

# ELEXION

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**Capacity Market Advisory Group (CMAG)  
Meeting 14**

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23 November 2023

Agenda Item	Lead
<b>Standing Items</b>	
1. Welcome and Apologies	Lawrence Jones (CMAG Facilitator)
2. CM Representative Updates	LCCC/ESC; EMR Delivery Body; Ofgem and DESNZ
3. CMAG Secretariat Update	Lawrence Jones
<b>Decision Items</b>	
4. Developing CM Rules Change Proposal – CP364 ‘Allow Secondary Trading from T-4’ – EDF Energy	Eleanor Haynes (EDF) and Chris Arnold (CMAG Secretariat)
5. Developing CM Rules Change Proposal – CP372 ‘Change to Rule 4.4.4’ – CMAG	CMAG and Amy Stackhouse (CMAG Secretariat)
6. Developing CM Rules Change Proposal – CP371 ‘Protection from Connection Delays’ – Waters Wye Associates	Lisa Waters (Waters Wye Associates) and Chris Arnold
7. Developing CM Rules Change Proposal – CP374 ‘Splitting CMUs’ – Waters Wye Associates	Lisa Waters
8. Developing CM Rules Change Proposal – CP375 ‘Merging CMUs’ – Waters Wye Associates	Lisa Waters
<b>Information Items</b>	
9. CMAG Surgery	Phillip Paul
10. DESNZ CM 2023 Consultation: Phase 2 and 10yr Review update	Georgie Morris and Luke Nightingale (DESNZ)
11. Industry Feedback	Lawrence Jones
12. CMAG Forward Work Plan	Chris Arnold
13. Action Log	Amy Stackhouse
14. Any Other Business (A.O.B)	All

# Meeting Agenda – Scheduled Breaks

- Set breaks at:

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



# WELCOME AND APOLOGIES



# CM REPRESENTATIVE UPDATES

- LCCC/ESC
- EMR DB
- OFGEM
- DESNZ



# CMAG SECRETARIAT UPDATE



# DEVELOPING CM RULES CHANGE PROPOSALS

# CP364 'SECONDARY TRADING BEFORE T-4' – EDF ENERGY



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## What is the Issue?

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Under the current Capacity Market (CM) Rules, **secondary trades cannot be registered by the Delivery Body until after the T-1 auction for the relevant Delivery Year.**

The Proposer contends that this causes three main issues:

1. It means that the T-1 auction target capacity is set before any secondary trades can be included in the CM Register,
2. It means that any capacity which becomes available for the Delivery Year is first offered a T-1 Agreement before there is an opportunity to accept a secondary trade, and
3. It means that secondary trades have a maximum duration of one year.

The Proposer believes that this leads to inefficient operation and administration of the Capacity Market and results in additional costs for consumers.

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## What is the Proposed Solution?

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Allow secondary trading from the conclusion of the T-4 auction, rather than the conclusion of the T-1 auction.

- To allow for reconfiguration of CMUs with a PTCO-in registered before the T-1 auction, utilise a weighted PTCO calculation to mitigate the potential for gaming by adjusting the bidding capacity at the T-1 auction; and
- Introduce parameters to account for early earlier secondary trading in the T-1 auctions:
  - Specifically to clarify how and in which scenarios weighted PTCOs should be used.

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## Current Status

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- The CP364 Subgroup was formed in response to the questions raised by EMR-DB in the impact assessment provided to the CMAG on 13 January 2023
- The last CP364 Subgroup was held on 2 May 2023 where the subgroup considered the key questions with a focus on understanding the weighted PTCO solution.
- Following this meeting EMR-DB sent the CMAG Secretariat some further scenarios to consider which are being considered by the CMAG Secretariat.
- Further CMAG Secretariat review has highlighted a **possible inconsistency between the CM Rules and the Regulations.**
- Key discussions related to this possible inconsistency are included in the 'Is CP364 inconsistent with the Regulations' paper that was circulated to CMAG Members.

## Why could there be a possible inconsistency?

Regulation 30(2)(a) states that:

- 30.—**(1) A “capacity agreement” comprises the rights and obligations accruing to a capacity provider under or by virtue of electricity capacity regulations and capacity market rules in relation to a particular capacity committed CMU and one or more delivery years.
- (2) **A distinct capacity agreement accrues to each successful bidder** in a capacity auction (unless the capacity auction is annulled under regulation 27), in relation to each CMU for which a successful bid was made, for—
- (a) a capacity obligation equal to the de-rated capacity of the CMU**

CP364 proposes that the definition of Bidding Capacity is amended as follows:

**Bidding Capacity** means, for a Bidding CMU, **the maximum of:**

- (a) its De-rated Capacity less the aggregate of the Weighted PTCO held by each Generating Unit or DSR Component comprised in the Bidding CMU from their inclusion in a CMU that was either:**
  - i) prequalified for the T-4 auction for the relevant Delivery Year; or**
  - ii) was subsequently prequalified as Secondary Trading Entrant for the relevant Delivery Year by the start of the T-1 Prequalification Window.**
- or;**
- (b) zero.**

This appears to mean that:

Regs	Current Rules	Rules after CP364 Proposed change
Auction Acquired Capacity Obligation (AACO) = De-rated Capacity (DRC)	$AACO = Bidding\ Capacity(BC) = DRC$	$AACO = BC = (DRC - Physically\ Traded\ Capacity\ Obligation\ (PTCO)-in)$

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## Why could the CM Rules and the Regulations be consistent?

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The language used between the Regulations 30(2)(a) and the CM Rules is not consistent in that:

- The CM Rules uses the terminology Auction Acquired Capacity Obligation (AACO) as defined in Rule 8.5.3
- Regulation 30(2)(a) references successful bidders in a capacity auction for a CMU with a capacity obligation

If these clauses were referencing the same thing we would expect the language to be consistent across the two clauses.

Even if AACO = De-rated Capacity (DRC) in Regulation 30(2)(a) it is not clear there is an inconsistency as:

**CP364 CM Rules:**  $BC = (DRC - PTCO-in)$   
**Regulation 30(2)(a):**  $AACO = DRC$

Which implies:

$$AACO = DRC = BC + PTCO-in$$

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## Elxon legal view on CP364 possible inconsistency

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Elxon legal team clarified that AACO = DRC. The rationale for this is that in the Rules

AACO = Capacity Obligation; and

Capacity Obligation = 'capacity obligation' as defined in the Regulations

It therefore must follow that when Regulation 30(2) states that, in each Capacity Agreement, the capacity obligation is equal to the DRC, that this translates back into the Rules as AACO = DRC. On that basis, it is therefore also the position in the Regulations that AACO = DRC

From a purely legal text perspective, however, this doesn't necessarily create an inconsistency because there is no textual link between AACO and BC

If, after CP364, BC is no longer the same as AACO or DRC then it follows that BC won't be the same value as the capacity obligation recorded in the capacity agreement. Does this not then create a discrepancy between:

- the capacity values that participants are bidding into the auctions and
- the capacity obligation that they are awarded

which de facto results in an inconsistency between the Regulations and the Rules?

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## CMAG Questions

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- 1) Do Members agree or disagree that there is a risk that the CP364 proposed changes to Rules could lead to the Rules becoming inconsistent with existing policy as reflected in Regulations?
- 2) If there is such a risk, should CMAG development of CP364 still continue (i.e. anticipating that Ofgem/DESNZ will amend Rules and Regulations to avoid such inconsistency)?
- 3) Is there an alternative approach that could be taken that would not risk being inconsistent with the Regulations?

### **Possible Next Steps**

1. If CMAG Members believe that there is a material risk of the CP364 changes causing an inconsistency between the Regulations and the Rules, a final report will be written and sent to Ofgem detailing CMAG and subgroup discussions with an explanation as to why development could not be continued; or
2. If CMAG Members believe that there is a material risk of the CP364 changes causing an inconsistency between the Regulations and the Rules but believe there to be an alternative approach that should be considered the CP364 subgroup will be convened to consider this further; or
3. If CMAG Members believe that this is no material risk of the CP364 changes causing an inconsistency between the Regulations and the Rules then CMAG Secretariat will review EMR-DB scenarios and either convene a further subgroup to consider the scenarios, or bring the proposal back to the CMAG for further consideration.



# CP371 'PROTECTION FROM VERY LATE NETWORK CONNECTIONS' – WATERS WYE ASSOCIATES

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## **Issue and Proposed Solution from original CP371**

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### **What is the Issue?**

Rule 6.7.7 allows a Capacity Provider to defer the Long Stop Date extended day for day for any delay in achieving the Substantial Completion Milestone that results solely from a failure of a Transmission Licensee or the relevant Distribution Network Operator to provide an active connection point

Where the TO/DNO delays the connection date by over 1 year, Capacity Providers lose both revenue and effective delivery years from their CM Agreement unfairly

### **What is the Proposed Solution?**

Amend Rule 6.7.7 to account for lost revenue and whole CM Years from an Agreement for a Capacity Provider who has had its connection date delayed by the TO/DNO.

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## CP371 Legal Text Updates

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### **Updated Option 1: 6.7.7 LSD Extension**

EMR-DB requested that for this option the requests for extension should be requested before the deadline the Capacity Provider is seeking to extend. This is to avoid any confusion relating to terminations. Additional text has been added requiring Capacity Providers to request extensions five working days before the LSD.

### **Updated Option 2: 6.6.1 Postpone FCM where there is a long connection delay**

The CMAG Secretariat took an action to review CP371 Option 2 legal text to make clear it only applies where the sole reason for the delay is due to delayed connection provided by TO/DNO.

EMR-DB requested that for options 1 & 2 the requests for extension should be made before the deadline the Capacity Provider is seeking to extend. This is to avoid any confusion relating to termination notices. Additional text has been added requiring Capacity Providers to request extensions five working days before the deadline.

### **Updated Option 4: 6.7.6 Increase capacity up to original AACO**

4a as #13, any CMU can increase capacity up to original AACO, at any time

4b as #12, any CMU can increase capacity but only within 6 months after LSD and

new 4c, 6.7.6/6.7.6A left as is, new 6.7.6B, using 4b but only when 6.7.7 has been used to extend LSD

### **New Option 5: New Termination Event**

A Member suggested a new Termination Event in Rules could be created to allow a CMU impacted by very long connection delays to be Terminated without Termination Fees, a potential 'Option 5' has been drafted based on this feedback. This also means the termination can be initiated once the connection delay is known, rather than wait for the CMU to fail to meet MCR. The CMU would then be in a position to enter a new auction 2 years earlier than otherwise.

The following slides detail the proposed legal text for CP371:

The text in **red** is unchanged from CMAG Meeting 12 or 13.

The text in **light blue** contains amendments following discussions at CMAG Meeting 13 and further CMAG Secretariat analysis.

The text in **purple** has been highlighted for CMAG consideration

Specific questions for CMAG on the legal text have been highlighted on each slide where applicable.

## Updates to Option 1 Legal Text

Option 1	LSD Extension
<b>Proposed Change/ Legal Text</b>	<p>6.7.7 The relevant Long Stop Date must, at the request of the relevant Capacity Provider, be extended day for day for any delay in achieving the Substantial Completion Milestone <b>by the start of the first Delivery Year of the Capacity Agreement</b> that results solely from a failure of a Transmission Licensee or the relevant Distribution Network Operator to provide an active connection point when required to do so in accordance with a valid Grid Connection Agreement or Distribution Connection Agreement, including as a result of the failure of their subcontractors (provided that such subcontractor is not the Capacity Provider or in the same Group). To secure such extension, the relevant Capacity Provider must apply to the Delivery Body <b>5 Working Days before the Long Stop Date</b> and provide a report of an Independent Technical Expert substantiating its claim and identifying the relevant number of days of delay. <b>Such extension can include an element of future expected delay in achieving the Substantial Completion Milestone, so long as it is evidenced in the Independent Technical Expert report by a latest planned connection date for the appropriate Connection Agreement, as long as such date for a Distribution Connection Agreement has, where required, been confirmed by Project Progression with the relevant Transmission Licensee.</b></p>

## Updates to Option 2 Legal Text

Option 2	Postpone FCM where there is a Connection Delay Updated
<b>Proposed Change/ Legal Text</b>	<p><b>All Prospective CMUs</b></p> <p>6.6.1 A Capacity Provider of a Prospective CMU will be considered to have met its Financial Commitment Milestone obligation if, by no later than</p> <p><del>other than in the case of a SA Agreement or a T-1 Agreement,</del></p> <p>16 months after the Auction Results Day for the Capacity Auction in respect of which the Capacity Agreement was awarded,</p> <p><del>(or,</del></p> <p><del>if by 11 months after the Auction Results Day the Delivery Body has received an Independent Technical Expert's Report identifying</del> a certificate from two directors of the Capacity Provider (or two officers, in the case of a Capacity Provider other than a company) confirming a latest planned connection date (evidenced by a Grid Connection Agreement or a Distribution Connection Agreement) that is <del>at least &lt;x&gt; months later</del> than the planned connection date at prequalification, or such later planned connection date as may already have been used to evidence a previous extension of the Financial Commitment Milestone, subject to the delay:</p> <p>[resulting solely from a failure of a Transmission Licensee or the relevant Distribution Network Operator to provide an active connection point when required to do so in accordance with a valid Grid Connection Agreement or Distribution Connection Agreement, including as a result of the failure of their subcontractors (provided that such subcontractor is not the Capacity Provider or in the same Group);] <b>*criteria from Rule 6.7.7</b></p> <p>[but not where the relevant Capacity Provider has released the Transmission Licensee or the relevant Distribution Network Operator from its obligation to provide an active connection point under a Grid Connection Agreement or Distribution Connection Agreement, or where the relevant Capacity Provider has agreed to an extension to the date by which an active connection point must be provided] <b>*criteria from Rule 6.7.9</b></p> <p><del>then the Capacity Provider may submit an application to the Delivery Body 5 Working Days before the Financial Commitment Milestone, for the Financial Commitment Milestone to be extended, day-for-day, by that delay in the planned connection, but no later than the day before the start of the first Delivery Year of the Agreement, or</del></p> <p><del>in the case of an SA Agreement or a T-1 Agreement, 3 months after the Auction Results Day for the Capacity Auction in respect of which the Capacity Agreement was awarded),</del></p>

## Updates to Option 4 Legal Text

Option 4	Extend the period during which Capacity can be increased under Rule 6.7.6
<b>Option 4a - any Prospective CMU within 6 months of LSD</b>	6.7.6 At any time up to <b>eighteen</b> six months after the <b>start of the first Delivery Year Long Stop Date</b> of the Capacity Agreement, a Capacity Provider may notify the Delivery Body that a Generating Unit forming part of a Prospective Generating CMU has increased its Operational physical capacity such that it is now sufficient to deliver a higher proportion (up to but not exceeding 100 per cent) of its Capacity Obligation, and the <b>updated</b> Capacity Agreement will take effect from such date with respect to that increased proportion.
<b>Option 4b – any Prospective CMU at any time</b>	6.7.6 <del>At any time after a Capacity Agreement has taken effect pursuant to Rule 6.7.4(a) or 6.8.5 with an Operational physical capacity less than its original Auction Acquired Capacity Obligation, up to eighteen months after the start of the first Delivery Year of the Capacity Agreement,</del> a the Capacity Provider may notify the Delivery Body that a Generating Unit forming part of that <del>a</del> Prospective Generating CMU has increased its Operational physical capacity such that <del>the CMU</del> it is now <del>able sufficient</del> to deliver a higher proportion (up to but not exceeding 100 per cent) of its <b>original Auction Acquired</b> Capacity Obligation, and the <b>updated</b> Capacity Agreement will take effect from such date with respect to that increased proportion.
<b>New Option 4c – where a CMU has used 6.7.7 to extend LSD</b>	6.7.6B Where a Prospective CMU has had its Long Stop Date extended by way of Rule 6.7.7 then <del>a</del> At any time up to <del>six</del> <b>eighteen</b> months after the <b>Long Stop Date</b> <del>start of the first Delivery Year</del> of the Capacity Agreement, a Capacity Provider may notify the Delivery Body that a Generating Unit forming part of a Prospective Generating CMU has increased its Operational physical capacity such that it is now sufficient to deliver a higher proportion (up to but not exceeding 100 per cent) of its Capacity Obligation, and the <b>updated</b> Capacity Agreement will take effect from such date with respect to that increased proportion.

## CP371 Option 5 – New Termination Event

Option 5	New Termination Event
<b>Proposed Change/ Legal Text</b>	<p><b>New Rule</b> <b>6.10.1(ca)</b> where a Capacity Provider of a New Build CMU provides evidence that a Capacity Agreement is, or will become, economically unviable (such that it does not want to request an extension to the Long Stop Date under 6.7.7) as a consequence of a very long connection delay of at least 18 months that [results solely from a failure of a Transmission Licensee or the relevant Distribution Network Operator to provide an active connection point when required to do so in accordance with a valid Grid Connection Agreement or Distribution Connection Agreement, including as a result of the failure of their subcontractors (provided that such subcontractor is not the Capacity Provider or in the same Group)]*criteria from 6.7.7, [but not where the relevant Capacity Provider has released the Transmission Licensee or the relevant Distribution Network Operator from its obligation to provide an active connection point under a Grid Connection Agreement or Distribution Connection Agreement, or where the relevant Capacity Provider has agreed to an extension to the date by which an active connection point must be provided]*criteria from 6.7.9;</p> <p>*queries below are related to items highlighted in purple</p>
<b>CMAG Secretariat Comment</b>	<ul style="list-style-type: none"><li>• <b>Should this termination event require an ITE Report as evidence? i.e. additional assurance to get this free of charge earlier Termination and thus avoid a subsequent Termination, with Termination Fees, as a result of failing to meet MCR.</b></li><li>• <b>Is ‘economically unviable’ too imprecise and only going to lead to disputes and appeals?</b></li><li>• <b>Is ‘very long connection delay of at least 18 months’ (i.e. LSD plus MCR window) appropriate?</b></li><li>• <b>Is this too close to being a 'voluntary termination', which is against stated Policy?</b></li></ul>



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## Impact Assessment Feedback

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### ESC/LCCC

**Low Impact** - No need for any major system updates. Updates to guidance will be required if the proposal is implemented

### EMR-DB

The EMR DB can confirm it is possible to make the process and system changes needed to implement this change. Key implementation activities include:

- Solution workshopping
- Minor system change development
- Process and guidance updates.

**Low Impact**– For Implementation costs, on-going costs and organisational impacts

EMR-DB's impact assessment is based on low numbers of connection delays both at FCM and delays to the long stop. If significant numbers were expected we would take a different system approach that would have a greater impact

# STANDARD PROPOSAL QUESTIONS CONSIDERATION

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## CP371 – Previous CMAG response to Standard Proposal Questions

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The following slides summarise the current CMAG response to the standard questions for CP371. 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.

## CP371 – Standard Proposal Questions

Question	CMAG View
<b>Are there any related changes to the CM Rules in the pipeline?</b>	CP362, The ability to secondary trade before SCM could allow Capacity Providers facing connection delays a means of managing late network connections.
<b>Does the CP impact on the Regulations?</b>	<p>The original proposed legal text included elective terminations that would require a change to the Regulations.</p> <p>The CMAG 10 proposed legal text change included changing the DYs for which a Capacity Agreement would be paid and thus could be considered inconsistent with Regulation 31. DESNZ/ofgem to determine if inconsistent with Policy intent</p> <p>The alternative legal text options are considered consistent with Regulations.</p>
<b>Are there any impacts on any other central industry frameworks or obligations?</b>	The Proposer and CMAG Secretariat have not identified any impacts.

## CP371 – Standard Proposal Questions

Question	CMAG View
<b>Does CMAG agree with the proposed solution?</b>  <b>Are there any suitable alternative solutions to address the defect?</b>	No due to interactions with the Regulations.  An Alternative proposal has been developed by CMAG that aims to give Capacity Providers a means to better manage very late network connections as a result of TO/DNO delays.
<b>Does the draft legal text deliver the intention of the solution?</b>	To be determined by CMAG following legal text review

## CP371 - Standard Proposal Questions

Question	CMAG View/Options
<b>Are there any impacts on consumers, and if so, what are the impacts?</b>	CP371 will reduce the risk of participating in the CM, and will result in less risk priced into Capacity Agreements so in the long-term this should help to reduce the price of CM on consumers
<b>What are the expected impacts and implementation/enduring costs on Delivery Partners?</b>	<p><b>LCCC/ESC</b> – Confirmed updates will be required to guidance overall low impact</p> <p><b>EMR-DB</b> – Low Impact– For Implementation costs, on-going costs and organisational impacts</p> <p>EMR-DB’s impact assessment is based on low numbers of connection delays both at FCM and delays to the long stop. If significant numbers were expected we would take a different system approach that would have a greater impact</p>
<b>What are the expected impacts and implementation/enduring costs for CM Participants?</b>	CP371 will reduce the risk of participating in the CM for Capacity Providers which will allow for better security of supply; it will also instil confidence in the CM which will lead to increased investment.

## CP371 - Standard Questions

- Does CP371 further the CM Rules Change Objectives and/or Ofgem's Principal Objectives?

### Ofgem Principal Objective

'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...

### CM Rules Change Objectives

a) Promoting investment in capacity to ensure security of electricity supply

**b) Facilitating the efficient operation and administration of the Capacity Market**

c) Ensuring the compatibility of the Capacity Market Rules with other subordinate legislation under Part 2 of the Energy Act 2013

### Proposer View

- We believe our proposal would primarily facilitate more efficient operation and administration of the Capacity Market, and would result in lower costs for consumers.

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# CP371 – CMAG Recommendations

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## The CMAG recommends to Ofgem:

- a) That the Proposed CP371 solution better facilitates Ofgem's Principal Objective;
- b) That the Proposed CP371 solution better facilitates the CM Rules Change Objectives:
  - i. Facilitating the efficient operation and administration of the Capacity Market
- c) The draft legal text for the CP371 solution.
- d) That the CP371 solution should be **implemented**



# CP372 'CHANGE TO RULE 4.4.4' - CMAG

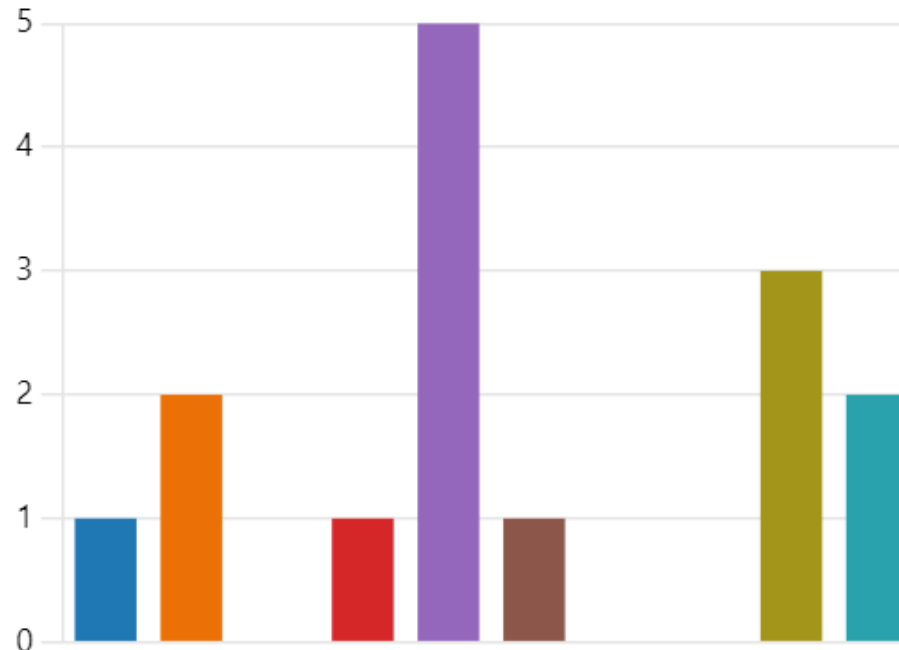
## CP372 Recap

At Meeting 12, the CMAG Secretariat presented a summary of the Member responses to the specific change proposal questions for CP372. The views received from Members were limited to two Generating Technology Classes, and therefore it is difficult to determine the scope and different scenarios a change to Rule 4.4.4 should address.

A Survey was circulated to the CMAG Newsletter distribution list on Thursday 2 November 2023, with 8 responses received in total, of which 2 were partial responses, which are detailed on the following slides.

**A breakdown of Generating Technology Class for each respondent is shown below:**

Open Cycle Gas Turbine	1
Reciprocating Engine	2
Nuclear	0
Hydro	1
Storage	5
Combined Cycle Gas Turbine	1
Coal	0
Biomass	0
Solar PV	3
Other	2



**Other:**  
• Wind – 2

DESNZ published its **‘CM 2023: Phase 2 Proposals and 10yr Review’ Consultation** on Monday 16 October 2023.

In the Consultation, DESNZ notes “Respondents to the January 2023 consultation perceived that Rule 4.4.4, which prohibits changes to the configuration of Generating Units in a CMU after it has prequalified, could be a barrier to augmentation.”

DESNZ is therefore proposing to introduce a definition of ‘Permitted Augmentation for Battery Storage CMUs’, that will be allowed without changing Rule 4.4.4.

Government proposes that the definition of ‘Permitted Augmentation’ would:

- Allow CMUs of the fuel type ‘Storage – Battery’ to replace and/or add batteries at an existing CMU site, to enable batteries to maintain the level of capacity required to meet EPT requirements;
- Not enable a Capacity Provider to supplement a CMU’s capacity with capacity from another CMU; and
- Not enable a CMU to increase its Auction Acquired Capacity Obligation.

## Change to Configuration – Matrix by GTC

Generating Technology Class	Maintenance	Reconfiguration	Refurbishment
<b>Reciprocating Gas/Diesel</b>	<ul style="list-style-type: none"> <li>Repair of components as necessary without replacing a generating unit in full</li> </ul>	<ul style="list-style-type: none"> <li><b>Changing the number of units and capacity of those units</b></li> <li><b>Replacing the generator or turbine</b></li> </ul>	<ul style="list-style-type: none"> <li>Major repair or replacement of unit/equipment once it is already operational</li> </ul>
<b>Wind Hydro Solar PV</b>	<ul style="list-style-type: none"> <li>Repair of components as necessary without replacing a generating unit in full</li> <li>Anything covered by the performance warranty including cell refresh</li> </ul>	<ul style="list-style-type: none"> <li><b>Changing the number of containers/inverters</b></li> </ul>	<ul style="list-style-type: none"> <li>Major repair or replacement of unit/equipment once it is already operational</li> </ul>
<b>Combined Cycle Gas Turbine / Open Cycle Gas Turbine</b>	<ul style="list-style-type: none"> <li>Replace parts as a result of normal wear and tear, can be planned as part of a maintenance cycle or unplanned as a result of a parts failure.</li> <li>Maintenance does not fundamentally change plant and the replacement of parts will be on a like-for-like basis</li> </ul>	<ul style="list-style-type: none"> <li><b>When a planned configuration of components is changed ahead of commissioning, e.g. a plan to build a 20MW generator made up of 10 x 2MW components is changed to 4 x 5MW components.</b></li> <li><b>Reconfiguration would generally not include change to GTC, location or final output of a generator, but rather how the planned output is delivered</b></li> </ul>	<ul style="list-style-type: none"> <li>Replacement of parts with the aim of improving performance or efficiency or materially extending the life of a generator</li> </ul>
<b>Battery Storage</b>	<ul style="list-style-type: none"> <li>Anything covered by the performance warranty including cell refresh</li> </ul>	<ul style="list-style-type: none"> <li><b>Increasing connection capacity, duration of a battery storage project, or changing technology class</b></li> </ul>	<ul style="list-style-type: none"> <li>Could include full cell refresh or replacement of key components within original configuration</li> </ul>

## CP372 – Specific Change Proposal Questions

### De-rating Factors 1/3

Question	What De-rating Factor (DF%) should be used for Components added to a CMU?
<b>Survey Responses</b>	<ol style="list-style-type: none"><li>1. Auction Acquired Capacity Obligation (AACO) De-rating Factor – 2/8 respondents</li><li>2. Original Agreement’s Auction De-rating Factor – 4/8 respondents</li><li>3. If no Capacity Obligation but prequalified, the latest Auction De-rating Factor it prequalified for – 0 respondents</li><li>4. If not prequalified but a Secondary Trading Entrant, the T-1 Auction De-rating Factor for the DY – 0 respondents</li><li>5. Irrespective of the CMU’s status, the T-1 Auction De-rating Factor for the DY – 1/8 respondents</li><li>6. Other (specified below): - 1/8 respondents<ul style="list-style-type: none"><li>• The latest De-rating factor for the DY i.e. if a T-1 factor has been published, use that; if not use the T-4 factor</li></ul></li></ol>
<b>Summary</b>	Use the Original Agreement’s Auction De-rating Factor as the De-rating Factor for Components added to a CMU.  <b>Do CMAG agree with this approach?</b>

## CP372 – Specific Change Proposal Questions

### De-rating Factors 2/3

<b>Question</b>	<b>What De-rating Factor (DF%) should be used for a change in Generating Technology Class (GTC) reconfiguration of a Component?</b>
<b>Survey Responses</b>	<ol style="list-style-type: none"><li>1. Auction Acquired Capacity Obligation (AACO) De-rating Factor – 1/8 respondents</li><li>2. Original Agreement's De-rating Factor – 1 respondents</li><li>3. If no Capacity Obligation but prequalified, the latest Auction De-rating Factor it prequalified for – 0 respondents</li><li>4. If not prequalified but a Secondary Trading Entrant, the T-1 Auction De-rating Factor for the DY – 0 respondents</li><li>5. Irrespective of the CMU's status, the T-1 Auction De-rating Factor for the DY – 4/8 respondents</li><li>6. Other (specified below): - 2/8 respondents<ul style="list-style-type: none"><li>• The latest De-rating factor for the DY i.e. if a T-1 factor has been published, use that; if not use the T-4 factor</li><li>• Changes to GTC should only be allowed where better aligned to net-zero objectives</li></ul></li></ol>
<b>Summary</b>	<p>Use the <b>T-1 Auction De-rating Factor for the DY</b> as the De-rating Factor for Components added to a CMU.</p> <p><b>Do CMAG agree with this approach?</b></p>

## CP372 – Specific Change Proposal Questions

### De-rated Capacity 3/3

<b>Question</b>	<b>Should De-rated Capacity of a CMU be allowed to change as a result of changing configuration of a Generating Unit or reallocation of Components in a CMU?</b>
<b>Survey Responses</b>	<p>Yes – 1/8 respondents</p> <p>No – 7/8 respondents:</p> <ul style="list-style-type: none"><li>• No, the AACO (i.e. the de-rated value) should stay the same as this is what the auction clearing price was based on.</li><li>• No, any change in configuration should not result in a change to obligations or payments.</li><li>• The AACO is the Obligation acquired in an Auction and cannot change as a result of changes to configuration either to increase or decrease. A reconfigured CMU would need to be able to demonstrate at least sufficient De-rated capacity to meet its AACO, but an increased De-rated capacity would not result in an increased AACO.</li><li>• CP372 should only allow changes that do not lower derated capacity/AACO.</li></ul>
<b>Summary</b>	<p>De-rated Capacity of a CMU <b>must not</b> change as a result of changing configuration of a Generating Unit or reallocation of Components in a CMU.</p> <p>This aligns with the approach in DESNZ’s CM 2023 Consultation, which includes a proposal to amend Rule 4.4.4 to allow ‘Permitted Augmentation for Battery Storage CMUs’.</p> <p><b>Do CMAG agree with this approach?</b></p>

## CP372 – Specific Change Proposal Questions

### Financial Commitment Milestone (FCM) 1/4

<b>Question</b>	<b>What happens regarding a CMU’s FCM if a Component is re-allocated away from the CMU, after passing FCM?</b>
<b>Survey Responses</b>	<ul style="list-style-type: none"><li>• FCM should not change in status as the purpose of the milestone has already been achieved. The Component should not be used to pass FCM for another CMU.</li><li>• At least a directors' declaration would be needed to confirm that the spend had been incurred on the remaining components.</li><li>• As long as the CMU can pass its Extended Performance Test and Satisfactory Performance Day tests, the FCM should remain valid.</li><li>• For a CMU that is reliant on an FCM to demonstrate that it qualifies for a multi-year Agreement, a confirmation from Directors may be a sensible check.</li><li>• If FCM has been passed for the original CMU, re-allocation should not change FCM approval.</li></ul>
<b>Summary</b>	<p>Require a Directors letter to confirm that the spend had been incurred on the remaining Components.</p> <p>FCM <b>should not</b> change in status, and remain valid.</p> <p><b>Do CMAG agree with this approach?</b></p>



## CP372 – Specific Change Proposal Questions

### Financial Commitment Milestone (FCM) 2/4

Question	Should the CMU's FCM be reassessed after a Component is added or removed?
<b>Survey Responses</b>	<ul style="list-style-type: none"><li>• No, the FCM should be considered complete. The Total Project Spend milestone will later check the final Capital Expenditure value of any CMUs and whether this achieves the relevant £/kW threshold for a multi-year Agreement.</li><li>• No if adding a Component, however, removing a Component would suggest that capacity has been lost and the FCM may need to be reassessed.</li><li>• As long as the CMU can pass its Extended Performance Test and Satisfactory Performance Day tests, the FCM should remain valid.</li><li>• The policy intent (based on current CM Rules for Refurbishing CMUs) seems to be that TPS/FCM should be certified only once. i.e. if a Component has been used to certify FCM once, it cannot be used to certify FCM again.</li><li>• FCM should be tied to the original Capacity Agreement. As with CM delivery obligations, FCM obligations should not change.</li></ul>
<b>Summary</b>	A CMU's FCM <b>should not</b> be reassessed after a Component is added or removed.  <b>Do CMAG agree with this approach?</b>

## CP372 – Specific Change Proposal Questions

### Financial Commitment Milestone (FCM) 3/4

<b>Question</b>	<b>What impact does an added Component have on a CMU’s FCM, if the Component was part of a previous CMU before that CMU passed FCM?</b>
<b>Survey Responses</b>	<ul style="list-style-type: none"><li>• If the transferor of a Component has passed FCM before the Component was re-allocated, this should have no impact on FCM.</li><li>• If the transferee of a Component has passed FCM before adding the Component, this should have no impact on FCM, but would be counted towards its TPS assessment.</li><li>• If neither transferor or transferee of the Component has passed FCM, then the Component should only be counted in the Transferee’s FCM.</li><li>• Adding a Component does not have a particular impact on the FCM if it is simply increasing the ability of a CMU to meet its obligations. E.g. augmenting a battery CMU by adding Components is a legitimate way of delivering obligations throughout the duration of an Agreement.</li><li>• As long as the CMU can pass its Extended Performance Test and Satisfactory Performance Day tests, the FCM should remain valid with no impact.</li></ul>
<b>Summary</b>	<p>No impact on FCM. The added Component should only be counted towards FCM for the Transferee if not previously accounted for in the Transferor’s FCM assessment.</p> <p><b>Do CMAG agree with this approach?</b></p>

## CP372 – Specific Change Proposal Questions

### Financial Commitment Milestone (FCM) 4/4

<b>Question</b>	<b>Should a newly added Component be excluded from consideration of the FCM for the CMU? What if the CMU has purchased the Component from an independent third party?</b>
<b>Survey Responses</b>	<ul style="list-style-type: none"><li>• No.</li><li>• If the CMU as already achieved FCM, added Components should not impact FCM but be included in the TPS assessment.</li><li>• If the CMU has not achieved FCM, it should include the added Component as part of its FCM so long as it has not been accounted for by a previous CMU in their FCM. The Independent Technical Expert should be checking the source of Components to assess eligibility of Components in FCM/TPS.</li><li>• A newly added Component that is added ahead of FCM would seem to be a legitimate change, provided all obligations are met and the requirements of the FCM demonstrated (assuming that the component is of the same GTC and is merely enhancing the ability of the CMU to meet its obligations).</li></ul>
<b>Summary</b>	<p>Added Components should only be included in FCM where they have not previously been accounted for by a previous CMU for FCM. This should be checked by the Independent Technical Expert.</p> <p><b>Do CMAG agree with this approach?</b></p>

### Total Project Spend (TPS) and Extended Years Criteria (EYC)

<b>Question</b>	<b>Where the CMU has passed the evidence of TPS, how could it confirm that the Component(s) being re-allocated will not be used to ensure a different CMU meets the Capital Expenditure thresholds for longer Agreements?</b>
<b>Survey Responses</b>	<ul style="list-style-type: none"><li>• The transferor of a Component cannot reasonably be expected to confirm a Component will not be used by a different CMU in future to meet Cap-Ex thresholds.</li><li>• A register of Components would allow for tracking of Components and whether they have previously counted towards a CMU's FCM, TPS and EYC.</li><li>• An Independent Technical Expert should check the source of Components and decide whether it is eligible to include in FCM, TPS and EYC assessments.</li><li>• This may need to be down to Directors' declarations. However, care may need to be taken since it may not be obvious that a Component bought in good faith has not previously been allocated to a different CMU.</li><li>• Maintain a Component register but the complexity may not be worthwhile.</li><li>• A Component should not be able to be double counted - i.e. towards TPS on more than one site.</li></ul>
<b>Summary</b>	<p>An Independent Technical Expert should check the source of Components and decide whether it is eligible to include in FCM, TPS and EYC assessments.</p> <p><b>Do CMAG agree with this approach?</b></p> <p><b>Should CP372 consider a Component Register, to track where Components have previously counted towards a CMU's FCM, TPS and EYC?</b></p> <p><b>Is a Director's declaration a suitable level of assurance?</b></p>

## CP372 – Specific Change Proposal Questions

### Changes within Delivery Year

<b>Question</b>	<b>Should changes to configuration be allowed within a Delivery Year? i.e. after the start of the first Delivery Year of an Agreement.</b>
<b>Survey Responses</b>	<p>Yes – 6/8 respondents</p> <ul style="list-style-type: none"><li>• Changes to configuration that are merely ensuring a greater ability to meet obligations should be allowed at any time. For example, the augmentation of batteries to deal with degradation. Other types of changes may be more difficult to manage within year for the Delivery Body and the Settlements Body (for example DSR components).</li><li>• Responses to Ofgem’s 5yr Consultation showed majority consensus that changes should be allowed from Prequalification and during the Delivery Year.</li><li>• For battery CMUs, battery refresh/augmentation will definitely occur after the start of the first Delivery Year.</li><li>• Yes. We agree with the position not to impose a deadline on when changes to configuration can be made. Any changes should however be assessed in line with maintaining Security of Supply obligations.</li></ul>
<b>Summary</b>	<p>Allow changes to configuration within a Delivery Year.</p> <p><b>Do CMAG agree with this approach?</b></p>

## CP372 – Specific Change Proposal Questions

### Prequalification and Assurance

Question	What assurances should be required for Component changes made within a Delivery Year?
<b>Survey Responses</b>	<ul style="list-style-type: none"><li>• There are already assurances in the Rules to ensure the level of capacity is correct - i.e. the Substantial Completion Milestone and the annual Satisfactory Performance Testing, will check that even a reconfigured component can achieve its required level of export (or if not the CMU will be terminated).</li><li>• If the CMU is adding a storage Component where it didn't have one before, the Extended Performance Test (EPT) requirements should be applied. If a storage Component 'leaves' a site, and there are no storage Components left in that CMU, then the EPT should no longer apply.</li><li>• There should be assurance that the CMU will continue to be able to meet its obligations under the CM Rules and its Agreement.</li><li>• Responses to Ofgem's 5yr Consultation showed majority consensus that the minimum necessary level of assurance should be required to ensure De-rated Capacity is maintained e.g. allow for Metering Test only where metering has changed, and SPDs following a major reconfiguration.</li><li>• Need something to be included for EYC e.g. a declaration that any components being added have not been used to ensure a different CMU has met its EYC.</li><li>• Agree that assurance is required to ensure prequalification results are not adversely impacted.</li><li>• Reductions to original delivery obligations should not be permitted.</li><li>• Component changes must not effect procured capacity levels. Secondary trading and penalty regimes already in place can be used to ensure capacity levels are maintained</li></ul>
<b>Summary</b>	<ul style="list-style-type: none"><li>• CMU to complete an EPT if adding a storage Component.</li><li>• CMU must meet its De-rated obligation and deliver against the original Capacity from its Agreement.</li><li>• Metering Test required only where metering has changed.</li><li>• SPDs required following a major reconfiguration.</li></ul> <p><b>Do CMAG agree with this approach?</b></p>

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## CP372 – Summary and Next Steps

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- A change to configuration of generating units will cover the scenarios noted under ‘reconfiguration’ in Slide 34;
- Components added to a CMU will use the Original Agreement’s Auction De-rating Factor as the De-rating Factor;
- Use the T-1 Auction De-rating Factor for the DY as the De-rating Factor for Components added to a CMU;
- De-rated Capacity of a CMU **must not** change as a result of changing configuration of a Generating Unit or reallocation of Components in a CMU;
- Require a Directors letter to confirm that the spend had been incurred on the remaining Components;
- FCM should not change in status, and remain valid during reconfiguration;
- Added Components should only be included in FCM where they have not previously been accounted for by a previous CMU for FCM. This should be checked by the Independent Technical Expert;
- Allow changes to configuration within a Delivery Year; and
- Consider the assurances noted in Slide 44.

**The CMAG Secretariat will begin to draft legal text based on the above parameters to be presented to CMAG at a future meeting for consideration.**

**CMAG will be requested to review the legal text and consider any potential consequential impacts to Capacity Providers, Delivery Partners and Consumers.**

CP374 'SPLITTING CMUS' AND  
CP375 'MERGING CMUS' – WATERS  
WYE ASSOCIATES



# Splitting and Merging CMUs

WWA CM Rule Change Proposals

# Splitting CMUs

## Facilitating Competition



**The CM Rules do not allow changes to the configuration of a plant after prequalification. This means parties cannot split and trade assets.**

- WWA have seen a number of parties prequalify multiple unit CMUs (notably BESS) that they have subsequently decided they want to split into a number of projects
- WWA sees no reason why these parties should be stopped from doing this
- The party would need to apply to the DB to split their CMU and associated CMA
- The process around this should be similar to trading part of a CMA to another CMU – only with less paperwork

We need to change the CM Rules because they -

- unnecessarily limits the commercial flexibility of Agreement holders
- increase the risk of project non-delivery
- Stops staged delivery where connections are staged due to connections queue
- prevent efficient changes to commercial structures
- stop increased competition in the wider energy market
- ultimately increase capacity market costs to customers

# Splitting CMUs

## Which Rules change?



**To allow for the splitting of a CMU and its associated agreement a new set of Splitting Rules are needed. One option is just to allow trading before SCM, but if only splitting is allowed then further Rules are needed.**

- Amendment to Rule 4.4.4 to allow CMU configuration to be changed after a CM agreement is awarded
- New Rule setting out the process for splitting a CMU post auction, e.g.:
  - A ‘Cloning’ of the initial CMU to allow the creation of multiple instances of the CMU;
  - A process to change connection capacity methodology to ‘pro rata’ capacity; and
  - New party provide directors certificates, etc.
- Milestones/CM requirements that had been met as a single CMU (FCM, SCM, etc.) are unchanged
- Metering arrangements would be updated if required – new test or aggregation rules, etc.
- Any future milestones and ongoing obligations would be met on a ‘new’ CMU’ basis
- Once done new agreement issued by DB in line with current agreement issuing

# Merging CMUs

## Facilitating Competition



**CM Rules prohibit changing in CMU configuration after prequalification. This prevents parties buying assets on the same site, or moving them, and merging them into a new CMU to manage their delivery risk.**

- WWA has been working with a number of parties who want to merge CMUs after they got agreements
- These have commonly been BESS, where the owner believes meeting EPTs are easier with larger assets
- We have also seen one where the parties wanted to share a connection agreement
- Where the CMUs are the same technology we can see disadvantage to allowing them to form 1 CMU

We need to change the CM Rules because they -

- unnecessarily limits the commercial flexibility of Agreement holders
- increase the risk of project non-delivery
- prevent efficient changes to commercial structures
- stop increased competition in the wider energy market
- Stops parties considering sharing connection capacity by moving CMUs to locations with capacity
- ultimately increase capacity market costs to customers

# Merging CMUs

## Which Rules change?



**To allow for the merging of one or more CMUs new set of Merging Rules are needed. One option is just to allow trading before SCM, but if only splitting is allowed then further Rules are needed.**

- Amendment to Rule 4.4.4 to allow CMU configuration to be changed post prequalification
- New Rule setting out the process for merging a CMU post the CM auction, e.g.:
  - A process for each CMU connection capacity to be modified (subject to the constraint that the total connection capacity is equal to CMU capacity obligation).
  - All milestones/CM requirements that had been met would be unchanged (Planning/Connection/FCM). However, if one CMU has met FCM and the other CMU has not then the new CMU has not met FCM.
  - Metering arrangements updated if required, e.g. if metering assessment has been completed, a new metering assessments/test/aggregation rules would be required for the merged CMU
- Any future milestones and ongoing obligations would be met on a 'new' CMU' basis

# Common Issues

## The CMAG needs to consider



**Splitting and Merging looks simple on paper, but may need to consider who can use these rules and under what circumstances.**

- Splitting:
  - Limit on how many splits? Just down to 1MW?
  - Timing as need new CMU registered then transferred
  - If removing trading before SCM is an easier solution
- Merging:
  - Only merge same technology of same CM vintage?
  - Need new Directors certificates, etc. to relate to bigger CMU?
  - Need to clarify CMUs to be on same site?

# Splitting & Merging

## Flexibility is critical



**These rule changes are proposed because WWA has parties asking to split and merge CMUs. This is therefore a real and present commercial issue.**

- WWA is concerned that the CM Rules limit commercial freedom and that adds to non-delivery risk
- It is not for us to question the commercial decisions of companies, but we are seeing connections as being a critical issue
- If these changes are made it will offer parties another route to deliver their obligations, which start at the point the auction clears
- WWA is aware that some Delivery Partners see the CM agreements becoming “effective” when plant is built, but for parties they are effective from the auction, as their obligations to pay termination fees would start then
- With the issues around connections, we believe both of these changes may allow for more efficient and timely use of available capacity
- The focus of CMAG should be to make delivery of CMUs easier, quicker and cheaper and both these rule changes should do that.

# How to contact us

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# CMAG SURGERY

# MANAGING LATE DELIVERY DUE TO PLANNING CONSENTS OR SUPPLY CHAIN DELAYS

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## Background

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At CMAG #13 last month we discussed amending the proposed alternative legal text for CP371 Very Long Connection Delays, Option 4, to allow at any time any Prospective CMU to increase its operational capacity under Rule 6.7.6 when the CMU initially met SCM or MCR at less than their original AACO.

Some Members considered the changes that could be proposed should only relate to the consequences of very late connections, ie the premise of CP371.

However, we were tasked with considering other scenarios where a similar rule could be applied and the appropriate timescales.

Possible options considered relate to Prospective CMUs:

- Delays in relevant Planning Consents;
- Monitoring Construction Progress; and
- Supply Chain Delays.

These items are considered in further detail in the next slides and we are seeking CMAG input before proposing any further CPs or developing further legal text.

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## Relevant Planning Consents

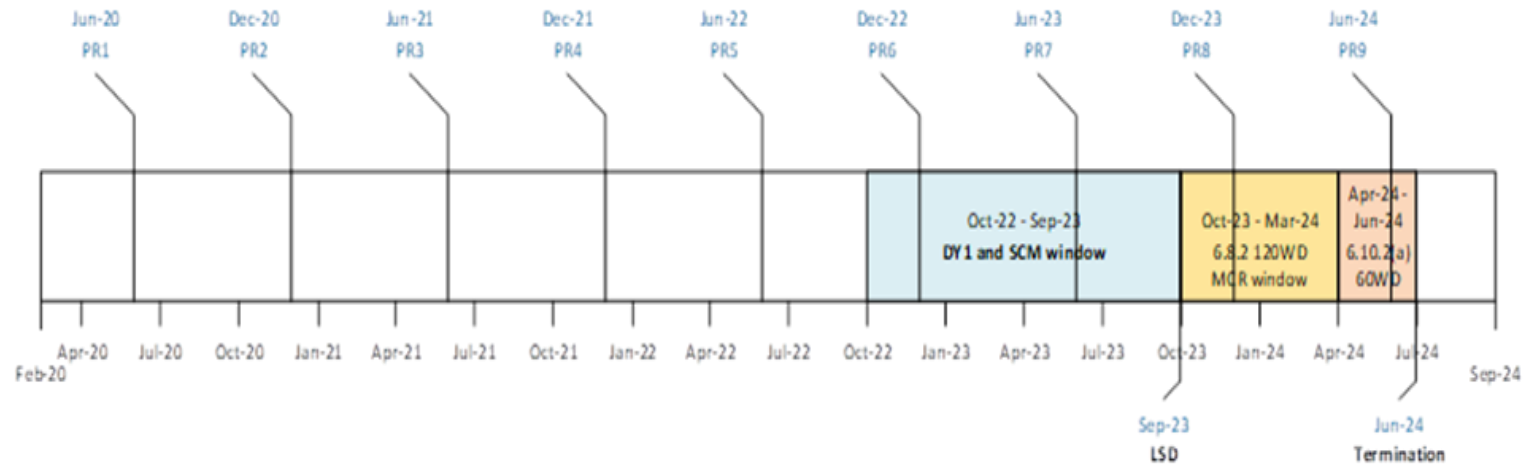
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Under Rules 3.7.1(a) and DB Guidance [Relevant Planning Consents Guidance v2.0.pdf], all necessary consents must be in place by 22WD before an Auction

- Is it possible for such consents to be in place and assessed by DB as allowing entry into the Auction, so the CMU can be awarded a Capacity Agreement in that Auction, only for the consents to be subject to subsequent appeal by opponents to the project – hence delaying the project and/or downscaling the capacity of the project and, if so, are there examples of this happening?
- Would the current Rule 6.7.6 timescale of 18 months from the start of the first DY of the agreement be sufficient for any planning conditions to be met, allowing an increase in approved capacity, or might a longer timescale be appropriate?
- Should Relevant Planning Consents be considered another exception to Rule 6.9 Exclusion of Force Majeure (like very late connections) whereby such delays, and/or limitations in capacity, are considered factors beyond the control of the Capacity Provider and a version of Rule 6.7.7 allows for a delay in Long Stop Date?
- If not, should 3.7.1(a) be amended to ensure such Relevant Planning Consents are "secure" (ie any window for appeal has passed)?

## Monitoring Construction Progress

Under Rule 12.2.1 six-monthly progress reports (PR) start from 1<sup>st</sup> June after an Auction awarding a Prospective CMU a Capacity Agreement, only ceasing when SCM is met or the Agreement is Terminated (under Rule 6.10) or issued a Non-completion Notice (under Rule 6.8.2A-B for an Interconnector with single DY Agreement not meeting MCR).



Under Rules 12.2.4-6 if the PR indicates SCM will only be met after the start of the first DY, DB must request from the Capacity Provider a Remedial Plan (RP) to be received within 120 days (4 months), supported by ITE report and Directors' Certificate. By "remedial" the Rules still seek the CMU to achieve operation by the start of the first DY, otherwise DB must inform SoS/ofgem.

Should Rules be amended to reflect the CMU can achieve MCR (>50% of AACO) instead of SCM (at least 90% of AACO)?

Should the Rules be changed to specifically address Remedial Plans that cannot demonstrate delivery by the start of the DY1, so instead plan to achieve MCR/SCM by LSD, or during the 120WD window after LSD (ie after a Notice of Intention to Terminate under Rule 6.8.2)?

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## Supply Chain Delays

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One of the key reasons reported for delays in infrastructure projects in the last few years has been supply chain shortages as a result of materials shortages and/or competition for limited production capacity. Such supply chain issues are believed to have impacted Prospective CMUs.

Do Members have examples of where such supply chain issues have given rise to 'material' (ie >2 months) delays in construction plan milestones, as included in Progress Reports and necessitated Remediation Plans?

Are such supply chain issues ever effectively "outside the control of the Capacity Provider", or are they within the normal commercial risks of typical contracts for such supplies or services?

If such delays can be "outside the control of the Capacity Provider", should Supply Chain Delays be considered another exception to Rule 6.9 Exclusion of Force Majeure (like very late connections), with an equivalent of Rule 6.7.7 added, whereby the LSD can be extended as a result of delays in the Capacity Agreement becoming effective solely as a result of supply chain issues that are outside the control of the Capacity Provider?

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## Questions on the Issue & Government Policy

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### Questions on the issue

- Is this a valid problem?
- Is the CM the right place to address this problem?

### Impact on government policy

- Is the solution to this CP going to be counter to the policy objectives of the CM? What is the impact on:
  - Security of Supply
  - Cost (including cost to consumers)
  - Unintended consequences – if there are any, what is the impact?
- Are there any consequential impacts on the regulations?
- Does this explicitly affect any functions granted to the secretary of state?
  - For example, the Energy Act 2013 set specific functions to the secretary of state. Derating factors is an explicit function of the secretary of state
- Is there an impact on subsidy control?
  - For example, anything that would favour one technology class over another, that would probably mean you have to go through the subsidy control framework

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## Next Steps

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CMAG Secretariat will take comments and feedback and develop relevant change proposals to be considered by the CMAG at future meetings.

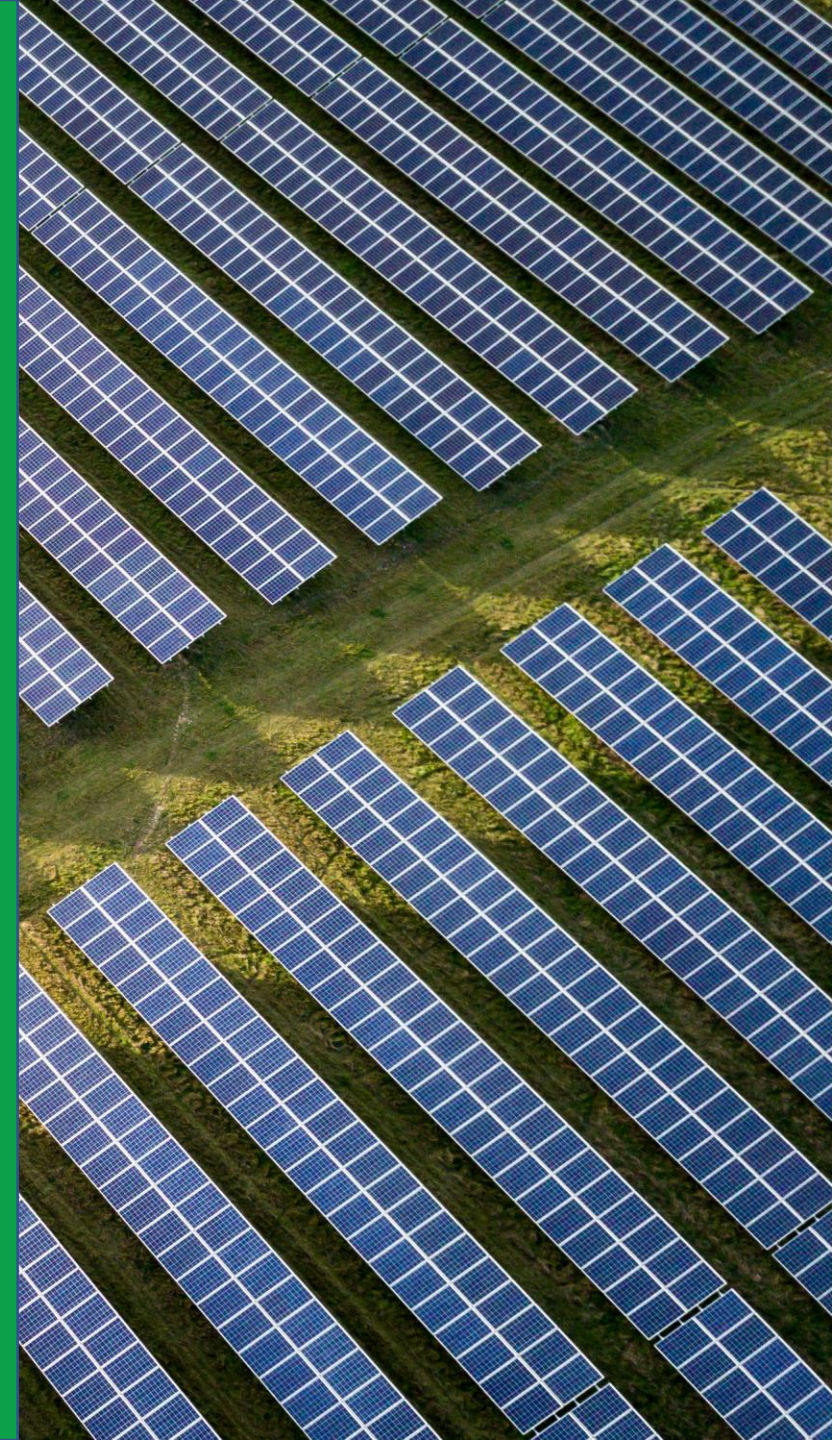




DESNZ CM 2023  
CONSULTATION:  
PHASE 2 AND 10YR  
REVIEW



Department for  
Energy Security  
& Net Zero





Department for  
Energy Security  
& Net Zero

# Capacity Market 2023: Phase 2 proposals and 10 year review

Consultation closes at **11:45pm on 8 December 2023**

Two-part consultation – respondents can answer one or both parts:

- Online; or
- Via the response form to [electricity.security@beis.gov.uk](mailto:electricity.security@beis.gov.uk) or DESNZ via post

See [GOV.UK](https://www.gov.uk) for further info.

## **Part A: Strengthening security of supply and alignment with net zero – Phase 2 consultation**

Builds on January 2023 Phase 1 consultation including proposals on:

- Strengthening security of supply
- Accelerating investment in low carbon technologies

## **Part B: Review of the Capacity Market – call for evidence to inform the 10-year review**

To meet statutory requirement for 5-yearly reviews, conducting a call for evidence on CM performance.

Published alongside [Technopolis' independent evaluation of the CM.](#)

# Part A: Strengthening security of supply and alignment with net zero – Phase 2 consultation

## Strengthening security of supply proposals:

- Follow-up changes to penalty timelines;
- Further temporary amendments for mothballed plant;
- Clarifications for Reg 50 and CM / CfD participation regulations.

## Accelerating investment in low carbon technologies proposals:

- Addressing challenges around battery degradation;
- Multi-year agreements for low carbon, low CAPEX technologies (new 3-year agreements and 9-year CAPEX thresholds);
- Longer-term agreement options for low-carbon technologies;
- Supporting growth of domestic DSR;
- Amending the Extended Years Criteria.

## Decarbonising the CM – proposal on publishing emissions data

## **Part B: Review of the Capacity Market – call for evidence to inform the 10-year review**

**There is a statutory requirement to review the CM every five years – following publication of the Five-year review in 2019, the Ten-year review will be published by summer 2024.**

**To inform the Ten-year review we commissioned an independent CM evaluation (the Technopolis Report) and are conducting a call for evidence seeking views on:**

- The extent to which the CM has achieved its objectives;
- Whether the objectives remain appropriate; and
- If they can be achieved in future in a way that imposes less regulation.

The Technopolis Report has been published alongside the Phase 2 publications and is available at:

<https://www.gov.uk/government/publications/evaluation-of-the-capacity-market-scheme>



# INDUSTRY FEEDBACK



# CMAG FORWARD WORKPLAN

# CMAG Forward Workplan

Title	2023					2024					Commentary
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	
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
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
CP364 - Allow Secondary Trading from T-4											CP364 Subgroup set up to look at technical details of solution to report back to CMAG for review and recommendation
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
CP362 - CM Agreement Transfers											CMAG recommended to Ofgem that CP362 be approved
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
CP368 - CVR Publication and CMVRN Submission Deadlines											CMAG recommended to Ofgem that CP368 be approved
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 Secretariat has requested an impact assessment for CP371 and will discuss at CMAG meeting 14
CP372 - 'Change to Rule 4.4.4'											The CMAG sent a survey to industry that will be discussed at CMAG Meeting 14
CP373 - 'Delivery Body and Settlement Body Metering Process'											CMAG recommended that CP373 be implemented
ITE Report Requirements Review (wider review than CP365)											
Housekeeping Changes											
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

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



# CMAG Forward Workplan

Title	2023					2024					Commentary	
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May		
CP374 - Splitting CMUs												
CP375 - Merging CMUs												
CPXXX - Potential CP(s) on Planning, Reporting and Supply chain issues												This potential proposal has arisen from discussions relating to CP371 'Management of connection delays by network companies'. This will be initially considered by the CMAG at its November meeting
CPXXX - Rule 2.3.3 De-rating Factors												
CPXXX - Managing SPDs and Secondary Trading												
CPXXX - Extension of Secondary Trading Principles for Extended Performance Testing												

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

## Key Updates

- 6 New Proposals Included on Forward Workplan
- Housekeeping change start date moved from November 2023 to February 2024
- CP371 moved recommendation from October 2023 to November 2023
- CP364 recommendation date moved from November 2023 to December 2023
- Commentary column added
- New status 'pre-raise consideration' added

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## CMAG Forward Workplan

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### Question

- Is there a need to reconsider proposal timelines due to volume of expected changes?

### December 2023 Agenda

Currently for CMAG Meeting 15 to be held on Wednesday 13 December 2023 we have the following items:

#### Developing CM Rules Change Proposals

CP364 'Allow Secondary Trading before T-4'

CP374 'Splitting CMUs'

CP375 'Merging CMUs'

#### Other Items:

Subsidy Control Framework update - DESNZ



# [ACTION LOG](#)

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# AOB AND MEETING CLOSE