# Capacity Market Advisory Group Draft Minutes

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| Meeting number | **20** |  | Venue | **Elexon Offices/MS Teams** |
| Date of meeting | **21 May 2024 10:00-16:00** |  | Classification | **Public** |

| **Attendance and apologies** |  |  |
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| **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** |
| **Raoul Thulin** | **RaT** | **Member** |
| **Paul Jones** | **PJ** | **Member** |
| **Ceri Kenyon** | **CK** | **Representative (CM Settlement Body)** |
| **Bir Virk** | **BV** | **Representative (CM Settlement Body)** |
| **William Farquhar** | **WF** | **Representative (DESNZ)** |
| **Georgie Morris** | **GM** | Representative (DESN) |
| **Beth Hanna** | **BH** | **Representative (EMR Delivery Body)** |
| **Stuart Wells** | **SW** | **Representative (EMR Delivery Body)** |
| **Kat Gay** | **KG** | **Representative (EMRS)** |
| **Andrew Macdonell** | **AM** | **Representative (Ofgem)** |
| **Oli Meggitt** | **OM** | **CMAG Facilitator (Elexon)** |
| **Amy Stackhouse** | **AS** | **CMAG Secretariat (Elexon)** |
| **Chris Arnold** | **CA** | **CMAG Secretariat (Elexon)** |
| **Paul Farmer** | **PF** | **CMAG Secretariat (Elexon)** |
| **Phillip Paul** | **PP** | **CMAG Secretariat (Elexon)** |
| **Apologies** |  |  |
| **Claire Sedgwick** | **CS** | **Member** |
| **Mark Duffield** | **MD** | **Member** |

1. Welcome and Apologies
   1. The CMAG Facilitator welcomed Members and Representatives and noted apologies from Claire Sedgwick (Kamila Nugumanova as Alternate), and Mark Duffield (Paul Jones acting as Alternate).
2. CM Representative Updates

**CM Settlement Body (CMSB)**

* 1. CMSB noted there were no updates for this month.

**Ofgem**

* 1. Ofgem noted it will publish their decision document for their autumn 2023 statutory consultation within the next month.
  2. EMRS highlighted that a letter of comfort is still required due to the difference in go-live dates between EMR Portal v2.0 and EMRS Portal. Ofgem requested to take this query offline.

**EMR Delivery Body (EMR DB)**

* 1. EMR DB noted it has published its [Operational Plan](https://www.emrdeliverybody.com/Capacity%20Markets%20Document%20Library/CM%20Operational%20Plan%202024%20V1.0.pdf) for 2024/25 and will be holding a CM Launch Event on 16 July 2024.

**Department for Energy Security and Net Zero (DESNZ)**

* 1. A Member queried when DESNZ expects to publish its Phase 2 decision document. DESNZ noted the response to its 10-year review of the CM is currently under review and is expected to be published by end of July 2024; DESNZ further noted it is expecting to publish its decisions on Phase 2 CM changes in time to be implemented for Prequalification 2024/25.

1. CMAG Secretariat Update
   1. The CMAG Facilitator noted Elexon will begin the CMAG Membership process in July 2024 and is currently reviewing some changes to this with Ofgem. The CMAG Facilitator further noted the the timetable for the Membership process and any changes to the process will be presented to CMAG for consideration at its next Meeting.
2. Industry feedback
   1. A Member raised a query regarding the Financial Completion Milestone; their Party currently holds a 15 year Capacity Agreement for a New Build battery storage CMU, with the first delivery year starting from 1 October 2026. They are required to achieve FCM by July 2024, including the 10% threshold of Total Project Spend which they will do by making a payment to the battery supplier 12 months earlier than required by the commercial arrangements with that supplier. The Member noted this has negative commercial consequences for the project. The member also noted that the other elements of FCM, Final Investment Decision and Financial Close, would in their case be met within the existing timescale.
   2. A Member noted that whilst they recognise the issue and can see the justification for allowing additional time to meet the FCM in a scenario like this, they do not agree with technology-specific changes.
   3. A Member highlighted that Capacity Providers can include other costs associated with their projects to achieve FCM and can do this to achieve the 10% spend requirement.
   4. EMR DB noted this could link to a larger question which considers the policy intention behind FCM, and if the current Rules achieve this and are still fit for purpose but this is for DESNZ to consider.
   5. A Member noted that FCM seeks to assure that a project will be ready on time, and also allows for any that have been terminated as a result of not meeting FCM – this capacity can then be re-procured at T-1.
   6. The CMAG Secretariat noted this could be considered as a surgery item which would include looking at an extension to the FCM milestone as proposed under CP371, and assurances provided by applicant credit cover.
   7. A Member noted that it would be useful to consider a project-specific percentage for FCM rather than a blanket 10% that covers all.
3. Domestic DSR Bespoke and Balancing Services Metering – LCCC/ESC
   1. CMSB noted an applicant is seeking to enter the 2024/25 prequalification as a Secondary Trading Entrant with approximately 3000 Domestic DSR components with bespoke metering. The Rules required a Metering Test for each component as Bespoke and Balancing Services metering.
   2. CMSB noted that CP373 will mitigate certain system and process constraints, however the operational overhead for all parties is not scalable.
   3. KG noted that they are expecting a significant increase in domestic DSR components, and this needs to be considered both as an immediate issue and a future enduring solution.
   4. KG further noted that domestic MPANs will have gone through a level of assurance already via the BSC systems and processes, so it could be possible to consider if this level of assurance is satisfactory; but a letter of comfort from DESNZ would be required.
   5. CMSB noted they are proposing that CMAG hold a subgroup to consider any possible immediate and enduring solutions for this scenario.
   6. The CMAG Facilitator noted a subgroup would allow CMAG to consider attendance from industry experts with metering experience to provide understanding on possible solutions and assurance measures available.
   7. DESNZ noted they are actively reviewing DSR as part of its Phase 2 consultation and Ten-year Review call for evidence, which consider changing portfolios of Domestic DSR. DESNZ is actively seeking to get ahead of a future increase in DSR components in the CM, the Phase 2 review focuses on both immediate implementation, solutions and working with Delivery Partners on longer term enduring solutions.
4. 50MW Limit on SPD Portfolios
   1. The CMAG Secretariat noted the 50MW limit was intended by the original CM Expert Group (CMEG) to limit the aggregation of Generating Units (GU) on different sites (e.g. embedded generation) into a single CMU; the CM Rules then initially provided for similar controls but limited them to Existing Generators before extending this to Prospective Generators too.
   2. The CMAG Secretariat further noted that it therefore appears that the use of the 50MW limit for CMUs in a CMU Portfolio for SPDs is not related to the 50MW limit for CMUs within the Regulations and CM Rules.
   3. A Member highlighted that the 50MW limit does not apply to volume reallocation processes, which are similar to SPD Portfolios. EMR DB noted SPDs seek to provide assurance of delivery within the CM and is different to volume reallocation which allows Capacity Providers to offset under/over-delivery following a stress event.
   4. The CMAG Secretariat noted CMAG had discussed possible unintended consequences of removing the 50MW limit on CMU portfolios, and presented two potential controls that could be applied to mitigate these.
   5. The first control would seek to introduce a limit so that each CMU must meet its own full Capacity Obligation for at least one of the SPDs it completes.
   6. EMR DB noted that the CMU Portfolio membership is not fixed until all required SPDs are met for the DY, until this point, a CMU Portfolio membership can be changed with certain CMUs removed from a portfolio entirely. Once all required SPDs have been passed, the CMU Portfolio is considered fixed and its constituent CMUs cannot be included in another CMU Portfolio for its SPDs for that DY.
   7. The second control seeks to impose an obligation on each CMU within a portfolio to deliver a minimum proportion of the total CMU Portfolio’s Capacity Obligation.
   8. A Member noted any controls should not make completing SPDs more difficult, in place of removing a constraint that is not necessarily required.
   9. Another Member noted they supported the second control, as it would avoid a CMU Portfolio using one high-performing (ie low De-rating Factor) CMU to meet its SPDs which would be a misuse of the potential change to remove the 50MW limit per CMU.
   10. A Member noted that the second control seems clearer and easier to implement, and understandable to Capacity Providers in terms of their obligations from a delivery perspective.
   11. The CMAG Secretariat queried if Members would like to consider a maximum control so that a low de-rating factor CMU cannot be used to cover underperformance of other CMUs within a portfolio. CMAG agreed it would be beneficial to consider a maximum control, but there could be possible implications to consider with connection capacity.
   12. The CMAG Secretariat noted additional scenarios with different percentages (eg up to the 50% used for Minimum Completion Requirement) where a control is applied to how many CMUs could be ‘not passing’ within a portfolio and present this back to CMAG with a view to consider raising a CM Rules Change Proposal.
5. CMAG Surgery – ITE Report Requirements Subgroup update
   1. The CMAG Secretariat noted the second Subgroup was held on 20 May 2024, where a query regarding FCM was raised. The query considers the wording used in FCM where it refers to ‘spend incurred and paid’ whereas Total Project Spend only refers to ‘incurred’. The CMAG Secretariat noted the Subgroup agreed the wording should be aligned but are unsure of the intent behind the difference.
   2. A Member noted a potential reason ‘paid’ is included for FCM is due to additional assurance required as this milestone occurs earlier in the project timeframe; but their view is that it should be ‘incurred and paid’ for both.
   3. The CMAG Secretariat noted this could be considered as a future surgery item in further detail, but the ITE subgroup will continue to progress with the wording as is currently in the CM Rules.
6. CMAG Surgery – SPD and Secondary Trading
   1. 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.
   2. The CMAG Secretariat noted that a number of changes are expected in July as a result of DESNZ’s decision on its Phase 2 consultation, any legal drafting for potential solutions cannot begin until this is available.
   3. The CMAG Secretariat provided an overview of the SPD requirements for Capacity Committed CMUs, as noted in Rule 13.4 and subject to modification for secondary trading by Rule 9.5.
   4. The CMAG Secretariat highlighted a scenario where a Transferee (with no AACO) has PTCO-in for May to September, but not October to April. In this scenario, Rules 13.4 and 9.5 do not appear to allow for appropriate variation of SPDs for Transferee CMUs without PTCO-in during winter.
   5. EMR DB noted their interpretation at Meeting 19, that if a CMU does not have a Capacity Obligation during the period when an SPD is notionally due (as a Capacity Committed CMU at any time in the Delivery Year, or as modified by 9.5), then they treat the SPD as not required rather than failed, so not triggering additional SPDs, Suspension of Capacity Payments or subsequent Termination Notice. This reflects the practicality that a Transferee may not become ‘Capacity Committed’ until it’s PTCO-in takes effect.
   6. The CMAG Secretariat presented a second scenario where a CMU with an Agreement for a DY has a PTCO-Out which is not for the whole DY (for example if the plant has a failure early in October), but any Capacity Obligation remains even for a single day, the CMU remains Capacity Committed for that DY. Consequently, the CMU is subject to Rule 13.4.1 as modified by 9.5.4, requiring them to complete two SPDs between October to December.
   7. The CMAG Secretariat noted that once the Summer 2024 Rules (Amendment) is published, CMAG can consider raising a change to clarify that a CMU without an AACO only becomes Capacity Committed once a PTCO-in has been approved by DB and entered in the CM Register for the appropriate Auction and from the PTCO-in effective date; limit the number of SPDs in any specified period, to the days in that period during which a CMU is Capacity Committed; and clarify that for a CMU Portfolio the number of SPDs to be met, and their timing, should be based on the CMU Portfolios combined Capacity Obligation and not on the SPD requirements of the individual CMUs within the CMU Portfolio.
7. CMAG Forward Work Plan
   1. The CMAG Secretariat presented the CMAG Forward Work Plan. There were no further comments on the Forward Work Plan.
8. Action Log
   1. Discussion on actions ‘In Progress’ can be found in the CMAG Action Log v20.1 – 28.05.24, published on the [website](https://cmag.elexon.co.uk/event/cmag-meeting-17/).
9. AOB
   1. The CMAG Facilitator noted CMAG Meeting 22 clashes with the EMR DB CM Launch Event and will be rescheduled; this meeting is intended to be held remotely via Teams only.
   2. There was no further business and the meeting was closed. The next CMAG meeting date is Tuesday 18 June 2024.