

# ELEEXON

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**Capacity Market Advisory Group (CMAG)  
Meeting 19**

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16 April 2024

# Meeting Agenda

Agenda Item	Lead	Guide Start Time
<b>Standing Items</b>		
1. Welcome and Apologies	Oli Meggitt (CMAG Facilitator)	10:00 (5 mins)
2. CM Representative Updates	LCCC/ESC; EMR Delivery Body; Ofgem and DESNZ	10:05 (20 mins)
3. CMAG Secretariat Update	Oli Meggitt	10:25 (10 mins)
4. Industry Feedback	Oli Meggitt	10:35 (15 mins)
<b>Decision Items</b>		
5. Developing CM Rules Change Proposal CP377 – ‘Increasing flexibility for SPD Portfolios’ – EMR DB	Stuart Wells (EMR DB)	10:50 (45 mins)
<b>Break (11:30 – 11:40)</b>		
6. CMAG Surgery <ul style="list-style-type: none"> <li>ITE Report Requirements Subgroup update</li> <li>Managing SPDs and Secondary Trading</li> </ul>	Chris Arnold (CMAG Secretariat)	11:40 (45 mins)
<b>Lunch (12:45 – 13:30)</b>		
<b>Information Items</b>		
7. CMAG Forward Work Plan	Chris Arnold	13:30 (10 mins)
8. Action Log	Chris Arnold	13:40 (10 mins)
9. Any Other Business (A.O.B)	All	13:50

# Meeting Agenda – Scheduled Breaks

- Set breaks at:

Break Type	Time
Comfort Break	11:30 – 11:40
Lunch	12:45 – 13:30
Comfort Break	14:30 – 14:40



# WELCOME AND APOLOGIES



# CM REPRESENTATIVE UPDATES

- LCCC/ESC
- EMR DB
- OFGEM
- DESNZ



# CMAG SECRETARIAT UPDATE

## CMAG Member Feedback Results – October 2023 - March 2024

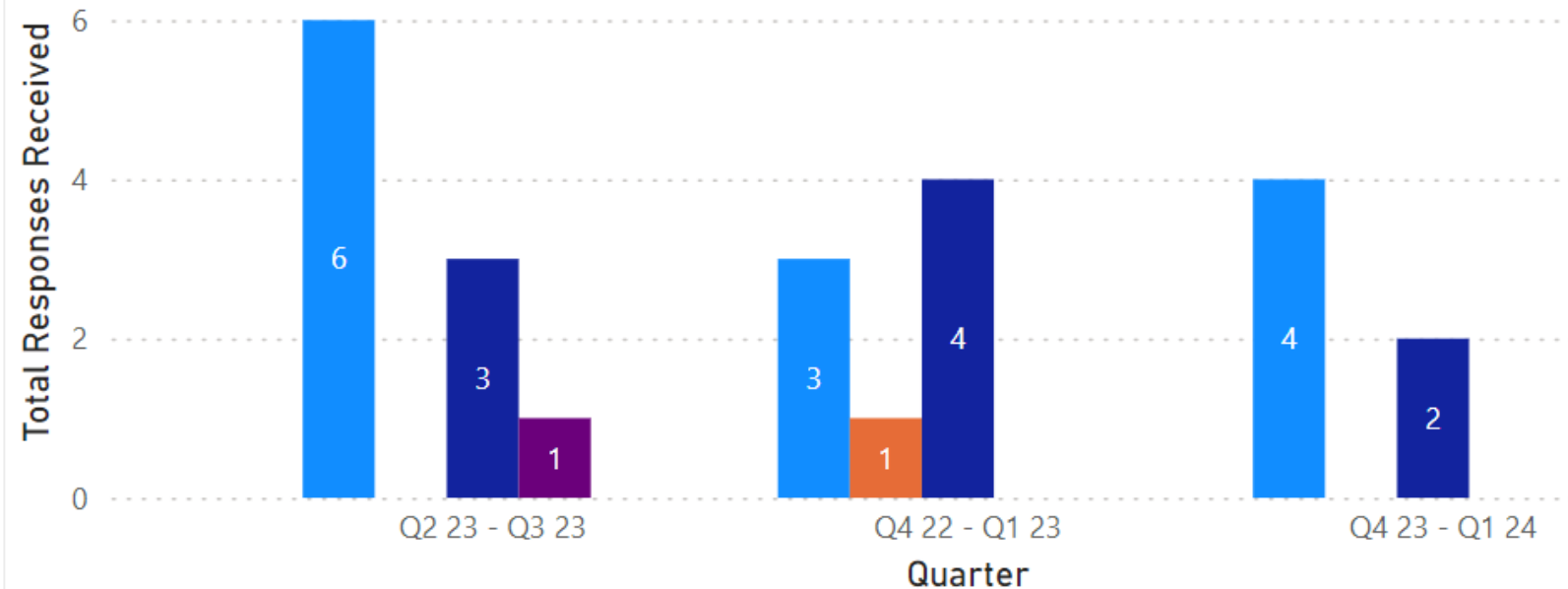
Every six months, the CMAG Secretariat carries out a Member Feedback Survey, to seek feedback on the CMAG Secretariat service, how we can continue to ensure CMAG works effectively and if there are any areas for improvement.

We received a total of six responses.

**Q1 How would you rate your experience of CMAG over the last six months, including meetings, organisation, meeting materials and Elexon as the CMAG Facilitator?**

Total Responses Received by Quarter and Experience Rating of CMAG

Experience Rating of CMAG ● Excellent ● Fair ● Good ● Poor ● Very Poor



## CMAG Member Feedback Results – October 2023 - March 2024

### Q2 Since the last Feedback Survey in August 2023, how has your experience with CMAG and Elexon changed?

● Significant improvement	0
● Slight improvement	2
● No change	4
● Slight deterioration	0
● Significant deterioration	0



### Q3 What has gone well, and what should we keep doing?

- **Use of sharepoint for document sharing feels like an improvement**, although more experience may be needed. The meetings have been chaired well and mostly keep close to the agenda. Naturally, some flexibility is needed where topics are particularly complex or controversial.
- We have a **good working relationship within the group and respect for each others' ideas and experience**. The CMAG Secretariat provides efficient turnaround and structure for the group. We should **continue to form subgroups to focus on specific issues** and report back to the broader CMAG group.



### Q4 Do you have any further comments or feedback that you'd like us to consider?

- It is sometimes difficult to get into detailed development of proposals and the selective use of separate work-groups is helpful in some circumstances.
- Nothing I would seek to change

### What we are focusing on:

- Review of the CMAG Change Process;
- Utilising SharePoint and sharing further training/information on how to engage with SharePoint effectively;
- CMAG Webinar to build the profile of CMAG within industry; and
- CMAG Membership appointment process to begin in Summer 2024.

# CMAG Action Log update

The CMAG Secretariat is trialing a new way of working with the CMAG Action Log on SharePoint, to allow for better collaboration on actions outside of Meetings.

ELEXON  
CAPACITY MARKET ADVISORY GROUP

CMAG

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[CMAG@Elexon.co.uk](mailto:CMAG@Elexon.co.uk).

- The CMAG Action Log will now utilise 'Lists' on SharePoint, and can be accessed from the CMAG SharePoint Homepage
- This will allow 'Action Owners' to receive updates where the action status has changed
- 'Action Owners' will receive reminders 1 week prior to the due date if the action does not have an update
- CMAG can access the Action Log at any time, and view updates or previous actions
- 'Action Owners' can provide an update directly through SharePoint

CMAG  
CMAG Action Log

Status: In progress

Clear filters

Title	Date Opened	Date Due	Owner	Action	St...	Action Update
1023/05	October 17, 2023	Today	Andrew Macdonell	Ofgem to discuss with DESNZ and EMR DB how a change to Rule 2.3.3 is taken forward and feedback to CMAG.	In progress	Ofgem, DESNZ and EMR DB have noted this action remains under review. An update will be provided to CMAG when available.

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## CMAG Meeting Approach

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We are proposing to trial a new approach to CMAG Meetings, to encourage engagement and provide opportunity to better connect with CMAG Members and Representatives.

### May 2024

- To be held **in-person**.
- We will have Teams details available for the meeting, but encourage CMAG to make best efforts to attend this meeting in-person

### July 2024

- To be held **via Teams/online** only
- Coincides with summer holidays, where CMAG Members/Representatives may find it difficult to travel to London due to other commitments

We welcome CMAG feedback on the above proposed approach, and if there are any improvements we can make to your meeting experience.



# INDUSTRY FEEDBACK



# DEVELOPING CM RULES CHANGE PROPOSALS

# CP377 - 'INCREASING FLEXIBILITY FOR SPD PORTFOLIOS' – EMR DB

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## CP377 - 'Increasing flexibility for SPD Portfolios' EMR DB

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### **What is the issue?**

CM Rule 13.4.1B allows Capacity Providers to aggregate delivered capacity across a group of Capacity Committed CMUs with the same Capacity Provider to allow for better flexibility in meeting the SPD obligation by delivering as a CMU Portfolio. Rule 13.4.1 B(b) prevents Distribution and Transmission CMUs with aggregate connection capacity of all generating units greater than 50MW from being part of a CMU Portfolio.

### **What is the proposed solution?**

To amend Rule 13.4.1B to allow CMU Portfolios to be formed across Company Groups and remove the current 50MW limit on single Distribution and Transmission CMUs to allow for greater flexibility to meet the SPD milestone.

### Company Groups

- Currently a CMU Portfolio is defined as *“a group of Capacity Committed CMUs with the same Capacity Provider”*.
- EMR DB have seen many examples where CMUs are ultimately under the control of a common parent company but have been entered into the market under different Applicant companies, and these Applicant companies become the Capacity Provider.
- This has created an artificial restriction on CMU Portfolios as the same CMUs could be entered under the ultimate holding company.
- Following discussions with Capacity Providers in this situation there are a number of reasons a Group may choose to enter through different Applicant companies, the most common being to allow proper financial settlement of any agreements against the same asset.

### 50MW limit

- Under Rule 13.4.1B(b) for Distribution and Transmission CMUs no individual CMU can have an aggregate connection capacity over 50MW.
- This limit seems to have been introduced to mirror the requirements in Regulation 4 that limit the size of Generating CMUs which are a combination of two or more generating units but this justification was dismissed in the original consultation decision.
- EMR DB believe that allowing aggregated SPDs does not undermine the intent of Regulation 4 as those sites would still have to meet all other CM obligations independently, most notably SCM.
- This limit stops some CMUs taking advantage of SPD Portfolios and could lead to increased costs to providers to meet their Capacity Obligation individually rather than in aggregate.



### Company Groups

- EMR DB are proposing using the existing Group definition in the Rules to allow Capacity Provider Groups to use CMUs within a company group (be that relationship a direct Holding/Subsidiary or Subsidiary/Subsidiary relationship) to meet the aggregated Capacity Obligation.

**Group: “for any person, another person who is the direct or indirect Holding Company of that person and any Subsidiary of that Holding Company”**

- This will allow for greater flexibility to providers to still structure their Applications and Agreements on a granular level whilst also not restricting CMU Portfolios.

### 50MW limit

- We are proposing removing any limits to the size of a CMU which can participate in a CMU Portfolio so that a CMU of any size can be a part of a CMU Portfolio.

### Rule 13.4.1B

Subject to Rule 13.4.1D and for the purposes of the definition of “Satisfactory Performance Day” in Rule 13.4.1, 13.4.1ZA and 13.4.1ZE(b), in the case of a group of Capacity Committed CMUs with the same Capacity Provider **Group** (a “CMU Portfolio”), where those CMUs are either:

(a) DSR CMUs which consist of DSR CMU components on two or more different sites; or

(b) Distribution and Transmission CMUs, ~~where, for each such CMU the aggregate connection capacity of all generating units is no greater than 50MW.~~ the demonstration that can be made to meet the requirements of Rule 13.4.1ZA or 13.4.1ZE(b) is capacity delivered in aggregate by the CMU Portfolio at a level equal to or greater than their combined Capacity Obligations for at least one Settlement Period (which Settlement Periods may fall within a System Stress Event) on three separate days during the Winter of a relevant Delivery Year.

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## CP377 – What are the expected impact of the proposed change on industry and/or consumers?

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- During the current SPD Window EMR DB have been approached by multiple participants wishing to combine CMUs that currently do not meet the requirements of CMU Portfolios, either due to the 50MW single CMU cap or the restriction that a portfolio must be between CMUs shared by a single Capacity Provider. EMR DB have allowed CMU Portfolios to be submitted where they belong to the same Group during the current SPD window and this change would ensure a transparent and consistent understanding across participants.
- If this change is not made Capacity Providers will have to complete CMU transfers to Holding Companies to then meet their obligation in aggregate, a process that would require administration costs for both the Applicant and potentially causing non-market downsides for the Capacity Provider, for example payments being made to a holding company rather than the correct subsidiary. As this behaviour is possible through CMU transfers, EMR DB believe it is appropriate to remove this administrative burden by explicitly allowing Capacity Provider Groups. **This change will promote the CM Rule Change Objective to facilitate the efficient operation and administration of the Market.**
- As per the original proposal – CP124 – unnecessary costs may be incurred by CM Participants where they can meet an obligation across an organisation’s portfolio but outside of the strict Applicant companies and Capacity Provider boundaries. This aggregated obligation could be used to meet a CMUs Capacity Obligation during a Stress Event through Volume Reallocation and EMR DB feel currently represents an unnecessary and artificial hurdle for Capacity Providers.
- The original consultation stated that the 50MW size restriction is “arbitrary for the purposes of testing” and following Provider feedback has become a blocker for Capacity Providers with CMU Portfolios. We believe there is no justification for the 50MW size restriction and so to allow the efficiency described above propose removing this limit for Distribution and Transmission CMUs.

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## Questions on Issue and Government Policy

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Members are requested to provide a response to the below questions on issue and government policy for CP377:

### Questions on Issue and Policy

**Does CP377 address a valid issue?**

**Is the CM the right place to address the issue?**

**Is the solution to CP377 going to be counter to the policy objectives of the CM? What is the impact on:**

- **Security of Supply**
- **Cost (including cost to consumers)**
- **Unintended consequences – if there are any, what is the impact?**

**Does CP377 explicitly affect any functions granted to the Secretary of State?**

*For example, the Energy Act 2013 set specific functions to the Secretary of State. Derating factors is an explicit function of the Secretary of State.*

**Is there an impact on subsidy control?**

*For example, anything that would favour one technology class over another, that would probably mean you have to go through the subsidy control framework.*

**Does CP377 align with the Regulations?**

**Does CP377 align with current policy intent?**

**Do you agree that CMAG should proceed with developing CP377?**

*Rationale to support answers to this question should take into consideration the likely prospects of this CP being approved and the required levels of work from the CMAG.*

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## CP377 - Standard Change Proposal Questions

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**Members are requested to provide response to the Standard Questions via SharePoint. Responses will be presented at Meeting 20.**

- Does the CP further the CM Rules Change Objectives?
- Are there any related changes to the CM Rules in the pipeline?
- Does the CP impact on the Regulations?
- Are there any impacts on any other central industry frameworks or obligations?
- Are there any impacts on consumers, and if so, what are the impacts?
- Does CMAG agree with the proposed solution?
  - Are there any suitable alternative solutions to address the defect?
- What are the expected impacts and implementation/enduring costs for Delivery Partners?
- What are the expected impacts and implementation/enduring costs for CM Participants?
- What are the expected timescales for implementation?
- Does the draft legal text deliver the intention of the solution?
- Does the CMAG recommend to Ofgem that the change be made?

**Are there any Specific Change Proposal Questions CMAG wish to consider?**



# CMAG SURGERY

# ITE REPORT REQUIREMENTS SUBGROUP UPDATE

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# ITE Report Requirements Review Update

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To be updated following Subgroup meeting 1 on 10 April 2024

# MANAGING SPD AND SECONDARY TRADING



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## Managing SPDs and Secondary Trading - Context

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### Background

- A Guest raised a query regarding inconsistency of Secondary Trading and SPDs in November 2023.

The CMAG Secretariat added 'Managing SPDs and Secondary Trading' to the CMAG Forward Work Plan, with a view to bring it to CMAG as a surgery item.

The CMAG Secretariat has reviewed the CM Rules and Secondary Trading scenarios in relation to SPDs and has identified concerns over:

- a query with the Rules; and
- the scenario where a Transferee (without AACO) only has PTCO-in for Capacity Obligation after April in a Delivery Year.

## Query with the Rules

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### 9.5.3(a)

The substitution of text in 13.4.1 by 9.5.3(a) does not make sense when one SPD must be May-July, ie outside of Winter.

9.5.3 In the case of a Capacity Committed CMU that has transferred all of its Capacity Obligation for the period from 1 January to 30 April (both dates inclusive) of a Delivery Year under Rule 9.2.4(a):

(a) in Rule 13.4.1, for the words “at least one Satisfactory Performance Day occurring during the period from 1 January to 30 April (both dates inclusive) of the relevant Delivery Year”, substitute “at least one Satisfactory Performance Day occurring during the period from 1 May to 31 July (both dates inclusive) of the relevant Delivery Year”;

13.4.1 Subject to Rules 13.4.1A, 13.4.1B, and the modifications in Chapter 9, a Capacity Committed CMU must demonstrate to the Delivery Body in accordance with Rule 13.4.2 capacity at a level equal to or greater than its Capacity Obligation or aggregate Capacity Obligations for at least one Settlement Period (which Settlement Periods may fall within a System Stress Event), on three separate days (each a “Satisfactory Performance Day”) during the Winter of the relevant Delivery Year, of which at least one Satisfactory Performance Day must occur during the period from 1 January to 30 April (both dates inclusive) for that Delivery Year.

“at least one Satisfactory Performance Day occurring during the period from 1 May to 31 July (both dates inclusive) of the relevant Delivery Year”

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## Scenario where a Transferee (no AACO) has PTCO-in May-Sep, but not Oct-Apr

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**Rules 13.4 and 9.5 do not appear to allow for appropriate variation of SPDs for Transferee CMUs without PTCO-in during Winter.**

For a Transferee with no PTCO-in during Jan-Apr, Rule 9.5.5 effectively removes the need for 1x SPD in Jan-Apr, leaving 3x SPD during Oct-Dec.

However, there appears to be no appropriate variation for a Transferee without any PTCO-in during Winter (Oct-Apr), meaning Rule 13.4.1 SPDs cannot be met, triggering Rule 13.4.1ZA(a) three 'additional' SPDs during May-Jul.

Meanwhile Rule 13.4.1ZA(b) would see the Transferee's PTCO-in related Capacity Payments Suspended from May until the date the 3<sup>rd</sup> 'additional' SPD is demonstrated.

However, the PTCO-in may not even be effective until Aug-Sep. This would automatically fail Rule 13.4.1ZA(a), leading to a Termination Notice being issued at the end of July under Rule 6.10.2(a), based on reason (r) and 6.10.1A(vi).

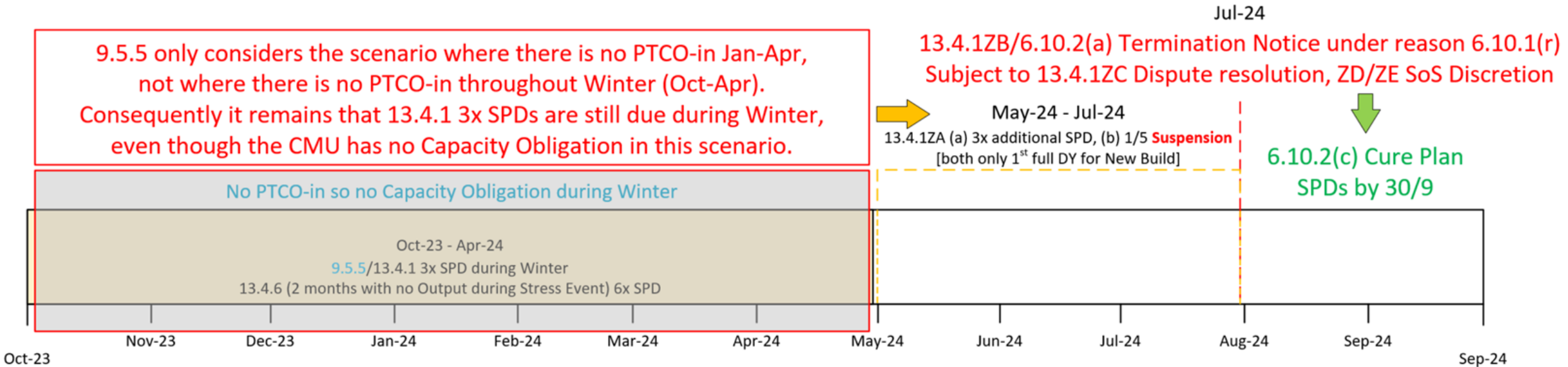
The Transferee would then have to submit a request to the Secretary of State under Rule 6.10.2(c) for the Termination Notice to be withdrawn based on a cure plan for the three SPDs to be met by 30-Sep.

# Timeline for scenario where a Transferee (no AACO) has PTCO-in May-Sep, but not Oct-Apr

## Transferee with PTCO-in but not Oct-Apr

Capacity Committed CMU where an Obligation any time in DY, so 13.4.1 applies, but 9.5 does not address PTCO-in only after 30-Apr. Consequently 13.4.1ZA applies with (a) 3x 'additional' SPD due May-Jul (even though PTCO-in may not be effective until after July); and (b) any Capacity Payments due from 1-May are suspended until later of 31/5 and date SPDs are met.

If SPDs not met by 31-Jul then 6.10.2(a) Termination Notice issued. If PTCO-in continues after 31-Jul then SPDs can be met within Notice period.





# CMAG FORWARD WORKPLAN

# CMAG Forward Work Plan

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- The following Change Proposals are currently with Ofgem and have been consulted on:
  - [CP368 'CVR Publication Deadline'](#)
  - [CP369 'Secondary Trading with CMU Metering Aggregation Rules'](#)
  - [CP373 'Process Transfer from EMR Delivery Body to CM Settlement Body'](#)
  
- The following change is currently with Ofgem to consult on:
  - [CP362 'CM Agreement Transfers'](#)
  
- The following changes are currently with Ofgem for decision:
  - [CP372 'Change to Rule 4.4.4'](#)
  - [CP374 'Splitting Capacity Market Units'](#)
  - [CP375 'Merging Capacity Market Units'](#)
  
- The following change is currently with the CMAG Secretariat as the final CP report is being finalised:
  - [CP376 'Clarifying the restrictions on the role of Agent'](#)

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## CMAG Forward Work Plan

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- CPXXX - Rule 2.3.3 De-rating Factors moved backwards a month till update on action 1023/05 is given by Ofgem/DESNZ/EMR DB
- CPXXX – DSR Component Reallocation moved backwards a month
- CPXXX - Managing SPDs and Secondary Trading timeline updated to account for surgery sessions
- New items – CMAG Seminar and New Membership Appointment Process added to the plan

# CMAG Forward Work Plan

Title	2023		2024									Commentary
	December	January	February	March	April	May	June	July	August	September		
CP364 - Allow Secondary Trading from T-4												Awaiting impact assessment from EMR DB on the alternative solution
CP363 - Changes to EMR Delivery Body Portal												The Proposer has agreed to keep this change on hold, pending delivery of the new EMR Portal v2.0
CP356 - Facilitate Secondary Trading before CMU Termination												To be considered as part of CMAG's wider review of secondary trading. The Proposer has agreed to keep this change on hold, pending the outcome of CM Rules Change Proposal CP364
CP376 - Clarifying restrictions on the role of												
ITE Report Requirements Review (wider review than CP365)												CMAG agreed to review the ITE Reporting Requirements. CMAG will review different aspects of the ITE requirements with the intention of raising a proposal to improve the ITE requirements in the CM Rules.
DSR Component Reallocation												This was discussed in a CMAG surgery in September 2023. A Proposal is currently being drafted by Sarah Honan for further consideration
CPXXX - Rule 2.3.3 De-rating Factors												Ofgem/DESNZ/EMR-DB in discussions to clarify policy intent
CPXXX - Managing SPDs and Secondary												
CPXXX - Extension of Secondary Trading Principles for Extended Performance Testing												Placed on hold as this is expected to be considered by DESNZ separately.
CMAG Webinar												
New Membership Appointment Process												

Key	
	Pre-raise Consideration
	Initial Consideration of Proposal
	Development
	CMAG Recommendation
	On hold
	With Ofgem
	Other Task

Updated Timeline







# CMAG ACTION LOG



# AOB AND MEETING CLOSE