

Capacity Market Advisory Group Draft Minutes

Meeting number **7**

Venue **Elexon Offices/MS Teams**

Date of meeting **18 April 2023 10:00-16:00**

Classification **Public**

Attendance and apologies

Attendees	Initials	Type
Brian Lake	BL	Member
Claire Addison	CAd	Member
Libby Glazebrook	LG	Member
Mark Duffield	MD	Member
Paul Jones	PJ	Member
Raoul Thulin	RaT	Member
Richard Thwaites	RiT	Member
Sarah Honan	SHon	Member
Aled Williams	AW	Representative (EMR Delivery Body)
Beth Hanna	BH	Representative (EMR Delivery Body)
Georgina Morris	GM	Representative (DESNZ)
Bir Virk	BV	Representative (LCCC/ESC)
Andrew Macdonell	AM	Representative (Ofgem)
Holly MacDonald	HM	Representative (Ofgem)
Eleanor Haynes	EHay	Guest (EDF Energy)
Lisa Waters	LW	Guest (Waters Wye Associates)
Gemma Stanley	GS	Guest (Piclo)
Mel Ellis	ME	Guest (Shell Energy)
Elliott Harper	EH	CMAG Facilitator (Elexon)
Amy Stackhouse	AS	CMAG Secretariat (Elexon)
Ben Lathbury	BL	CMAG Secretariat (Elexon)
Matthew Woolliscroft	MW	CMAG Secretariat (Elexon)
Apologies		
Lee Priestley	LP	Member
Euan Graham	EU	Member

1. Welcome and Apologies

- 1.0 Elliott Harper (EH) welcomed Members and Representatives and noted apologies from Lee Priestley (Raoul Thulin attending as Alternate) and Euan Graham.

2. Action Log

- 2.0 The CMAG reviewed the Action Log, all 'Complete' actions will be marked as closed. Discussion on actions 'In Progress' can be found in the CMAG Action Log v7.1 – 25.04.23, published on the [website](#).

3. CM Representative Updates

Ofgem

- 3.0 The Ofgem representative noted they have reviewed the CM Rules Change Proposal Form and made changes to the confidentiality section following feedback from CMAG. The Form now provides guidance on submitting confidential supporting information/change proposal to Ofgem and is set out in a way that will still encourage and maximise the proposer's engagement with CMAG. CMAG Members agreed with the updates.
- 3.1 The Ofgem representative noted Ofgem had previously carried out an annual change proposals process, but would like this process to be more flexible for industry whilst efficient for Ofgem, so it is proposing three statutory consultation dates each year (1 March, 1 July and 1 November).
- 3.2 The Ofgem representative noted Ofgem will aim to have made decisions on any consulted change proposals before the next statutory consultation is launched, with the exception of urgent change proposals that will be dealt with on an individual basis.
- 3.3 The Ofgem representative informed the CMAG that Ofgem is proposing CP365, CP366 and CP368 are sent for public consultation on 1 July 2023 to align with this new proposed timeline. This would mean an Ofgem decision could be expected by 31 October 2023.
- 3.4 LW welcomed the proposed timeline, noting that it will provide industry with an expected date to work towards for change proposals.
- 3.5 LW raised a concern however that the timeline for change and auctions will continue to be misaligned, and queried if the auction timeline and process could be pulled forward; noting that a 2023 auction would not be held so Capacity Providers will not have four complete years of delivery.
- 3.6 The Ofgem representative noted it is not within Ofgem remit to consider the auction timelines, but if it were to change in the future it would review its timelines for consultations to ensure they are effective.
- 3.7 The DESNZ representative confirmed they would review this feedback and assess if there are any possible changes that can be delivered to the auction timelines.
- 3.8 **ACTION 0423/01 – The DESNZ representative to look at the current timeline for Auctions and assess any possible changes to bring forward the auction timeline to allow for four full years for delivery.**
- 3.9 A Member noted the previous annual cycle for change meant that a new effective set of CM Rules was made available in advance of Prequalification each year. The Member queried how this process would work, with a new possible 3 points in a year for change to be introduced, with decisions expected after prequalification too.
- 3.10 A Member queried if changes are approved following prequalification, would they impact current Agreements and assets that have qualified. The Ofgem representative informed the CMAG that Ofgem will work with DESNZ on implementation processes and how this will be managed. The proposed expected timelines for consultations are not expected to end in CM Rules changes, but in approved and finalised changes that can be implemented.
- 3.11 Some Members raised concern that the expected timelines for consultation from Ofgem are slower than anticipated, and will mean the change proposals currently with Ofgem for consideration will not be implemented prior to prequalification 2023. The Ofgem representative noted the concerns and informed the CMAG Ofgem's intention is to create a process that is transparent and will allow sufficient time for responses to any consultation to be duly considered.
- 3.12 A Member noted that CP365 and CP366 were considered by DESNZ in its 2023 CM Consultation and queried who would be the decision making body for these changes. The Ofgem representative noted Ofgem remains in discussion with DESNZ to ensure these aspects of change that touch on policy have been considered.

- 3.13 The Ofgem representative noted that Ofgem's current position on Rule 4.4.4 is that it should be modified to allow generating CMUs to be altered as detailed in the Ofgem 5 year review of the CM.
- 3.14 **ACTION 0423/02 – Elexon to review Rule 4.4.4 alongside the proposed changes within the Ofgem 5 year review of the CM and present a proposed route forwards for CMAG to discuss.**
- 3.15 LW noted an option could be to delete Rule 4.4.4, allowing CMUs to change their configuration so long as they do not lower their capacity.

EMR Delivery Body

- 3.16 The EMR Delivery Body (EMR DB) representative noted they will be publishing the EMR DB plan for its new portal and accompanying newsletter by the end of April 2023.
- 3.17 The EMR DB representative further noted that the allocation exercise for round 5 has begun, with Capacity Agreement Notices issued for those successful in the T-1 and T-4 auctions.

Department for Energy Security and Net Zero

- 3.18 The DESNZ noted they are in discussion with Ofgem and Elexon regarding the review of CMAG processes and how DESNZ can articulate policy implications and subsidy control interactions on change proposals.
- 3.19 The DESNZ representative noted they are continuing its progress with responding to its 2023 CM Consultation and will bring a wider update to the CMAG once its response has been published.

4. CMAG Secretariat Update

- 4.0 The CMAG Facilitator noted that Lee Priestley has tendered his resignation as a CMAG Member due to competing work priorities. The CMAG Facilitator is in discussion with Ofgem to recruit a replacement Member.

CMAG Process Review

- 4.1 The CMAG Facilitator noted that as a result of the CMAG 6 monthly report, Elexon has begun reviewing the current CMAG ways of working and processes. A number of improvements have been identified, focusing on how CMAG works where CM Rules Changes impact on government policy or subsidy control.
- 4.2 The CMAG Facilitator noted that currently both Ofgem and DESNZ have the legal right and ability to make changes to CM Rules, Ofgem set up CMAG to support its process of changes to rules but there is now a clearer understanding of the subsequent impact to DESNZ.
- 4.3 CMAG Members agreed with the principles and purpose of CMAG as noted by the CMAG Facilitator.
- 4.4 CMAG Representatives questioned whether CMAG should move to 6-weekly meetings to give more time to compile work between meetings. The LCCC/ESC representative noted that having a longer period between meetings will allow for experts and internal teams to input effectively into CMAG work required by the delivery partner. CMAG Members noted that the current process of monthly meetings works well for them, with busy agendas each month highlighting clear deliverables and significant work to get through.
- 4.5 The CMAG Facilitator noted an updated high-level process proposal would be presented at the next CMAG meeting to be held on Tuesday 16 May 2023.

CMAG 6 Monthly Report

- 4.6 The CMAG Facilitator noted the first draft of the CMAG 6 monthly report has been circulated to all Members and Representatives for review.
- 4.7 The CMAG Facilitator requested feedback on the draft report before it is finalised and issued to Ofgem.

5. Secondary Trading Arrangements Update

- 5.0 The LCCC/ESC representative noted their current priority is scoping of shifting settlement/aggregation rules and processes across from DB to SB.
- 5.1 LW noted this change alters the responsibility for secondary trading arrangements but does not help with current problems identified with the arrangements.
- 5.2 The LCCC/ESC representative noted that whilst secondary trading does require a whole review in their opinion, policy interactions in this space make this difficult. The proposed change to secondary trading processes from

Delivery Body to Settlement Body is a step change that will make it easier to incorporate future changes to secondary trading arrangements.

6. Mock Stress Event Update

- 6.0 The LCCC/ESC representative presented history of testing windows for stress event, following the last full event held in 2018.
- 6.1 The LCCC/ESC representative noted it could carry out another mock stress event but the data quality is not currently up to scratch and will require a significant time to update it. This activity has been prioritised for 2020/21 data.
- 6.2 The LCCC/ESC representative informed the CMAG they are reviewing their stress event approach, looking at how the LCCC/ESC use settlement data in a potential stress event.
- 6.3 A Member noted that during the mock stress event in 2018, they had spent majority of the time chasing incorrect data on report so did not practice much reallocation. Participants cannot see what their submitted data looks like on the receiving end so are unable to make changes where required until they receive a corresponding report from the SB.
- 6.4 LW queried for a Relevant Balancing Service (RBS), how this process would work in practice. The LCCC/ESC representative noted the Capacity Provider would submit their data directly to the DB who would then submit it to EMRS.
- 6.5 LW asked where a CP is participating in a store window, and notifies the DB that it was on a RBS, does ESC check with the DB that this is correct.
- 6.6 The LCCC/ESC representative noted that the assurance around this would be carried out by the DB, who would then provide the data to the SB.
- 6.7 The EMR DB representative agreed to provide further information on this assurance process.
- 6.8 **ACTION 0423/03 – The EMR DB representative to confirm its assurance process for a CMU that has notified the EMR DB it was participating in a Relevant Balancing Service during a System Stress Event.**
- 6.9 LW raised a scenario where a supplier could have over 100 CMUs and CPs requesting this data could lead to possible mismatches leading to penalties. LW queried if Elexon could draft up a draft change proposal on the dispute process for penalties.
- 6.10 **ACTION 0423/04 – Elexon to consider a draft Change Proposal on the process for disputing penalties as a result of a System Stress Event.**
- 6.11 The LCCC/ESC representative informed the CMAG of the updated proposal for mock stress events, which will not require any additional manual data submission. The updated process will ensure data being sent across and data received by the SB can be reconciled and if there were a System Stress Event then this should mitigate risk of dispute.
- 6.12 A Member noted that a monthly process would run the risk of less time to review and possibly a loss of engagement from some CPs.
- 6.13 The LCCC/ESC representative noted that this updated process will not require any further data submission from CPs, but each CP will receive a report detailing how it would have performed in a system stress event and identify where it would have had issues.

7. Secondary Trading Issue Area – Agreements and Obligations Risk

- 7.0 The CMAG Secretariat (MW) noted at CMAG Meeting 6, Members agreed to review issues relating to agreements and obligations risks as part of its incremental review of Secondary Trading.
- 7.1 Following CMAG Member feedback, the CMAG Secretariat has summarised two potential areas of improvement for CMAG to consider: Treatment of terminations involving traded obligations; and SPD requirements for traded obligations.

Terminations interacting with traded obligations

- 7.2 The CMAG Secretariat noted a Member provided an example issue whereby a CMU had traded part of its agreement, the traded part had met its Satisfactory Performance Days (SPD) requirements but the remaining capacity did not. The EMR DB believed that the original agreement would be terminated based on the Auction

Acquired Capacity Obligation (AACO), despite the agreement being partially traded and achieving satisfactory performance. The Member highlighted this scenario raises an issue for clarity on the position of traded obligations that meet SPD requirements when the original AACO triggers a termination event.

Traded obligations and SPDs

- 7.3 The CMAG Secretariat noted there is a perceived disparity in the treatment of SPDs between CMUs with AACOs and CMUs that have obtained an obligation through secondary trading.
- 7.4 The CMAG Secretariat further noted it is the intention for CMAG to review this perceived disparity and seek to provide some clarity.
- 7.5 **ACTION 0423/05 – The EMR DB representative to provide further clarity on its interpretation of Rule 13.4 in relation to the timings provided in its guidance on traded obligations and SPDs.**
- 7.6 LW noted that a CP is required to complete an SPD each time it trades an obligation, even where a previous CP may have met this SPD.
- 7.7 LW further noted that a CP wishing to trade would have had to meet its obligations, including SPDs, under the Rules prior to trading. If the CP is not required to have completed an SPD at the point in the year they wish to trade, why would it be required to complete an SPD?
- 7.8 A Member queried if it is written somewhere that CPs cannot trade or if this is an interpretation point.
- 7.9 **ACTION 0423/06 - The EMR DB representative to confirm where the obligation lies in the Rules for CMUs to be required to complete an SPD before trading, as noted in its guidance.**

8. Developing CM Rules Change Proposal - CP362 'CM Agreement Transfers'

- 8.0 The CMAG Secretariat (CAr) noted following CMAG Meeting 6, an impact assessment was requested from the EMR DB, this has not yet been received but will be circulated to CMAG once it is.
- 8.1 CAr noted that the EMR DB had provided comments on the legal text. The EMR DB representative highlighted that 'Prospective' is not a defined term and therefore should be removed from the draft legal text.
- 8.2 A Member noted that 'Prospective' is defined within the Regulations, but the legal text works without this word so it could be removed to avoid any confusion.
- 8.3 The EMR DB representative queried why the legal text had been updated to include changes to Rule 6.7.1. RaT noted that previously the interpretation of Rule 6.7.1 had prevented a transfer, therefore the additional proposed wording seeks to make any interpretation explicit that a CMU is able to transfer its Agreement ahead of reaching its Significant Completion Milestone (SCM).
- 8.4 A Member noted the additional wording proposed in Rule 6.7.1 creates more ambiguity with the interpretation as it seems to contradict Rule 9.2.6. The Member further noted that Rule 6.7.1 should not prevent an obligation from being traded on to an acceptable transferee that has met all the conditions required to receive payments.
- 8.5 LW noted that MCM only comes in to effect where a CMU has not met SCM, and therefore should not impact this proposal. LW further noted that in the first year, you can trade prior to reaching SCM which implies you can trade before reaching MCM.
- 8.6 The EMR DB representative noted that they have queried this with DESNZ to clarify whether both MCM and SCM apply.
- 8.7 RaT noted this same issue arises in Rule 6.7.1, in order to get paid a CP needs to reach SCM, which assumes MCM has been achieved.
- 8.8 **ACTION 0423/07 – Elexon to work with EMR DB, Raoul Thulin and Lisa Waters to update the draft legal text for CP362 following feedback at CMAG Meeting 7.**
- 8.9 A Member queried what the link is to Rule 6.7.1, as this Rule specifically refers to payments relating to a system stress event.
- 8.10 A Member noted that the intent of this Rule may have been to provide clarity that penalties or payments are not payable in the event you don't meet SCM, but it is now being interpreted differently.
- 8.11 A Member highlighted that Rule 6.7.1 does not seem to follow through to 6.7.2, and does not seem to be relevant in achieving SCM or putting condition on CPs who haven't.

- 8.12 LW noted the Rule should make it clear that CPs only received payments or penalties once they have reached either MCM or SCM.
- 8.13 LW raised concern that there has been slow progress on this change proposal. The CMAG Facilitator noted that the change is expected to be submitted to Ofgem in time for its 1 July consultation date.
- 8.14 LW queried if the original proposed legal text to delete Rule 9.5.2(a) (i) would be included within the report to Ofgem. The CMAG Facilitator agreed to include this within the report.

9. Developing CM Rules Change Proposal – CP369 ‘CMU Metering Aggregation Rules’

- 9.0 The CMAG Secretariat (CA) noted a number of key amendments to the CP369 legal text, which seeks to introduce two new definitions for Aggregations Rules and Auction Acquired Capacity Obligation.
- 9.1 A Member commented that it would be helpful to have the Aggregation Rule formula in a defined location so that CPs know where it is and what it is.
- 9.2 A Member noted that not all CPs would be required to submit an Aggregation Rule, as a BMU would submit a BMU ID in place, this change could cause confusion by suggesting a BMU would also need to submit Aggregation Rules.
- 9.3 A Member highlighted that the BMU ID correlates to the same step as submitting an Aggregation Rule. The LCCC/ESC representative noted that they view the BMU ID data in the same place as aggregation rules submitted by CMUs.
- 9.4 A Member noted that in the final legal text it must be explicitly clear what expectation is on diff parties (BMU/CMU) relating to submission of aggregation rules.
- 9.5 LW stated that it must be clarified within the text that it is the CP who sets the aggregation rules not the SB, and the aggregation rules could vary between delivery years for the same CMU.
- 9.6 RaT noted there needs to be further clarity on whether a CMU setting up a secondary trade mid-year would require aggregation rules to be in place before it takes on any Agreement. The LCCC/ESC representative noted it is intended that aggregation rules must be in place at the point a CMU takes on PTCO.
- 9.7 A Member suggested the wording within Rule 8.3.3 should be changed to “commencements of the Agreement or taking on an Agreement” for clarity.
- 9.8 Another Member noted that Rule 8.3.3 should be divided further into two, referencing the point at which a CMU takes on AACO and PTCO separately.
- 9.9 LW queried why aggregation rules would need to be submitted before the start of the delivery year. The LCCC/ESC representative noted that for a DSR CMU, if active aggregation rules are not in place at least 20WD before a system stress event, they would not be able to submit meter data and would be penalised for non-delivery.
- 9.10 The EMR DB representative agreed to confirm if a formal impact assessment is required for CP369.
- 9.11 **ACTION 0423/08 – The EMR DB representative to confirm if an impact assessment is required from the EMR DB for CP369.**
- 9.12 **ACTION 0423/09 – Elexon and LCCC/ESC to update the draft legal text for CP369 following feedback at CMAG meeting 7.**
- 9.13 **ACTION 0423/10 – LCCC/ESC and Elexon representative to draft a timeline of the current process for submitting aggregation rules through to completing a trade.**

10. Developing CM Rules Change Proposal - CP370 ‘Changes to Extended Performance Test’

- 10.0 The CMAG Facilitator noted that it is not within CMAG remit to be considering areas that impact on government policy. Ofgem may not be able to make decision on changes that impact government policy as this fits within DESNZ space. CMAG need to understand what the government policy intent is, as long as CPs are aligned with intent of policy then it can still be progressed via current route through CMAG.
- 10.1 The Ofgem representative noted they are looking at where Ofgem can provide clarity with DESNZ.
- 10.2 The DESNZ representative noted on this specific issue, DESNZ have covered EPT at a call for evidence level in its 2023 CM Consultation and was scoped before the consultation was issued. EPT is a policy matter but it is

being covered by DESNZ, and once its consultation response is published, DESNZ will have a fuller update for CMAG.

- 10.3 ME noted that it would be helpful to have separate guidance on EPT for new battery CPs who are due to enter prequalification so there is harmony between battery developers.
- 10.4 ME noted they have been looking at creating a degradation curve with battery developers that can be applied across AACO or to EPT. This still requires some thought on how a standard degradation curve would fit for all battery developers and if this is an ideal solution.
- 10.5 A Member noted that standardised degradation curves have been seen to stifle investment in other industries and could encourage CPs to risk the bottom with cheaper batteries. Before considering a standard degradation curve, CMAG must seek feedback from storage networks and battery developers on how this would work in practice.
- 10.6 The DESNZ representative noted that DESNZ would be keen for CMAG to think about how this would work in practice, including whether the curve would be completed by CMUs and would the DB have a role in assuring any degradation curves.
- 10.7 The DESNZ representative noted that whilst EPT requirements can be seen as onerous on batteries and not always achievable given degradation, it is a sole requirement whereas moving to a degradation curve would be multiple changing requirements.
- 10.8 A Member noted it would be their preference that the CMU declared their own degradation curve rather than using a standard, as degradation can vary greatly between batteries.
- 10.9 A Member highlighted that the solution would also need to link to derated capacity, and a degradation curve would require the capacity obligation to be changed for each year of the Agreement which is currently not permitted within the Rules.
- 10.10 A Member noted that any change in this regard should not be applied retrospectively, but to new Agreements only.
- 10.11 LG noted their proposed alternative approach seeks to introduce the ability to submit a battery degradation profile as part of their prequalification application.

11. CMAG Forward Work Plan

- 11.0 The CMAG Secretariat (CAr) presented the CMAG Forward Work Plan and noted it has been updated to extend the CP364 development window by two months to accommodate for the next CP364 subgroup to be held on Tuesday 2 May 2023.
- 11.1 CAr noted the 'with Ofgem' timescales for CP365, CP366 and CP368 will be extended to reflect the update provided by Ofgem on its timescales for statutory consultations.
- 11.2 CAr informed the CMAG that the development window for CP363 has also been extended to accommodate discussion between the proposer and EMR DB.
- 11.3 The CMAG Facilitator noted the Forward Workplan would be updated to reflect the additional work streams being carried out by the CMAG, including its review of secondary trading issue areas.
- 11.4 **ACTION 0423/11 - Elexon to update its Forward Workplan to include the additional work streams and issue areas under discussion by CMAG.**

12. AOB

- 12.0 LW informed the CMAG of an issue where the EMR DB had notified a Capacity Provider of five termination notices but had not identified which of the total 50 CMUs were being terminated; this resulted in a lengthy administrative task of checking each CMU individually.
- 12.1 ME noted they had seen an improvement in termination notice communication from the EMR DB and each notice identifies the CMU ID. The EMR DB representative noted the feedback and they would review if any further improvements could be made.
- 12.2 **ACTION 0423/12 – The EMR DB representative to review its termination notice communications and confirm how a Capacity Participant can identify the terminated CMU within the notice.**

- 12.3 A Member queried if Ofgem had provided timescales on how it would proceed with an urgent change proposal. The CMAG Facilitator noted Elexon is in discussion with Ofgem regarding urgency timescales, but it would look to keep the process agile as many factors in the process are dependent on the individual level of urgency for each change proposal. The Ofgem representative noted they have included guidance on urgency criteria for change proposals in the proposal submission form. The Ofgem representative informed the CMAG they would look to provide a minimum timeline for urgent change proposals, based on current legal requirements in the change process.
- 12.4 There was no further business and the meeting was closed. The next CMAG meeting date is Tuesday 16 May 2023.