

Chapter 5: Load Following Obligated Capacity Quantity

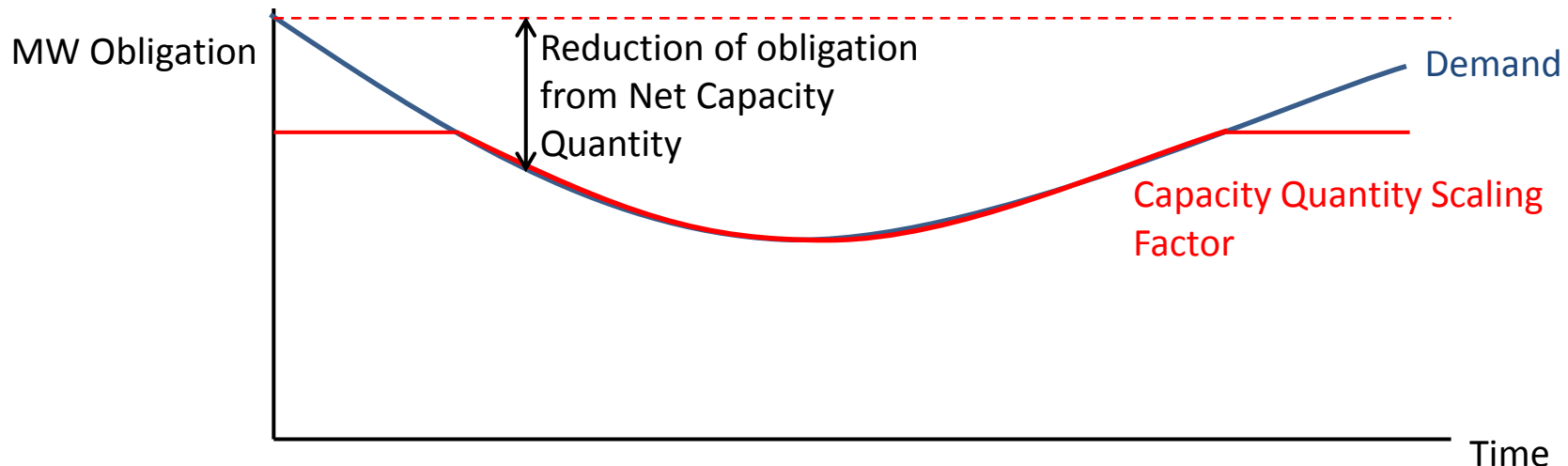


Load Following Obligated Capacity Quantity – 1/4

- The Obligated Capacity Quantity is the amount of Capacity which needs to be provided in energy markets in each Imbalance Settlement Period;
- This is the quantity up to which Differences Charges apply:
 - If this amount is provided through energy market trades, then the “obligation” is met and exposure to Non-Performance Difference Charges is prevented;
 - Difference charges in market timeframes only apply up to this value, for trades above that the Participant retains energy market revenue.
- It is calculated based on every Contract Register Entry active in the Imbalance Settlement Period:
 - The net of all Capacity Quantities is taken, meaning Secondary Trading can increase or reduce the Capacity Market Unit’s obligation over the period it is active.
- The obligation for each CMU and Imbalance Settlement Period is scaled down by the load and by capacity not participating in Capacity Market;
- The obligation is also capped by the CMU’s de-rated capacity, or Commissioned Capacity if allowed to secondary trade up to that level.

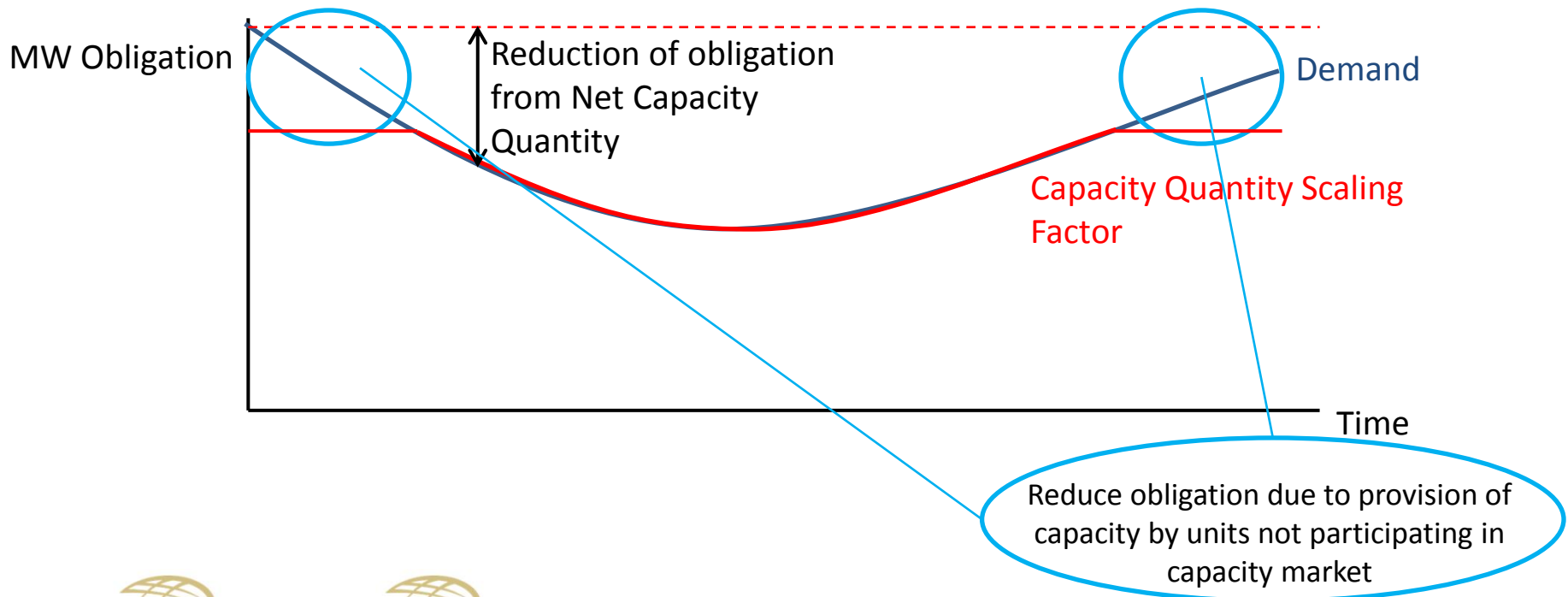
Load Following Obligated Capacity Quantity – 2/4

- The next input is the loading following element. Load-following refers to reducing the obligation on Capacity Market Units to trade in the energy markets. This is because the capacity auction is run so that enough capacity is awarded to cover the likely peak requirement. If demand is less than the peak, or there is other capacity available to provide the energy which didn't participate in the Capacity Market (to the extent allowed, such as for variable renewables), then the capacity required from Capacity Market Units to meet demand is less than the maximum amount of their awarded capacity quantities, and their obligation to trade is scaled down accordingly. This is done through the Capacity Quantity Scaling Factor.



Load Following Obligated Capacity Quantity – 3/4

- For example, a unit with 400MW awarded capacity would normally need to provide 400MW in energy market trades in order to meet their obligation. Since a number of wind units did not participate in the Capacity Market auctions while still being available in the energy markets, this unit only needs to provide 300MW of this capacity through energy trades to make sure that demand is met. This amount is sufficient for a range of demand values closer to the peak Capacity Requirement value which was used to procure the capacity in the auctions. This is a fixed element of the Capacity Quantity Scaling Factor, reducing the obligation based on capacity which did not participate in the Capacity Market.



Load Following Obligated Capacity Quantity – 4/4

- As demand reduces further, the amount of demand buying the energy from the Capacity Market Units through the energy market starts to become insufficient to ensure the capacity obligations based on the full awarded capacity can be met. If Capacity Market Units were forced to continue providing the same amount they would be left exposed with no means of managing this exposure. Therefore the Capacity Quantity Scaling Factor includes an element which reduces the obligation, based on the reduction of demand.

