

Capacity Market Advisory Group Final Minutes

Meeting number **19**

Venue **Elexon Offices/MS Teams**

Date of meeting **16 April 2024 10:00-16:00**

Classification **Public**

Attendance and apologies

Attendee	Initials	Type
Shahena Begum	SB	Alternate Member
Brian Lake	BL	Member
Kamila Nugumanova	KN	Alternate Member
Eleanor Haynes	EHay	Member
Richard Thwaites	RiT	Member
Ceri Kenyon	CK	Representative (CM Settlement Body)
William Farquhar	WF	Representative (DESNZ)
Beth Hanna	BH	Representative (EMR Delivery Body)
Stuart Wells	SW	Representative (EMR Delivery Body)
Andrew Macdonell	AM	Representative (Ofgem)
Oli Meggitt	OM	CMAG Facilitator (Elexon)
Amy Stackhouse	AS	CMAG Secretariat (Elexon)
Chris Arnold	CA	CMAG Secretariat (Elexon)
Phillip Paul	PP	CMAG Secretariat (Elexon)
Apologies		
Claire Sedgwick	CS	Member
Mark Duffield	MD	Member
Raoul Thulin	RT	Member

1. Welcome and Apologies

- 1.0 The CMAG Facilitator welcomed Members and Representatives and noted apologies from Claire Sedgwick (Kamila Nugumanova as Alternate), Mark Duffield (Paul Jones acting as Alternate) and Raoul Thulin (Eleanor Haynes acting as Alternate).

2. CM Representative Updates

CM Settlement Body (CMSB)

- 2.0 CMSB noted there were no updates for this month.

Ofgem

- 2.1 Ofgem noted it is expecting to publish its decision on the Autumn 2023 Statutory Consultation by mid-May. Shortly after this, it will publish the Spring 2024 Statutory Consultation.
- 2.2 Ofgem highlighted this meeting would be the last intake of any CM Rules Change Proposals for the Spring 2024 Statutory Consultation.

EMR Delivery Body (EMR DB)

- 2.3 EMR DB noted its Portal v2.0 familiarisation window will close on 24 April 2024. It has received some valuable feedback so far.
- 2.4 EMR DB further noted it is working with DESNZ on the implementation of changes highlighted in DESNZ's Phase 2 CM 2023 Consultation.

Department for Energy Security and Net Zero (DESNZ)

- 2.5 DESNZ noted it has submitted its response to the CM 2023 Phase 2 Consultation to the Secretary of State.

3. CMAG Secretariat Update

- 3.0 The CMAG Secretariat presented the results of the CMAG Member Feedback Survey, covering October 2023 – March 2024. The CMAG Secretariat noted a total of 6 responses were received out of a total of 7 Members. A majority of Members rated their experience of CMAG as 'excellent', particularly highlighting the use of SharePoint as an improvement in ways of working.
- 3.1 The CMAG Secretariat noted they were trialling using SharePoint Lists for the CMAG Action Log, to incorporate this within the current CMAG SharePoint site. This will allow CMAG to collaborate effectively on actions outside of meetings where required.
- 3.2 The CMAG Facilitator noted that in order to encourage engagement in meetings, they are proposing to hold CMAG Meeting 20 (May 2024) in-person and encouraging CMAG Members to make best efforts to attend in-person where possible. In addition to this, CMAG Meeting 22 (July 2024) will be held remotely, to coincide with summer holidays. The CMAG Facilitator noted they will review CMAG's meeting approach following these two meetings and any feedback received.

4. Industry feedback

- 4.0 The CMAG Facilitator noted no items had been raised in advance of the meeting. CMAG Members and attendees did not have any items to raise this month.

5. CP377 'Increasing Flexibility for SPD Portfolios' – EMR DB

- 5.0 EMR DB noted 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 13.4.1B(b) prevents Distribution and Transmission CMUs with aggregate connection capacity of all generating units greater than 50MW from being part of a CMU Portfolio.
- 5.1 EMR DB further noted CP377 has been raised to address this and seeks 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.
- 5.2 A Member queried if a Capacity Provider 'Group' is limited to where Capacity Providers have a common holding company. EMR DB noted Capacity Providers would have the same holding company, or subsidiary company but there must be a clear direct relationship.
- 5.3 A Member highlighted the scenario where an entity holds a minority stake in a number of projects. The Member queries if this then be considered a group. EMR DB clarified it would not be affected by this change, even if the nominated Capacity Provider for such a Joint Venture is the Despatch Controller, who is itself part of a Group, but does not have majority ownership of the CMU.
- 5.4 EMR DB noted that, if this change is not made, Capacity Providers will have to complete CMU transfers to Holding Companies to meet their obligation in aggregate. This process would incur administration costs for both the Applicant and potentially cause 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 to undertake SPDs of a CMU Portfolio for the Group.

- 5.5 A Member noted that as the potential to aggregate capacity at a Group level, albeit with additional administrative burden, is already possible, this change seems sensible to allow this in a more transparent manner for Capacity Providers.
- 5.6 The Member further noted that removing the 50MW limit could have a bigger impact on CMUs with a low De-rating Factor (e.g. Wind) as this could create a scenario where one CMU within a portfolio demonstrates the required SPD level for the whole CMU Portfolio, so that the remaining CMUs within the CMU Portfolio do not operate in that year. Although these CMUs still need to meet required milestones or provide evidence of generating at prequalification, there is a concern that this scenario could have unintended consequences on security of supply.
- 5.7 A Member highlighted that removing the 50MW limit does not favour a specific technology class but could favour Groups owning large CMUs with lower De-rating Factors.
- 5.8 EMR DB noted it has not seen any evidence of this, but understand it is a valid concern. EMR DB queried if including a minimum level of performance for an SPD for each CMU within a CMU Portfolio would address this.
- 5.9 A Member noted there are two possible solutions to address this concern. The first would be to introduce a limit so that each CMU must meet its full Capacity Obligation for at least one of the three SPDs it completes; the second would be to consider a minimum proportion of the total CMU Portfolio's Capacity Obligation that each CMU must provide for SPDs.
- 5.10 EMR DB noted the second option would be manageable and possible to implement, the first solution would introduce difficulties when implementing due to different agreements and multi-year agreements.
- 5.11 A Member highlighted that this concern could occur within the Rules currently, as a 49MW site within a CMU Portfolio could meet the SPD requirements across the portfolio; CP377 seeks to remove this constraint for sites above 50MW and unless there is clear policy intent as to why this has been restricted initially it makes sense to remove.
- 5.12 A Member noted SPDs reflect what could potentially occur during a Stress Event, but a CMU would be able to use Volume Reallocation processes where they cannot deliver sufficient output during a Stress Event to meet their ALFCO obligations, so it could be sensible to mimic this for SPDs. EMR DB noted SPDs are an assurance measure to test that Capacity Payments should not be Suspended.
- 5.13 EMR DB noted they had raised the point around urgency with Ofgem, but CP377 did not meet the requirements. EMR DB is keen to see the CP progressed as soon as reasonably possible as it is an existing issue, there is benefit in addressing both issues together but they are supportive of splitting the CP into two if CMAG agree.
- 5.14 A Member noted the 50MW issue outlined in CP377 will impact a large number of sites and therefore the impacts and unintended consequences of that change need to be considered in further detail by CMAG before being progressed.
- 5.15 CMAG agreed to separate CP377 and continue development of the 50MW element of the proposal and any related controls to avoid unintended consequences as a separate CP; this requires further consideration in terms of a solution and the right level of assurance for CMU Portfolios.

6. CMAG Surgery – ITE Report Requirements Subgroup update

- 6.0 The CMAG Secretariat presented a summary of outcomes from the first ITE Subgroup, available in the Meeting 19 slides.
- 6.1 Ofgem noted it agrees with the Subgroup determination that assurance levels are out of scope and to be determined by Ofgem and DESNZ. Ofgem highlighted that it would still be useful for the Subgroup to identify any ITE Reporting areas where they believe assurance is not sufficient.

7. CMAG Surgery – SPD and Secondary Trading

- 7.0 The CMAG Secretariat noted a guest had raised a query regarding scenarios where the timing of secondary trades did not align to rules for SPDs. The CMAG Secretariat reviewed a scenario where a CMU only holds a Capacity Obligation after the Winter period, and what SPDs they would need to complete under the current Rules.

- 7.1 The CMAG Secretariat noted that if a Capacity Provider picks up a Capacity Obligation from August onwards, they may not be aware that they are still required, as a Capacity Committed CMU, to complete SPDs. A Member noted this is very vague within the Rules and CMAG needs to establish why this SPD is needed, and for what period, before it decides how to proceed.
- 7.2 The CMAG Secretariat noted they would continue to work with EMR DB to understand current SPD timelines and interpretation of Rule 13.4 and provide an update on this at the next meeting.
- 7.3 EMR DB noted it would be useful to review the pre-December 2017 Rules as these had included pro-rated SPD requirements EMR DB explained that subsequent consultation and changes implemented removed this and therefore must be taken into account when considering the current policy intent behind SPDs.
- 7.4 CMAG agreed that Rules section 9.5's use of replacement text in section 13.4 and 13.4A made it very difficult to interpret. However, any consideration of proposed changes to section 9.5 would need to await any July 2024 update to the Rules following the DESNZ CM 2023 Phase 2 Consultation outputs.

8. CMAG Forward Work Plan

- 8.0 The CMAG Secretariat presented the CMAG Forward Work Plan. There were no further comments on the Forward Work Plan.

9. Action Log

- 9.0 Discussion on actions 'In Progress' can be found in the CMAG Action Log v19.1 – 23.04.24, published on the website.

10. AOB

- 10.0 There was no further business and the meeting was closed. The next CMAG meeting date is Tuesday 21 May 2024.