

# Concept Paper

Early Capacity Payments  
Aug 2012

## Early capacity payments

- The market has always allowed capacity to arrive within a four month window
- The intention is to avoid commissioning congestion and avoid late arrival which may lead to a summer shortage and SCR acution
- Up until 2011 this window was 1 August to 30 November
- An early payment was available for new capacity made available in the period between 1 Aug and 30 September, refunds would not be charged for new capacity until 1 December
- The current window commences 1 June to 30 September which allows for a four month period of early payment
- This change, in 2009, was in response to a base load generator being late and the IMO calling SRC
- Given the market has a volume of over capacity is it time to review this payment

## As a result of suggestions made at the June MAC



- RC\_2012\_10 was proposed at the June 2012 MAC proposed as an improvement to the early payment of capacity between 1 June and 30 September
- Also suggested at the meeting were:
  - Consideration that the early payment could be removed completely
  - Reverting to the original capacity window of 1 August to 30 November
- This concept paper briefly describes the history – summaries the options considered in 2008 and 2009 – describes options in further detail

# Options

- The market can do no more than RC\_2012\_10
- The market may remove early capacity from all forms of capacity on the belief such a payment does not avoid capacity arriving late
- If the market believes there is value in continuing to offer an early payment to generators it can be more selective by:
  - Making this payment in years when the late arrival of new capacity could incur significant cost on the market
  - In years this was not the case, no early payment would be made

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"I've prepared a few different options."