 5.1.2 (as the case may be).

5.2 If a Termination Fee becomes due under Rule 6.10 and is unpaid, the Credit Support may be drawn down from the date on which it becomes due.

6 General Provisions

6.1 Notwithstanding any provision aforesaid:-

6.1.1 The Applicant may provide different securities to the Settlement [Body/Agent] at any one time, each securing a different amount, provided that the aggregate amount secured by such securities must be not less than the aggregate amount of the Secured Amount for any period.

6.1.2 The Applicant may upon the expiry of at least 14 days prior written notice to the Settlement [Body/Agent] substitute one type of security for another provided that the replacement security is Valid for the remainder of the Validity Period.

6.1.3 Upon request by the Applicant to the Settlement [Body/Agent], the Settlement Body must, providing it is satisfied that the replacement security is Valid, procure that the original security is released as soon as reasonably practicable. .

6.2 Any Notice of Drawing to be delivered in connection with the Documentary Collateral may be delivered by hand, by post or by fax.

7 Interpretation of Schedule 2

7.1 In this Schedule the expressions in the first column have the meaning given in the second column.

Approved Credit Agency

means Standard and Poor's Corporation or Moody's Investor Services

Approved Credit Rating

means a long term debt rating of not less than BB- by Standard and Poor's Corporation or a rating not less than Ba3 by Moody's Investor Services, or a short term rating which correlates to those long term ratings, or an equivalent rating from any other reputable credit agency approved by the Secretary of State; or such other lower rating as may be reasonably approved by the Secretary of State from time to time

Bank Account

means a separately designated bank account in the name of the Settlement [Body/Agent] at such bank as is notified by the Settlement [Body/Agent] to the Applicant, bearing interest from (and including) the date of deposit of principal sums to (but excluding) the date of withdrawal of principal sums from such account, mandated for withdrawal of principal solely by the Settlement [Body/Agent] against delivery of a Notice of Drawing for the amount demanded therein and mandated for the transfer of any interest accrued to the Bank Account to such bank account as the Applicant may specify

| | |
|---|--|
| Bilateral Insurance Policy | means a policy of insurance taken out by the Applicant with a company in the business of providing insurance who meets the Requirements for the benefit of the Settlement [Body/Agent] and upon which the Settlement [Body/Agent] can claim if the Applicant is deemed Insolvent and which must provide security for the Secured Amount |
| Documentary Collateral | has the meaning given in Schedule 2, Paragraph 1.1 |
| Downgrade Event | has the meaning given in Schedule 2, Paragraph 3.1 |
| Enforceable | means the Settlement [Body/Agent] (acting reasonably) is satisfied that the security is legally enforceable and in this respect the Applicant must obtain such legal opinion at its expense as the Settlement [Body/Agent] (acting reasonably) may require |
| Independent Credit Assessment | means an assessment of the creditworthiness of an Applicant or entity by an Approved Credit Agency as nominated by the Applicant |
| Independent Security Arrangement | means a guarantee in favour of the Settlement [Body/Agent] in a form satisfactory to the Settlement [Body/Agent] and which is provided by an entity which meets the Requirements |
| Insurance Performance Bond | means a Performance Bond provided by a company in the business of providing insurance which meets the Requirements |
| Letter of Credit | means an unconditional, irrevocable standby letter of credit in the form set out in Exhibit E (or such other form as the Settlement Body may approve) in sterling in favour of the Settlement Body by any United Kingdom clearing bank or banks or any other bank or banks which has (have) a long term debt rating of not less than A- by Standard & Poor's Corporation or by A3 Moody's Investors Service, Inc. or such other bank or banks as the Settlement Body may approve, and which must be available for payment at a United Kingdom branch of the issuing bank |
| Notice of Drawing | means a notice of drawing signed by or on behalf of the Settlement Body in the form set out in Exhibit A |

Qualified Company

means a company which is a public company or a private company within the meaning of section 4 of the Companies Act 2006 and which is either:

- (a) a shareholder of the Applicant or any holding company of such shareholder; or
- (b) any subsidiary of any such holding company, but only where the subsidiary:
 - (i) demonstrates to the Settlement [Body/Agent]'s satisfaction that it has power under its constitution to give a Performance Bond other than in respect of its subsidiary;
 - (ii) provides an extract of the minutes of a meeting of its directors recording that the directors have duly concluded that the giving of the Performance Bond is likely to promote the success of that subsidiary for the benefit of its members;
 - (iii) provides certified copies of the authorisation by every holding company of the subsidiary up to and including the holding company of the Applicant, of the giving of the Performance Bond,

and which has throughout the Validity Period of the Performance Bond it gives in favour of the Settlement [Body/Agent], a rating of at least A- in Standard and Poor's long term debt rating or A3 in Moody's long term debt rating

Qualifying Guarantee

means a guarantee in favour of the Settlement [Body/Agent] in a form proposed by the Applicant and agreed by the Settlement [Body/Agent] (whose agreement must not be unreasonably withheld or delayed) and which is provided by:

- (a) an entity which holds an Approved Credit Rating; or
- (b) an entity with an Independent Credit Assessment

Required Sovereign Credit Rating

means a long term debt rating of not less than A by Standard and Poor's Corporation or a rating not less than A2 by Moody's Investor Services or a short term rating which correlates to those long term ratings or an equivalent rating from any other reputable credit agency approved by the Settlement [Body/Agent] in respect of non local currency obligations

Requirements

means an entity, throughout the Validity Period of the Bilateral Insurance Policy, Insurance Performance Bond or Independent Security Arrangement:

- (a) who holds a rating of at least A- in Standard and Poor's long term debt rating or A3 in Moody's long term debt rating provided that such entity is not during such Validity Period put on any credit watch or any similar credit surveillance which gives the Settlement [Body/Agent] reasonable cause to doubt that such entity may not be able to retain the aforesaid rating throughout the Validity Period; and
 - (b) whose country of residence meets the Required Sovereign Credit Rating;
 - (c) for whom the security provided is Enforceable; and
- for whom there are no material conditions preventing the exercise by the Settlement [Body/Agent] of its rights under the Bilateral Insurance Policy, Insurance Performance Bond or Independent Security Arrangement

Secured Amount

means:

- (a) for a Bid Bond, the amount to be secured by a permissible form of credit pursuant to Schedule 2 equal to £4,420 per MW of the Unproven CDR Capacity of that CMU as specified by the Applicant pursuant to Rule 3.5.5(a); or
- (b) for a Performance Collateral, the amount to be secured by a permissible form of credit pursuant to Schedule 2 which is equal to 100 per cent of Termination Fee One

Valid

means, in relation to Credit Support, valid for payment to be made thereunder against delivery of a Notice of Drawing given within the period stated therein

Validity Period

means the period of time the Credit Support must be Valid for, which must commence on a date no later than the date five Business Days' after the date of the notification given by the Delivery Body under Rule 4.5.1(b) and end on the date falling 60 days after:

- (c) in the case of a Bid Bond, the date on which the first Delivery Year commences; and
- (c) in the case of Performance Collateral, the date falling 18 months after the date of the relevant Capacity Auction

or if any such date is not a Business Day the next following Business Day.

SCHEDULE 3: BASELINE METHODOLOGY

1 Purpose of the methodology

- 1.1 The purpose of this methodology is to establish the baseline Demand (in MW) for a Customer Demand Response CMU Component. This baseline can be compared against actual demand during a System Stress Event in order to determine the volume of capacity generated through Customer Demand Response at that Customer Demand Response CMU Component.
- 1.2 The baseline Demand will be determined for each Settlement Period on a real time basis based on the relevant data points for that Settlement Period.

2 Relevant baseline data points

- 2.1 The relevant data points for determining the baseline Demand for a Customer Demand Response CMU Component with respect to a Settlement Period must be the Demand at that Customer Demand Response CMU Component in the equivalent Settlement Period:
 - 2.1.1 in the same day of the week for each of the last 6 weeks provided that the day is a Business Day;
 - 2.1.2 in the same day of the weeks falling 51, 52 and 53 weeks earlier provided that the day is a Business Day; and
 - 2.1.3 on the last 10 Business Days,
- as evidenced to the Settlement [Body/Agent] and ignoring:
- 2.1.4 any such equivalent Settlement Period for which there is no data available; and
 - 2.1.5 [any such Settlement Period which falls while a Capacity Market Warning is in force],

(each such data point in a Settlement Period being a “**Demand Sample**”).

3 Baseline calculation

- 3.1 Each Demand Sample must be reduced by deducting the factor QAS_{ij} (which has the meaning given to “BM Unit Applicable Balancing Service Volume” in Annex X-2 of the BSC) to the extent arising from the delivery of a contracted balancing service by the BM Unit which corresponds to such CMU during the Settlement Period to which it relates (each an “**Adjusted Demand Sample**”).
- 3.2 The Baseline Demand for a Customer Demand Response CMU Component during a Settlement Period is the mean average of the Adjusted Demand Samples of that Settlement Period.

4 Responsibility for the Methodology

- 4.1 The Settlement [Body/Agent] is responsible for operating the methodology in order to determine the Baseline Demand for any Customer Demand Response CMU Component and any Settlement Period.
- 4.2 The Settlement [Body/Agent] must monitor for any manipulation of Demand at any Customer Demand Response CMU Component intended to give a false indication of the baseline Demand at such Customer Demand Response CMU Component (“**Baseline Manipulation**”). Such monitoring may include (without limitation):

- 4.2.1** checking Demand in periods other than the Demand Samples;
 - 4.2.2** examining any data available from meters other than the meter through which Customer Demand Response with respect to the Customer Demand Response CMU Component is being measured to determine whether a genuine Customer Demand Response has been delivered.
- 4.3** If the Settlement [Body/Agent] suspects any Baseline Manipulation, it must notify the Authority providing details of its suspicions.

SCHEDULE 4: TECHNOLOGY CLASSES LIST

- 1** Coal
- 2** Demand Side Response
- 3** Gas
- 4** Hydro
- 5** Nuclear
- 6** OCGT
- 7** Oil
- 8** Pumped Storage

EXHIBIT A: NOTICE OF DRAWING

Notice of Drawing

To [] Bank/Public Limited Company/Limited

copy to:

[date]

Dear Sirs,

RE: [*insert type of Documentary Collateral*] (the "Collateral")

We refer to the above Collateral in our favour. We hereby demand immediate payment thereunder in the amount of £[].

We require payment to be made by telegraphic transfer to:-

Bank plc

Address:

Sort Code:

Account Name: [•]

Account No.

Yours faithfully,

For and on behalf of

[•]

Duly authorised officer

EXHIBIT B: PREQUALIFICATION CERTIFICATE

[NAME OF APPLICANT]

(Incorporated in England and Wales or Scotland under Registered No. [●])
[ADDRESS OF REGISTERED OFFICE]

Prequalification Certificate

We, being directors of [APPLICANT] (the “**Company**”), HEREBY CERTIFY as at the date of this certificate that, having made due and careful enquiry and to the best of our knowledge, information and belief:

- (i) there is no ground on which the Company could be found to be Insolvent, taking into account all of the Company’s liabilities (including any contingent or prospective liabilities);
- (ii) there is no ground for concluding that the Company will become Insolvent as a result of entering into a Capacity Agreement;
- (iii) the Company is seeking to enter into a Capacity Agreement in good faith, for the purposes of carrying on its business;
- (iv) there are reasonable grounds for believing that a Capacity Agreement would benefit the Company; and
- (v) the Company can correctly make those of the declarations in Rules 3.5 to 3.10 of the Capacity Market Rules as may be applicable.

Capitalised terms in this certificate have the meaning given to them in the Capacity Market Rules unless otherwise indicated.

DATED: [●]

Signed

.....
Director

.....
Director

Print Name:

Print Name:

EXHIBIT C: PRICE-MAKER CERTIFICATE

[NAME OF APPLICANT]

(Incorporated in England and Wales or Scotland under Registered No. [●])

[ADDRESS OF REGISTERED OFFICE]

Price-Maker Certificate

We, being directors of [APPLICANT] (the “**Company**”), HEREBY CERTIFY as at the date of this certificate that, having made due and careful enquiry and to the best of our knowledge, information and belief:

- (vi) the Company has applied for Prequalification to Bid in a Capacity Auction in accordance with the Capacity Market Rules;
- (vii) the Company has received notice from the Delivery Body that the Company has Prequalified for the purposes of the Capacity Market Rules;
- (viii) the Company’s forecast economics are such that for the CMU to continue in economic operation into the Delivery Year will require the Company to secure a Capacity Agreement in the Capacity Auction at a Price which is above the Price-Taker Threshold; and
- (ix) the Company’s estimated net-go-forward costs (being the Company’s total revenue requirement less earnings from sales of energy and ancillary services) exceed the Price-Taker Threshold.

The Company has accordingly decided to seek Prequalification as a Price-Maker and has prepared a Price-Maker Memorandum which supports the statements in this certificate.

Capitalised terms in this certificate have the meaning given to them in the Capacity Market Rules unless otherwise indicated.

DATED: [●]

Signed

.....
Director

.....
Director

Print Name:

Print Name:

EXHIBIT D: SOLVENCY CERTIFICATE

[NAME OF PORTFOLIO ADJUSTMENT PAYER]

(Incorporated in England and Wales or Scotland under Registered No. [●])

[ADDRESS OF REGISTERED OFFICE]

Solvency Certificate

We, being directors of [name of Portfolio Adjustment Payer] (the “**Company**”), HEREBY CERTIFY as at the date of this certificate that, having made due and careful enquiry and to the best of our knowledge, information and belief:

- (x) there is no ground on which the Company could be found to be Insolvent, taking into account all of the Company’s liabilities (including any contingent or prospective liabilities);
- (xi) there is no ground for concluding that the Company will become Insolvent as a result of being nominated as a Portfolio Adjustment Payer;
- (xii) the Company is seeking to become a Portfolio Adjustment Payer in good faith, for the purposes of carrying on its business; and
- (xiii) there are reasonable grounds for believing that becoming a Portfolio Adjustment Payer would benefit the Company.

Capitalised terms in this certificate have the meaning given to them in the Capacity Market Rules unless otherwise indicated.

DATED: [●]

Signed

.....
Director

.....
Director

Print Name:

Print Name:

EXHIBIT E: LETTER OF CREDIT

Letter of Credit

To: The Settlement Body

At the request of [*insert name of Applicant*] (the “**Applicant**”) we have opened in favour of the Settlement Body our irrevocable Letter of Credit number () for £[] (*insert amount in words*).

This Letter of Credit is available against delivery of a Notice of Drawing by the Settlement Body accompanied by a signed statement issued by the Settlement Body stating either:

- (a) that the Applicant has failed to pay to the Settlement Body the amount you are claiming under the terms of the Capacity Market Regulations (as modified from time to time, the “**Regulations**”) or the Capacity Market Rules (as modified from time to time, the “**Rules**”);
or
- (b) that the amount of the Letter of Credit has become payable pursuant to the Regulations or Rules by reason of the Letter of Credit not being extended or replaced in accordance with the requirements of the Regulations or Rules or that we have ceased to have the credit rating required under the Regulations or Rules.

Payments under this Letter of Credit must be effected immediately to [*insert relevant account details*].

Partial drawings are allowed hereunder.

Claims under this Letter of Credit must be made at the counters of [*insert details of the branch of the issuing/advising/confirming bank*].

This Letter of Credit expires on [].

We waive any right to set off against any amount payable hereunder any claims we may have against you.

Any demand hereunder must comply with all the above requirements and signatures (on behalf of the Settlement Body) thereon must be confirmed by your Bankers.

This Letter of Credit is subject to the [Uniform Customs and Practice for Documentary Credits 1993 Revision, ICC Publication No. 500 (UCP500) published by the International Chamber of Commerce] OR [Uniform Customs and Practice for Documentary Credits 2007 Revision, ICC Publication No. 600 (UCP600) published by the International Chamber of Commerce] OR [International Standby Practices 1998 (ISP98) published by the International Chamber of Commerce].

We undertake that drafts and documents presented under the terms of this Letter of Credit which are a complying presentation will be honoured upon presentation.

This Letter of Credit must be governed by and construed in accordance with English law.

Capitalised terms in this Letter of Credit have the meaning given to them in the Rules unless otherwise indicated.

For and on behalf of [] Bank [Plc].