

# ELEXON

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CAPACITY MARKET ADVISORY GROUP

SIX - MONTHLY UPDATE: OCTOBER 2023



# C O N T E N T S

<b>Foreword</b>	<b>03</b>
<b>Change Proposal Progression Summary</b>	<b>05</b>
<b>Proposals in Development by the Capacity Market Advisory Group</b>	<b>06</b>
<b>Other work conducted by the CMAG</b>	<b>07</b>
<b>CMAG Members Feedback Survey</b>	<b>07</b>
<b>Attendance</b>	<b>09</b>

# FOREWORD

After one year of the CMAG being in operation, I am pleased to present the second six monthly report by Elexon as the Capacity Market Advisory Group (CMAG) Secretariat.

Since the first six-monthly report, we have made strong progress in developing Capacity Market Rules Change Proposals for the benefit of industry. As covered later in this report in greater detail, we have had three new proposals raised by industry. Including these, we have worked on developing seven proposals, and have submitted three of these to Ofgem for consideration (with recommendations to implement). Ofgem will shortly be publishing their first statutory consultation since CMAG became operational, on the changes that CMAG has developed.

We have also introduced more opportunities for industry to engage with the CMAG. The new 'CMAG Surgery' provides the opportunity for industry to come to the CMAG and discuss challenges they are having within the CM, and discuss the opportunities available to resolve these challenges with other experts in the market arrangements. We have already facilitated CMAG Surgery discussions on topics including DSR Component reallocation, extending Secondary Trading principles in relation to Extended Performance Testing, and splitting/merging Capacity Market Units before Substantial Completion Milestone (SCM). Our customers have provided feedback that these sessions have been a good opportunity to discuss challenges with others operating in the CM, and we are expecting that some of these discussions will result in CM Rules Change Proposals in the near future.

Further, we have created a dedicated section of the agenda for CMAG Members or other interested parties to provide positive and constructive feedback to the CMAG or Delivery Partners. This opportunity enables open discussion between industry and central organisations so that there is transparent feedback to help improve the CM for all.

In line with our commitment to transparency, information provision, and engagement, we undertook a review of the CMAG website after its launch in October 2022. Based on this review, we have redesigned and updated the website, incorporating several key updates. The primary changes include:

- **Delivery Partners webpage** which has been newly created to host key information and guidance provided by the EMR Delivery Body and the CM Settlement Body.
- **Rules and Regulations webpage** which has been updated to host all previous versions of the CM Rules and Regulations in one single area for ease of access by CMAG and stakeholders.
- **Change Proposals webpage** which has been updated to include additional information on submitting a CM Rules Change Proposal and guidance on urgency and confidentiality.





# FOREWORD

(Continued)

In the last six-monthly report, I highlighted that we were looking to update CMAG processes. Over the past few months, we have engaged with the CMAG membership, Ofgem and the Department for Energy Security and Net Zero (DESNZ) to create clarity that, where a CM Rules Change is not aligned to government policy, or duplicates work already being undertaken by DESNZ, it will not be progressed by CMAG. This is to ensure clear opportunity for progression between the Ofgem/CMAG processes, and the role of DESNZ, and to ensure that resource across industry and the central bodies is efficiently utilised.

I'm pleased that our second CMAG Member survey has demonstrated that our Members have highlighted improvement over the past six months. We will continually seek to evolve the CMAG processes and engage further with industry stakeholders to ensure the CMAG delivers CM improvements for our customers.

This will be my last CMAG six-monthly report as I depart Elexon in October 2023. Lawrence Jones, Head of Rules Management at Elexon will take over as the CMAG Facilitator at least on an interim basis and will lead the group through the exciting work ahead.

This includes CP364 and CP372 which are in development. I would like to thank everyone involved in the CMAG for their hard work and dedication thus far, and I know the CMAG is destined to continually evolve and deliver strong improvements for our industry stakeholders.

If you would like to talk to the CMAG team about anything you've read in this report, would like to engage with the CMAG membership, or would like to talk to us about an idea you have to improve the CM Rules, please contact us via [our website](#) or email [cmag@elexon.co.uk](mailto:cmag@elexon.co.uk).

If you haven't already, and you are interested in receiving short monthly updates on our CMAG work, please do subscribe to our [mailing list](#).

Elliott Harper  
Head of Governance Services & CMAG Facilitator (Chair)



# Change Proposal Recommendations

One of the key functions of the CMAG is to prioritise and submit well-considered CM Rule Change recommendations to Ofgem. To support this work, over the last six months, the CMAG has undertaken a number of activities to ensure that existing proposals are prioritised and that recommendations made by the CMAG include appropriate analysis and justification.

Key activities include:

- Development and agreement of updates and amendments to the CMAG Terms of Reference and Operating Procedure which detail the functions, processes and responsibilities of the CMAG
- Updates to [CMAG website](#) including changes to how meetings are presented and a change to the layout and structure of the website
- Continued development of a [Forward Workplan](#) showing a prioritised list of all proposals with expected timescales of progression for each, and
- Publication of previous releases of the Capacity Market Rules and the Electricity Capacity Regulations.

A summary of the change proposals considered over the past six months is detailed below.

## Proposals submitted to Ofgem

### CP362 'CM Agreement Transfers'

Change Proposal [CP362 'CM Agreement Transfers'](#) was sent to Ofgem following CMAG meeting 12 on 21 September 2023 with the CMAG Recommendation to implement this Change Proposal.

This Change Proposal seeks to amend Rule 6.7.1 and Rule 9.2.5(a)(i) to allow CM Agreement transfers before a Prospective Capacity Market Unit (CMU) has met its Substantial Completion Milestone (SCM).

Transferors will still need to meet their Financial Commitment Milestone (where applicable) and have not received a Termination Notice in order to secondary trade under these provisions. CP362 is expected to benefit Capacity Providers by giving more options for providers to manage delivery risks.

### CP369 'Secondary Trading with CMU Metering Aggregation Rules'

Change Proposal [CP369 'Secondary Trading with CMU Metering Aggregation Rules'](#) was sent to Ofgem, following the CMAG Meeting 12 on 21 September 2023 with the CMAG Recommendation to implement this Change Proposal.

This Change Proposal seeks to require Capacity Providers to fully set up meter aggregation rules prior to registering a secondary trade. This change seeks to reduce a risk that Capacity Providers miss capacity payments and/or get charged maximum penalties due to lack of aggregation rules when secondary trading.

CP369 will also improve efficiency of secondary trading review/approvals and meter aggregation rules processes for the EMR Delivery Body and CM Settlement Body.

### CP373 'Aggregation, Metering and DSR Component reallocation process transfer from DB to SB'

Change Proposal [CP373 'Aggregation, Metering and DSR Component reallocation process transfer from DB to SB'](#) was sent to Ofgem following the CMAG meeting on 21 September 2023 with the CMAG Recommendation to implement this Change Proposal.

This Change Proposal seeks to transfer responsibilities from the Delivery Body to the Settlement Body for metering aggregation, Metering Tests, Metering Assessment and DSR Component Reallocation. The proposed change will allow for the simplification of interfaces between the Delivery Body and Settlement Body to remove risk of errors in data transfer.

CP373 is expected to benefit the CM Settlement Body by removing manual workarounds and data transfer interfaces, previously required for settlement, and improve the customer experience for Capacity Providers by providing clarity on Delivery Partner accountability and metering process ownership.

# Change Proposals in development

## CP364 'Allow Secondary Trading from T-4'

Change Proposal [CP364 'Allow Secondary Trading from T-4'](#) was initially considered by the CMAG at its November 2022 meeting.

This proposal seeks to allow secondary trading for a Delivery Year from the conclusion of the relevant T-4 auction, rather than the conclusion of the relevant T-1 auction. The Proposal was discussed by the CMAG at four meetings in conjunction with the programme of work of secondary trading process improvements. In accordance with the CMAG Operating Procedure and the Terms of Reference a specialist subgroup was created to consider technical questions raised by the Delivery Body so that technical impacts on key stakeholders can be better evaluated.

The second subgroup meeting was held on 2 May 2023 where further consideration of the technical questions were considered and follow up actions agreed.

## CP370 'Changes to Extended Performance Test'

Change Proposal [CP370 'Changes to Extended Performance Test'](#) was initially considered by the CMAG at its March 2023 meeting.

This Change Proposal seeks to amend the methodology for Extended Performance Tests, to better reflect the ability of storage assets to meet its contracted volume and duration. This Change Proposal was discussed at CMAG Meetings 6 (21 March 2023) and 7 (18 April 2023) where it was highlighted that DESNZ is considering battery degradation following the [consultation](#) that it published in early 2023. To avoid duplication of work between the CMAG and the DESNZ consultation, development of the proposal was paused in April 2023. This is in line with the process changes highlighted in the foreword to this report.

## CP371 'Protection from Very Late Network Connections'

Change Proposal [CP371 'Protection from Very Late Network Connections'](#) was initially considered by the CMAG at its June 2023 meeting.





This Change Proposal seeks to give Capacity Providers ways of appropriately managing very late network connections as a result of Transmission Licensee (TL) / Distribution Network Operator (DNO) connections delays.

This Change Proposal was discussed at CMAG Meetings 9 (20 June 2023), 10 (18 July 2023), 11 (15 August 2023) and 12 (21 September 2023) and aims to give Capacity Providers a series of options to managing these connection delays including multi-year extensions to the Long Stop Date, the postponement of the Financial Completion Milestone and extending the period in which capacity can be increased. The CMAG is currently in the process of reviewing legal text and exploring whether further possible options could be included to the proposal.

## CP372 'Change to Rule 4.4.4'

Change Proposal [CP372 'Change to Rule 4.4.4'](#) was initially considered by the CMAG at its June 2023 meeting. This Change Proposal seeks to clarify how the word 'configuration' should be interpreted in Rule 4.4.4. Rule 4.4.4 prevents a change in the configuration of Generating Units that comprise a CMU once a CMU has Prequalified. The CMAG intends to circulate a survey to gather industry views on this proposal.

The table below gives a summary of the number of CM Rules change proposals that have been considered over the last six months.

3	Proposals Raised	
4	Proposals in Development (as at the end of the period)	
3	Recommendations to Ofgem	
0	Proposals withdrawn by the Proposer or rejected by Ofgem	

## Other work conducted by the CMAG

### CMAG Surgery

The CMAG surgery sessions were introduced at the July 2023 CMAG Meeting. The intention of these surgery sessions is for stakeholders with problems in the Capacity Market to share these issues and workshop possible solutions with the CMAG. Since the introduction of these sessions the CMAG has considered the following three items in the surgery sessions:

- **DSR Component Reallocation** – Considering whether Demand Side Response (DSR) CMUs should be able to move components (e.g. a site or an asset) between CMUs within a Delivery Year
- **Splitting and Merging CMUs before SCM** – Exploring scenarios by which CMUs could be split or merged prior to SCM
- **Recognising Secondary Trades when determining Extended Performance Testing (EPT)** – Considering how EPT requirements could be treated for Duration Limited Storage Technology Classes (DLSTC).

Following CMAG surgery sessions relevant parties may take actions to provide clarifications or update guidance or alternatively raise Change Proposals to address any identified defects. We are expecting some proposals to be raised following some of the surgery items above.

## CMAG Members Feedback Survey

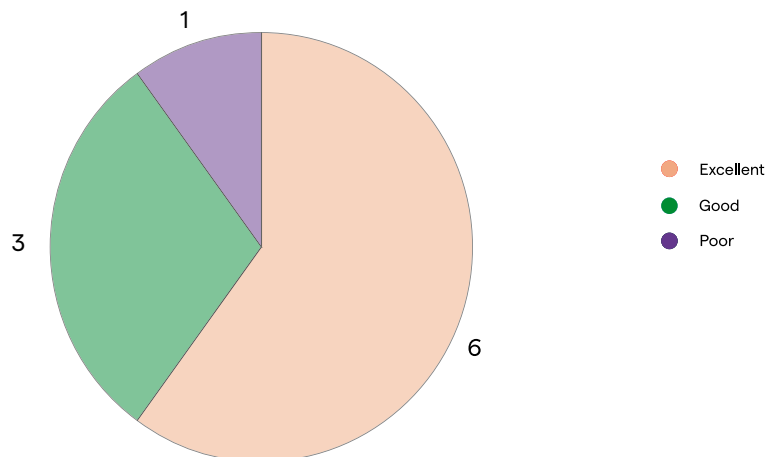
Every six months, in advance of the CMAG six-monthly report, we conduct a survey across CMAG Members, to understand what is going well and that we should keep doing, or any areas that we can improve on. Therefore, the outcomes of CMAG Member views directly feed into the future improvements that we continually plan to make to the way CMAG operates and delivers value.

Whilst it may not be possible to implement all suggestions, there are opportunities for us to improve. For example, off the back of the previous survey, we have implemented set break times, so attendees can better plan their days and take important calls when required in the knowledge that we will pause at specific times. We have amended our agenda and now hold a CMAG Surgery each month, and have structured meetings in a manner that guests can attend for parts of the agenda, without having to sit through the development items.

We have outlined below and on the next page the results of our latest six-monthly survey which covers the same operational period as this six-monthly report. A total of 10 responses were received out of 12 Members.

Overall, a majority of CMAG Members have rated their experience of CMAG over the last six months as 'Excellent' noting that meetings provide a 'constructive and collaborative environment' and 'adding structure to meetings with set break times has been helpful'.

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



## CMAG Members Feedback Survey

(continued)

Since the last survey in January 2023, Members have noted that there is “a clearer focus on issues and change proposals” and “better all-round participation”. Overall 9 out of 12 Members highlighted that their CMAG experience had improved over the past six months.

Suggested areas of improvement have included hosting meetings outside of London, circulating meeting materials further in advance than the current five working days before a meeting, and making clear any changes on updated meeting materials. We will continue to review these areas and seek opportunities where we can improve upon.

If any of our wider stakeholder group have feedback on the CMAG processes or work that we are doing, be it positive or constructive, we’d love to hear from you, so we can continually improve CMAG to deliver value for industry.

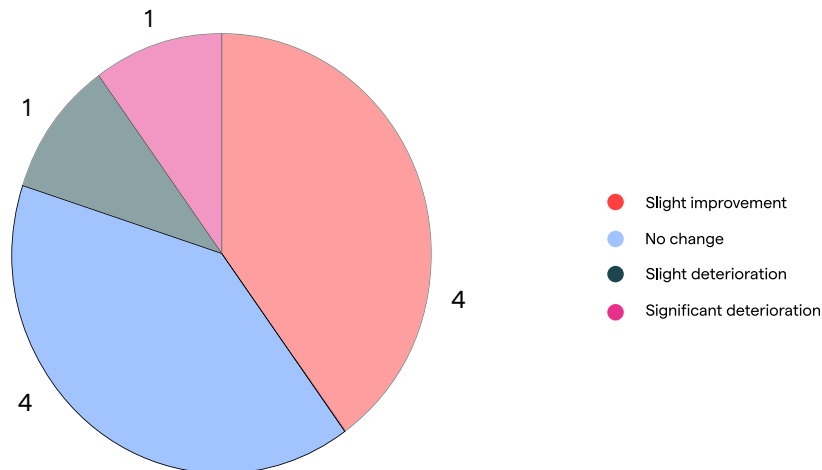
## Attendance

We have continued to benefit from strong attendance by CMAG Members, and have welcomed a number of external guests to observe meetings, bringing their ideas for discussion through the CMAG Surgery, or to participate in CM Rules Change development.

On the next page is a record of the attendance of the attendees at all CMAG meetings between 1 April 2023 and 30 September 2023 which is required to be published in the six monthly report as specified in the CMAG Operating Procedure.

Note that for central organisations, colleagues are grouped, as it’s the attendance by organisation that is pertinent to the operation of the CMAG, rather than the specific named individuals. Please note that attendance by DESNZ is optional and they are not required to attend by the Operating Procedure or Terms of Reference. Where a Member did not attend but appointed an Alternate, this is identified by superscript (note that Alternate attendance is not added to the Member attendance percentage column).

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





# Attendance

## CMAG meeting attendance from 18 April 2023 to 21 September 2023

Attendance	Capacity	Meeting 7 (18/04/23)	Meeting 8 (16/05/23)	Meeting 9 (20/06/23)	Meeting 10 (18/07/23)	Meeting 11 (15/08/23)	Meeting 12 (21/09/23)	Attendance Percentage
<b>Elliott Harper</b>	CMAG Facilitator	Y	Y	Y	Y	Y	Y	100.00%
<b>Various colleagues</b>	CMAG Secretariat	Y	Y	Y	Y	Y	Y	100.00%
<b>Various colleagues</b>	DESNZ	N	Y	Y	Y	N	Y	66.67%
<b>Various colleagues</b>	NGESO-DB	Y	Y	Y	Y	Y	Y	100.00%
<b>Various colleagues</b>	LCCC/ESC	Y	Y	Y	Y	Y	Y	100.00%
<b>Various colleagues</b>	Ofgem	Y	Y	Y	Y	Y	Y	100.00%
<b>Brian Lake</b>	Member	Y	Y	Y	Y	Y	Y	100.00%
<b>Claire Addison</b>	Member	Y	N	Y	N1	N	N	33.33%
<b>Claire Sedgwick</b>	Member	N	N	Y	Y	N1	Y	50.00%
<b>Eleanor Haynes</b>	Member	Y	Y	Y	Y	Y	Y	100.00%
<b>Euan Graham</b>	Member	N	N	N	N	N	N	0.00%
<b>Libby Glazebrook</b>	Member	Y	Y	Y1	Y	N	Y	83.33%
<b>Mark Duffield</b>	Member	Y	Y	N2	N	Y3	Y	66.67%
<b>Paul Jones</b>	Member	Y	Y	Y2	Y	N2	Y	83.33%
<b>Raoul Thulin</b>	Member	Y	Y	Y	Y	N3	Y	83.33%
<b>Richard Thwaites</b>	Member	Y	N	Y	Y	Y2	Y	83.33%
<b>Sarah Honan</b>	Member	Y	Y	Y	Y	N	N	66.67%
<b>Sophie Lethier</b>	Member	N	Y	N1	N	N	N	16.67%
<b>Kamilia Nugumanova</b>	Alternate Member	N/A	N/A	N/A	N/A	Y1	N/A	
<b>Lisa Perrin</b>	Alternate Member	N/A	N/A	N/A	Y1	N/A	N/A	
<b>Lisa Waters</b>	Guest/Proposer	Y	Y	Y	N/A	Y	Y	-
<b>Kyran Hanks</b>	Guest/Proposer	N/A	N/A	N/A	N/A	Y	N/A	-
<b>Tom Guilfoyle</b>	Guest/Proposer	N/A	N/A	N/A	N/A	N/A	Y	-
<b>Gemma Stanley</b>	Guest/Proposer	Y	N/A	N/A	N/A	N/A	N/A	-
<b>Mel Ellis</b>	Guest/Proposer	Y	N/A	N/A	N/A	N/A	N/A	-
<b>Paul Troughton</b>	Guest/Proposer	N/A	Y	N/A	Y	N/A	N/A	-
<b>Anthony Lindley</b>	Guest/Proposer	N/A	N/A	N/A	Y	N/A	N/A	-

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