

Capacity Market Advisory Group Draft Minutes

Meeting number **8**

Venue **Elexon Offices/MS Teams**

Date of meeting **16 May 2023 10:00-16:00**

Classification **Public**

Attendance and apologies

| Attendees | Initials | Type |
|----------------------|----------|---|
| Brian Lake | BL | Member |
| Libby Glazebrook | LG | Member |
| Mark Duffield | MD | Member |
| Paul Jones | PJ | Member |
| Raoul Thulin | RaT | Member |
| Sarah Honan | SHon | Member |
| Sophie Lethier | SL | Member |
| Beth Hanna | BH | Representative (EMR Delivery Body) |
| Ross Haigh | RH | Representative (LCCC/ESC) |
| Bir Virk | BV | Representative (LCCC/ESC) |
| Andrew Macdonell | AM | Representative (Ofgem) |
| Holly MacDonald | HM | Representative (Ofgem) |
| Mehdi Sunda | MS | Representative (Ofgem) |
| Sarah Howarth | SHow | Representative (DESNZ) |
| Alice Callanan | AC | Guest (Department for Business and Trade) |
| Eleanor Haynes | EHay | Guest (EDF Energy) |
| Lisa Waters | LW | Guest (Waters Wye Associates) |
| Paul Troughton | PT | Guest (Enel-X) |
| Elliott Harper | EH | CMAG Facilitator (Elexon) |
| Chris Arnold | CAr | CMAG Secretariat (Elexon) |
| Amy Stackhouse | AS | CMAG Secretariat (Elexon) |
| Ben Lathbury | BL | CMAG Secretariat (Elexon) |
| Matthew Woolliscroft | MW | CMAG Secretariat (Elexon) |
| Apologies | | |
| Claire Addison | CAd | Member |

Attendance and apologies

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|------------------|------|--------|
| Richard Thwaites | RThw | Member |
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1. Welcome and Apologies

1.0 Elliott Harper (EH) welcomed Members and Representatives and noted apologies from Richard Thwaites and Claire Addison, no Alternates were appointed for these Members.

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 v8.1 – 23.05.23, published on the [website](#).

2.1 LW stated that termination notices issued by the EMR DB should also always be issued to the Deputy Main Administrator of a CMU in case the Company's Main Admin is on leave and unable to appeal the notice within the 20 Working Days. The EMR DB representative noted they would take this feedback on board and pass it on internally.

3. CM Representative Updates

LCCC/ESC

3.0 The LCCC/ESC representative noted there was no updates at this time.

EMR Delivery Body (EMR DB)

3.1 The EMR DB representative noted that they will be arranging a webinar during week commencing 29 May to provide an update on portal development to interested stakeholders. The webinar will include an update on project delivery and a road map through to implementation in 2024.

Ofgem

3.2 The Ofgem representative noted CP365 'ITE Reports'; CP366 'Total Project Spend'; and CP368 'CVR Publication Deadline' will be included within the Ofgem statutory consultation to begin following 1 July 2023. This will mean these changes will not be in place for prequalification for the Delivery Year starting in 2023.

3.3 The Ofgem representative informed CMAG that if any of these changes meet the urgency criteria and the proposer identifies the risks with the change being managed post-prequalification, this should be notified to Ofgem at the earliest possible time for review.

3.4 The Ofgem representative noted they would update CMAG on Ofgem's proposed process and timelines for CM Rules Change Proposals at the June meeting.

Department for Energy Security and Net Zero (DESNZ)

3.5 A Member noted CP365 and CP366 had been included as part of the DESNZ 2023 CM Consultation, and queried if DESNZ was seeking to introduce these changes in time for prequalification 2023.

3.6 The DESNZ representative noted DESNZ is awaiting clearance to publish its response to the 2023 CM Consultation so cannot comment on the outcome at this time, but they are hoping to have a decision on these changes by June.

4. CMAG Secretariat Update

4.0 The CMAG Facilitator noted that in looking for a new Member, they had reached out to those who had previously submitted applications to join CMAG and submitted a recommendation to Ofgem. They noted that Ofgem would ratify the decision and the new Member would hopefully be able to attend from the June meeting onwards.

CMAG Process Review

4.1 The CMAG Facilitator noted at CMAG Meeting 7, CMAG had agreed the core CMAG principles that should be kept through a review of CMAG processes, now that CMAG had been operational for 6+ months.

- 4.2 The CMAG Facilitator highlighted the current and future process centers around the development of proposals, but improvements can be made to how proposals are reviewed and supported upfront before they reach this stage, particularly in assessing alignment to government policy.
- 4.3 The CMAG Facilitator further noted the required changes to the Operating Procedure and Terms of Reference would be made for the next meeting.
- 4.4 A Member noted the updated process diagram needs to highlight the route to submit a change proposal without going through CMAG surgery if they wish.
- 4.5 A Member suggested that the wording in the direction box on government policy could be clearer on whether a proposal is contrary to or contradicts government policy.
- 4.6 A Member noted that battery degradation was included within the DESNZ 2023 CM Consultation and aligns to government policy. The CMAG Facilitator noted the policy alignment decision step will allow DESNZ and Ofgem to provide a steer on whether CMAG should make a recommendation on certain proposals. Ofgem noted that they welcome the additional engagement with DESNZ as it can help ensure CMAG work does not go against government policy.
- 4.7 The DESNZ representative noted that it is not their intention to slow down the process, but clearer DESNZ engagement will enable them to confirm the intention and history behind government policy for CMAG to reflect on in advance of meetings.
- 4.8 The CMAG Facilitator noted they may look at creating a set of questions to be addressed as part of this government policy section, so that it is clear how CMAG can input into changes within this area. However, this is dependent on further engagement with DESNZ on how they see their involvement in the new process.

CMAG Impact Assessments

- 4.9 The CMAG Facilitator noted the Operating Procedure states up to four impact assessments can be requested from each Delivery Partner per month. Currently four impact assessments have been requested of which three have been completed. The impact assessment for CP362, requested on 21 March 2023, is still currently outstanding with the EMR DB.
- 4.10 The EMR DB representative noted it expects to submit its response to the impact assessment for CP362 in advance of the next meeting to allow CMAG sufficient time to review its findings.
- 4.11 The EMR DB representative further noted that EMR DB has completed its impact assessment based on the current portal, but following discussion with Ofgem it will look to complete all impact assessments on its new portal.
- 4.12 The EMR DB representative highlighted that there are a number of live changes currently, and it would be beneficial to carry out a prioritisation exercise with CMAG to understand what changes should be prioritised for the EMR Portal day 1 delivery.
- 4.13 **Action 0523/01 – Members to review live change proposals to assess if they consider any should be a priority for the new EMR Portal.**
- 4.14 LW raised concern with the slow progress for CP362, noting secondary trading has been raised as an issue in 2017 and there have been no improvements of steps taken by the decision bodies in this area. LW highlighted there are a number of CM Agreements that Participants cannot deliver on but are unable to trade due to the problems with secondary trading, and this will continue to result in lost delivery in the CM. The DESNZ representative noted this feedback.

CP363 'Changes to EMR Delivery Portal' Progression

- 4.15 The CMAG Facilitator noted CP363 'Changes to EMR Delivery Portal' had been put on hold whilst discussions between the Proposer and EMR DB took place offline.
- 4.16 The EMR DB representative noted the new EMR Portal will address the issues raised in CP363. LW agreed to keep CP363 on hold until the new portal is live, at which point they will review their CP and confirm if it can be withdrawn.
- 4.17 LW highlighted that there are a number of points in the year where the EMR DB closes the portal, which then means CMUs cannot upload documents required. This results in CMUs emailing documents and evidence across to the EMR DB which is inefficient and can sometimes be lost, which could lead to termination of a

CMU. LW noted that termination notices cannot be withdrawn so this presents a problem for CMUs, and queried if this would be addressed in the new portal.

- 4.18 The EMR DB representative agreed to review this feedback and confirm what at what points the portal is no longer available to Participants.
- 4.19 **Action 0523/02 – The EMR DB representative to confirm the touchpoints during the year where the EMR Portal is not available and the impact of this on Participants.**

5. Exemption Scheme to the Capacity Market for Energy Intensive Industries

- 5.0 Alice Callanan (AC), from the Department for Business and Trade, joined the meeting to provide an update on an upcoming consultation for the Exemption Scheme to the Capacity Market for Energy Intensive Industries.
- 5.1 AC noted this scheme is a wider package consisting of three measures, market exemption; exemption from network charging costs; and an increase to the existing exemption scheme to various green levies such as the CfD, feed in tariffs and renewal obligation charges.
- 5.2 AC informed CMAG that they are looking to publish the consultation shortly and are seeking views from industry on any issues or unforeseen consequences of implementing these three measures. AC highlighted that although there is no expected impact on Capacity Providers, they would still welcome the views of CMAG Members.
- 5.3 AC noted the planned implementation date for the scheme is Summer 2024, due to changes required to secondary legislation.
- 5.4 A Member queried how the scheme would be financed. AC informed that it is proposed the additional costs will be redistributed to energy users who were not eligible for the scheme with a projection of an additional cost of £3-5 to household bills over a year.

6. Update of the Delivery Body/Settlement Body Process exploration work

- 6.0 The LCCC/ESC representative noted that in progressing the New Portal project, the EMR Delivery Body is working closely with the Settlement Body to define and deliver integrated processes.
- 6.1 The LCCC/ESC representative informed CMAG that through the LCCC/ESC process exploration work, a number of areas had been identified that could be improved upon. These areas have been prioritised alongside with EMR DB and the top priorities are Metering Aggregation and Metering Assessment Test.
- 6.2 The LCCC/ESC representative presented a diagram which highlights who (EMR DB or LCCC/ESC) administers the process and which processes are impacted by possible data interface errors.
- 6.3 The LCCC/ESC representative highlighted that there are a number of touchpoints where there is complex inefficient data transfer or system interface inconsistencies identified in the existing interface that require improvement.
- 6.4 The LCCC/ESC representative noted there is an overly complex process for Metering Aggregation and Metering Assessment/Test where the data owner is not the data controller, creating excess cost and risk.
- 6.5 LW queried how LCCC/ESC will seek industry feedback on these proposed changes. The LCCC/ESC representative noted they are providing updates through webinars and events and will consider how it can communicate these proposed changes further.
- 6.6 **Action 0523/03 – The LCCC/ESC representative to advise the CMAG how it plans to seek industry feedback on its Delivery Body/Settlement Body process exploration work.**

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

- 7.0 The LCCC/ESC representative noted that where there are no aggregation rules in place, they will suspend payments for that Participant and this is often a general incentive for all Participants to submit their aggregation rules in due time.
- 7.1 The LCCC/ESC representative further noted however that for secondary trading, it is not always immediately obvious that payments have been suspended due to non-submission of aggregation rules and so some Participants may carry out secondary trades for which they will not receive payment for.

- 7.2 A Member queried who aggregation rules are submitted to. The LCCC/ESC representative noted currently they are submitted to the EMR DB via the portal but this could change in the future.
- 7.3 A Member noted that providing the 30WD deadline in the CP364 solution could create a cliff edge where CMUs who trade 31WD prior to the Delivery Year do not need to submit aggregation rules unlike those who trade the day after.
- 7.4 The LCCC/ESC representative noted there is a challenge for those CMUs who may have an unplanned outage and be unable to trade efficiently if a 30WD notice is required to ensure aggregation rules are in place.
- 7.5 A Member queried why there is a disparity between the time required to have set up aggregation rules outside of a Delivery Year vs trades made within year.
- 7.6 The LCCC/ESC representative noted Rule 8.3.3 covers the obligations for trades made within a Delivery Year. For secondary trades that occur outside of a Delivery Year, this is linked to a system stress event, which can in some cases require six weeks of baselining data in order for the payment calculation to be carried out.
- 7.7 The LCCC/ESC representative noted that LCCC/ESC has access to the required meter data for settlement calculations but it is unable to accurately allocate this data to CMUs without being informed of aggregation rules in advance.
- 7.8 A Member highlighted that this could be resolved at the point of settlement, so long as LCCC/ESC are informed of the correct aggregation rules for a CMU they can then backdate and link the correct metering data.
- 7.9 The LCCC/ESC representative noted the proposed legal text for CP369 is drafted in a manner that is technology agnostic, however the 30WD notice is only required for new entrant DSR CMUs with bespoke metering arrangements.
- 7.10 The LCCC/ESC representative raised a scenario where a Participant accepts a secondary trade in September without having its aggregation rules in place, and a system stress event occurs within the same month. The Participant would receive the maximum fine for non-delivery during the system stress event and no further payments until they submit their aggregation rules, however due to lead times and delays with payments they may not realise they are ineligible for payment until December.
- 7.11 A Member queried if there is no possibility to reconcile the meter data after a system stress event. The LCCC/ESC representative noted the Rules do not allow for reconciliation of settlement runs.
- 7.12 The CMAG Secretariat (BL) noted that there is a disputes process for stress events within the Regulations which allows Participants the opportunity to challenge penalty amounts if they believe there is an error with non-BSC related data. An update on this is provided under agenda item nine.
- 7.13 The LCCC/ESC representative highlighted a third data set, DSR CMUs with bespoke metering, which can introduce complications as LCCC/ESC may not have the data for these as they also require establish new data flows and would need the 30WD for this.
- 7.14 The CMAG Facilitator noted the proposed solution lead times should be revisited to ensure lead times are not needlessly long.
- 7.15 **Action 0523/04 – The LCCC/ESC representative to confirm with the EMR DB the required lead time for submitting aggregation rules prior to secondary trading both in year and outside of the Delivery Year.**
- 7.16 **Action 0523/05 – The LCCC/ESC representative to confirm if there is a requirement for having a different lead time for submitting aggregation rules when completing a secondary trade in year vs outside the Delivery Year.**
- 7.17 A Member noted there are a number of instances in the Rules where technologies are treated differently so it would be acceptable to differentiate for technologies within the solution for CP369.
- 7.18 The Ofgem representative noted they do not see any reason for concern with being technology specific but would feedback any concerns.
- 7.19 The EMR DB representative noted they have agreed to complete an impact assessment for CP369 as they believe there will be consequential changes requires to their guidance and processes.
- 7.20 The LCCC/ESC representative noted it had been brought to their attention that there is a metering obligation within the Rules that requires DSR CMUs to submit their aggregation rules six weeks in advance of the Delivery Year, so there is no need to duplicate this within CP369. The LCCC/ESC representative further noted that with

this in mind, they are happy to align the solution for CP369 with the timescales required by the EMR DB to approve a secondary trade, to ensure consistency in the Rules.

8. Developing CM Rules Change Proposal CP356 'Facilitate Secondary Trading'

- 8.0 Paul Troughton (PT) introduced CP356, noting it had been raised following issues encountered with secondary trading and the current metering assessment deadlines.
- 8.1 PT noted that the current work by the subgroup for CP364, looking at secondary trading after T-4 could resolve the issue noted within CP356.
- 8.2 PT further noted the principle of CP356 is to make delivery against Agreements easier; CMUs that identify they are unable to deliver due to issues with equipment cannot secondary trade their Agreement if they have not met their metering assessment requirements which have a deadline of 21 months prior to delivery. These CMUs may then fit new equipment in order to pass these requirements just so they can secondary trade.
- 8.3 A Member queried why the metering assessment deadlines were so early, and if there were any consequences in delaying them.
- 8.4 A Member noted the deadlines are likely set so that any CMUs and subsequent capacity terminated as a result of not meeting them could be accounted for in the target setting for the T-1 Auction.
- 8.5 The CMAG Secretariat (CA) noted that the Elexon Metering Team had provided the following information "The original reason for the deadline 18 months prior to the start of the relevant Delivery Year for Existing CMUs and Proven Demand Side Response (DSR) CMUs in a T-4 Auction was to allow BEIS to account for any terminated CMUs and the associated loss of capacity into the termination of the capacity they would look for in the corresponding T-1 Auction for the same Delivery Year. The 18 months allowed for the appeals to the notice of termination to be completed prior to determining that T-1 capacity."
- 8.6 A Member noted it would be good to know how the delivery assurance provided by this compares to requirements for other types of technology.
- 8.7 A Member highlighted that if CP364 is approved and implemented, CP356 may no longer be required but could be placed on hold as a reasonable alternative if CP364 is rejected.
- 8.8 PT noted they are happy to keep CP356 on hold pending the outcome of CP364.
- 8.9 A Member queried what the expected timelines are for CP364, following its second subgroup meeting. CA noted the EMR DB has identified some additional scenarios for the subgroup to review, and following this it is expected the legal text and outcomes will be presented to CMAG for recommendation.

9. Dispute Process for Penalties

- 9.0 The CMAG Secretariat (MW) noted the disputes process as set out in Regulation 74, which highlights non-BSC owned data can be disputed to the Settlement Body.
- 9.1 MW highlighted the interpretation of Regulation 74 would be that BSC-owned data is disputed via Elexon but it does not clarify in instances where Elexon agrees with a dispute how this is addressed in a settlement decision, this would be for the Settlement Body to determine.
- 9.2 The LCCC/ESC representative stated in a system stress event, the Settlement Body does not reconcile in any way even if data is corrected elsewhere or disputed, the Settlement Body would not recalculate any penalties.
- 9.3 MW highlighted that a data error could result in a significant penalty for a CMU, if the data in BSC systems is correct but there is an error during data transfer this would result in a penalty for the CMU. MW queried if there is an opportunity to rectify this for the CMU.
- 9.4 **Action 0523/06 – The LCCC/ESC representative to review the penalty calculations in the Regulations and confirm where it is noted that penalty calculations are not reconciled.**
- 9.5 The LCCC/ESC representative noted that the Settlement Body can reconcile but it chooses not to as it uses a point-in-time assessment of data for penalty calculations following a system stress event.
- 9.6 The LCCC/ESC representative stated they are not against the concept of adjustment post-event, but this would be significantly costly as all calculations would be impacted not just one.
- 9.7 MW noted as there has never been a system stress event it is difficult to understand how the process would play out, but if there is no reconciliation of penalty calculations it would be helpful to be clear for all CMUs.

- 9.8 MW noted that although the Delivery Body and Settlement Body run mock stress events which can help drive out data errors, many CMUs may not be aware of the consequences of not addressing these issues as they are unfamiliar with the disputes process and that they cannot dispute a penalty calculation.
- 9.9 LW highlighted there is a larger issue with disputes as a whole, for example if a CMU disagrees with the EMR DB interpretation of a Rule within its guidance, it cannot dispute the outcome of this and instead must continue to raise any issues of this nature with DESNZ.
- 9.10 LW queried if the Settlement Body does not reconcile penalty calculations, but the disputing body determines the disputing party is correct in a dispute, what are the next steps.
- 9.11 MW agreed to review the disputes process and confirm what the expected next steps would be.
- 9.12 **Action 0523/07 – CMAG Secretariat to confirm what the process is where the disputes body determines the disputing party is correct in a dispute.**

10. Review of Rule 4.4.4

- 10.0 MW presented proposed updates to Rule 4.4.4 which follow on from Ofgem's position from its five year review of the CM, and queried if Members had any comments on the proposed changes.
- 10.1 A Member raised there are a number of instances within the proposed change that would be duplicated elsewhere within the Rules and should be removed.
- 10.2 A Member noted the listed areas under Rule 4.4.4 are not considered to be related to the configuration of a CMU so they do not see why they have been included in the proposed legal text, such as 'Connection Capacity' and 'Metering Arrangement'.
- 10.3 LW highlighted that although the proposed change is helpful, it appears to replicate obligations from the Regulations into the Rules.
- 10.4 EHay noted the additional information provided in Rule 4.4.4 is useful, although the replication should not be included within the Rules this information could be better suited in new guidance that can be referenced in the future. The EMR DB representative noted they would take this point on guidance into consideration.
- 10.5 A Member stated the proposed legal text does not address the issue most CMUs are facing, for example if a CMU wishes to change its 10MW asset for five 2MW assets. Most CMUs overcome this issue by being purposely vague at prequalification regarding their configurations.
- 10.6 A Member noted that the proposed legal text should be updated to note that provided the criteria listed in 4.4.4A and 4.4.4B are met, anything can be changed.
- 10.7 The Ofgem representative noted this was useful feedback and they appreciate the ideas put forward by CMAG on how to move forward with this. The Ofgem representative further noted it would be helpful to understand other scenarios that CMUs come across where Rule 4.4.4 presents an issue.
- 10.8 MW noted they would review the proposed legal text for Rule 4.4.4 and provide an update at the next meeting.

11. CMAG Forward Work Plan

- 11.0 The CMAG Secretariat (CAr) presented the CMAG Forward Work Plan and noted it has been updated to include additional work streams (Secondary Trading Issue Areas, Review of Rule 4.4.4) and has extended the 'With Ofgem' timeline following Ofgem update at CMAG Meeting 7.
- 11.1 There were no further comments on the CMAG Forward Work Plan.

12. AOB

- 12.0 LW noted they are considering raising a change proposal to allow a CMU to terminate its Agreement where a connection date has been moved by the network by over a year. LW highlighted they are seeing a number of CMUs that are having their connection dates delayed by over a year by the DNO, and although this does not trigger a termination, many of these CMUs no longer want to build but cannot exit their Agreement. The Ofgem and DESNZ representatives acknowledged receipt of this issue from LW and confirmed they would be in touch with a response.
- 12.1 PT noted there has been discussion around potential change to Rule 8.3.4 DSR component reallocation, as it misses a use case due to the current deadlines and windows for reallocation within the Rules. PT noted that

there is currently no way to move a customer from one CMU to another CMU between Delivery Years; the customer is unable to submit a request to move before the start of the Delivery Year but cannot be in two different CMUs in the same Delivery Year so essentially must sit out for a year.

- 12.2 A Member noted this issue has been raised in every ADE response to CM consultations and has been under discussion with the ADE for some time. The CMAG Facilitator welcomed the issue to be discussed at a future meeting under the new process that can help to shape CM Rules Change Proposals
- 12.3 LW raised a possible issue with EMR DB interpretation of the Rules, noting its guidance requires a Transferor to complete its SPD before trading its Agreement but commented that in her view, this is not stated in the Rules. LW agreed to share further information on this issue with the EMR DB representative offline so that the EMR DB can investigate.
- 12.4 There was no further business and the meeting was closed. The next CMAG meeting date is Tuesday 20 June 2023.