

# ELEXION

---

**Capacity Market Advisory Group (CMAG)  
Meeting 17**

---

22 February 2024

# Meeting Agenda

Agenda Item	Lead	Guide Start Time
<b>Standing Items</b>		
1. Welcome and Apologies	Lawrence Jones (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	Lawrence Jones	10:25 (10 mins)
4. Industry Feedback	Lawrence Jones	10:35 (15 mins)
<b>Decision Items</b>		
5. Developing CM Rules Change Proposal CP364 'Allow Secondary Trading from T-4' – EDF	Chris Arnold (CMAG Secretariat) and Eleanor Haynes (EDF)	10:50 (15 mins)
<b>Break (11:30 – 11:40)</b>		
6. Developing CM Rules Change Proposal CP376 'Clarifying Restrictions on the Role of Agent' – Ofgem	Chris Arnold and Andrew Macdonell (Ofgem)	11:40 (15 mins)
7. CMAG Surgery <ul style="list-style-type: none"> <li>• Housekeeping Changes</li> <li>• ITE Report Requirements Review</li> </ul>	Phillip Paul and Chris Arnold (CMAG Secretariat)	11:55 (55 mins)
<b>Lunch (12:45 – 13:30)</b>		
<b>Information Items</b>		
8. CMAG Forward Work Plan	Chris Arnold	13:30 (10 mins)
9. Action Log	Chris Arnold	13:40 (10 mins)
10. 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



**EMR  
SETTLEMENT  
LIMITED**

Public

# **CP373 – Transfer of Metering and Component Reallocation from the Delivery Body to Settlement Body**

CP373 - Deployment Timelines

EMRS



---

## CP373 – Transfer of Metering and Component Reallocation from the Delivery Body to Settlement Body

---

- CP373 – Deployment timelines

- Following CMAGs recommendation to progress CP373 and the subsequent Ofgem Consultation closure, Delivery Partners have scoped and are developing functionality required, subject to Ofgem Final Decision.
- Development timelines cannot fully align for changes required to the new DB portal and Settlement systems, which will require interim arrangements.
- An update will be provided in line with the Ofgem Final Decision, however this update provides a summary of the expected implications.

# CP373 – Transfer of Metering and Component Reallocation from the Delivery Body to Settlement Body

Key Items	2024											
	Q1			Q2			Q3			Q4		
	January	February	March	April	May	June	July	August	September	October	November	December
Auction Results 2028 DY (T-4) 2024/25 DY (T-1)		D										
Registration for Secondary Trades (DY 2024/25)		D										
Credit Cover Return		D										
Satisfactory Performance Days DY 2024/25 for Agreements post 2017		D	D									
New Build, Change of Address, Metering Assessments provided		D	D	D	D	D	S	S	S	S	S	S
DY 2024/25 Component Reallocation		D	D	D	D	D	S					
DSR Deadlines					D	D	D	D				
Metering Assessments for Unproven DSR					D							
Suspensions					D	D						
Substantial Completion Milestones for DY 2024/25 (T-1)					D							
Substantial Completion Milestones for DY 2027/28 (T-4)					D	D	D	D	D			
<b>Capacity Market Register Updated for Transparency as per Obligations within the Rules</b>					X	X	X	S	S	S	S	S
<b>Metering Register Updated for Transparency as per obligations within the Rules</b>					X	X	X	S	S	S	S	S
DY 2024/25 (T-1) Existing Generator Metering Assessments						D						
Provision of Metering Aggregation Rules							D					
Metering Tests DY 2024/25 (T-1 & T-4) Excluding New Build									S			
New Build Metering Assessment or Long Stop Date + Metering Tests										S		

\*Occurs post Auction to those that are not awarded an agreement or for where a CMU meets its obligation e.g. DSR Test met or FCM met. This also therefore means that we will need that process to continue throughout. It is worth noting here that the main alignment issue for DSRs, is that Metering would need to be in place to enable the DSR test.

\*\* Metering arrangements & meter test met prior to SCM

\*\*\* The CMR will no longer hold metering/DSR reallocation details from May, but the new Metering Register will not yet be fully operational.

Core Delivery Items (CP Delivery)	2024											
	Q1			Q2			Q3			Q4		
	January	February	March	April	May	June	July	August	September	October	November	December
NGDB Functional Testing Window				D	D							
Migration NG DB to EMRS				D	D							
NGDB Public Delivery of New Portal				D								
Interim Period					X	X	X					
EMRS Operational Delivery of Metering and component Reallocation							S					

**Key**  
 Delivery Body D  
 Settlement Body S  
 Transition Period X

- Delivery Body Portal Deployment without Metering and component reallocation process functionality planned for May 2024
- Settlement Body Portal Deployment and functionality for CP373 occurs July 2024





---

## CP373 – Transfer of Metering and Component Reallocation from the Delivery Body to Settlement Body

---

### ■ Issue

Due to unavoidable delivery misalignment, there will be an interim period where Re-allocation of Components and Metering processes cannot be fully supported by the Delivery Body or the Settlement Body. The support of Capacity Providers and Ofgem to mitigate potential risks during this interim period is requested by both bodies.

### ■ Impacts

Metering Register will not be updated by the Settlement Body over the interim period.

9 Component Reallocations occurred during 2023 for the 2023/24 Delivery Year.

- T-1 2023/24 DY, only 5
- T-4 2023/24 DY, only 4
  - Expectation that this will increase for the 2024/25 DY but manageable with appropriate mitigations

### ■ Mitigations

- CPs are requested to only make changes to their components and metering that are materially urgent for the upcoming 2024/25 DY only.
  - This will be handled by the Settlement and Delivery Body on a case by case basis for the interim period.
  - Should DSR Metering information be required which is not published during the interim period, a request should be made directly to EMRS for that information.
  - Potential that a Meter Register could be provided using data received at migration from NGDB to EMRS – would be a point in time at the time of NGDB delivery at the most recent.
  - Further detailed clarifications, delivery dates and opportunities to feed into the new MyEMRS portal will be available shortly.
  - First Register Published by EMRS will contain any changes during the interim period.
  - Negligible Impact expected - Only 12 Re-allocations received for the 2023 DY
- With these mitigations, and a process of data migration, and data transfer between the Delivery Body and the Settlement Body, EMRS has noted the risk of Capacity Payments to be negligible.
- The Delivery Body is already in contact with Capacity Providers concerning external testing of its new Portal.

- **Recommendations**

- Request:

- Note the misalignment in delivery dates.
- Note that the publication of the DSR and Metering Registers by the Settlement Body will not be fully available until it goes live.
- Support of the interim process and to confirm agreement that any information requested and provide during the interim period will be as accurate as the information held by the Delivery Body at the time of data migration.
- Support of interim process mitigations to further reduce any potential risks of data misalignment.



**EMR**  
SETTLEMENT  
LIMITED



# CMAG SECRETARIAT UPDATE

---

## CMAG Meeting Schedule 2024

---

The CMAG Secretariat has provisionally booked the following dates for CMAG Meetings in 2024. CMAG are requested to review and agree if these dates are suitable.

- Tuesday 19 March 2024
- Tuesday 16 April 2024
- Tuesday 21 May 2024
- Tuesday 18 June 2024
- Tuesday 16 July 2024
- **Tuesday 20 August 2024**
- **Tuesday 17 September 2024**
- **Tuesday 15 October 2024**
- **Tuesday 19 November 2024**
- **Tuesday 17 December 2024**

Once agreed, the CMAG Secretariat will circulate calendar invites for all CMAG Meetings.

---

## CMAG Secretariat Updates

---

- CMAG Six-month Report will be sent to Ofgem in April
  - CMAG Members will be asked to fill in a feedback survey at the next Meeting
- New 'Industry Feedback' and 'Guest Meeting Attendance' forms on Website and Newsletter
- 1 Member provided comments on the CMAG Change Process presented at the last Meeting. The CMAG Secretariat will now review these comments and begin to develop a new 'to-be' Change Process over the next few months.





# INDUSTRY FEEDBACK





# DEVELOPING CM RULES CHANGE PROPOSALS

# CP364 'ALLOW SECONDARY TRADING FROM T-4'

---

## CP364 Impact Assessment Update & Question

---

- **Action 1223/01** – ‘EMR DB to complete an impact assessment for CP364, to be presented to CMAG at Meeting 17 in February 2024’.

- CMAG Meeting 13 Ofgem stated:

*‘it will not be including CP362 ‘CM Agreement Transfers’ within this Statutory Consultation [November 2023], as Ofgem will seek to group together changes that relate to secondary trading together in its next Statutory Consultation due March 2023*

- CP364 ‘Allow Secondary Trading from T-4’ relates to secondary trading

- The CMAG Operating Procedure allows the following:

‘Where a Delivery Partner does not provide an Impact Assessment for any reason, at the latest two CMAG Meetings after it was requested by the CMAG, the CMAG will determine whether the CM Rules Change Proposal should continue to be progressed in absence of Impact Assessment response for Ofgem decision.

### **CMAG Question**

- Should CP364 progress without impact assessment from EMR DB to ensure that all live change proposals relating to secondary trading can be included in the next Statutory Consultation?

---

## CP364 Progression

---

- If CMAG members wish to proceed without the EMR DB Impact Assessment, then the following Standard Questions and recommendations need to be finalised.
- CMAG Members are requested to review the current CMAG position against the Standard Questions and agree responses in relation to:
  - Expected impacts and benefits
  - Expected Implementation/enduring costs
  - Whether the CMAG agree with the proposed solution; and
  - The draft legal text

# Window closure options assessment

Option	Window closure pre-Auction	Assessment	Solution
<b>6 weeks before T-1 Auction (1)</b>	Six weeks	<ul style="list-style-type: none"> <li>Potential impact on bidding behaviour, as First PQ register will have been published and so Applicants will be able to identify potential liquidity of the Auctions. Prequalified CMUs could be removed from the Auction through secondary trades, reducing liquidity and driving up prices for remaining CMUs.</li> <li>Other implementation impacts would be similar as for the PQRD option – inefficiency in assessing and prequalifying Applicants who then accepted a trade and that Registers would need to be updated</li> </ul>	<ul style="list-style-type: none"> <li>Unclear that the benefit of the additional time before the T-1 Auction would outweigh the gaming risk.</li> </ul>
<b>Working day before PQRD1 (2)</b>	Four months	<ul style="list-style-type: none"> <li>Potentially conflicts with Rule 3.3.3, as drafted, that says an Application cannot be made for a CMU that already has an Agreement, although sequencing would mean the Agreement came after.</li> <li>Introduces inefficiency, as trades could happen after an Application has been submitted, meaning that Applicants that have been assessed by the DB would no longer be eligible for the Auction.</li> <li>Could create issues with how status would be reflected on the PQRD, especially as they may have become an Acceptable Transferee through a previous Prequalification process.</li> </ul>	<ul style="list-style-type: none"> <li>Amend Rule 3.3.3 to clarify that a condition of the ST is that the Application is withdrawn and not assessed. This would stop the CMU being an Acceptable Transferee through a T-1 application.</li> <li>Introduce a “withdrawn” category for the CMR to reflect that a trade has taken place, rather than the Application being rejected. This would ensure it would not be caught by the disputes process.</li> <li>Trades cannot be submitted 10 Working Days before PQRD, which will give time for the DB to process trades and withdraw the Application before PQRD.</li> </ul>
<b>Working day before PQ Application submission window (3)</b>	Six months	<ul style="list-style-type: none"> <li>Applicants would be able to withdraw their Application, if they accept a Secondary Trade, as the submission window would not have closed</li> <li>Ensures the DB does not assess Applications that then could accept a secondary trade instead</li> </ul>	<ul style="list-style-type: none"> <li>As part of the Trade submission the Applicant would confirm that the Application can be withdrawn on application and/or no application will be made. Subsequent Applications would be blocked by 3.3.3.</li> </ul>

- Does CMAG think that there could be conflict with Rule 3.3.3 as drafted for options 1 and 2?
- How likely would it be that CPs would want to do a trade during the PQ Assessment window, as this introduces the risk of inefficient assessment and would need changes to the CMR?
- Rule 3.13.1 needs to be amended to add T-4 Auctions to the restricted window for STE Applications, rather than to replace T-1 Auctions.

# CP364 STANDARD QUESTIONS

## CP364 – Standard Questions

Question	Current CMAG View
<b>Are there any related changes to the CM Rules in the pipeline?</b>	CP356 'Facilitate Secondary Trading before CMU Termination' and CP362 'CM Agreement Transfers' both relate to Secondary Trading
<b>Does the CP impact on the Regulations?</b>	No impacts identified
<b>Are there any impacts on any other central industry frameworks or obligations?</b>	No impacts identified



Question	Current CMAG View
<p><b>Are there any impacts on consumers, and if so, what are the impacts?</b></p>	<p>The facilitation of secondary trading prior to the T-1 auction could reduce costs to customers due to potentially lower clearing prices and the reduction in over procurement of capacity</p> <p><b>Proposer View</b></p> <p>Procuring capacity in a T-1 auction after it has already effectively been procured in a previous auction results in a direct additional cost to consumers. For example, if the T-1 2022/23 auction includes replacement capacity for EDF's DNB, and the clearing price matches the 2021/22 auction (£45/kW), the cost to the consumer would be an additional ~£45 million. This is clearly a significant sum and could be repeated for every T-1 auction where non-delivery capacity which could have been secondary traded beforehand is included in the target capacity. If secondary trading could be allowed before the T-1 auction, this capacity would not be considered as non-delivery, and there would be no additional cost to the consumer to procure it again. In addition, removing non-delivery capacity from the T-1 auction target could result in a lower overall clearing price and a lower total cost to the consumer for the auction.</p>

## CP364 - Standard Questions

Question	Current CMAG View
<b>What are the expected impacts on:  CM Participants? Delivery Partners?</b>	TBD following DB Impact Assessment
<b>What are the expected implementation/enduring costs for:  CM Participants? Delivery Partners?</b>	TBD following DB Impact Assessment
<b>Does CMAG agree with the proposed solution?  Are there any suitable alternative solutions to address the defect?</b>	TBC
<b>Does the draft legal text deliver the intention of the solution?</b>	TBC - This is the legal text presented at CMAG Meeting 15. This is provided on the next slide.

Rule	Redlining
3.3.3	<p>An Application may not be made for a CMU for a Capacity Auction if:</p> <p>(a) that CMU, or any Generating Unit or DSR CMU Component comprised in that CMU, currently has a <b>Capacity Obligation arising from a Capacity Agreement or secondary trade</b>, or is part of a CMU which currently has <b>such</b> a Capacity <b>Obligation Agreement</b>, for the Delivery Year for which the Capacity Auction is to be held ;</p>
3.13.1	<p>A Secondary Trading Entrant may submit an Application at any time from the Auction Results Day for the relevant <del>T-1</del><b>T-4</b> Auction up to the end of the relevant Delivery Year, other than during the Prequalification Assessment Window for any Capacity Auction .</p>
9.2.5	<p>Transfers of a Capacity Agreement:</p> <p>(a) under Rule 9.2.4(a) can only be effected on the Capacity Market Register <b>after the T-4 Auction for the relevant Delivery Year has concluded and before the date which is 6 weeks before the start of the T-1 Auction for the relevant Delivery Year, or</b> after the T-1 Auction for the relevant Delivery Year has concluded (or, in the case of an SA Agreement, after 30th May 2017) and provided that:</p>

## CP364 - Standard Questions

Question	Current CMAG View
<b>What are the expected timescales for implementation?</b>	<p>We expect that many CM participants would benefit from the implementation of the proposal, and it should still be considered as 'urgent' so that implementation by the 2024/25 T-1 auction might be possible.</p> <p>This target date for implementation is by July 2023 to allow possible used prior to the 2024/2025 T-1 Auction</p>
<b>Does the CP further the CM Rules Change Objectives and/or Ofgem's Principal Objectives?</b>	<p>Members unanimously agreed CP364 furthered Ofgem's Principal Objective.</p> <p>Majority of Members agreed CP364 is neutral in promoting investment in capacity to ensure security of electricity supply.</p> <p>Members unanimously agreed CP364 is positive in facilitating the efficient operation and administration of the Capacity Market.</p> <p>Members unanimously agreed CP364 is neutral in ensuring the compatibility of the Capacity Market Rules with other subordinate legislation under Part 2 of the Energy Act 2013.</p>

# CP364 SUBGROUP QUESTIONS

---

## CP364 Subgroup Questions

---

- The CP364 subgroup conclusions are detailed in the next slides. These questions and responses are presented for information purposes.
- We will not go through each question and its response but if CMAG Members have any comments or questions on any previously discussed questions now is an opportunity to raise this.

## Key Questions – Current Status from CP364 Subgroup and CMAG Meetings

Key Question	Update
How do we ensure that the Maximum Bidding Capacity threshold is not exceeded?	<p>A DRC-weighted PTCO solution option was considered by Subgroup Members. No other options have been considered or suggested by Subgroup Members.</p> <p>At CMAG Meeting 14 it was highlighted that if it was specified that Capacity Providers that accept a PTCO-in after the T-4 but before T-1 could not enter the T-1 auction for the relevant Delivery Year a DRC-weighted PTCO solution would not be needed to ensure that the Maximum Bidding Capacity is not exceeded.</p>
What are the impacts on Credit Cover?	No impacts were identified by subgroup members
To allow for the demand curve adjustment process to consider completed secondary trades should restrictions on trading be extended further to the last day of the Pre-Qualification Application Submission Window through to the Auction Results Day?	<p>Restrictions on Secondary Trading are currently six weeks prior to the relevant T-1 auction in the CP364 solution.</p> <p>The CP364 Subgroup recommended:</p> <ul style="list-style-type: none"> <li>- If there was a possible solution that could allow secondary trading closer to Auction Results day that would practically work for NGENSO then this should be considered in the impact assessment</li> <li>- If it is not possible, then to suspend secondary trading from the Pre-Qualification Application Submission Window through to Auction Results day.</li> </ul>



## Key Questions – Current Status from CP364 Subgroup and CMAG Meetings

Key Question	Update
How should possible differences in De-Rated Capacity positions be managed?	DRC-Weighted PTCO could be used to manage differences in de-rated capacity positions
Are multi-year secondary trades to be included as part of this proposal? – If so, what are the impacts of allowing this and what amendments may need to be made to accommodate this?	No, only single year trades are considered as extending this to 3 or 15 year agreements would likely constitute a government policy change and would be out of scope of a CMAG led CM Rules change
Is there a more basic proposal that could be implemented by July 2023 that could be progressed?	Due to the further work required, the time required to carry out this work and carry the statutory consultation on any solution and a desire by the subgroup not to take piecemeal approach to the progression of CP364 the subgroup agreed that this was not achievable.
Should CP356 and CP369 also be considered as part of the subgroup?	CP369 should be considered when progressing CP364

# CP364 RECOMMENDATIONS

# CP364 – CMAG Recommendations

---

## The CMAG recommends to Ofgem:

- a) That the Proposed CP364 solution better facilitates Ofgem's Principal Objective;
- b) That the Proposed CP364 solution better facilitates the CM Rules Change Objectives:
  - (b) Facilitating the efficient operation and administration of the Capacity Market
- c) The draft legal text for the CP364 solution.
- d) That the CP364 solution should be **implemented**

# CP376 'CLARIFYING RESTRICTIONS ON THE ROLE OF AGENT' - OFGEM

---

## CP376 'Agents' – Issue and Proposed Solution

---

### What is the issue?

- The policy intent for Rule 3.3.5 is that each single CMU or multiple CMUs who all belong to the same Group (a holding company and its subsidiaries) is represented either by the Applicant themselves or by a nominated Agent who acts as Applicant, Bidder and/or Capacity Provider for only that CMU or the CMUs of that Group.
- This rule is in place to ensure that those with the ability to bid in the CM auctions are acting independently so that the market remains competitive.
- It is currently possible and within the rules for one Group to act as an Agent for multiple CMUs from different Groups by forming subsidiaries, such as a special purpose vehicle (SPV). However, this clearly contradicts the policy intent behind Rule 3.3.5.

### What is the proposed solution?

Amending Rule 3.3.5 to clarify that an Agent cannot also be a member of a Group (the direct or indirect Holding Company and any Subsidiary of that Holding Company) that includes a member acting as an Agent representing other Applicants.

---

## CP376 – Updated Proposed Legal Text

---

Following feedback at CMAG Meeting 16, the legal text for CP376 has been updated (shown in blue) as follows:

### 3.3 Submitting an Application for Prequalification

3.3.5 An Applicant may nominate an Agent to submit an Application for a CMU on its behalf and to otherwise perform its obligations under the Regulations or the Rules (whether in its capacity as Applicant, Bidder or Capacity Provider) provided that:

- (a) an Agent Nomination Form with respect to such Agent is included in the Application;
- (b) only one Agent is appointed by an Applicant with respect to a CMU at any one time;
- (c) such Agent (or any ~~subsidiary~~ member within the Agent's Group) is not also the Agent for any other Applicant (unless the other Applicant is a member of the same Applicant's Group);
- (d) if the Applicant wishes to revoke the appointment of an Agent or to appoint a different Agent, the Applicant must submit a new Agent Nomination form to the Delivery Body; and
- (e) the Agent shall ~~have~~ not ~~have the~~ authority to sign any Prequalification Certificate, Price-Maker Certificate, Certificate of Conduct or any other directors' or officers' certificate or other formal representation required to be submitted by the Applicant pursuant to the Regulations or the Rules.

The CMAG Secretariat has considered related Rules where Agents are mentioned, and identified the following changes below (agreed by the Proposer):

### 5.13 Prohibition on other unreasonable business methods

5.13.1(e)(iv) to any Agent nominated by or on behalf of the Applicant to conduct its Application and Bidding provided that such Agent (or any Member within the Agent's Group) is not also the Agent of any other Applicant (unless such other Applicant is a member of the Applicants group)

### Exhibit C: Form of Certificate of Conduct

(e)(iv) to its Agent provided that such Agent (or any Member within the Agent's Group) is not also the Agent of another Applicant (unless the other Applicant is a member of the Applicants Group)

### Exhibit E: Agent Nomination Form

Insert new rows:

2.5	Agent's Company Number:	
2.6	Agent's Group - Ultimate Parent Company Name:	
2.7	Agent's Group - Ultimate Parent Company Number:	

---

## CP376 – Standard Proposal Questions Recap

---

The following slides summarise the current CMAG response to the standard questions for CP376, provided at CMAG Meeting 16. These questions and responses are presented for information purposes.

We will not go through each question and its response but if CMAG Members have any comments or questions on any previously discussed questions now is an opportunity to raise this.



## CP376 Standard Questions

Question	Comment
<b>Are there any related changes to the CM Rules in the pipeline?</b>	None identified.
<b>Does the CP impact on the Regulations?</b>	At CMAG Meeting 15, CMAG did not determine any impact on the Regulations.
<b>Are there any impacts on any other central industry frameworks or obligations?</b>	None identified.

## CP376 Standard Questions

Question	Comment
<b>Does CMAG agree with the Proposer's solution?</b>	CMAG agreed with the Proposer's solution, subject to amendments made with regards to feedback provided at Meeting 16.
<b>Are there any suitable alternative solutions to address the defect?</b>	CMAG did not identify any suitable alternative solutions.
<b>Does the draft legal text deliver the intention of the solution?</b>	A majority of CMAG Members agreed the draft legal text delivers the intention of the solution, subject to amendments made with regards to feedback provided at Meeting 16.

## CP376 Standard Questions

Question	Comment
<p><b>Are there any impacts on consumers, and if so, what are the impacts?</b></p> <p><b>What are the expected impacts and implementation/enduring costs for CM Participants?</b></p>	<p>A Member noted that requiring an individual Agent for each Capacity Provider may increase costs within the CM by requiring additional resource for Capacity Providers to procure and therefore the end consumer. The Proposer noted that it is only activity related to the Agent's ability to bid for the Applicant, and this is not considered to be a high cost for a Capacity Provider to procure. Furthermore, there is only one Agent that would be impacted if this CP was approved, so the impact and associated cost would be low across all CM Participants.</p> <p>A Member noted the cost of procuring a new Agent is likely low and will outweigh the benefits of reducing the possibility of gaming bids in the Auctions.</p>
<p><b>What are the expected impacts and implementation/enduring costs for Delivery Partners?</b></p>	<p>CMSB confirmed they expect CP376 to be a low impact change. EMR DB Impact Assessment response is provided on slide 21.</p>

## CP376 - Standard Questions

Does the CP further the CM Rules Change Objectives and/or Ofgem's Principal Objectives?(Yes, No or Neutral)

Ofgem's Principal Objective:	CMAG Vote
Protect the interests of existing and future consumers in relation to gas conveyed through pipes and electricity conveyed by distribution or transmission systems. The interests of such consumers are their interests taken as a whole, including their interests in the reduction of greenhouse gases in the security of the supply of gas and electricity to them and in the fulfilment by the Authority...	Yes (Majority)
CM Rules Change Objectives:	CMAG Vote
(a) Promoting investment in capacity to ensure security of electricity supply	Neutral (Unanimous)
(b) Facilitating the efficient operation and administration of the Capacity Market	Yes (Majority)
(c) Ensuring the compatibility of the Capacity Market Rules with other subordinate legislation under Part 2 of the Energy Act 2013	Neutral (Unanimous)

## CP376 – Impact Assessment Response

### CMSB

CMSB confirmed at CMAG Meeting 16 that they expect CP376 to be a **low** impact change.

### EMR DB

The full EMR DB Impact Assessment response was circulated as part of the meeting pack.

Question	Response
<b>Please provide your view on the technical feasibility of the solution, and any constraints that need to be considered.</b>	<p>The EMR DB can confirm this change is technically feasible to deliver. We have based this Impact Assessment on current low numbers of Agents and use of a manual process, but if volumes were to increase significantly, we would need to investigate making some system changes to support higher volumes.</p> <p>This change would result in an update to our Agent Nomination approval process carried out as part of the Prequalification assessment as well as further checks when subsequent Agent Nomination forms are submitted.</p>
<b>Are there any alternative options that you believe need to be considered to mitigate risk or excessive cost?</b>	<p>No. The DB is already proposing to implement a manual solution that will minimize the level of change required to achieve the change objective.</p>
<b>What are your expected timescales for implementation of CP376</b>	<p>The Delivery Body estimates that any change would take approximately two months to develop, implement and test following final rule wording.</p>
<b>What are the implementation and ongoing costs?</b>	<p><b>Low</b> – The main implementation cost will be developing changes to our internal Agent Nomination approval process to identify potential Agent’s Groups. The main assurance will still come from true and accurate declarations in Exhibit E.</p>

# CP376 – CMAG Recommendations

---

## The CMAG recommends to Ofgem:

- a) That the Proposed CP376 solution better facilitates Ofgem's Principal Objective;
- b) That the Proposed CP376 solution better facilitates the CM Rules Change Objectives:
  - (b)Facilitating the efficient operation and administration of the Capacity Market
- c) The draft legal text for the CP376 solution.
- d) That the CP376 solution should be **implemented**

---

## CP376 – Next Steps

---

- The CMAG Secretariat will draft the Change Proposal Report for CP376, to be reviewing by CMAG via SharePoint.
- Provided no material comments are received, the CMAG Secretariat will issue the final report to Ofgem, for inclusion in their next Statutory Consultation.



# CMAG SURGERY



# HOUSEKEEPING CHANGES

---

## Housekeeping Changes

---

During the CMAG change process, the Secretariat has identified a number of housekeeping changes that can address errors/inconsistencies within the CM Rules but do not have a direct impact on CM operations.

These have been separated into two categories:

- Housekeeping changes without additional dependencies; and
- Housekeeping changes that are dependent on other CM Rules Change Proposals.

The following slides detail the housekeeping changes and proposed change. CMAG are requested to review each change and confirm whether they agree with the housekeeping change.

The CMAG Secretariat will subsequently submit a briefing document to DESNZ, which incorporates all housekeeping changes CMAG have agreed to proceed with, to be considered in their legal review of the CM Rules. This approach will be more efficient than raising a CP.

## Housekeeping Changes without additional dependencies (1/4)

Subject/Rule	Issue	Suggested Change
<p><b>CM Register</b> Rule 7.4.1(a)(ic) Rule 7.4.1(d)(ix)</p>	<p>7.4.1(d)(ix) appears to duplicate part of 7.4.1(a)(ic) concerning De-rated Capacity of Generating CMU and Generating Unit:</p> <p>(ic) a description of the CMU including (where applicable) each Generating Unit comprising such CMU and in the case of a Generating CMU, the Primary Fuel Type, Generating Technology Class, Connection Capacity and <b>De-rated Capacity for the CMU</b> and the Primary Fuel, Generating Technology Class, Connection Capacity and <b>De-rated Capacity for each Generating Unit comprising such CMU</b>;</p> <p>:</p> <p>(d) in relation to any Prequalified CMU:</p> <p>:</p> <p>(ix) the <b>De-rated Capacity of the CMU</b> and, in the case of a <b>Generating CMU</b>, the <b>De-rated Capacity of each Generating Unit</b> comprising such CMU;</p>	<p>a) Remove duplication in Rule 7.4.1(d)(ix); <b>or</b></p> <p>b) Clarify that it only relates to changes in De-rated Capacity between Application and Prequalification e.g. via dispute resolution and appeals.</p>

## Housekeeping Changes without additional dependencies (2/4)

Subject/Rule	Issue	Suggested Change
<b>CM Register</b> Rule 7.5.1(aa)	Duplicate use of reference (aa) in Rule 7.5.1:  7.5.1 The Delivery Body must update the Capacity Market Register (a)... (aa) to record a change made to the Maximum Obligation Period for a CMU where Rule 5.16.2 applies;  ... (z)... (aa) to record any changes to the amount of Credit Cover required for the CMU, within five Working Days of receiving such notification;	Replace first instance of 7.5.1(aa) with 7.5.1(az)
<b>Notices</b> Rule 1.6.2	Rule 1.6.2 states that all notices, submissions and communications to the Auctioneer must be in writing and submitted via the IT Auction System. Under Rule 1.6.3, any communication not in accordance with Rule 1.6.2 will be deemed not to have been received. However, Rule 5.5.21 specifically refers to circumstances relating to a technical fault preventing submission through the IT Auction system, which allows for submission by telephone as set out in the Auction Guidelines.	1.6.2 All notices, submissions and other communications by, or to, the Auctioneer pursuant to the Regulations or the Rules must be in writing and, <b>subject to 5.5.21</b> , submitted via the IT Auction System

## Housekeeping Changes without additional dependencies (3/4)

Subject/Rule	Issue	Suggested Change
<b>Definitions</b> Electricity Capacity Report	Electricity Capacity Report is not a defined term, but references throughout the CM Rules vary between 'Electricity Capacity Report' and 'electricity capacity report'.  It is a defined term within the Regulations.	Capitalise all instances of 'Electricity Capacity Report' in the CM Rules.
<b>Definitions</b> Long-Stop Date	Long-Stop Date is hyphenated as a defined term, but unhyphenated is used within the CM Rules 16 times.	Remove the hyphen from the definition.
<b>Definitions</b> Capacity Provider	'Transferee' is a defined term and should be capitalized:  Capacity Provider means, for any Capacity Committed CMU... (b) if a transfer of the Capacity Agreement for that CMU and Delivery Year or part of a Delivery Year has been registered on the Capacity Market Register, the <b>transferee</b> ...	Capitalise 'Transferee'

## Housekeeping Changes without additional dependencies (4/4)

Subject/Rule	Issue	Suggested Change
<b>Capacity Market Register</b> 7.4.1(d)(xvii)	Duplicated reference in the CM Rules July 2023 Informal Consolidated version.	Replace second occurrence with 7.4.1(d)(xviii)
<b>Capacity Market Register</b> 7.4.5(l)	Refers to 'Exisiting CM'	Replace with 'Existing CMU'
<b>Capacity Market Register</b> 7.5.1(u)	Concated text into 7.5.1(u)(ii): u) where the Delivery Body is required by Regulation 73 to amend the Capacity Market Register to give effect to: (i) a decision of the Authority or the court on review or appeal under the Rules or the Regulations; or (ii) a redetermination by the Delivery Body pursuant to a direction by the Authority or the court, within five Working Days of receipt of the decision or instruction amend the Capacity Market Register as required by that decision or instruction;	Add space between 'court,' and 'within' in 7.5.1(u)(ii):  (ii) a redetermination by the Delivery Body pursuant to a direction by the Authority or the court, within five Working Days of receipt of the decision or instruction amend the Capacity Market Register as required by that decision or instruction;

## Housekeeping Changes with dependencies

Subject / Rule	Issue	Suggested Change	Dependency
<p>Configuration 4.4.4 7.5.1(ra) 7.5.1(hh) 8.3.4A</p>	<p>Rule 4.4.4 states the configuration of a CMU cannot change after Prequalification, however the CM Register can reflect changes to Primary Fuel Type or Generating Technology Class under Rule 7.5.1 and Rule 8.3.4A.</p> <p><b>4.4.4</b> The <b>configuration</b> of Generating Units that comprise a CMU must not be changed once that CMU has Prequalified.</p> <p><b>7.5.1</b> The Delivery Body must update the Capacity Market Register:...</p> <p><b>(ra)</b> to record any <b>change in the Primary Fuel Type or Generating Technology Class for a Generating CMU</b> and the Primary Fuel or Generating Technology Class for each Generating Unit comprising such CMU notified to the Delivery Body;...</p> <p><b>(hh)</b> to record any <b>changes to the Primary Fuel or generating capacity of the Permitted On-Site Generating Unit</b> comprising a Proven DSR CMU;</p> <p><b>8.3.4A</b> A Capacity Provider must notify the Delivery Body of a <b>change in the Primary Fuel Type for a Generating CMU</b></p>	<p>Ensure consistency between:</p> <ul style="list-style-type: none"> <li>• Changes that <b>are allowed</b> (maintenance and reconfiguration)</li> <li>• Publication in CMR</li> <li>• Impact on testing and Fossil Fuel Emissions and annual reporting</li> </ul>	<p>CP372 'Change to Rule 4.4.4' to be considered as part of a wider review of Secondary Trading arrangements by Ofgem and DESNZ</p>

## Housekeeping Changes with dependencies (1/5)

Subject / Rule	Issue	Suggested Change	Dependency
<b>Metering</b> 7.4A.1(b)(ii)	<p>Rule 7.4A.1(b)(ii) requires a Capacity Provider to complete a Metering Assessment, without specifying for the “CMU and its Components”.</p> <p><b>7.4A.1</b> With respect to each Capacity Auction, the CM Settlement Body must ensure that the following entries are made on the Capacity Market Metering Register from...</p> <p><b>(b)</b> Metering data:</p> <ul style="list-style-type: none"><li>i. the Meter Point Administration Numbers for the relevant Meters relating to the CMU;</li><li>ii. whether the Capacity Provider is subject to a requirement to <b>complete a Metering Assessment</b> and, if so, the date by which it must be completed</li></ul>	Insert “ <b>for the CMU and its Components</b> ” after ‘Assessment’ in Rule 7.4A.1(b)(ii).	Subject to CP373 being approved and implemented.



## Housekeeping Changes with dependencies (2/5)

Subject / Rule	Issue	Suggested Change	Dependency
<b>Metering</b> <ul style="list-style-type: none"><li>• 7.4A.1(b)(iv) – (v)</li></ul>	Logically, CM Metering Register requirements relating to Metering Assessment (iv)-(v) should be completed before the Metering Test (iii).	Change sequence of subsections (iii) – (v): <b>(b)</b> Metering data: <ul style="list-style-type: none"><li><b>i.</b> the Meter Point Administration Numbers for the relevant Meters relating to the CMU;</li><li><b>ii.</b> whether the Capacity Provider is subject to a requirement to complete a Metering Assessment and, if so, the date by which it must be completed</li><li><del>iv.</del> <b>iii.</b> the responses submitted in the Metering Assessment within 5 days of completion</li><li><del>v.</del> <b>iv.</b> Confirmation based on the results of the Metering Assessment on whether a Metering Test is required within 5 days of completion</li><li><del>iii.</del> <b>v.</b> where applicable, the date on which a valid Metering Test Certificate was awarded to a Capacity Committed CMU within 5 days of completion</li></ul>	Subject to CP373 being approved and implemented.

## Housekeeping Changes with dependencies (3/5)

Subject / Rule	Issue	Suggested Change	Dependency
<b>Metering</b> 7.4A.1(b)(iv)	<p>Rule 7.4A.1(b)(iv) only refers to “response submitted in the Metering Assessment” without any cross reference to the pertinent Rules or reflecting any detail from those Rules.</p> <p><b>7.4A.1</b> With respect to each Capacity Auction, the CM Settlement Body must ensure that the following entries are made on the Capacity Market Metering Register from...</p> <p><b>(b)</b> Metering data:</p> <p><b>iv.</b> the <b>responses submitted in the Metering Assessment</b> within 5 days of completion</p>	Add “ <b>(as required by Rule 8.3.3)</b> ” after Assessment in Rule 7.4A.1(b)(iv).	Subject to CP373 being approved and implemented.

## Housekeeping Changes with dependencies (4/5)

Subject / Rule	Issue	Suggested Change	Dependency
<b>Metering</b> 7.4A.1(b)(vi)	Logically, CM Metering Register requirements relating to BMUs should be before MPANs (i).	<p>Change sequence of subsections:</p> <p>(b) Metering data:</p> <ul style="list-style-type: none"><li><b>i.</b> BM Unit ID and other identification codes for the relevant Meters</li><li><b>ii.</b> the Meter Point Administration Numbers for the relevant Meters relating to the CMU;</li></ul> <p><b>and (ii)-(v) renumbered as (iii)-(vi)</b></p> <p><b>Or</b></p> <p>(b) Metering Data</p> <ul style="list-style-type: none"><li><b>i.</b> The <b>CM Aggregation Rules [CP369] Meter Point Administration Numbers for the relevant Meters</b> relating to the CMU;</li></ul> <p><b>and delete (vi) and renumber (vii)-(viii) accordingly.</b></p>	Subject to CP373 being approved and implemented.

## Housekeeping Changes with dependencies (5/5)

Subject / Rule	Issue	Suggested Change	Dependency
<b>Metering</b> 7.4A.1(b)(iv) – (v)	Logically, CM Metering Register requirements relating to Metering Assessment (iv)-(v) should be completed before the Metering Test (iii).	Change sequence of subsections (iii) – (v):  <b>(b) Metering data:</b> <b>i.</b> the Meter Point Administration Numbers for the relevant Meters relating to the CMU; <b>ii.</b> whether the Capacity Provider is subject to a requirement to complete a Metering Assessment and, if so, the date by which it must be completed <del>iv.</del> <b>iii.</b> the responses submitted in the Metering Assessment within 5 days of completion <del>v.</del> <b>iv.</b> Confirmation based on the results of the Metering Assessment on whether a Metering Test is required within 5 days of completion <del>iii.</del> <b>v.</b> where applicable, the date on which a valid Metering Test Certificate was awarded to a Capacity Committed CMU within 5 days of completion	Subject to CP373 being approved and implemented.

# ITE REPORT REQUIREMENTS REVIEW

# BACKGROUND AND CONTEXT

---

## What was agreed at CMAG Meeting 16?

---

- CMAG agreed to conduct a review of the CM Rules ITE Requirements as members have previously raised concerns relating to the quality of ITE reports.
- CMAG agreed to consider the following areas:
  - 1) Review the definition of ITE
  - 2) Review existing ITE reporting areas in the CM Rules and identify any key areas of consideration; and
  - 3) Review the requirements of ITE reports
- CMAG Members highlighted that the following ITE areas were a particular priority for consideration:
  - Total Project Spend
  - Extended Years Criteria; and
  - Financial Commitment Milestones.

# TIMELINES



---

## Timelines for Consideration

---

- Two timeline options have been developed for CMAG consideration:
  - Option 1** – Splits out work across 8 CMAG meetings. This timeline intends to allow CMAG to consider any new CPs that will be raised over the coming months without/with minimal risk of requiring reprioritisation of items in the Forward Workplan.
  - Option 2** – Splits out expected work across 6 CMAG Meetings. This timeline intends to allow CMAG to progress any agreed changes to the ITE requirements at a faster pace but there is a higher risk that items on the Forward Workplan may have to be reprioritised if new CPs are raised.
- The CMAG is requested to consider both timeline options and indicate their preference for progression.

## Expected Timeline Option 1

CMAG Meeting	Date	Topics for Consideration
17	22/02/2024	ITE Definition Total Project Spend
18	19/03/2024	ITE Definition Total Project Spend Extended Years Criteria
19	16/04/2024	Extended Years Criteria Financial Commitment Milestone Substantial Completion Milestone – LSD Extension
20	21/05/2024	Financial Commitment Milestone Substantial Completion Milestone – LSD Extension Operational Definition
21	18/06/2024	Operational Definition Construction Progress Remedial Plans DSR Partial Credit Cover Release
22	16/07/2024	Construction Progress Remedial Plans DSR Partial Credit Cover Release Review ITE Reporting Requirements
23	Not Confirmed	Review ITE Reporting Requirements Raise CP
24	Not Confirmed	CMAG Recommendation

## Expected Timeline Option 2

CMAG Meeting	Date	Topics for Consideration
17	22/02/2024	ITE Definition Total Project Spend
18	19/03/2024	ITE Definition Total Project Spend Extended Years Criteria Financial Commitment Milestone Substantial Completion Milestone - LSD Extension
19	16/04/2024	Extended Years Criteria Financial Commitment Milestone Substantial Completion Milestone – LSD Extension Construction Progress Remedial Plans Operational Definition
20	21/05/2024	Construction Progress Remedial Plans Operational Definition DSR Partial Credit Cover Release Review ITE Reporting Requirements
21	18/06/2024	DSR Partial Credit Cover Release Review ITE Reporting Requirements Raise CP
22	16/07/2024	CMAG Recommendation

---

## Purpose of Session

---

- The intention of the following slides is to:
  - Give background on ITE definitions & Total Project Spend; and
  - Present some initial possible solution options to CMAG Members for consideration
- The CMAG is requested to:
  - Determine whether the issue highlighted should be considered
  - Determine their preferred solution approach for each area
  - Agree actions for further development.

# ITE DEFINITION

---

## What is the CM Rules Definition of an ITE?

---

*A person who:*

- (a) is independent of the relevant Capacity Provider;*
- (b) is engaged by the relevant Capacity Provider at its expense to prepare the technical assessment, report, certificate or commentary required by Rules 6.6, 6.7, 6.7B, 6.10, 8.3 or 12.2 to the Required Technical Standard; and*
- (c) if the person is:*
  - (i) engaged in respect of a Prospective Generating CMU, an experienced technical expert with international experience and expertise in the construction and operation of Generating Units;*
  - (ii) engaged in respect of a Prospective Interconnector CMU, an experienced technical expert with international experience and expertise in the construction and operation of Electricity Interconnectors; and*
  - (iii) engaged in respect of an Unproven DSR CMU, an experienced technical expert with experience and expertise in Demand Side Response*

---

## What is the CM Rules Definition of Required Technical Standard

---

### Required Technical Standard Definition

*'means, with respect to any report or assessment by an Independent Technical Expert that:*

- (a) to the best of the Independent Technical Expert's knowledge and belief all information provided in it is accurate, complete and not misleading; and*
- (b) any opinions or forecasts in the assessment have been conservatively prepared on assumptions which it considers to be fair and reasonable'*

# Independence of ITE Options

Options	Solution Key Features	Questions	Possible Pros and Cons
1. Leave as is	As is in the CM Rules	Is ambiguity in the definition of independence causing any issues with the rejection of ITE reports currently?	<p>+/- Gives EMR DB flexibility on the determination of 'independence'</p> <p>- Vague definition could lead to unnecessary disputes and rejections</p>
2 Define Independent	ITE cannot be employed by or acts as a contractor for the same Group as the Capacity Provider except for the purposes of providing ITE technical assessments, reports, certificates or commentaries under the CM Rules.	<p>Would any alternative definitions be suitable?</p> <p>Are there any unintended consequences of this approach?</p>	<p>+ Greater clarity on what is meant by independence</p> <p>- Possibly overly restrictive could limit competition from Capacity Providers that are associated with larger companies</p>
3. Create a list of ITEs	A list of approved ITEs maintained by EMR DB could be used to ensure possible independence issues are minimised	<p>What requirements would need to be met by an ITE to be on the approved list?</p> <p>Should these be specified or for EMR DB to determine?</p>	<p>+ Could increase quality of ITE report submissions by excluding low quality providers</p> <p>- Could limit competition &amp; increase ITE Reporting costs to Capacity Providers and/or create bottlenecks</p> <p>+/- Gives EMR DB flexibility on the determination of 'independence'</p>



## Required Technical Standard Options

Option	Solution Key Features	Questions	Possible Pros and Cons
1. Leave as is	As is in the CM Rules	Only requires: <ul style="list-style-type: none"> <li>• pertinent experience (Generating Unit, Interconnector or DSR);</li> <li>• international experience.</li> </ul>	<ul style="list-style-type: none"> <li>- No specification of ITE qualifications by CMU category</li> <li>- No requirement for achieving recognised quality standards</li> <li>- DB have to judge CV as demonstrating appropriate experience</li> </ul>
2 Define Standards in Rules	Add Schedule of ITE requirements by CMU category (Generating Unit, Interconnector or DSR), or even by GTC, covering: <ul style="list-style-type: none"> <li>• Qualifications;</li> <li>• Quality standards.</li> </ul>	Who determines appropriate qualifications and quality standards?	<ul style="list-style-type: none"> <li>- Overly proscriptive</li> <li>- Lead time to amend Rules</li> <li>- Needs appeals process</li> </ul> <p>+ Less subjective for DB evaluation</p>
3 Maintain List of Standards outside Rules	Managed List of ITE requirements by CMU category (Generating Unit, Interconnector or DSR), or even by GTC, covering: <ul style="list-style-type: none"> <li>• Qualifications;</li> <li>• Quality standards.</li> </ul>	Who maintains any List of requirements?	<ul style="list-style-type: none"> <li>- Overly proscriptive</li> <li>- Shorter lead time to amend List</li> <li>- May need an appeals process</li> </ul> <p>+ Less subjective for DB evaluation</p>

---

## International Experience Requirement

---

The ITE definition requires ITEs that are preparing technical assessments, reports, certificates or commentaries for Capacity Providers with Prospective Generating CMUs i.e. New Build and Refurbishing CMUs; and/or Prospective Interconnector CMUs to have international experience

**Q:** 10 years on from the start of CM, should this requirement be removed as we now have plenty of potential ITE with UK experience?

## Experienced Technical Expert Definition

Option	Solution Key Features	Questions	Possible Pros and Cons
1. Leave as is	As is in the CM Rules i.e. no strict definition	Is ambiguity in the definition of 'experienced' causing any issues with the rejection of ITE reports currently?	<p>+/- Gives EMR DB flexibility on the determination of 'experienced'</p> <p>- Not clear to Capacity Providers what does and does not constitute an experienced technical expert</p>
2. Timeframe of experience	Introduce a requirement for an ITE to have a minimum number of years of relevant experience	<p>What should the number of years be in this approach? 2 years, 3 years, 5 years or other timeframe?</p> <p>Should the amount of experience required be standard for all ITE reporting requirements? And/or CMU types?</p>	<p>- Potential to limit competition</p>
3. List of ITEs	A list of approved ITEs maintained by EMR DB could be used to ensure the required level of experience is achieved	<p>Should this be at an ITE definition level or a ITE Report level or both?</p> <p>Should this vary by CMU category (Generating, Interconnector, DSR)?</p> <p>Is DB the right party to maintain this list?</p>	<p>+ Could increase quality of ITE report submissions by excluding low quality providers</p> <p>- Could limit competition &amp; increase ITE Reporting costs to Capacity Providers and/or create bottlenecks</p>
4. List of pertinent experience for ITEs	A list of pertinent experience that an ITE must satisfy, by each Generating Technology Class, to be classed as experienced under the CM Rules	<p>What experience would need to be demonstrated by an ITE to be on the approved list?</p> <p>Should this experience be specified or for EMR DB to determine?</p> <p>Should this be at an ITE definition level or a ITE Report level or both?</p>	<p>+ Could improve quality of ITE reports</p> <p>- Could limit competition less than other options</p>

# TOTAL PROJECT SPEND – BACKGROUND

---

## What are the Total Project Spend ITE reporting requirements?

---

- The relevant Capacity Provider must provide the Delivery Body a certificate from an Independent Technical Expert stating the Total Project Spend incurred. The ITE must also confirm it is satisfied that the Total Project Spend incurred divided by De-rated Capacity of the CMU is:
  - (i) less than the Three Year Minimum £/kW Threshold; or
  - (ii) equal to or greater than Three Year Minimum £/kW Threshold and less than the Fifteen Year Minimum £/kW Threshold; or
  - (iii) equal to or greater than the Fifteen Year Minimum £/kW Threshold
- The ITE report is to be provided:
  - Within 3 months of the start of the first Delivery Year; or
  - Such later date as the Capacity Agreement becomes effective (by MCR/SCM or DSR Test)
- Total Project Spend is:
  - **For New Build or Unproven DSR CMU** – The Capital Expenditure (excluding contingency) incurred with respect to the CMU between the date which is 77 months prior to the commencement of the first Delivery Year to which the Application relates and the commencement of the first Delivery Year to which the Application relates
  - **For Refurbishing CMU** – The Capital Expenditure (excluding contingency) incurred with respect to the CMU between Auction Results Day and the start of the first Delivery Year.

---

## What are the Total Project Spend ITE reporting requirements?

---

### Capital Expenditure

*'means the capital expenditure (as determined under International Accounting Standard 16) in relation to property, plant and equipment which has the primary purpose of delivering capacity:*

- (a) for a Generating CMU or an Unproven DSR CMU, on that CMU; or*
- (b) for an Interconnector CMU, on that CMU together with the Non-GB Part'*

### International Accounting Standard 16

IAS 16 defines Plant Property and Equipment as tangible items that are:

- Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and
- Expected to be used during more than one period.

### Additional reporting requirements

#### 8.3.6 Evidence of TPS

##### (ab) Unproven DSR

- (i)(aa) ..., for each component, list the Manufacturer Serial Number for the equipment in the component in respect of which the highest Capital Expenditure forming part of the Total Project Spend has been incurred for that component

#### Exhibit A Prequalification Certificate

- (f)(ii) the Qualifying £/kW Capital Expenditure has been determined, so far as possible, without reference to any substantive routine or statutory maintenance works required at the [Refurbishing CMU](#)

## What are the consequences for Capacity Providers if the Total Project Spend requirements are not met?

Agreement Length	Requirement(s)	Consequence
15 Year	<ul style="list-style-type: none"> <li>- Must meet the 15 Year Minimum £/kW Threshold</li> <li>- Must provide a certificate stating the Total project Spend occurred</li> </ul>	<ul style="list-style-type: none"> <li>- If the 15 Year Minimum £/kW Threshold is not met but the 3 Year Minimum £/kW Threshold is met a Reduction Notice is issued and 3 Year awarded</li> <li>- If the 15 Year and 3 Year Minimum £/kW Thresholds are not met a Reduction Notice is issued and a 1 Year agreement is awarded</li> <li>- If a valid ITE certificate with Total Project Spend isn't provided a Reduction Notice is issued and a 1 Year awarded</li> </ul>
3 Year	<ul style="list-style-type: none"> <li>- Must meet the 3 Year Minimum £/kW Threshold</li> <li>- Must provide a certificate stating the Total Project Spend occurred</li> </ul>	<ul style="list-style-type: none"> <li>- If the 3 Year Minimum £/kW Threshold is not met a Reduction Notice is issued and a 1 Year agreement is awarded</li> <li>- If a valid ITE certificate with Total Project Spend isn't provided a Reduction Notice is issued and a 1 Year awarded</li> </ul>
1 Year	<ul style="list-style-type: none"> <li>- No requirements applicable to Total Project Spend</li> </ul>	<ul style="list-style-type: none"> <li>- Not applicable</li> </ul>

**Note:** The Extended Years Criteria (EYC) thresholds are Auction Parameters, specified for each Auction

# ITE TOTAL PROJECT SPEND – ISSUES AND SOLUTION OPTIONS



---

## What are the issues with Total Project Spend ITE Reports?

---

Variable quality from just simple declarations to detailed invoices provided as evidence for all spend

No clear sanctions for poor quality ITE reports

# Total Project Spend – Possible Solutions Pros and Cons

## Issue: Variable quality from just simple declarations to detailed invoices provided as evidence for all spend

Option	Solution Key Features	Questions	Possible Pros and Cons
1) Leave as is	As is in the CM Rules i.e. requirements as described in previous slides with no further level of prescription of requirements	Is there a problem with the quality of TPS ITE Reports at the moment?  If so, how big a problem is this?	+ ITEs have more flexibility than other with options to provide the level of evidence as they see fit to prove that TPS/DRC meets EYC and the level of TPS.  + No implementation effort  - Higher risk than other options of variable ITE Report quality
2) Include checklist in CM Rules	A checklist contained in the CM Rules detailing what TPS submissions must contain	Who should determine what is included on such a check list?  How should non-compliances with checklist be managed?	+ Relatively simple to implement, would require minimal extra resource for assurance activities  + Enforceable as it is contained within the CM Rules  + Less subjective than other options, provides clarity on what 'good' looks like  - Removes flexibility for ITE providers when writing reports  - More prescription could increase costs of ITE Reporting to Capacity Providers  - Difficult to change as within CM Rules
3) Create guidance specifying further requirements for TPS	A checklist contained in the CM guidance detailing what TPS submissions must contain	Who should determine what is included on such a check list?  How should non-compliances with checklist be managed?	As per 1) except:  - Less enforceable than 1) as it is guidance + Easier to change as amendments can be made without going through CM Rules change process
4) A hybrid approach with a requirement in the Rules for EMR DB to maintain a list of requirements	A requirement in the CM Rules for EMR DB to publish a checklist of TPS ITE reporting requirements	Who should determine what is included on such a check list?  How should non-compliances with checklist be managed?  Should EMR DB be required to regularly review?	As per 1) except:  + Easier to change as amendments can be made without going through CM Rules change process

## Total Project Spend – Possible Solutions Pros and Cons

**Issue:** Variable quality from just declarations to detailed invoices provided for all spend

Option	Solution Key Features	Questions	Possible Pros and Cons
1) Create an approved list of ITEs.	A list of approved ITEs could be used to ensure the required level of quality for TPS reports is achieved	<p>Who would maintain this list? EMR DB, CMSB?</p> <p>What criteria would ITEs have to meet to be on an approved list of ITEs for TPS?</p> <p>What should the process be to add and remove ITEs? Should this be appealable?</p>	<p>+ Would increase quality of ITE report submission by excluding low quality providers</p> <p>- Limits competition – Could increase ITE Reporting costs to Capacity Providers and/or create bottlenecks leading to missed deadlines and associated agreement length reductions</p>
2) Powers in Rules to blacklist ITEs that continuously provide poor quality ITE reports	Give EMR DB Powers to blacklist ITEs	<p>Who would have powers to blacklist ITEs? EMR DB, CMSB?</p> <p>What criteria would ITEs have to meet to be removed as ITE providers for TPS?</p> <p>What should the process be to blacklist ITEs? Should this be appealable?</p>	<p>+ Would increase quality of ITE report submission by excluding low quality providers</p> <p>- Limits competition – Could increase ITE Reporting costs to Capacity Providers and/or create bottlenecks leading to missed deadlines and associated agreement length reductions</p>

# Total Project Spend – Possible Solutions Pros and Cons

## Issue: No clear sanctions for poor quality ITE reports

Option	Solution Key Features	Questions	Possible Pros and Cons
1) Leave as is	No audit requirements. If the TPS ITE Report does not meet the requirements detailed in the CM Rules, Capacity Providers can have agreement lengths reduced.	Are the current requirements suitable?  How are the current reports checked/assessed by EMR DB?	+ No implementation effort  - Provides a lower level of assurance than other options
2) DB to conduct 'Monitoring' visit	Uses existing Rule Use Rule 12.3 for DB to carry out a 'Monitoring' visit	What happens/should happen if the monitoring visit highlights problems with the submitted ITE report?	+ Provides a quality control measure on ITE Report content  - Greater level of expertise (or appropriate subcontractors) required to conduct appropriate Monitoring visits
3) Quality Control via targeted audits e.g. linking to SPD failure	Audits conducted on CMUs that have failed SPDs to ensure TPS requirements have been met.	What percentage of TPS ITE Reports should be audited? 2%, 5%, 10% etc.?  Who should conduct the audit?  What criteria should the reports be audited against?  What should happen if an ITE report submitted is found to be unsuitable?	+ Provides a higher level of targeted assurance when compared to the current arrangements  - Could be outside of scope of CMAG and ofgem, i.e. a policy change by DESNZ  - Greater level of expertise and resource required to conduct appropriate audits
4) Quality Control via audit X% of total ITE reports approach	Audits conducted on a random sample of CMUs that have submitted TPS ITE reports.	What percentage of TPS ITE Reports should be audited? 2%, 5%, 10% etc.?  Who should conduct the audit?  What criteria should the reports be audited against?  What should happen if an ITE report submitted is found to be unsuitable?	+ Provides the greatest level of assurance when compared to other options  - Could be outside of scope of CMAG and ofgem, i.e. a policy change by DESNZ  - Likely to be resource intensive  - Greater level of expertise required to conduct appropriate audits



# CMAG FORWARD WORKPLAN

# CMAG Forward Workplan

Title	2023	2024									Commentary	Key	
	December	January	February	March	April	May	June	July	August	September			
CP366 - Definition of Total Project Spend												CMAG recommended CP366 be approved to Ofgem  In DESNZ's response to its 2023 CM Consultation, DESNZ has confirmed it intends to carry out further analysis/development on its proposed changes to the Total Project Spend definition	Pre-raise Consideration
CP365 - ITE Reporting Requirements												CMAG recommended to Ofgem that CP365 be approved  In DESNZ's response to its 2023 CM Consultation, DESNZ has confirmed it intends to take forward its proposed changes to ITE Reports with an expected implementation before the 2024 CM Auctions	Initial Consideration of Proposal
CP364 - Allow Secondary Trading from T-4												Awaiting impact assessment from EMR DB on the alternative solution	Development
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	CMAG Recommendation
CP362 - CM Agreement Transfers												CMAG recommended to Ofgem that CP362 be approved	With Ofgem
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	On hold
CP368 - CYR Publication and CMYRN Submission Deadlines												CMAG recommended to Ofgem that CP368 be implemented	
CP369 - Secondary Trading with CMU Metering Aggregation Rules												CMAG recommended to Ofgem that CP369 be implemented	
CP370 - Changes to Extended Performance Test												At CMAG Meeting 7, DESNZ and Ofgem highlighted the policy interactions with CP367  It was agreed this Proposal would be discussed offline and not be progressed further by CMAG due to the interactions with policy	
CP371 - 'Management of connection delays by network companies'												The CMAG recommended to Ofgem the the CP371 alternative solution be implemented	
CP372 - 'Change to Rule 4.4.4'												The CMAG agreed not to progress further with this on the basis that DESNZ expect to lead on this work as part of its Phase 2 consultation. CMAG discussions including the outcome of the industry survey will be presented to Ofgem and DESNZ.	
CP373 - 'Delivery Body and Settlement Body Metering Process'												CMAG recommended that CP373 be implemented	
CP374 - Splitting CMUs												CMAG agreed not to progress the proposal at Meeting 15 as there was a significant risk this proposal was contrary to the Regulations and policy intent (as expressed by DESNZ at CMAG Meeting 14), seen as a low priority (due to likely impact of the issues applying to a low number of sites) and work could be superseded by the wider review of Rule 4.4.4	
CP375 - Merging CMUs												CMAG agreed not to progress the proposal at Meeting 15 as there was a significant risk this proposal was contrary to the Regulations and policy intent (as expressed by DESNZ at CMAG Meeting 14), seen as a low priority (due to likely impact of the issues applying to a low number of sites) and work could be superseded by the wider review of Rule 4.4.4	
CP376 - Clarifying restrictions on the role of Agents													

# CMAG Forward Workplan

Title	2023	2024									Commentary	
	December	January	February	March	April	May	June	July	August	September		
CPXXX - ITE Report Requirements Review (wider review than CP365)				Updated Timeline								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.
CPXXX - 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 Trading												
CPXXX - Extension of Secondary Trading Principles for Extended Performance Testing												Placed on hold as this is expected to be considered by DESNZ separately.

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

## Key Updates

- Removed CPXXX 'Housekeeping Changes' as we expect to send these changes directly DESNZ to include as part of their housekeeping changes.
- Moved CPXXX 'Managing SPDs and Secondary Trading' initial consideration of proposal back 1 month
- Moved CPXXX 'Rule 2.3.3 De-rating Factors' initial consideration of proposal back 1 month
- Moved CP376 'Clarifying Restrictions on the role of Agents' Ofgem recommendation forward 1 month
- Changed timelines associated with CPXXX 'ITE Report Requirements Review' to include more pre-raise consideration





# [ACTION LOG](#)

*PLEASE FOLLOW THE LINK TO VIEW*





# AOB AND MEETING CLOSE