

ELELEXION

**Capacity Market Advisory Group (CMAG)
Meeting 4**

17 January 2022

Agenda Item	Lead
1. Welcome and Apologies	Elliott Harper (CMAG Facilitator)
2. Action Log	Amy Stackhouse (CMAG Secretariat)
3. Secondary Trading - Approach	Elliott Harper
4. CM Representative Updates	Ross Haigh (LCCC/ESC) Rebecca Yang (NGESO) Grendon Thompson (Ofgem) Kathryn Bird (BEIS)
5. BEIS Consultation Update/Discussion	Kathryn Bird
6. Developing CM Rules Change Proposals – CP364 (Secondary Trading / EDF)	Eleanor Haynes (EDF) & Chris Arnold
7. Developing CM Rules Change Proposals i. CP365 (ITE Reports / Engie) ii. CP366 (Total Project Spend / Engie)	Libby Glazebrook (Engie) & Amy Stackhouse
8. Developing CM Rules Change Proposals – CP362 (CM Agreement Transfers / Waters Wye Associates)	Kyran Hanks (Waters Wye Associates) & Chris Arnold
9. CM Rules Change Prioritisation	Chris Arnold
10. CMAG Forward Plan	Chris Arnold
11. Any Other Business (A.O.B)	Elliott Harper



WELCOME AND APOLOGIES



[ACTION LOG](#)

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SECONDARY TRADING - APPROACH

CMAG Secondary Trading Priorities

CMAG Meeting 1, Members were asked to confirm their top 3 priorities for CM Rules Change development. 5 Members responded with Secondary Trading as their top priority and provided the below sub-topics as focus areas:

Secondary Trading Priority	Linked CPs
Facilitating and improving secondary trading	<ul style="list-style-type: none">• CP362• CP364• CP369
Improving transparency – providing clear and accessible information on secondary trades	None
Allow trading ahead of the T-1 auction	<ul style="list-style-type: none">• CP364
Review Rule 9.2.4 (a) A Capacity Provider is able to transfer all or part of a Capacity Agreement for a Capacity Committed CMU (the “CMU Transferor”) for all or a specified number of calendar days within a Delivery Year to an Acceptable Transferee in respect of another CMU (the “CMU Transferee”)	None

What is the issue?

CMAG is committed to providing an efficient avenue for change. It has been noted that assessing each of these changes individually, may not be the most efficient way to progress these changes to the overall benefit of CPs.

Solution?

Assess changes to Secondary Trading holistically, and implement iteratively.

Secondary Trading Approach (1/2)

1. Alternative Assessment 1. Consider the Secondary Trading arrangements within high-level topic areas, and group the issues into CPs that can be more efficiently discussed and progressed by the CMAG.

High Level Topics	Issue Areas	Change Grouping
Trading	-Timeframes	CP356, CP369, CP364 – Are all looking to increase the window for secondary trading
	-Calculation	CP364 – This change is looking to address the capacity bid calculations to strengthen the rule
	-Trading Eligibility	CP362 – This change is looking to delete rule 9.2.5(a)(i) this would allow sites to trade before meeting their Significant Completion Milestones.
Auctions	N/A	
Prequalification	N/A	

Secondary Trading Approach (2/2)

Alternative Assessment Option 2: Combine all four Secondary Trading CPs into one singular solution by adding the following redlining to the CP364 Draft Legal Text:

Title	Issue Area	Rule(s) impacted/Proposed Solution
CP356 - Facilitate Secondary Trading before CMU Termination	Timeframes	<ul style="list-style-type: none"> • Rule 13.3.2A(b) in the case of an Existing CMU or a Proven DSR CMU that has been awarded a Capacity Agreement in a T-4 Auction, the date falling twenty one five months prior to the start of the first Delivery Year of the relevant Capacity Agreement • Rule 8.3.3(e)(ii) in the case of an Existing CMU or a Proven DSR CMU that has been awarded a Capacity Agreement in a T-4 Auction, the date falling 18 months 2 weeks prior to the start of the first Delivery Year
CP362 - CM Agreement Transfers	Trading Eligibility	<ul style="list-style-type: none"> • Delete Rule 9.2.5(a)(i) “in the case of a Prospective Generating CMU and its second or third Delivery Year, it has achieved the Substantial Completion Milestone by the Prequalification Results Day for the T-1 Auction for that Delivery Year”
CP364 - Allow Secondary Trading from T-4	Timeframes and Calculation	<ul style="list-style-type: none"> • Rule 1.2.1 • Rule 3.3.3 • Rule 3.13.1 • Rule 5.5.11 • Rule 9.2.5(a)
CP369 - Secondary Trading with CMU Metering Aggregation Rules	Timeframes	<ul style="list-style-type: none"> • Addition to Rule 9.2.5(b): “(v) where, within Delivery Year or any trades 20 business day before the start of a Delivery Year, CMU Transferor and CMU Transferee are registered with the Settlement Body and have Aggregation Rules set up and approved with the Delivery Body.”

Rule 9.2.5 – Transfers of a Capacity Agreement

Rule	Detail
9.2.5 Transfers of a Capacity Agreement	<p>Rule 9.2.5(a) under Rule 9.2.4(a) can only be effected on the Capacity Market Register after the T-1 Auction for the relevant Delivery Year has concluded (or, in the case of an SA Agreement, after 30th May 2017) and provided that:</p> <ul style="list-style-type: none">(i) in the case of a Prospective Generating CMU and its second or third Delivery Year, it has achieved the Substantial Completion Milestone by the Prequalification Results Day for the T-1 Auction for that Delivery Year; and(ii) in the case of a Prospective Interconnector CMU in relation to which a Capacity Agreement has been awarded for a Delivery Year (“Y”) as well as for either or both of the two immediately following Delivery Years Y+1 and Y+2, and in respect of either of the latter two Capacity Agreements, it has achieved the Substantial Completion Milestone by the Prequalification Results Day for the T-1 Auction for Delivery Year Y+1 or Y+2 as the case may be; and(iii) in the case of an Unproven DSR CMU that has been awarded a Capacity Agreement of a duration exceeding one Delivery Year, the Delivery Body has issued a DSR Test Certificate to the Applicant or Capacity Provider (as applicable) under Rule 13.2.11 and the Capacity Provider has satisfied the requirements of Rule 8.3.6 (Evidence of Total Project Spend). <p>Rule 9.2.5(b) under Rule 9.2.4(a) can only be effected in respect of a CMU Transferor and CMU Transferee:</p> <ul style="list-style-type: none">(i) for which no amount payable under the Regulations is due and unpaid;(ii) for which no suspension of capacity payments as described in Rule 13.4.1ZA(b) is in effect for failure to demonstrate satisfactory performance days;(iii) in respect of which there is not a breach of Rule 8.3.3(f) (metering changes); and (iv) in respect of which there is not a breach of Rule 14.5.7;

CMAG Secondary Trading CPs

Title	Background	Rule(s) impacted
CP356 - Facilitate Secondary Trading before CMU Termination	This proposal seeks to change the Metering Statement deadline and the Metering Test Certificate deadline to align both for T-4 Agreements and T-1 Agreements.	<ul style="list-style-type: none"> • Rule 13.3.2A(b) • Rule 8.3.3(e)(ii)
CP362 - CM Agreement Transfers	This proposal seeks to delete Rule 9.2.5(a)(i) so that CM agreement transfers are allowed before a site has met its Substantial Completion Milestone (SCM).	<ul style="list-style-type: none"> • Rule 9.2.5
CP364 - Allow Secondary Trading from T-4	This proposal seeks to allow secondary trading for a Delivery Year from the conclusion of the relevant T-4 auction, rather than the conclusion of the relevant T-1 auction.	<ul style="list-style-type: none"> • Rule 1.2.1 • Rule 3.3.3 • Rule 3.13.1 • Rule 5.5.11 • Rule 9.2.5(a)
CP369 - Secondary Trading with CMU Metering Aggregation Rules	This proposal seeks to include an additional control point for Secondary Trades (within Delivery Year and any trades 20 business day before the start of a Delivery Year) that require aggregation rules to be fully set up.	<ul style="list-style-type: none"> • Rule 9.2.5 (b)

CP362, CP364 and CP369 each amend Rule 9.2.5. The link between these CPs must be considered when progressing these CPs as it will affect the progression of the others. Whilst CP356 does not impact Rule 9.2.5, it does seek to strengthen the overall process.

- CP362 **removes** Rule 9.2.5(a)(i);
- CP364 **amends** the Rule; and
- CP369 **amends** the Rule and would be strengthened (impact on data management and therefore data and Capacity visibility) by CP364.



CM
REPRESENTATIVE
UPDATES
- OFGEM
- LCCC/ESC
- NGENSO
- BEIS



BEIS CONSULTATION UPDATE/ DISCUSSION

Capacity Market Consultation 2023: Summary of Proposals



Introduction

- This pack provides a brief overview of the proposals included in the Capacity Market 2023 Consultation, and is intended to support stakeholders in navigating the document in preparation for engagement sessions.
- The full proposals and associated questions can be found here: <https://www.gov.uk/government/consultations/capacity-market-consultation-strengthening-security-of-supply-and-alignment-with-net-zero>

Delivery assurance



Satisfactory Performance Days

- To improve assurance of the availability of capacity ahead of the most challenging winter months and at regular intervals throughout winter, we propose the following approach to SPDs:

SPD Number	First Pass Window	Extended Pass Window (CMU suspended)	Termination notice risk begins
1	1st – 31st October	1st – 30th November	1 December
2	1st – 31st January	1st – 28th February	1 March
3	1st – 31st March	1st – 30th April	1 May

- We also propose to clarify that SPDs should be demonstrated at the level of a CMU's Net Capacity Obligation.

Call for evidence on the Extended Performance Test

- We are aware of concerns stakeholders have raised about the ability of some storage CMUs to meet the requirements of the Extended Performance Test.
- Stakeholders have also raised broader concerns about how best to account for the risk of battery degradation over long multi-year CM agreements.
- We are therefore seeking evidence from stakeholders on any barriers faced by storage CMUs in meeting the CM's performance and duration testing requirements, and on potential solutions.

Connection capacity

- To improve assurance that a CMU's connection capacity accurately reflects the total amount of capacity it can export to the grid, and to simplify the process for selecting connection capacity, we propose that all CMUs will be able to base connection capacity on one of the following 3 options only:
 - Transmission Entry Capacity (TEC)
 - Maximum Export Capacity (MEC)
 - The CMU's Average Output (calculated in accordance with Rule 3.6.1(a) on Previous Settlement Period Performance).
- We also propose that Capacity Providers whose CMUs are part of multi-unit sites must cap the sum of the connection capacity of the relevant units at the site level of TEC or MEC.
- Finally, we welcome views on whether Capacity Providers should be permitted to self-nominate their connection capacity, provided this is capped at the level of TEC, MEC, or Average Output.

Mothballed plant

- Ahead of the auction prequalification window opening in 2022, we introduced a time-limited amendment to enable plants which were unable to provide data from the required timeframe for demonstrating Previous Settlement Period Performance under Rule 3.6.1(a) – for example, due to being mothballed – to enter prequalification for CM auctions.
- We now propose to make a permanent change to Rule 3.6.1(a) to enable CMUs which can only provide data from earlier than the required timeframe to enter prequalification, subject to the following conditions:
 - Capacity Providers must declare their CMU's inability to meet the requirements of Rule 3.6.1(a) at prequalification.
 - They will then be required to provide credit cover of £10,000 per MW of derated capacity of the CMU, which will be returned after the CMU demonstrates its first SPD.

Penalty regime

- To send a stronger signal to deter non-delivery in a System Stress Event, we propose increasing the figure used in calculating the non-delivery penalty rate as follows:

Current penalty rate calculation

Penalty rate (expressed in £/MWh) = clearing price (£/MW) x 1/24

Proposed penalty rate calculation

Penalty rate (expressed in £/MWh) = clearing price (£/MW) x 1/4

- In order to ensure that non-delivery penalties are issued accurately, we also propose changing the deadline for the ESC invoicing Capacity Providers from 21 working days after the end of the month in respect of which the penalty applies to 35 working days after the end of the month in respect of which the penalty applies.

Net zero alignment



Emissions limits in the Capacity Market

- To move the CM towards closer alignment with government's goal of a fully decarbonised electricity system by 2035 (subject to security of supply) we propose the following changes:
 - To decrease the CM's current emissions intensity limit to 100gCO₂/kWh from 1 October 2034 (to align with the 2035 decarbonisation target).
 - To retain the CM's annual emissions limit at the same level as existing capacity can currently access (350kgCO₂/kW).
- This change also aims to incentivise unabated gas plants to either abate by 2035 or operate a limited peaking profile beyond 2035.

Call for evidence on barriers to decarbonisation for existing CMUs

- Feedback to the 2021 Call for Evidence demonstrated that stakeholders are seeking clearer indications about the future of carbon intensive capacity, particularly regarding options for Capacity Providers aiming to decarbonise their CMUs.
- In particular, stakeholders raised concerns about how CMUs with existing multi-year CM agreements would be able to access additional revenue support (if required) to decarbonise.
- We are therefore seeking evidence on any barriers Capacity Providers may experience in decarbonising existing CMUs, and on the potential creation of ‘managed exit routes’ which would enable CMUs to be withdrawn from the CM in order to decarbonise, subject to security of supply.

Short multi-year agreements for low carbon, low Capex CMUs

- The 2021 Call for Evidence considered whether the ability to access short, multi-year agreements without meeting the CM's Capex thresholds would be useful in removing barriers to participation for low carbon capacity such as DSR.
- We now propose offering up to 3-year agreements with no capex thresholds to low carbon CMUs which also satisfy the proposed post-2034/35 Delivery Year emissions intensity limit.
- This proposal aims to increase the deployment of low carbon flexible capacity to support security of supply in a decarbonised power system.

Changes to Capex framework and Total Project Spend

In light of anticipated changes in the CM's capacity mix as the power sector decarbonises, we propose a range of changes to the CM's Capex framework to ensure it remains fit for purpose:

Reference cost levels

- The reference cost level for 3-year agreements (current threshold of £140/kW) has been the cost of fitting a specific abatement technique to coal plant – we now propose that it should be changed to the cost of refurbishing an OCGT, which results in a very similar threshold of £135/kW.
- The reference cost level for 15-year agreements (current threshold of £280/kW) has been the cost of a new build OCGT – we propose to maintain the threshold at £280/kW, as evidence suggests this is likely to remain appropriate for a wide range of low carbon technologies.

9-year agreements

- In light of concerns that some low carbon new build and refurbishing capacity may fall between the current Capex thresholds, we propose a new 9-year threshold (set at £205/kW) to ensure projects can access sufficient revenue support to come forward in the CM.

Total Project Spend definition

- In light of stakeholder feedback, we propose to amend the definition of Total Project Spend such that the window for Capex for Refurbishing CMUs is aligned with that of new build CMUs to cover a period of 77 months prior to the commencement of the first Delivery Year.

Additional design improvements



Clarifications concerning auctions

- We propose making a minor amendment to Rule 5.9.7 to provide additional clarity that in CM auction scenarios where the amount of capacity required for an auction to clear cannot be exceeded due to demand being higher than supply, then each eligible bidding CMU should be awarded an agreement.
- We also propose reducing the administrative burden of CM auctions by amending the Regulations to require the Secretary of State only to write if an auction is **not** going to be held.

Removal of ITE requirements for construction progress reports

- We understand that Capacity Providers have concerns about the administrative and cost burdens arising from the requirements under Rule 12.2 on the monitoring of construction progress of prospective CMUs – particularly regarding the need to have material alterations assessed by an Independent Technical Expert.
- We therefore propose to remove the requirement for ITE assessment and to remove the requirement to provide an explanation if a Construction Date has moved more than two months earlier than the previous construction progress report's earliest date.

Amendments to the transfer route between the CM and CfD schemes

- Feedback from stakeholders has highlighted that due to the way the CM Regulations are currently worded, in practice Capacity Providers have been unable to use a route for terminating their CM obligations in order to become eligible to bid in a Contracts for Difference (CfD) allocation round.
- We therefore propose amending the definition of ‘CfD transfer notice’ in the CM Regulations in order to make this transfer route operable.
- We are also seeking views on whether this transfer route between the CM and CfD schemes should continue to be available to new CM agreement holders in future.

Phased implementation of IEV requirements

- Stakeholders have raised concerns about the availability ahead of the auction prequalification window opening in 2023 of Independent Emissions Verifiers (IEVs) who are accredited to verify that CMUs with Fossil Fuel components meet the CM's emissions limits.
- To ensure prequalification 2023 runs smoothly, we propose temporary modifications to the CM Rules to allow for a phased implementation of the IEV requirements as follows:
 - Verification will be required to submit an application to prequalification 2024 – any verifications completed in 2023 will remain valid for the following year, including complex verifications which would usually need to be verified annually.
 - This proposal would not make changes to the type of verification required and will be temporary – after 2024, it is proposed that the Rules will revert to their original format.

Next steps

- The consultation opened for responses on 9th January 2023, and will close for responses at **11:45pm on Friday 3rd March 2023**.
- The BEIS team are in the process of organising stakeholder engagement sessions and welcomes the opportunity to meet with interested stakeholders.
- If you would like to speak to the team about the consultation, please contact us at: electricity.security@beis.gov.uk



DEVELOPING CM
RULES CHANGE
PROPOSALS –
CP364
(SECONDARY
TRADING / EDF)

What is the Issue?

Under the current Rules, the terms for secondary trades can be agreed between Parties in advance, but cannot be executed or officially recognised by the Delivery Body until the conclusion of the T-1 auction for the relevant Delivery Year. This means that the target capacity set for the T-1 auction does not take account of any potential secondary trades which could occur ahead of the Delivery Year.

What is the Proposed Solution?

This proposal seeks to allow secondary trading for a Delivery Year from the conclusion of the relevant T-4 auction, rather than the conclusion of the relevant T-1 auction.

CP364 – Actions from Previous Meeting

Action ID	Date Opened	Action	Owner
1222/01	13/12/2022	BEIS and Ofgem to confirm the policy intention and history of Secondary Trading being limited till after T-1 auctions (and if possible, further history on deadlines around Secondary Trading).	BEIS and Ofgem
1222/02	13/12/2022	NGESO, LCCC and EDF to confirm the proposed concept and impacts of weighted PTCO noted in CP364.	NGESO, LCCC and EDF
1222/03	13/12/2022	NGESO and Elexon to confirm its view on the impacts of CP364 on CM Credit Cover and prequalification.	NGESO and Elexon
1222/04	13/12/2022	Elexon to provide clarity on whether DSRs turning on/off should be factored into the calculation for CP364.	Elexon
1222/05	13/12/2022	Ofgem to confirm the history of any previous concern on unintended consequences of CP364, specifically speculative bidding as a result of secondary trading.	Ofgem
1222/06	13/12/2022	NGESO to complete an impact assessment for CP364.	NGESO
1222/07	13/12/2022	Elexon to deliver the draft legal text for CP364 for CMAG Members to review.	Elexon

Opinion on the technical feasibility of the solution, and any constraints/alternative options that might need to be considered to mitigate risk or excessive cost

In current process, until the T-1 Auction has completed for a Delivery Year, it is not possible to initiate any Secondary Trades or submit Secondary Trading Entrant Applications. This means there is no requirement for the EMR Delivery Body (EMR DB) to consider or validate any traded capacity as part of the overall process for the prequalification assessment prior to the relevant Auction. The current CM Rules requires the EMR DB to understand whether an agreement is already in place for a CMU related to a Delivery Year.

Opinion on the technical feasibility of the solution, and any constraints/alternative options that might need to be considered to mitigate risk or excessive cost

Based on the draft rules provided as part of this change proposal, we have listed the functional elements that would need to be delivered as part of the solution;

- requirement(s) to manage/open and close multiple Delivery Years to allow for ST,
- validation checks (for every single CMU that enters PQ which then picks up an agreement/has an active agreement),
- amendments to Auction Set-up. i.e. de-rating factors,
- additional impacts on PQ process, i.e. amendment to assessing eligibility to enter into auction, specifically regarding the Maximum Capacity threshold.
- Amendments to the creation Capacity Agreement Notices (CANs) will need to be considered to allow the system to check against related applications.
 - This has a secondary impact on the data exchange and file interfaces with the Settlements Body because the data files sent across from the EMR portal to the Settlements Body could contain the same CMU twice for the relevant DY (ST Entrant and T-1 Application). We understand from EMRS that restrictions in the agreed file specification does not recognise a CMU with acquired capacity in the same delivery year from separate auctions. Scenario based testing will need to be conceptualised, planned and undertaken with the Settlements Company to determine possible solutions before a system solution is in place to resolve this constraint.

NGESO Impact Assessment

PQ Assessment for the T-1 Auction

Draft CM Rules stated;

3.3.3 An Application may not be made for a CMU for a Capacity Auction if:

(a) that CMU, or any Generating Unit or DSR CMU Component comprised in that CMU, currently has a Capacity Agreement, or is part of a CMU which currently has a Capacity Agreement, for the Delivery Year for which the Capacity Auction is to be held, unless (subject to Rule 3.3.3 (g)), that Capacity Agreement was obtained via a secondary trade.

(g) that CMU is already subject to a Capacity Obligation resulting from a secondary trade which is equal to or greater than the De-rated Capacity of the CMU for the Delivery Year for which the Capacity Auction is to be held.

The extent to which a Capacity Provider has traded in the period that a related Capacity Provider has made an application for the T-1 Auction would mean tracking Partially Traded Capacity Obligations and applying additional validations during the Prequalification Assessment window. This presents a challenge of understanding an evolving traded position and is considered a complex system and business process change to manage the conditions.

We would like additional clarity on the position where a CMU does have (a) secondary trade(s) but is not equal to or greater than the de-rated capacity and therefore is still permitted to apply for the T-1 Auction. Do we, for example, need further rules to prevent a CMU from any further Secondary Trades during the Prequalification Window?

NGESO Impact Assessment

Transfers of a Capacity Agreement / Demand Curve Adjustment

The draft CM Rules stated;

9.2.5 Transfers of a Capacity Agreement:

(a) under Rule 9.2.4(a) can only be effected on the Capacity Market Register after the T-4 Auction for the relevant Delivery Year has concluded and before the date which is 6 weeks before the start of the T-1 Auction for the relevant Delivery Year, or after the T 1 Auction for the relevant Delivery Year has concluded (or, in the case of an SA Agreement, after 30th May 2017) and provided that:

Currently, the ESO has no visibility of secondary trading at the point where the ESO makes an adjustment to the demand curve after prequalification. This is because secondary trading doesn't take place until after the T-1 auction for the relevant delivery year. Therefore, there is no information for the ESO to act on and even if market participants are lining up secondary trading arrangements to take place after T-1, it would not be reasonable to make an adjustment based on a trade that could happen but then doesn't. This could leave GB consumers short of the capacity needed to meet demand.

The demand curve adjustment process begins when the CM registers are published. If information of secondary trades that were completed and this was published in the CM register, then the ESO could use this information to adjust the ESO's recommendation – provided there was sufficient time for the ESO to act on it. Attempting to make adjustments to the recommendation while the market position may be changing could prove unfeasible.

To allow for the demand curve adjustment process to consider completed secondary trades we would therefore recommend that restrictions be extended further to the last day of the PQ Application Submission Window through to the Auction Results Day.

Transfers of a Capacity Agreement / Maximum Bidding Capacity

The draft CM Rules stated;

9.2.5 Transfers of a Capacity Agreement:

(a) under Rule 9.2.4(a) can only be effected on the Capacity Market Register after the T-4 Auction for the relevant Delivery Year has concluded and before the date which is 6 weeks before the start of the T-1 Auction for the relevant Delivery Year, or after the T 1 Auction for the relevant Delivery Year has concluded (or, in the case of an SA Agreement, after 30th May 2017) and provided that:

There is another complexity that arises in allowing Secondary Trading at the same time as a relevant Prequalification period related to a Delivery Year. As one of the key requirements for this change proposal, the EMR DB Portal will need to check and link multiple Capacity Agreement Notices for the same CMU (i.e. as a Secondary Trade Entrant and Prequalified Entrant) to ensure the Maximum Bidding Capacity threshold is not exceeded. To manage this scenario, there would need to be the ability for either the Capacity Provider to withdraw from the relevant auction and/or the EMR DB to remove the Capacity Provider from the relevant auction which is not currently perceived in the draft CM Rules. This impact increases the longer the Secondary Trading window is made available and, potentially, the number of secondary trades that occur.

Linked to the point above, the differing positions of De-Rated positions will lead to different Maximum Capacity for each individual Delivery Year the CMU enters into and this could also lead to difficulty managing the CMUs position over time.

De-Rated Capacity Position

We are looking for additional clarity on how to manage de-rated capacity, which is not currently defined in the draft rules provided.

Where a ST Entrant application is made after the T-4 and then a separate T-1 Application is made for the CMU, we note that both Applications may be Prequalified on different de-rated capacities (based on the associated de-rating methodology used). In this scenario, the rules would need to recognise how to determine the correct capacity to apply. Do we, for example, use the T-4 de-rated position for the relevant DY?

There are also CM rules needed to address how a trade interacts with the PQ T-1 de-rated position. i.e. is the capacity associated to the trade taken away from total CMU capacity prior to latest de-rating factors OR is the capacity associated to the trade taken away from the total CMU capacity after the latest de-rating factor has been applied?

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Acceptable Transferee

Whilst we recognise that this is an existing rules issue (as it is possible for this to occur in current processes), we believe that we need clarity on how to handle the scenario where a ST Entrant and T-1 Application have been made. At present, they would currently both be valid “Acceptable Transferees” for the same DY. How does the Change Proposer intend the policy to work in this scenario i.e. should we ‘freeze’ one of the versions, or does one become obsolete?

Multi-Year Agreements

An area which remains unclear in the scope of this change proposal is whether multi-year agreements are to be included. For example, a Capacity Provider with a fifteen-year agreement who is unable to deliver the agreed capacity might want to trade the entire agreement. Should this be a scenario which the change proposes to accommodate then it presents an even bigger transformation to the principles of Secondary Trading Entrants and would need further assessment.

Given the areas of uncertainty and complexities explained above, we consider the change proposal a highly complex change and has been provisionally assessed as a large level of change required to fulfil the key requirements.

CP364 – Specific Questions Recap

Question	Update	Recap or Further Discussion?
<p>Is the only intention of CP364 to allow more time for secondary trading?</p>	<p>This is one aspect of the intent of the solution. Another key aspect of the solution is that it will also allow multiple years of secondary trading to take place and provide more clarity on overall available capacity to the Delivery Body prior to the T-1 auction</p>	<p>Recap</p>
<p>How do you see the weighting factor working as a weighted PTCO could potentially reduce bidding capacity?</p>	<p>Final view TBC following feedback from action 1222/02 clarifying concepts and impacts of weighted PTCOs.</p>	<p>Further Discussion</p>
<p>Have the impacts on the CM Credit Cover process, pre-qual and the other potential impacts on CM Rules been taken into account?</p>	<p>No initial impacts identified by the CMAG</p> <p>Final view TBC following feedback from action 1222/03 with Elexon and NGENSO clarifying any potential impacts</p>	<p>Further Discussion</p>
<p>Is rule 5.5.11 only intended for DSR CMUs?</p>	<p>5.5.11 only mentions DSR CMUs so yes</p>	<p>Recap</p>
<p>Have DSRs by their nature of being able to turn on / off been factored into the calculation?</p>	<p>TBC following feedback from action 1222/04 with Elexon to advise</p>	<p>Further Discussion</p>

CP364 – Specific Questions Recap

Question	Update	Recap or Further Discussion?
Would there be any unintended consequences?	<p>There could be a risk that implementing our proposal and allowing earlier secondary trading could encourage speculative bidding in the T-4 auctions, and then private trading between participants?</p> <p>We believe the risk of this is low, as prospective plant need to be fairly well-established by the time the auction occurs (hold planning permission etc.), but Ofgem / BEIS appear to have been concerned about this in the past.</p> <p>TBC following feedback from action 1222/05 about the history of Ofgem/BEIS concerns associated with speculative bidding</p>	Further Discussion
What other policy measures could impact views on this proposal and secondary trading?	<p>CMAG notes that BEIS will be reviewing 'delivery assurance' in an upcoming CM consultation. This could result in changes being made to the penalty regime to mitigate non-delivery risks. The Proposer believes that ensuring an effective secondary trading regime will be especially important in this context.</p> <p>No specific policy measures identified</p>	Recap

CP364 – Specific Questions Recap

Question	Update	Recap or Further Discussion?
If this proposal is not implemented, could there be risks to non-delivery in future?	CP364 would make the target capacity that is set for the T-1 auction more accurate by allowing a clearer view of what capacity is and is not available, where there are smaller units that NGENSO is not aware of that could not be entered into the T-1 auction. CP364 will allow for a secondary trade to be arranged in advance so this capacity is not re-procured.	Recap

CP364 – Standard Questions

Question	Update	Recap or Further Discussion?
Are there any related changes to the CM Rules in the pipeline?	CP356 'Facilitate Secondary Trading before CMU Termination' and CP362 'CM Agreement Transfers' both relate to Secondary Trading	Recap
Does the CP impact on the Regulations?	No impacts identified	Recap
Are there any impacts on any other central industry frameworks or obligations?	No impacts identified	Recap

CP364 - Standard Questions

Question	Update	Recap or Further Discussion?
Are there any impacts on consumers, and if so, what are the impacts?	The facilitation of secondary trading prior to the T-1 auction could reduce costs to customers due to potentially lower clearing prices and the reduction in over procurement of capacity	Recap
What are the expected impacts on: CM Participants? Delivery Partners?	TBD following NGENSO Impact Assessment	Recap
What are the expected implementation/enduring costs for: CM Participants? Delivery Partners?	TBD following NGENSO Impact Assessment	Recap

CP364 - Standard Questions

Question	Update	Recap or Further Discussion?
<p>Does CMAG agree with the proposed solution?</p> <p>Are there any suitable alternative solutions to address the defect?</p>	TBC	Further Discussion
<p>Does the draft legal text deliver the intention of the solution?</p>	<p>Initial draft legal text delivered and circulated to CMAG members:</p> <ul style="list-style-type: none">• Changes to other parts of the Rules may also be required to reflect the two different types of Agreement – one won at auction and one through secondary trading.• Ofgem also advised that the Delivery Body thought Rules changes would be required to manage different de-rating factors for multiple secondary trades, and to increase the length of the ‘pause’ on trading around the T-1 auction	Further Discussion

CP364 - Standard Questions

Question	Current CMAG View	Recap or Further Discussion?
What are the expected timescales for implementation?	<p>We expect that many CM participants would benefit from the implementation of the proposal, and it should still be considered as 'urgent' so that implementation by the 2024/25 T-1 auction might be possible.</p> <p>This target date for implementation is by July 2023 to allow possible used prior to the 2024/2025 T-1 Auction</p>	Recap
Does the CP further the CM Rules Change Objectives and/or Ofgem's Principal Objectives?	<p>Members unanimously agreed CP364 furthered Ofgem's Principal Objective.</p> <p>Majority of Members agreed CP364 is neutral in promoting investment in capacity to ensure security of electricity supply.</p> <p>Members unanimously agreed CP364 is positive in facilitating the efficient operation and administration of the Capacity Market.</p> <p>Members unanimously agreed CP364 is neutral in ensuring the compatibility of the Capacity Market Rules with other subordinate legislation under Part 2 of the Energy Act 2013.</p>	Recap

CP364 – Legal Text Review

Do CMAG Members have any comments or questions on the revised legal text?

Key changes from Legal Text in proposal form are:

- Removal of 'from their inclusion in a CMU' from definition of bidding capacity
- Remove 'T-6 weeks' in section 9.2.5 and replace with '6 weeks'

CP364 – Recommendations

The CMAG recommends to Ofgem:

- That CP364 should be **approved**;
- That CP364:
 - Better facilitates Ofgem’s Principal Objective
 - Better facilitates the efficient operation and administration of the Capacity Market
- Implementation by **July 2023** or as soon as practicable afterwards if this date is not achievable
- The draft legal text.



DEVELOPING CM
RULES CHANGE
PROPOSALS –
CP365 (ITE
REPORTS / ENGIE)

Issue and Proposed Solution

What is the Issue?

- Rule 12.2.1 requires new build / refurbishing CMUs to submit progress reports on 1st June and 1st December from after the Auction to the start of the Delivery Year (8 reports in total).
- If milestone dates in these reports have moved forward or backward by more than 2 months compared to the last submitted report, Rule 12.2.1(c) requires an assessment report from an Independent Technical Expert.
- If the forecast earliest and latest dates are too close together then any changes to the project timeline are likely to cause a material change.

What is the Proposed Solution?

This proposal seeks to remove the requirement for an assessment from an Independent Technical Expert if construction milestones have moved by more than 2 months from that set out in the Construction Plan in the pre-qualification application.

CP365 – Legal Text Review

Do CMAG have any comments or questions on the revised legal text?

Legal Text for CP365 / Amendment to Chapter 12 (Monitoring)

12.2.1 The Capacity Provider of any Prospective CMU must, no less frequently than every six months from...
(c) if there has been any material change in the information submitted pursuant to Rule ~~s~~ 12.2.1 ~~(a) or~~ (b) from the most recent progress report, an assessment from an Independent Technical Expert which includes the matters specified in Rule 12.2.1A; and

(ca) Material change when described in 12.2.1(c) refers to:

~~(i) any change covered by 12.2.1(a);~~

(ii) any change to information stated in Rules: 3.1.2(a); 3.4.3(a), where permitted;

(iii) any change to metering arrangements or assessment; and (iv) any change of location described in Rule 8.3.7.

For clarity, Rule 12.2.1(a) is as follows:

12.2.1(a) a schedule identifying the earliest and latest dates on which each of the Construction Milestones are then expected to be achieved and in each case the most likely date within the specified range, with an explanation of any material change in such dates since the last report (where for that purpose a change in date is “material” when the new date is at least two months earlier or later than the date stated under Rule 3.7.2(b), and an explanation which gives more than one reason for the change must include an estimate of how much of the change is attributable to each reason);

1) An opinion on the technical feasibility of the solution, and any constraints/alternative options that might need to be considered to mitigate risk or excessive cost

Simple solution to implement with no material cost implications or system changes required. Minor amendments to business processes and documentation.

2) An indicative assessment of implementation timescales and any associated dependencies or foreseeable challenges

Two weeks.

3) An indicative assessment of implementation and enduring costs of the changes

Minimal changes to process / documentation and re-training. No enduring costs.

CP365 - Standard Questions

Question	Current CMAG View
Does CMAG agree with the proposed solution?	TBC
Are there any suitable alternative solutions to address the defect?	TBC
Does the draft legal text deliver the intention of the solution?	TBC
What are the expected timescales for implementation?	This target date for implementation is 30 July 2023.

CP365 - Standard Questions

Question	Current CMAG View
Does the CP further the CM Rules Change Objectives and/or Ofgem's Principal Objectives?	<p>Members unanimously agreed CP365 furthered Ofgem's Principal Objective.</p> <p>Members unanimously agreed CP365 is positive in promoting investment in capacity to ensure security of electricity supply.</p> <p>Members unanimously agreed CP365 is positive in facilitating the efficient operation and administration of the Capacity Market.</p> <p>Members unanimously agreed CP365 is neutral in ensuring the compatibility of the Capacity Market Rules with other subordinate legislation under Part 2 of the Energy Act 2013.</p>

CP365 – Recommendations

The CMAG recommends to Ofgem:

- That CP365 should be **approved**;
- That CP365 better facilitates Ofgem’s Principal Objectives:
 - Better facilitates promoting investment in capacity to ensure security of electricity supply
 - Better facilitates the efficient operation and administration of the Capacity Market
- Implementation by **July 2023** or as soon as practicable afterwards if this date is not achievable
- The draft legal text.



DEVELOPING CM
RULES CHANGE
PROPOSALS –
CP366 (TOTAL
PROJECT SPEND/
ENGIE)

Issue and Proposed Solution

What is the Issue?

- New Build and Unproven DSR CMUs can include capital expenditure from 77 months before the start of the Delivery Year in their Total Project Spend.
- For Refurbishing CMUs, expenditure is measured from Auction Results Day to the start of the first Delivery Year. This prevents Refurbishing CMUs from including expenditure associated with the refurbishment prior to the Auction Results Day.
- It may mean that they cannot meet Minimum £/kW thresholds and so miss out on multi year Agreements.

What is the Proposed Solution?

This proposal seeks to change the definition of Total Project Spend so that capital expenditure for Refurbishing CMUs can be included 77 months prior to the commencement of the first Delivery Year to which the application relates.

CP366 – Legal Text Review

Do CMAG have any comments or questions on the revised legal text?

Legal Text for CP366

Amendment to Definitions

1.1 Total Project Spend means

1.1.1 with respect to a New Build CMU, a Refurbishing CMU or an Unproven DSR CMU, the total amount of Capital Expenditure (excluding contingency) incurred, or expected in the reasonable opinion of the Applicant to be incurred (either by the Applicant or another person) with respect to the CMU (or, in the case of an Interconnector CMU, the CMU together with the Non-GB Part) between the date which is 77 months prior to the commencement of the first Delivery Year to which the Application relates and the commencement of the first Delivery Year to which the Application relates; or means, with respect to an ~~Refurbishing CMU~~, Interconnector CMU the total amount of Capital Expenditure of the CMU together with the Non-GB Part)...

1) An opinion on the technical feasibility of the solution, and any constraints/alternative options that might need to be considered to mitigate risk or excessive cost

Simple solution to implement with no material cost implications or system changes required. Minor amendments to business processes and documentation.

2) An indicative assessment of implementation timescales and any associated dependencies or foreseeable challenges

Two weeks.

3) An indicative assessment of implementation and enduring costs of the changes

Minimal changes to process / documentation and re-training. No enduring costs.

CP366 - Standard Questions

Question	Current CMAG View
Does CMAG agree with the proposed solution? Are there any suitable alternative solutions to address the defect?	TBC
Does the draft legal text deliver the intention of the solution?	TBC
What are the expected timescales for implementation?	This proposal is not deemed an urgent change but would deliver benefit to CM Participants if delivered in time for Prequalification in 2023. This target date for implementation is 30 June 2023.

CP366 - Standard Questions

Question	Current CMAG View
Does the CP further the CM Rules Change Objectives and/or Ofgem's Principal Objectives?	<p>Majority of Members agreed CP366 was neutral in furthering Ofgem's Principal Objective.</p> <p>Majority of Members agreed CP366 is positive in promoting investment in capacity to ensure security of electricity supply.</p> <p>Members unanimously agreed CP366 is neutral in facilitating the efficient operation and administration of the Capacity Market.</p> <p>Members unanimously agreed CP366 is neutral in ensuring the compatibility of the Capacity Market Rules with other subordinate legislation under Part 2 of the Energy Act 2013.</p>

CP366 – Recommendations

The CMAG recommends to Ofgem:

- That CP366 should be **approved**;
- That CP366:
 - Better facilitates promoting investment in capacity to ensure security of electricity supply
- Implementation by **June 2023** or as soon as practicable afterwards if this date is not achievable
- The legal text for CP366.



DEVELOPING CM
RULES CHANGE
PROPOSALS –
CP362 (CM
AGREEMENT
TRANSFERS/
WATERS WYE
ASSOCIATES)



Removal of Rule 9.2.5(a)(i)

Kyran Hanks
2023



9.2.5 Transfers of a Capacity Agreement:

- (a) under Rule 9.2.4(a) can only be effected on the Capacity Market Register after the T-1 Auction for the relevant Delivery Year has concluded (or, in the case of an SA Agreement, after 30th May 2017) and provided that:
 - (i) in the case of a Prospective Generating CMU and its second or third Delivery Year, it has achieved the Substantial Completion Milestone by the Prequalification Results Day for the T-1 Auction for that Delivery Year; and

11. Secondary Trading- Transferor FAQs (1/2)

I am a New Build generator but my CMU(s) won't be built for the Delivery Year; can I Secondary Trade out my obligation?

- You will need to meet the SCM to be able to trade. Please refer to Rule 9.2.5(a), as well as Rule 6.7, which states that an obligation does not come into effect until SCM is met, therefore it is not possible to transfer the obligation. Please note, whilst the obligation is not in effect, the participant is still liable for termination events that relate to prior SCM being met.

The problem

A CMU cannot secondary trade until it has reached SCM

If a plant is running more than a year late – and has not reached SCM – it cannot secondary trade

This results in termination

Capacity is taken off the system

If a plant has reached SCM, why would it want to trade?

The answer

Delete Rule 9.2.5(a)(i)

Ofgem consulted in 2019 on extending the trading window

Concerns about “speculative behaviour during the auction”

WWA believes concerns are mis-placed

PQ and auction participation requires resources, planning, connection agreement, credit

Allowing CMUs to trade capacity before SCM will keep capacity on the system



How to contact

Waters Wye Associates

13 Thornton Hill | London | SW19 4HU
Telephone: +44 (0)20 8239 9917
Mobile: +44 (0)78 999 24794
email: lisa@waterswye.co.uk

www.waterswye.co.uk

Standard Change Proposal Questions

- Does the CP further the CM Rules Change Objectives?
- Are there any related changes to the CM Rules in the pipeline?
- Does the CP impact on the Regulations?
- Are there any impacts on any other central industry frameworks or obligations?
- Are there any impacts on consumers, and if so, what are the impacts?
- Does CMAG agree with the proposed solution?
 - Are there any suitable alternative solutions to address the defect?
- What are the expected impacts on:
 - CM Participants?
 - Delivery Partners?
- What are the expected implementation/enduring costs for:
 - CM Participants?
 - Delivery Partners?
- What are the expected timescales for implementation?
- Does the draft legal text deliver the intention of the solution?
- Does the CMAG recommend to Ofgem that the change be made?



CM RULES CHANGE PRIORITISATION

CMAG Prioritisation Scores

Change Reference	Summary of Change	Proposer	Average Priority Score	Status
CP366	Definition of Total Project Spend in the CM rules 2022	Engie	11.22	Development
CP365	Remove requirement for Independent Technical Expert report if Construction Milestones move	Engie	10.89	Development
CP364	Allow Secondary Trading from T-4	EDF	8.78	Development
CP363	Changes to EMR Delivery Body Portal	Waters Wye Associates	7.5	Submission
CP362	CM Agreement Transfers	Waters Wye Associates	7.44	Submission
CP360	Promoting Net Zero Assets	CCET	7.13	Submission
CP368	Minor inconsistency in rules regarding timing of CVR publication and CMVRN submission deadline	LCCC/ESC	5.83	Submission
CP356	Facilitate Secondary Trading before CMU Termination	Enel X	5.33	Submission
CP369	Secondary Trading with CMU Metering Aggregation Rules	LCCC/ESC	5.33	Submission



CMAG FORWARD PLAN

CMAG Forward Plan

- The following updates have been made since the previous meeting:
 - To accelerate progression of proposals CP363 and CP362 that were expected to be considered at next months meeting have been brought forward for initial consideration
 - CP367 – Fossil Fuel Emissions declarations has been removed following discussion at previous meeting.

Title	2022			2023								
	Nov	Dec	Jan	Feb	March	April	May	June	July	August	September	
CP366 - Definition of Total Project Spend	Initial Consideration	Development	Development	CMAG Recommendation	Ofgem Assess/Consult							
CP365 - ITE Report Requirement	Initial Consideration	Development	CMAG Recommendation	Ofgem Assess/Consult								
CP364 - Allow Secondary Trading from T-4	Initial Consideration	Development	Development	Development	CMAG Recommendation	Ofgem Assess/Consult						
CP363 - Changes to EMR Delivery Body Portal			Initial Consideration	Development	Development	CMAG Recommendation	Ofgem Assess/Consult					
CP362 - CM Agreement Transfers			Initial Consideration	Development	Development	Development	CMAG Recommendation	Ofgem Assess/Consult				
CP360 - Promoting Net Zero Assets					Initial Consideration	Development	Development	Development	CMAG Recommendation	Ofgem Assess/Consult		
CP356 - Facilitate Secondary Trading before CMU Termination						Initial Consideration	Development	Development	CMAG Recommendation	Ofgem Assess/Consult		
CP368 - CVR Publication and CMVRN Submission Deadlines							Initial Consideration	Development	Development	CMAG Recommendation	Ofgem Assess/Consult	
CP369 - Secondary Trading with CMU Metering Aggregation Rules							Initial Consideration	Development	Development	CMAG Recommendation	Ofgem Assess/Consult	

Key	
Initial Consideration	Initial Consideration
Development	Development
CMAG Recommendation	CMAG Recommendation
Ofgem Assess/Consult	Ofgem Assess/Consult
On hold	On hold



AOB AND MEETING CLOSE