

ELEXON

CAPACITY MARKET ADVISORY GROUP

SIX - MONTHLY UPDATE: OCTOBER 2024



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FOREWORD

As we mark two years of the Capacity Market Advisory Group (CMAG) operating, I'm pleased to present the April –October 2024 six-monthly report. This report is my first as the CMAG Facilitator, a role I took over at the start of this period. During this time, I've been really pleased with the engagement and discussion that CMAG Members have provided as we've worked through the proposed amendments to the CM Rules. I've also appreciated the way that the CM Delivery Partners have also contributed to these processes, working together with CMAG Members to debate and develop solutions.

This point also marks the conclusion of our first CMAG Membership cycle. Therefore, I want to start by thanking all those Members for the time they have dedicated to the CMAG during these two years. I'm pleased that many of them have chosen to continue on the CMAG for the next cycle. I'd also like to welcome the new Members who joined us from 1 October and look forward to the new views and experiences they will bring to the process. And finally, for those Members who have chosen to step away from the CMAG, I want to recognise their efforts in supporting and progressing important changes and I hope that they will continue to contribute to the Capacity Market in other ways, such as the submission of future Change Proposals.

My team has spent the last six months working closely with stakeholders across the Capacity Market, discussing perceived issues and helping form potential solutions. I've been really pleased to hear a number of 'CMAG Surgery' items introduced from non-CMAG Members, which have allowed discussion and examination of ideas to progress quickly. This suggests the addition of the 'CMAG Surgery' around a year ago is proving beneficial, and I'd like to take this opportunity to encourage stakeholders to make use of both the expertise within the CMAG Secretariat and the opportunity to use the Surgery session at CMAG Meetings to develop CM Rule changes in a collaborative way. You don't need to be a CMAG Member to make use of this!

There's been plenty that the CMAG have worked on through this period, with seven Change Proposals that the CMAG have developed being submitted to Ofgem and three further Change Proposals being implemented in the last six months. Alongside this, the CMAG established a sub-group to discuss a number of areas related to the Independent Technical Expert (ITEs) provisions in the Rules. This sub-group has now concluded and the outputs are now forming part of the CMAG's work for the next few months. You can get an oversight of what's coming up and what the CMAG's focus will be in the Forward Workplan later in this Report.

Oliver Meggitt, Head of Governance Services and Capacity Market Advisory Group (CMAG) Facilitator



Proposals submitted to Ofgem in this six month period

CP377 'Increasing flexibility for SPD Portfolios'

Change Proposal [CP377 'Increasing flexibility for SPD Portfolios'](#) was sent to Ofgem following CMAG Meeting 19 in April 2024 with the CMAG recommendation to implement this Change Proposal.

CP377 proposes to amend Rule 13.4.1B to allow CMU Portfolios to be formed across Company Groups. This will allow Capacity Providers more flexibility in meeting the Satisfactory Performance Days (SPD) obligations.

CP378 'Removing 50MW Limit on Individual CMUs in a Portfolio'

Change Proposal [CP378 'Removing 50MW Limit on Individual CMUs'](#) in a Portfolio was sent to Ofgem following Meeting 24 in September 2024 with the CMAG recommendation to implement this Change Proposal.

This proposal seeks to amend the CM Rules preventing any CMU with an aggregated Connection Capacity greater than 50MW from being part of a CMU Portfolio.

The proposed changes will:

- Remove the 50MW Connection Capacity limit on CMUs being part of a CMU Portfolio, and
- Introduce a limit on each CMU within a CMU Portfolio to deliver a minimum proportion of the CMUs individual Capacity Obligation (to apply to all CMU Portfolios).

The removal of the 50MW limit through CP378 will create greater flexibility for Capacity Providers to meet their Supplier Performance Day (SPD) obligations as delivery will be able to be achieved using a whole CMU Portfolio.

CP380 'Financial Commitment Milestone Extension'

Capacity Providers with Prospective CMUs with T-4 Agreements are required by Rule 6.6.1 to meet their Financial Commitment Milestone (FCM) by 16 months after Auction Results Day (ARD). This includes a requirement (under Rule 6.6.2(a)) that Capital Expenditure has been incurred and paid to a value at least equal to 10% of the Total Project Spend (TPS).

For some CMUs, this necessitates paying suppliers earlier than would otherwise be necessary, having negative commercial consequences for the Capacity Provider.

For some CMUs this necessitates paying suppliers earlier than would otherwise be necessary, having negative commercial consequences for the project.

To resolve this a fixed extension for demonstrating the payment of 10% TPS at ARD+30 months can be applied for at Prequalification. Each Application must be accompanied by a Prequalification Certificate signed by two Directors of the Applicant.

CP381 'Change to the definition of Station Connection Entry Capacity (SCEC) in Rule 3.5.5'

Change Proposal [CP381 'Change to the definition of SCEC'](#) in Rule 3.5.5 was sent to Ofgem following Meeting 23 in August 2024 with the CMAG recommendation to implement this Change Proposal.

This proposal seeks to amend the CM Rules by changing the definition of Station Connection Entry Capacity (SCEC) to add an additional option to determine SCEC as either the sum of each Generating Unit's CEC as it is now, or station CEC.

This proposal will provide additional options for how CMU Connection Capacity is determined as it will allow CMUs which have unit CECs that collectively sum to more than station CEC another option to reflect the Connection Capacity of their CMUs. Further, it is anticipated the definition change could also promote investment in new CMUs as well acting as enabler to possibly lower the CM clearing price.



Proposals in development Other work conducted by the CMAG

CP382 'Independent Technical Expert (ITE) Definition Updates and Report Templates'

This [Change Proposal](#) seeks to amend the CM Rules to clarify the definition of an ITE as well as outline what an ITE would need to include within a report to the Delivery Body. Amending the ITE definition in the CM Rules will enable greater clarity on what an ITE is, and what experience they must have to be an ITE (i.e., it will no longer require 'international' experience).

Additionally, a templated approach will be introduced for all assessments produced by ITEs. This change will ensure there is an 'industry standard' adopted by ITEs, which will reduce the variances in quality and content submitted to Delivery Body.

Currently, work is being undertaken to assess and develop this Change Proposal.

Proposals withdrawn

CP379 'Confidential Information Definition'

This [Change Proposal](#) seeks to update the definition of Capacity Market Confidential Information to clarify that it concerns information that when shared would constitute a 'Prohibited Activity' as stated in Rule 5.13. The CMAG did not agree to develop this further as under the Regulations relevant data sharing of Capacity Market Confidential Information between the Capacity Market Settlement Body (CMSB) and DESNZ is not prohibited as initially thought.

Further, clarifications are to be considered as part of a future review of the CM Rules Exhibits.

The CMAG Secretariat has also:

- Hosted a webinar on [24 April 2024](#) for stakeholders who were interested in the work of CMAG by giving updates on Change Proposals and CMAG activities
- Finalised appointing a new cohort of CMAG Memberships starting from October 2024. CMAG held Membership applications during the last six-month period, enabling current and prospective Members to apply to be part of CMAG. Membership has now been confirmed and the new group will start from October 2024.

CMAG Surgery Discussions

The intention of the CMAG surgery sessions is for stakeholders with problems in the Capacity Market to share these issues and workshop viable solutions with the CMAG to inform the raising of any CM rule changes. CMAG has considered the following three items in the surgery sessions:

Developing ITE Report Requirements

An expert subgroup was set up to discuss ITE requirements. The result of the subgroup's work was the development of CP382, which details the amendments to how to define an ITE as well as introducing a templated approach for reports produced by an ITE. Currently, work is ongoing to finalise this Change Proposal. Additional information on the subgroup discussions can be found on the [CMAG website](#).



Other work conducted by the CMAG

(Continued)

Definition of Station Connection Entry Capacity (SCEC)

CMAG Members discussed how SCEC could be defined. This resulted in development of CP381 which seeks to alter the definition of SCEC to enable options to give Capacity Providers more options on how their Capacity Obligations could be calculated.

Clarify the scope of Rule 8.5.1 for Interconnectors

CMAG Members discussed how the Rules defined the Capacity Obligations for interconnectors and whether there were exemptions that could be applied to them. For example, Interconnector CMUs may be required to reduce the Net Output of its CMU to an amount lower than the Interconnector Scheduled Transfer, following a request from the GB System Operator or from the system operator in a connected country. It was noted that that next steps are dependent on clarifying policy intent to understand whether an exemption would apply. This work is currently ongoing.

Other CMAG Surgery discussions

Additionally, there were other CMAG Surgery discussions that have focused on clarifying the Secondary Trading Eligibility Directory, managing Secondary Trading alignment with Supplier Performance Days (SPDs), determining when the Domestic DSR Bespoke and Balancing Services Metering audit will occur, and highlighting issues arising from the Informal Consolidated Rules 2024.

There were additional discussions held regarding how to understand and apply the term 'Reserve for Response'. A Rule change proposal is in development to formalise these discussions and initiate the next steps.



Proposals with Ofgem for decision

Below we summarise the status of the all the Change Proposals CMAG has submitted to Ofgem. The following Change Proposals are with Ofgem for decision:

Title	Status
CP362 'CM Agreement Transfers'	This proposal was recommended to Ofgem by CMAG at Meeting 11. This proposal is expected to be included in the next Statutory Consultation to be published by Ofgem.
CP371 'Protection from Very Late network connections'	This proposal was recommended to Ofgem by CMAG at Meeting 14. This proposal is expected to be included in the next Statutory Consultation to be published by Ofgem.
CP376 'Clarifying the restrictions on the role of Agent'	This proposal is expected to be included in the next Statutory Consultation to be published by Ofgem.
CP377 Increasing flexibility for SPD Portfolios	This proposal was recommended to Ofgem by CMAG at Meeting 19. This proposal is expected to be included in the next Statutory Consultation to be published by Ofgem.
CP378 Removing 50MW Limit on Individual CMUs in a Portfolio	This proposal was recommended to Ofgem by CMAG at Meeting 24. This proposal is expected to be included in the next Statutory Consultation to be published by Ofgem.
CP380 Financial Commitment Milestone Extension	This proposal was recommended to Ofgem by CMAG at Meeting 24. This proposal is expected to be included in the next Statutory Consultation to be published by Ofgem.
CP381 Change to the definition of SCEC in Rule 3.5.5	This proposal was recommended to Ofgem by CMAG at Meeting 23. This proposal is expected to be included in the next Statutory Consultation to be published by Ofgem.



More information on each of these proposals can be found on the relevant Change Proposal pages on the CMAG Website. Each of these can be accessed by clicking the hyperlinks in the title of each Change Proposal in the table above.

Proposals implemented by Ofgem

Title	Status
CP368 'CVR Publication Deadline'	<p>The CMAG reviewed this change and recommended to Ofgem for implementation at CMAG Meeting 5. Ofgem held Statutory Consultation from 21 November 2023 – 5 January 2024 for this CP.</p> <p>Ofgem issued a decision on 14 June 2024 to progress in implementing CP368.</p>
CP369 'Secondary Trading with CMU Metering Aggregation Rules'	<p>The CMAG reviewed this change and recommended to Ofgem for implementation at CMAG Meeting 9. Ofgem held Statutory Consultation from 21 November 2023 – 5 January 2024 for this CP.</p> <p>Ofgem issued a decision on 14 June 2024 to progress in implementing CP369.</p>
CP373 'Process Transfer from EMR Delivery Body to CM Settlement Body'	<p>The CMAG reviewed this change and recommended to Ofgem for implementation at CMAG Meeting 12. Ofgem held Statutory Consultation from 21 November 2023 – 5 January 2024 for this CP.</p> <p>Ofgem issued a decision on 14 June 2024 to progress in implementing CP373.</p>

Decisions summary table

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

<p>5 Proposals Raised</p>	
<p>2 Proposals in Development</p>	
<p>4 Recommendations to Ofgem</p>	
<p>3 Ofgem decisions</p>	

Forward Work Plan Extract

The CMAG Forward Work Plan details all changes currently being progressed by CMAG, and an estimated timescale for each change to complete the change process.

On the next page is an extract showing the current in-flight changes that are not currently with Ofgem. The full Forward Work Plan can be found on the CMAG Website.

Title	2024			2025				Commentary
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
Full review of the Exhibits in the CM Rules								Ofgem wishing to conduct review of all Exhibits. Amendments to be implemented in Rules (Amendment) 2025
Rule 3.5 Connection Capacity Review								The aggregate Connection Capacity of all Generating CMUs at a site with a common Connection Agreement should not exceed the Transmission Entry Capacity and Maximum Export Capacity (as applicable) which applies to that site.
Total Project Spend								Separated out from ITE subgroup
Foreign Currency methodology for Capex								Separated out from ITE subgroup
Remedial Plan Review								Separated out from ITE subgroup
Extended Years Criteria Review								Separated out from ITE subgroup

Key

	Pre-raise Consideration
	Initial Consideration of Proposal
	Development
	CMAG Recommendation
	With Ofgem
	On hold
	Not considered yet

Forward Work Plan Extract

(Continued)

Title	2024			2025				Commentary
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
EPT / SPD Review								<p>Issues to be considered for grouping into Change Proposals:</p> <p>Amend Rules where granularity should be by Generating Unit or DSR Component rather than by CMU, even if the outcome is then aggregated by CMU (impacts ITE, Connection Capacity, SPD/EPT, etc).</p> <p>Ensure 3.5 Connection Capacity (CC) covers pertinent scenarios, including multiple CMUs on a site and CMUs comprising GU/Components from multiple sites, as well as DC CMUs where the basis of CC may vary between GUs.</p> <p>Replace 3.5.1A with an effective Site level control over CMU Connection Capacities.</p> <p>Clarify GCA/DCA and Connection Capacities around Refurbishing CMUs; Make 13.4A demonstrating extended performance (EPT) work more effectively.</p>
Wider consideration of use the use of Agents (CP376 follow up)								<p>Looking at wider CM roles such as NEDs/consultants/advisers and whether there are any cases where sensitive information relating to bidding behaviour could potentially be shared inappropriately between parties.</p> <p>At CMAG Meeting 15 Ofgem noted they are considering a broader issue of how much information is shared between parties and how transparent this is, looking at data flows and bidding behaviours prior to Auction, which could feed in to future reviews with DESNZ.</p>
Prequalification Updates								General area of consideration flagged by CMAG in its initial view of issues.
Housekeeping Changes								Administrative changes for the Spring 2025 consultation, To be implemented for Rules (Amendment) 2025.

Key

	Pre-raise Consideration
	Initial Consideration of Proposal
	Development
	CMAG Recommendation
	With Ofgem
	On hold
	Not considered yet

Forward Work Plan Extract

(Continued)

Title	2024			2025				Commentary
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
On Hold								
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.
CP363 - Changes to EMR Delivery Body Portal								The Proposer has agreed to keep this change on hold. EMR DB to review and advise following Portal 2.0 roll out.
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.
CP379 - Confidential Information Definition								CMAG agreed at Meeting 23, no action was required of CMAG Secretariat and the sharing of confidential information on Exhibit C would be picked up in the general Exhibit review.
CPXXX - DSR Component Reallocation								On hold pending outputs of DESNZ Phase 2 consultation work.
CPXXX - Rule 2.3.3 De-rating Factors								Ofgem/DESNZ/EMR-DB in discussions to clarify policy intent.
CPXXX - Extension of Secondary Trading Principles for Extended Performance Testing								Placed on hold as this is expected to be considered by DESNZ separately.
CPXXX - Managing SPDs and Secondary Trading								Number of changes expected in July, as per DESNZs decision on Phase 2 consultation. Any legal drafting cannot begin until then.

CMAG Members Feedback Survey

Twice a year, in advance of each 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.

A total of 10 responses were received out of 10 Members. Overall, a majority of CMAG Members have rated their experience of CMAG over the last six months as 'Excellent' noting that meetings were 'well-structured and well-paced' and added that flexibility during meetings has been helpful where 'topics are particularly complex.'

Members have also noted suggested areas of improvements could be made by encouraging in-person attendance when and where possible, creating robust discussion where all members are involved, and adding additional workgroups to assist detail development of complex proposals.

We will continue to review these areas and seek opportunities for future improvement. 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 would love to hear from you.](#)

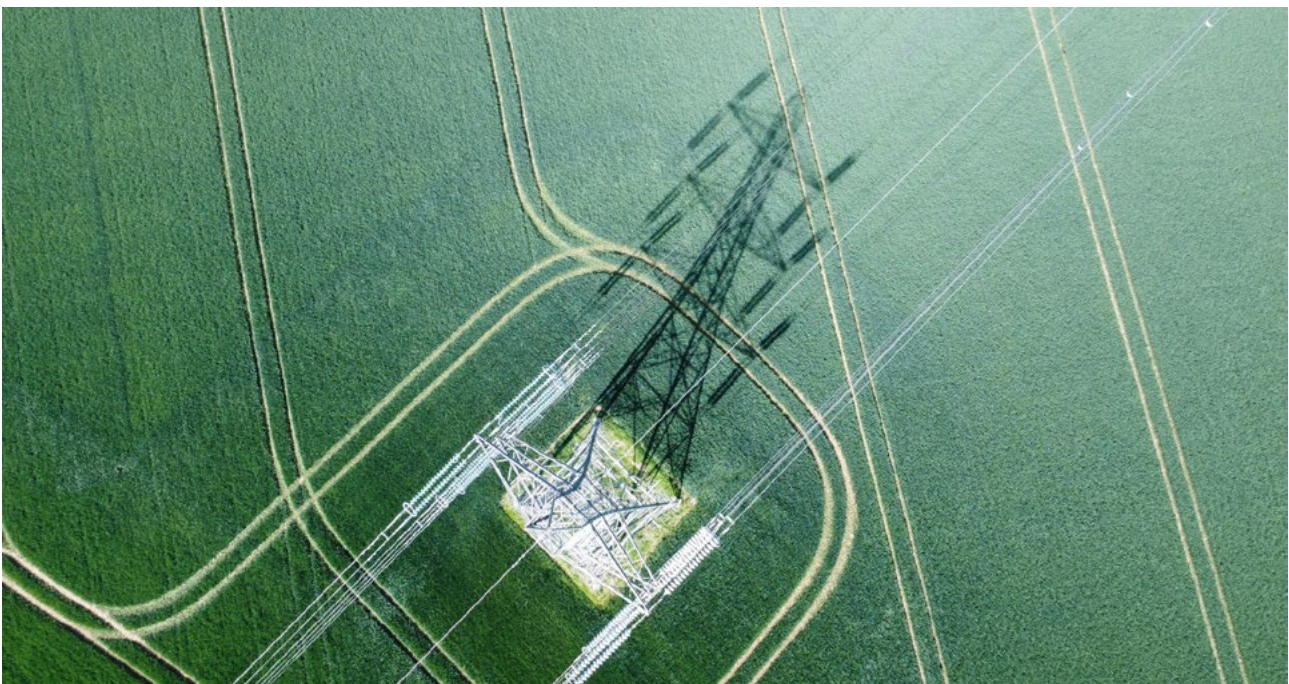
Attendance

We have continued to benefit from strong attendance by CMAG Members and have welcomed several 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 held from 16 April 2024 to 17 September 2024. This 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 is 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 'A' in the cell (note that Alternate attendance is not added to the Member attendance percentage column).



Attendance Table

CMAG meeting attendance for meetings held from 16 April 2024 – 17 September 2024

Name (Capacity)	Meeting 19	Meeting 20	Meeting 21	Meeting 22	Meeting 23	Meeting 24	Attendance Percentage
DESNZ (Representative)	Y	Y	Y	Y	Y	Y	100%
CMSB (Delivery Partner)	Y	Y	Y	Y	Y	Y	100%
EMR Delivery Body (Delivery Partner)	Y	Y	Y	Y	Y	Y	100%
Ofgem (Representative)	Y	Y	Y	Y	Y	Y	100%
Elexon (Facilitator/ Secretariat)	Y	Y	Y	Y	Y	Y	100%
Brian Lake (Member)	Y	Y	Y	Y	Y	Y	100%
Paul Jones (Member)	Y	Y	Y	Y	Y	Y	100%
Eleanor Haynes (Member)	Y	Y	Y	Y	Y	Y	100%
Shahena Begum (Member)	Y	Y	Y	Y	Y	Y	100%
Raoul Thulin (Member)	A	Y	Y	Y	Y	Y	83%
Richard Thwaites (Member)	Y	Y	Y	A	Y	Y	83%
Claire Sedgwick (Member)	A	A	Y	N	Y	Y	50%
Libby Glazebrook (Member)	N	N	Y	Y	Y	N	50%
Sophie Lethier (Member)	N	N	A	N	A	Y	33%

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