



**Capacity Market - Frequently Asked Questions (FAQs) 2015 Issue # 2**

**Dated: 27/07/2015**

*These FAQs address queries raised by stakeholders to date. These FAQs apply for the 2015 auction and supersede all previous FAQs. These FAQs are for information only and do not supersede or replace the requirements contained in The Capacity Market Rules and The Electricity Capacity Regulations. These FAQs do not constitute legal or investment advice and prospects are urged to consult their professional advisors. It is our intention to keep these FAQs under review and to publish revised issues from time to time.*

#	Question	DECC response	Rules and Regulations	Date
	What has happened to the proposed amendments for double subsidy and the time limit for posting credit cover? (Electricity Capacity (Amendment) (No 2) Regulations 2015)	Due to the Parliamentary timetable, the amending regulations will not be in force for this round of auctions. This means that the double subsidy rules remain unchanged and the time limit for posting credit cover remains at 5 days and not 15 days.	Regulation 17 & regulation 59 (3)	27.07.2015
	Regulation 59(2)(b) of the Electricity Capacity Regulations 2014 states that the amount of credit cover to be provided in a transitional auction is an amount equal to £500/MW. However, if an applicant for a Prequalified DSR CMU subsequently nominates a lower bidding capacity ahead of the auction (in accordance with rule 5.5.11), under regulation 60(2) it is required to maintain credit cover at an increased level of £5,000/MW. Is this intentional, and will this requirement be enforced?	The policy intent is that credit cover for DSR CMUs participating in the transitional auctions should be maintained at the level of £500/MW, as set out under regulation 59(2)(b). As long as applicants for the transitional auctions maintain credit cover at £500/MW this will be accepted by the Electricity Settlements Company. See here for a link to Ofgem's statement on this issue: <a href="https://www.ofgem.gov.uk/publications-and-updates/open-letter-requirements-credit-cover-demand-side-response-capacity-market-units-prequalified-capacity-market-transitional-auction">https://www.ofgem.gov.uk/publications-and-updates/open-letter-requirements-credit-cover-demand-side-response-capacity-market-units-prequalified-capacity-market-transitional-auction</a>	regulation 59(2)(b) and 60(2)	29.06.15
	What support functions should I include as part of my auxiliary load?	The volume of the auxiliary load is determined by the applicant, as set out in the capacity market regulations it is the load used by that generating unit for purposes directly related to its operation. We acknowledge that sites vary and can have other demand connected. Therefore we have provided the following guidance:  <ul style="list-style-type: none"> <li>• <b>CMUs that are BMUs</b> – continue determining</li> </ul>	regulation 2(1) definition of “auxiliary load”	29.06.15

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		<p>metered volume as specified under the BSC for each applicable BMU and where the auxiliary loads are separately metered under a separate BMU, i.e. a generation BMU and a demand BMU, the applicant should identify the relevant demand BMU and account for it in their Capacity Obligation.</p> <ul style="list-style-type: none"> <li> <b>CMUs that are partial BMUs, non-CMRS CMUs and sites where the Station/Unit Transformers are supplying multiple CMUs</b> - the applicant must decide what functions are included within their auxiliary load and how their auxiliary load should be proportioned between generators where a transformer is shared. Applicants are required to reflect all load and generation on site in their line diagrams as required under Rule 3.6.4. </li> </ul>		
	<p>Can you provide an example of a line diagram should look like for the purposes of Rules 3.6.4(a) and 3.6.9(a)?</p>	<p>A illustrative example of a single line diagram for prequalification purposes is attached here: <a href="https://www.gov.uk/government/collections/electricity-market-reform-capacity-market">https://www.gov.uk/government/collections/electricity-market-reform-capacity-market</a></p> <p>Applicants should use this example to inform the line diagrams they submit, but should note that they will not fail pre-qualification due to insufficient information being provided in a line diagram. There will be a further opportunity to provide revised line diagrams if needed subsequent to prequalification.</p>	<p>Rule 3.6.4 3.6.9</p>	<p>01/08/2014</p>

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	Is a Refurbishing CMU eligible to compete for an agreement of up to 15 years if it proposes to spend above the new build threshold (provisionally set at £250/kW)?	No, in most cases a Refurbishing CMU will not be eligible for an agreement of up to 15 years even if the intended capital expenditure is above the 15 year Minimum £/kW threshold. A CMU is only eligible for an agreement of up to 15 years if it also meets the Extended Years criteria for new plant set out in the Rules. If a CMU falls within the definition of a Refurbishing CMU but the proposed works will meet the Extended Years Criteria defining new plant, it would be eligible for an agreement of up to 15 years (provided it also met any other conditions including the minimum £/kW threshold)		01/08/2014
	How is a CMU's Annual Penalty Cap determined?	Our stated policy is that the Annual Penalty Cap (APC) for a CMU with an auction acquired agreement is 100% of the expected capacity payments for any relevant delivery year. The interaction between the APC and obligation trading will be the subject of a consultation scheduled for the autumn.		01/08/2014
	What is the first delivery year for which suppliers will be liable to pay the capacity market supplier charge to fund capacity payments, and what is the earliest date that demand forecasts need to be submitted by suppliers?	<p>The first delivery year for which suppliers will be liable to pay the capacity market supplier charge will be the DSR Transitional Auction Delivery Year commencing 2016/17- see Regulation 6 of the Electricity Capacity (Supplier Payment etc.) Regulations 2014, Regulation 29 of the Electricity Capacity Regulations 2014 and and chapter 11 of the Capacity Market Rules .</p> <p>Suppliers will need to submit a forecast of their demand by 1st June 2016 in order for the Settlement Body to calculate each supplier's share of the supplier charge for</p>	<i>Regulations: 29 Rules Chapter 11</i>	14/07/2014

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		<p>the 2016/17 delivery year.</p> <p>The liability for paying the Settlement Body's costs (a separate charge) begins when the regulations come into force – these were collected as a single payment at the end of FY14/15 after which they will be collected monthly as set out in the Electricity Capacity (Supplier Payment etc.) Regulations 2014.</p>		