

DRAFT STATUTORY INSTRUMENTS

**2014 No.**

**The Electricity Capacity Regulations 2014**

**PART 6**

**Payments**

**CHAPTER 2**

Calculations and determinations: capacity providers

**Determination of adjusted load-following capacity obligation, net output and adjusted net output**

**39.**—(1) For each relevant settlement period in a month (“month M”), the Settlement Body must determine for each capacity committed CMU—

- (a) the adjusted load-following capacity obligation of the CMU in the settlement period (“ $ALFCO_{ij}$ ”);
- (b) the net output of the CMU in the settlement period (“ $E_{ij}$ ”); and
- (c) adjusted  $E_{ij}$  (“ $AE_{ij}$ ”).

(2) The Settlement Body must make the determinations under paragraph (1) in accordance with capacity market rules.

(3) The determinations under paragraph (1)(a) and (b) must be made by no later than 10 working days after the end of month M.

(4) The determination under paragraph (1)(c) must be made after the close of the volume reallocation window for month M, but by no later than 20 working days after the end of month M.

(5) In this regulation—

“adjusted  $E_{ij}$ ”, in relation to a capacity committed CMU and a relevant settlement period, means  $E_{ij}$  with any adjustment made to it as a result of volume reallocation;

“capacity market volume reallocation notifications” has the meaning given in the Rules;

“volume reallocation” means the procedure in capacity market rules by which part of the net output of a capacity committed CMU in a relevant settlement period may be reallocated to another capacity committed CMU for the purpose of the settlement calculations; and

“volume reallocation window” means the period during which capacity providers may submit capacity market volume reallocation notifications under capacity market rules.

**Capacity payments**

**40.**—(1) A capacity provider (“C”) is entitled, subject to paragraphs (5) and (6) and to regulations 49 to 51, to receive from the Settlement Body a capacity payment determined in

accordance with this regulation in respect of each month of a delivery year (“month M”) for the capacity committed CMUs for which C was the capacity provider during month M.

- (2) The Settlement Body must, after the end of month M—
- (a) determine the amount of the capacity payment which is payable to C in respect of month M (“ $MCP_{cm}$ ”); and
  - (b) issue a credit note to C for the amount determined for it.

(3)  $MCP_{cm}$  must be calculated in accordance with paragraph 4 of Schedule 1.

- (4) The Settlement Body must issue a credit note to C under paragraph (2)(b)—
- (a) by no later than the 26th working day after the end of month M; but
  - (b) if C is liable to pay a capacity provider penalty charge in respect of month M, not earlier than the day after the day by which C is required to pay that charge.

(5) Paragraphs (1) to (4) do not apply unless by the 25th working day after the end of month M the Settlement Body has received capacity market supplier charges in respect of month M.

(6) If by the day referred to in paragraph (5) the Settlement Body has received capacity market supplier charges in respect of month M the total of which is less than the sum of  $MCP_{cm}$  for all capacity providers, the amount of each capacity payment which would otherwise be determined under paragraph (2) must be reduced by the same proportion so that the total amount of capacity payments payable to capacity providers is equal to the total amount of capacity market supplier charges received.

(7) In this regulation, “capacity market supplier charges” means charges which electricity suppliers are required to pay under electricity capacity regulations to meet the cost of funding capacity payments.

### Capacity provider penalty charges

**41.—**(1) A capacity provider (“C”) must pay to the Settlement Body a capacity provider penalty charge in respect of any month of a delivery year (“month M”) if, in respect of month M, a settlement period penalty applies to one or more capacity committed CMUs for which C was the capacity provider during month M.

(2) If one or more capacity providers are liable to pay a capacity provider penalty charge in respect of month M the Settlement Body must, by no later than the 21st working day after the end of month M—

- (a) determine the amount, if any, payable by each capacity provider in respect of capacity provider penalty charges incurred in month M; and
- (b) issue to each capacity provider which is liable to pay capacity provider penalty charges an invoice for the amount determined for it.

(3) The amount payable by C under paragraph (2)(a) is the sum of—

- (a)  $SPPSA_{im}$ , as calculated under paragraph 6 of Schedule 1, for each capacity committed CMU for which C was registered on the capacity market register as the capacity provider for the whole of month M; and
- (b) C’s proportion of  $SPPSA_{im}$ , as calculated under paragraphs 6 and 8 of Schedule 1, for each capacity committed CMU for which C was registered on the capacity market register as the capacity provider for part of month M.

(4) In paragraph (1), “settlement period penalty” means a penalty calculated under paragraph 5 of Schedule 1.

### Over-delivery payments

42.—(1) A capacity provider is entitled to receive from the Settlement Body an over-delivery payment in respect of a delivery year (“year X”) if any capacity committed CMU (“CMU i”) for which C was the capacity provider over-delivered in any relevant settlement period in year X.

(2) For the purposes of this regulation CMU i over-delivers in a relevant settlement period if, for CMU i,  $AE_{ij}$  is greater than  $ALFCO_{ij}$  in that settlement period.

(3) The Settlement Body must, by not later than the 26th working day after the end of year X—

- (a) determine the amount, if any, of the over-delivery payment payable to each capacity provider in respect of year X; and
- (b) issue to each capacity provider which is entitled to an over-delivery payment a credit note for the amount determined for it.

(4) The amount payable to C under paragraph (3)(a) is the sum of—

- (a)  $TODP_{ix}$ , as calculated in accordance with paragraph 7 of Schedule 1, for each capacity committed CMU for which C was registered on the capacity market register as the capacity provider for the whole of year X; and
- (b) C’s proportion of  $TODP_{ix}$ , as calculated in accordance with paragraphs 7 and 8 of Schedule 1, for each capacity committed CMU for which C was registered on the capacity market register as the capacity provider for part of year X.

### Termination fees

43.—(1) A capacity provider must pay to the Settlement Body a termination fee, by way of a financial penalty, if—

- (a) a capacity agreement is terminated on a ground specified in capacity market rules; and
- (b) capacity market rules specify that a termination fee is payable in the event of the capacity agreement being terminated on that ground.

(2) The Settlement Body must, as soon as reasonably practicable after receiving notice of the termination of a capacity agreement on a ground for which a termination fee is payable—

- (a) determine the amount in pounds of the termination fee that is payable; and
- (b) issue to the capacity provider an invoice for that amount.

(3) Where capacity market rules specify that TF1 is payable, the amount must be determined in accordance with the formula—

$$TF1 = TF1_{rate} \times CO.$$

(4) Where capacity market rules specify that TF2 is payable, the amount must be determined in accordance with the formula—

$$TF2 = TF2_{rate} \times CO.$$

(5) In this regulation—

“CO” means the capacity obligation in MW for which the capacity agreement was issued, as specified in the capacity market register;

“ $TF1_{rate}$ ” means the rate in pounds per MW determined in accordance with regulation 32 and specified in the capacity market register as the rate at which TF1 is payable under the capacity agreement; and

“  $TF2_{rate}$  ” means the rate in pounds per MW determined in accordance with regulation 32 and specified in the capacity market register as the rate at which TF2 is payable under the capacity agreement.