

ELEXION

**Capacity Market Advisory Group (CMAG)
Meeting 12**

21 September 2023

Agenda Item	Lead
Standing Items	
1. Welcome and Apologies	Elliott Harper (CMAG Facilitator)
2. CM Representative Updates	LCCC/ESC; EMR Delivery Body; Ofgem and DESNZ
3. CMAG Secretariat Update	Elliott Harper and Amy Stackhouse (CMAG Secretariat)
Decision Items	
4. Developing CM Rules Change Proposal – CP373 'Delivery Body and Settlement Body Metering Process'	Beth Hanna (EMR DB), Bir Virk (LCCC/ESC) and Chris Arnold (CMAG Secretariat)
5. Developing CM Rules Change Proposal - CP372 'Change to Rule 4.4.4' - CMAG	Amy Stackhouse
6. Developing CM Rules Change Proposal – CP371 'Protection from Very Late Network Connections' – Waters Wye Associates	Lisa Waters (Waters Wye Associates) and Chris Arnold
Information Items	
7. CMAG Surgery <ul style="list-style-type: none"> • Splitting and Merging CMUs before SCM • Extension of Secondary Trading Principles 	Lisa Waters Tom Guilfoyle (FRV)
8. Industry Feedback <ul style="list-style-type: none"> • Opportunity for stakeholders to provide positive or constructive feedback to Delivery Partners 	Elliott Harper
9. Government Policy Impacts Session <ul style="list-style-type: none"> • No items planned for September 2023 	Elliott Harper
10. CMAG Forward Work Plan	Chris Arnold
11. Action Log	Amy Stackhouse
12. Any Other Business (A.O.B)	All

Meeting Agenda – Scheduled Breaks

- Set breaks at:

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



WELCOME AND APOLOGIES



CM REPRESENTATIVE UPDATES

- LCCC/ESC
- EMR DB
- OFGEM
- DESNZ



CMAG SECRETARIAT UPDATE

Circulation of CMAG Meeting Materials

Currently, Meeting Materials are circulated to CMAG 5 Working Days before the meeting, as attachments to an email and also uploaded to the CMAG Meeting webpage.

The CMAG Secretariat is proposing:

- Meeting Materials be uploaded to the CMAG Website only, with a link to the meeting page made available in the email sent to CMAG 5 Working Days before the meeting; and
- Confidential items continue to only be circulated via attachments to the email

This will improve efficiency of circulating Meeting Materials for the CMAG Secretariat, and ensure there is one single area to view any CMAG Meeting Materials. It will also encourage use of the CMAG Website by Members and Representatives.

Do CMAG have any comments on how they receive Meeting Materials?



DEVELOPING CM RULES CHANGE PROPOSALS

CP373 'DELIVERY BODY AND SETTLEMENT BODY METERING PROCESS' - LCCC/ESC AND EMR DB

Note: This slide is a recap of materials previously discussed by CMAG.

What is the issue?

In progressing the New Portal project, the EMR Delivery Body has been working closely with the Settlement Body to define and deliver integrated processes. The Delivery Body and Settlement Body identified Aggregation and Metering processes as the highest priority, with the following issues highlighted:

- **Complex inefficient data transfer method:** 36 daily interface files spilt across 12 auctions
- **System interface inconsistency:** Increased number of manual workarounds and increased cost to resolve operational issues
- **Capacity Provider feedback:** Lack of clarity and visibility of what and which Delivery Partner is doing the work

What is the proposed solution?

A transfer from Delivery Body to Settlement Body for the following processes:

- metering aggregation
- Metering Assessment
- Metering Test
- DSR Component reallocation

CP373 – Legal Text Walkthrough

On Thursday 7 September 2023, the EMR DB and CM Settlement Body (CMSB) held a Legal Text Walkthrough with CMAG Members, following which the slides that were presented were circulated to CMAG on Tuesday 12 September 2023.

EMR DB and CMSB agreed to get further clarity from Ofgem on how the disputes process for the CM Metering Register will work in practice. An update will be provided during the CMAG meeting on Thursday 21 September.

Following the Walkthrough, an updated Legal Text extract was circulated to CMAG, with the Meeting 12 Materials, for review.

Do CMAG have any final comments on the CP373 Legal Text?

CP373 – Standard Proposal Questions (1/4)

CMAG Members are requested to review the Proposer’s response to the Standard Change Proposal Questions, and confirm if they agree with the Proposer’s view and if not, why.

Question	Proposer View
Are there any related changes to the CM Rules in the pipeline?	The Proposers have not identified any related changes.
Does the CP impact on the Regulations?	The Proposers have not identified any impact on the Regulations, with the legal text as drafted.
Are there any impacts on any other central industry frameworks or obligations?	The Proposers have not identified any impacts.
Are there any impacts on consumers, and if so, what are the impacts?	The Proposers have not identified any impacts on consumers.

CP373 - Standard Proposal Questions (2/4)

Question	Proposer response
What are the expected impacts and costs on Delivery Partners?	<p>Settlement Body - no extra cost as contained within existing change pipeline</p> <ul style="list-style-type: none">• Overall reduced operational cost to carry out settlement activities.• Reduced risk to the accuracy of data used in key settlement processes.• Reduced risk of a delay to settle a Stress Event. <p>Delivery Body - Avoidance of system development costs in developing Metering related processes</p> <ul style="list-style-type: none">• Removal of obligation to handle metering data that is not required for Delivery Body operational processes and development in the New EMR Portal to receive and provide access to the Settlement Body.• Reduces Delivery Body involvement in responding to metering related queries.
What are the expected impacts and costs for CM Participants?	<ul style="list-style-type: none">• Improved customer experience, clarity on Delivery Partner accountability & metering process ownership.• Improved access to the Metering data on Settlement Body Portal as less issues due to interface issues.• Transitioning metering obligations to be submitted post agreement, simplifies obligation and reduces customer risk at prequalification.• Centralises metering and settlement activities under the Settlement Body• Any changes to accommodate the use of the CMMR would be an implementation cost, no enduring costs expected.

CP373 - Standard Change Proposal Questions (3/4)

The Proposer has noted that CP373 **further**s CM Rules Change Objective **(b)** facilitating the efficient operation and administration of the Capacity Market, by defining and delivering integrated processes in the CM for aggregation and metering.

Ofgem Principal Objective

'protect the interests of existing and future consumers in relation to gas conveyed through pipes and electricity conveyed by distribution or transmission systems. The interests of such consumers are their interests taken as a whole, including their interests in the reduction of greenhouse gases in the security of the supply of gas and electricity to them and in the fulfilment by the Authority...

CM Rules Change Objectives

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

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

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

Does CMAG agree that CP373 furthers the CM Rules Change Objectives and/or Ofgem's Principal Objectives?

CP373 - Standard Proposal Questions (3/4)

We are seeking CMAG Member views on the legal text for CP373.

Question	CMAG View – Yes, Neutral or No
Do you agree the Proposer’s legal text addresses the issue?	
Is there any alternative legal text that would address the issue?	
Is the Proposer's legal text the preferred solution?	
Other than as soon as possible, is a specific implementation date requested/required?	The Proposers have noted If approved by Ofgem, the change would need to be implemented as part of the changeover to the New Portal expected in Q1 FY 2024/25 in time for the next prequalification window.

CP373 – CMAG Recommendations

The CMAG recommends to Ofgem:

- That CM Rules Change Proposal CP373
 - **DOES** better facilitate Ofgem's Principal Objective;
- That CM Rules Change Proposal CP373
 - **DOES** better facilitate the CM Rules Change Objectives:
 - b) Facilitating the efficient operation and administration of the Capacity Market
- The proposed legal text for CM Rules Change Proposal CP373; and
- That CP373 should be **implemented**.

CP372 'CHANGE TO RULE 4.4.4' - CMAG

CP372 – Change to Rule 4.4.4

Members reviewed the questions on issue and government policy at CMAG Meeting 11, with responses noted on the following slides (19 & 20).

Member responses indicate there is a valid problem that should be addressed through the CM Rules, but the scope has not been defined.

We do not propose to recap these slides at the Meeting, unless CMAG have any specific comments to address.

CP372 – Questions on the Issue & Government Policy (1/2)

Question	CMAG Member Responses
<p>Is this a valid problem?</p> <ul style="list-style-type: none">• Are the issues related to just storage and gas, or other technologies too?	<ul style="list-style-type: none">• “Relevant for Battery CMUs as they require augmentation to continue to meet obligations during a 15 year Agreement”• “Various technologies may wish to decarbonise throughout long-term Agreements”
<p>Is the CM the right place to address this problem?</p>	<ul style="list-style-type: none">• “The CM is the right place to resolve this as the CM Agreement might be a key barrier to decarbonisation in the CM.”
<p>Is the solution to this CP going to be counter to the policy objectives of the CM?</p> <p>What is the impact on:</p> <ul style="list-style-type: none">• Security of Supply• Cost (including cost to consumers)• Unintended consequences – if there are any, what is the impact?	<ul style="list-style-type: none">• “A change that is confined to changes to ‘configuration’ and therefore within the same technology class should have no impact.”• “Enhances Security of Supply by ensuring CMUs can meet their obligations under multi-year agreements”• “No cost to consumers, possible cost to Capacity Providers to increase Capital Expenditure”• “Allowing switching of components may temporarily reduce security of supply whilst CMUs are offline. However, if these CMUs are decarbonising, this should theoretically increase security of supply long term and reduce costs for consumers.”

Question	CMAG Member Responses
<p>Are there any consequential impacts on the regulations?</p>	<ul style="list-style-type: none">• No consequential impacts to Regulations were identified
<p>Does this explicitly affect any functions granted to the secretary of state?</p> <ul style="list-style-type: none">• For example, the Energy Act 2013 set specific functions to the secretary of state. Derating factors is an explicit function of the secretary of state	<ul style="list-style-type: none">• “The setting of derating factors should not be impacted, however, there is an open question as to the applicability of particular derating factors and whether they should be tagged to the auction in which an agreement was awarded or whether derating factors should use the latest calculations.”
<p>Is there an impact on subsidy control?</p> <ul style="list-style-type: none">• For example, anything that would favour one technology class over another, that would probably mean you have to go through the subsidy control framework	<ul style="list-style-type: none">• “No, this does not favour one technology class over another”• “The Rules can be changed in a way that is technology neutral”

CP372 – Specific Change Proposal Questions

CMAG Members reviewed the specific change proposal questions for CP372 offline, to provide a view on each and identify the scope of which a change to Rule 4.4.4 should be drafted.

Key comments from the CMAG review of the specific change proposal questions are:

- Clarity is required on what is considered a change to the configuration of generating units for different Generating Technology Classes
- Differing views on whether the latest De-rating factor or original De-rating factor should be used for added components
- Consensus that the AACO should remain unchanged when changing the configuration
- Any change to Rule 4.4.4 should align with how Refurbishing CMUs are managed in the Rules in relation to Total Project Spend and Extended Years Criteria
- Changes should be allowed within a Delivery Year for the change to be most effective and useful for Capacity Providers

Change to Configuration

Question

For a Generating Unit (Component) what constitutes:

- Maintenance, ie without any restriction by CM Rules;
- Reconfiguration, to be controlled by a reworded Rule 4.4.4; and
- Refurbishment, creating a new version of a Component for a Refurbishing CMU?

CMAG Member Responses

- “I don’t think that changes to fuel type or metering arrangements are changes to the ‘configuration of Generating Units’ and are already permitted. It is not clear that changes to Generating Technology Class or Connection Capacity are changes to configuration and that they would be allowed by removing Rule 4.4.4. I don’t think 4.4.4 is a good place to introduce additional changes beyond ‘configuration’.”
- “Adding engines or batteries does seem like a change in configuration and ought to be permitted through a change to 4.4.4 as there is no downside to doing so, subject perhaps to checks on project spend where the change relates to a multi-year Agreement.”
- “Need clarification on what is meant by configuration, to understand what is currently allowed/prohibited under Rule 4.4.4.”

Summary

- **Responses varied by Generating Technology Class (GTC)**
- **A matrix of Maintenance, Reconfiguration & Refurbishment examples by GTC is needed to proceed with a change**

De-rating Factors

Question

What De-rating Factor (DF%) should be used for Components added to a CMU?
What DF% should be used for a change in Generating Technology Class reconfiguration of a Component?

CMAG Member Responses

- “From a Battery CMU perspective, the De-rating factor is applicable for the original CM Agreement should stay in place, this is consistent with Rule 2.3.3. I agree that for a change in Generating Technology Class it seems reasonable to use the latest De-rating factor.”
- “Should use the latest De-rating factor which has been published for that technology in that Delivery Year. This is because that factor best represents the security of supply contribution of that technology at that time.”
- “If there is no change to the Technology Class, then adding a component (presumably in order to be able to meet existing obligations) makes little or no difference. The capacity obligation is unchanged and therefore adding a component may not even need a De-rating factor applied.”
- “Not sure that a change in technology class is a change in ‘configuration’ but if permitted, I think the latest DF seems sensible, but there are, as discussed, difficulties with Rule 2.3.3.”

Summary

- **The consensus appears to be that when relating to an original GTC the Agreement DF% should be used, but for a change in GTC the latest DF% for the DY would be appropriate.**

De-rated Capacity

Question

Should De-rated Capacity of a CMU be allowed to change as a result of changing configuration of a Generating Unit or reallocation of Components in a CMU?

CMAG Member Responses

- “Agree that text should only allow changes that do not lower derated capacity / AACO.”
- “The AACO is the Obligation acquired in an Auction and cannot change as a result of changes to configuration either to increase or decrease. A reconfigured CMU would need to be able to demonstrate at least sufficient De-rated capacity to meet its AACO, but an increased De-rated capacity would not result in an increased AACO.”
- “My understanding is that additional capacity could only be covered by additional CM payments/obligations if it was separately metered from the other capacity - otherwise in a system stress event. It could not be known which capacity was delivering under which Obligation.”

Summary

- **In some cases Members considered additional capacity could be separately metered and become a separate CMU**
- **However, where this is not possible, the idea of increased capacity allowing PTCO-in has not been addressed and will need to be considered by CMAG**

Financial Commitment Milestone (FCM)

Question

What happens regarding a CMU's FCM if a Component is Reallocated away from it after passing FCM?

What impact does an added Component have on a CMU's FCM, if the Component was part of a previous CMU before that CMU passed FCM?

CMAG Member Responses

- “For a CMU that is reliant on an FCM to demonstrate that it qualifies for a multi-year agreement, a confirmation from Directors may be a sensible check.”
- “The policy intent (based on current CM Rules for Refurbishing CMUs) seems to be that TPS/FCM should be certified only once. i.e. if a component has been used to certify FCM once, it cannot be used to certify FCM again.”

Summary

- **A lack of consensus amongst responses, CMAG will need to consider specific scenarios by GTC to determine how to proceed with a change.**

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

Question	Where the CMU has passed the Evidence of Total Project Spend, how could it confirm that the component(s) being removed will not be used to ensure that a different CMU meets the CAPEX thresholds for longer agreements?
CMAG Member Responses	<ul style="list-style-type: none">• “On the evidence of Total Project Spend point, I don't think a component should be able to be double counted - i.e. towards TPS on more than one site. I can see a counterargument that we shouldn't care as long as the original site can meet its obligations under its CM agreement but alignment with the Rules on Refurbishing CMUs seems reasonable.”• “A replacement of a brand-new (expensive) component with a 2nd hand (cheaper) component would be a concern if the total spend had been signed off on the basis of the spend on the expensive component. Selling that component on (for example abroad rather than to become part of another CMU) and replacing with a cheaper one could result in the total spend not being reached.”
Summary	<ul style="list-style-type: none">• A consensus that spend on a Component that moves to a different CMU should not be ‘re-used’ for that CMU• However, scenarios may need to be considered in order to draft effective changes to legal text

CP372 – Specific Change Proposal Questions

Changes within Delivery Year

Question

Should changes be allowed within a Delivery Year, ie after the start of the first DY of an Agreement?

Lack of clarity of the value of allowing changes during a Delivery Year, as CMUs are able to trade away their obligations. Allowing a CMU to change components would adversely impact on the secondary trading market.

DB do not support enabling component changes within Delivery Year, as, once the Delivery Year has commenced, a CP begins to be paid to deliver and needs to provide assurance that their setup is able to deliver during a stress event. Permitting unlimited changes to the assets expected to deliver the Capacity Obligation introduces significantly more complexity.

CMAG Member Responses

- “I can't see a reason not to allow changes within a Delivery Year. For battery CMUs, battery refresh / augmentation will definitely occur after the start of the first Delivery Year.”
- “I think this depends on the context. A battery augmenting its output with new components should be possible at any time. There is no difference to what the DB ‘sees’ as everything is through the same meter.”
- “What if a CMU has a 15 year Agreement and wants to change configuration in year 7? E.g. to replace gas generators with hydrogen equipment.”

Summary

- **Consensus that changes should be allowed at any time during a Delivery Year**

Prequalification and Assurance

Question	<p>Any changes to configuration should not adversely impact CMU's original Prequalification results.</p> <p>What additional assurances are required for component changes made within a Delivery Year?</p>
CMAG Member Responses	<ul style="list-style-type: none">• “Need something to be included for EYC e.g. a declaration that any components being added have not been used to ensure a different CMU has met its EYC.”• “Agree that assurance is required to ensure prequalification results are not adversely impacted”
Summary	<ul style="list-style-type: none">• Ensure that any change does not adversely impact the original CMU meeting its Extended Years Criteria or the prequalification result

CP372 – Proposed next steps

The views received from Members were limited to two Generating Technology Classes, and therefore it is difficult to determine the scope and different scenarios a change to Rule 4.4.4 should address.

CMAG need to consider views from the different Generating Technology Classes (as noted in Schedule 3), to understand what is considered:

- Maintenance, ie without any restriction by CM Rules;
- Reconfiguration, to be controlled by a reworded Rule 4.4.4; and
- Refurbishment, creating a new version of a Component for a Refurbishing CMU

CMAG will need to identify the different scenarios for each Generating Technology Class where Rule 4.4.4 poses an issue for Capacity Providers, to be able to determine the required scope for a change.

Would CMAG benefit from issuing a request for technical input from industry to gain wider views on the CP372 Specific Change Proposal Question from different Generating Technology Classes? These views may feed-into further CMAG work, or a sub-group to assess.

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

Issue and Proposed Solution from original CP371

Note: This slide is a recap of materials previously discussed by CMAG.

What is the Issue?

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

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

What is the Proposed Solution?

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

The original proposed legal text included elective terminations that would require a change to the Regulations.

At CMAG Meeting 11, Members reviewed the four mitigation options drafted by the CMAG Secretariat as alternative solutions to CP371.

The CMAG Secretariat took an action to redraft the CP371 Option 2 solution to align with the assurance process for extending the Long Stop Date in Option 3.

Our review highlighted that meeting FCM and extending LSD both require an ITE report, but the July 2023 Rule changes included dropping the need for an ITE report when there were material changes in construction progress reports. Given the concerns raised over ITE reports at the last CMAG the proposed change to the legal text for option 2 has been to settle on a Directors' certificate (evidenced by updates connection agreements).

CMAG Members are requested to review the four mitigation options outlined on the following slides, and confirm which/any they would like to proceed with as the alternative solution for CP371.

CP371 ALTERNATIVE SOLUTION OPTIONS AND QUESTIONS

Option 1: Multi-year extension to LSD

Option 1	Multi-Year Extension to LSD - As presented at CMAG #11
Objective	Allow a Capacity Provider to submit an Application for LSD extension that is not constrained by evidence of previous actual delay but can explicitly also include an element of future expected delay in obtaining a connection and hence achieving SCM. Only allow an extension where, if required, Project Progression has determined the revised planned Connection date.
Example Scenario	<ol style="list-style-type: none">1. At T-4 Prequalification the Prospective CMU's planned DNO connection was 6 months before the start of the first DY, allowing a 3 month contingency before planned SCM by the start of DY1.2. Construction Reports have subsequently identified delays in expected connection date and pausing of construction.3. At 31/12 in DY1 the connection goes through "project progression" and a new planned connection date of 31/3 in DY4, i.e. a 4 year delay.4. An ITE report is obtained confirming the new planned connection date and attributable 4 year delay in SCM.5. The Capacity Provider submits an application for a 4 year extension in LSD, to the end of DY5.
Proposed Change to Legal Text	6.7.7 The relevant Long Stop Date must, at the request of the relevant Capacity Provider, be extended day for day for any delay in achieving the Substantial Completion Milestone by the start of the first Delivery Year of the Capacity Agreement that results solely from a failure of a Transmission Licensee or the relevant Distribution Network Operator to provide an active connection point when required to do so in accordance with a valid Grid Connection Agreement or Distribution Connection Agreement, including as a result of the failure of their subcontractors (provided that such subcontractor is not the Capacity Provider or in the same Group). To secure such extension, the relevant Capacity Provider must apply to the Delivery Body and provide a report of an Independent Technical Expert substantiating its claim and identifying the relevant number of days of delay. Such extension can include an element of future expected delay in achieving the Substantial Completion Milestone, so long as it is evidenced in the Independent Technical Expert report by a latest planned connection date for the appropriate Connection Agreement, as long as such date for a Distribution Connection Agreement has, where required, been confirmed by Project Progression with the relevant Transmission Licensee.
CMAG Questions	Should option 1 be included in Alternative Solution for CP371? Does the Proposed Change to Legal Text meet the stated Objective?

Option 2: Postpone FCM where there is a Connection Delay

Option 2	Postpone FCM where there is a Connection Delay - As presented at CMAG #11
Objective	Allow FCM target date to be postponed as a consequence of connection delays. If a Prospective CMU has, since prequalification but before FCM, received a planned connection date that has been substantially delayed, then the FCM can be postponed until the day before the first Delivery Year.
Example Scenarios	<p>1. Assume this proposed extension to FCM only applies to New Build CMUs and then only to Capacity Agreements arising from T-4 Auctions (because a New Build CMU should know of connection delays before the T-1 prequalification).</p> <p><u>Or</u></p> <p>2. All Prospective CMUs with T-4 Capacity Agreements, including Refurbishing CMUs that will already have a connection, even if at a lower capacity than required after refurbishment and may already have the fall-back (if they fail to meet FCM) of the Capacity Agreement being reduced to a duration of one DY at its pre-refurbishment capacity.</p>
CMAG Questions	<p>Do CMAG Members agree that this extension to FCM is too early in the connection process for the following restriction to be appropriate for the updated connection date – “as long as such date for a Distribution Connection Agreement has been confirmed by Project Progression with the relevant Transmission Licensee”</p> <p>Should Refurbishing CMUs by considering all Prospective CMUs with T-4 Capacity Agreements, including Refurbishing CMUs in scenario 2 above?</p>

CP371 Option 2 Legal Text Slides

The following slides detail the proposed legal text for CP371 solution option 2.

The text in **red** is unchanged from CMAG Meeting 11. Where a whole slide of content is unchained from CMAG Meeting 11 it has been highlighted at the start of the slide.

The text in **light blue** contains amendments following discussions at CMAG Meeting 11 and further CMAG Secretariat analysis.

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

Option 2: Postpone FCM where there is a Connection Delay

Option 2	Postpone FCM where there is a Connection Delay - As presented at CMAG #11
Proposed Change/Legal Text	<p>New Build CMUs Only</p> <p>6.6A Achieving the Financial Commitment Milestone: New Build CMUs</p> <p>6.6A.1 Other than in the case of a SA Agreement or a T-1 Agreement,</p> <p>(a) if by 11 months after the Auction Results Day the Delivery Body has received an Independent Technical Expert's Report identifying a latest planned connection date (evidenced by a Grid Connection Agreement or a Distribution Connection Agreement) that is at least [x] months later than the planned connection date at prequalification*, then the Capacity Provider may submit an application to the Delivery Body for the Financial Commitment Milestone to be extended, day-for-day, by that delay in the planned connection, but no later than the day before the start of the first Delivery Year of the Agreement.</p> <p>(b) Rule 6.6A.2 applies where in respect of a New Build Capacity Provider ("P") the Delivery Body has not agreed to an extension to the Financial Commitment Milestone under (a) above and has not, by 11 months after the Auction Results Day ("the 11-month period"), received the Independent Technical Expert's report referred to in Rule 6.6.1.</p>
CMAG Secretariat Comment	The 11 month period should not be amended because it relates to Policy in Regulation 59(4) for additional Credit Cover to be lodged from 12 months after Auction Results Day (ARD).

Option 2: Postpone FCM where there is a Connection Delay

Option 2	Postpone FCM where there is a Connection Delay - As presented at CMAG #11
Proposed Change/ Legal Text	<p>All Prospective CMUs</p> <p>6.6.1 A Capacity Provider of a Prospective CMU will be considered to have met its Financial Commitment Milestone obligation if, by no later than other than in the case of a SA Agreement or a T-1 Agreement, 16 months after the Auction Results Day for the Capacity Auction in respect of which the Capacity Agreement was awarded, (or, if by 11 months after the Auction Results Day the Delivery Body has received an Independent Technical Expert's Report identifying a latest planned connection date (evidenced by a Grid Connection Agreement or a Distribution Connection Agreement) that is at least [x] months later than the planned connection date at prequalification*, then the Capacity Provider may submit an application to the Delivery Body for the Financial Commitment Milestone to be extended, day-for-day, by that delay in the planned connection, but no later than the day before the start of the first Delivery Year of the Agreement, or in the case of an SA Agreement or a T-1 Agreement, 3 months after the Auction Results Day for the Capacity Auction in respect of which the Capacity Agreement was awarded), the Delivery Body has acknowledged receipt of: [(a) ITE and (b) Funding Declaration]</p> <p>6.6A Achieving the Financial Commitment Milestone: New Build CMUs</p> <p>6.6A.1 Other than in the case of a SA Agreement or a T-1 Agreement, Rule 6.6A.2 applies where in respect of a New Build Capacity Provider ("P") the Delivery Body has not agreed to an extension to the Financial Commitment Milestone under 6.6.1 and has not, by 11 months after the Auction Results Day ("the 11-month period"), received the Independent Technical Expert's report referred to in Rule 6.6.1.</p> <p>6.6A.2 Where this Rule 6.6A.2 applies, the Delivery Body must notify P and the Settlement Body that P must provide an increased amount of Applicant Credit Cover in accordance with Regulation 59(4) and (5).</p> <p>6.6A.3 The notices under Rule 6.6A.2 must be given within 10 Working Days after the end of the 11 month period.</p>

Option 2: Postpone FCM where there is a Connection Delay

Option 2	Postpone FCM where there is a Connection Delay - Updated for CMAG #12 to replace ITE by Directors certificate
<p data-bbox="84 322 270 446">Proposed Change to Legal Text</p> <p data-bbox="84 679 308 843"><x> impose a minimum delay before Extension</p> <p data-bbox="84 943 295 1108">Additional Credit Cover if not met FCM</p>	<p data-bbox="346 322 800 358">2.1 New Build CMUs Only</p> <p data-bbox="346 365 1505 401">6.6A Achieving the Financial Commitment Milestone: New Build CMUs</p> <p data-bbox="346 451 1493 486">6.6A.1 Other than in the case of a SA Agreement or a T-1 Agreement,</p> <p data-bbox="346 544 2461 886">(a) if by 11 months after the Auction Results Day the Delivery Body has received an Independent Technical Expert's Report identifying a certificate from two directors of the Capacity Provider (or two officers, in the case of a Capacity Provider other than a company) confirming a latest planned connection date (evidenced by a Grid Connection Agreement or a Distribution Connection Agreement) that is [at least <x> months] later than the planned connection date at prequalification, or such later planned connection date as may already have been used to evidence a previous extension of the Financial Commitment Milestone, then the Capacity Provider may submit an application to the Delivery Body for the Financial Commitment Milestone to be extended, day-for-day, by that delay in the planned connection, but no later than the day before the start of the first Delivery Year of the Agreement.</p> <p data-bbox="346 943 2461 1065">(b) Rule 6.6A.2 applies where in respect of a New Build Capacity Provider ("P") the Delivery Body has not agreed to an extension to the Financial Commitment Milestone under (a) above and has not, by 11 months after the Auction Results Day ("the 11-month period"), received the Independent Technical Expert's report referred to in Rule 6.6.1.</p>
<p data-bbox="84 1140 270 1215">CMAG Questions</p>	<p data-bbox="346 1140 2283 1176">Should the CMAG Meeting 11 redlining be updated to replace the ITE report requirements with a director's certificate?</p> <p data-bbox="346 1233 2448 1305">Is a minimum delay criteria appropriate and if so how many months delay should be required before Capacity Providers are able to submit an application to DB for a FCM extension?</p>

Option 2: Postpone FCM where there is a Connection Delay

Option 2	Postpone FCM where there is a Connection Delay Updated for CMAG #12 to replace ITE by Directors certificate
<p>Proposed Change/ Legal Text</p> <p><x> impose a minimum delay before extension</p>	<p>2.2 All Prospective CMUs</p> <p>6.6.1 A Capacity Provider of a Prospective CMU will be considered to have met its Financial Commitment Milestone obligation if, by no later than other than in the case of a SA Agreement or a T-1 Agreement, 16 months after the Auction Results Day for the Capacity Auction in respect of which the Capacity Agreement was awarded, {or, if by 11 months after the Auction Results Day the Delivery Body has received an Independent Technical Expert's Report identifying a certificate from two directors of the Capacity Provider (or two officers, in the case of a Capacity Provider other than a company) confirming a latest planned connection date (evidenced by a Grid Connection Agreement or a Distribution Connection Agreement) that is [at least <x> months] later than the planned connection date at prequalification, or such later planned connection date as may already have been used to evidence a previous extension of the Financial Commitment Milestone, then the Capacity Provider may submit an application to the Delivery Body for the Financial Commitment Milestone to be extended, day-for-day, by that delay in the planned connection, but no later than the day before the start of the first Delivery Year of the Agreement, or</p> <p>in the case of an SA Agreement or a T-1 Agreement, 3 months after the Auction Results Day for the Capacity Auction in respect of which the Capacity Agreement was awarded}, the Delivery Body has acknowledged receipt of: [unchanged (a) ITE and (b) Funding Declaration]</p> <p>6.6A.1 Other than in the case of a SA Agreement or a T-1 Agreement, Rule 6.6A.2 applies where in respect of a New Build Capacity Provider ("P") the Delivery Body has not agreed to an extension to the Financial Commitment Milestone under 6.6.1 and has not, by 11 months after the Auction Results Day ("the 11-month period"), received the Independent Technical Expert's report referred to in Rule 6.6.1.</p>
<p>CMAG Questions</p>	<p>Should option 2 be included in Alternative Solutions for CP371? If so which variant, 2.1 (New Build only) or 2.2 (All Prospective CMUs, including Refurbishing) is most suitable? Does the Proposed Change to Legal Text meet the stated Objective?</p>

Option 2: Postpone FCM where there is a Connection Delay

Option 2	Postpone FCM where there is a Connection Delay Updated for CMAG #12 to replace ITE by Directors certificate
<p>Proposed Change/ Legal Text</p> <p>[x] allowing a minimum delay before extension</p>	<p>All Prospective CMUs</p> <p>6.6.1 A Capacity Provider of a Prospective CMU will be considered to have met its Financial Commitment Milestone obligation if, by no later than</p> <p>other than in the case of a SA Agreement or a T-1 Agreement,</p> <p>16 months after the Auction Results Day for the Capacity Auction in respect of which the Capacity Agreement was awarded,</p> <p>{or,</p> <p>if by 11 months after the Auction Results Day the Delivery Body has received an Independent Technical Expert's Report identifying a certificate from two directors of the Capacity Provider (or two officers, in the case of a Capacity Provider other than a company) confirming a latest planned connection date (evidenced by a Grid Connection Agreement or a Distribution Connection Agreement) that is at least [x] months later than the planned connection date at prequalification, then the Capacity Provider may submit an application to the Delivery Body for the Financial Commitment Milestone to be extended, day-for-day, by that delay in the planned connection, but no later than the day before the start of the first Delivery Year of the Agreement, or</p> <p>in the case of an SA Agreement or a T-1 Agreement, 3 months after the Auction Results Day for the Capacity Auction in respect of which the Capacity Agreement was awarded, the Delivery Body has acknowledged receipt of: [(a) ITE and (b) Funding Declaration]</p>
<p>CMAG Secretariat Comment</p>	<p>Proposed change to 6.6A.1 also removed.</p>
<p>CMAG Questions</p>	<p>Should option 2 be included in Alternative Solution for CP371? If so which variant is most suitable?</p> <p>Does the Proposed Change to Legal Text meet the stated Objective?</p>

Option 3: Allow Secondary Trading before SCM (CP362 – CM Agreement Transfers)

Option 3	Allow Secondary Trading before SCM (CP362 – CM Agreement Transfers) – Updated following CMAG #11
Objective	CP362 seeks to allow a Prospective CMU to secondary trade before it has achieved SCM/MCR.
CMAG Preferred CP362 Option	Option C – Secondary Trade before the Prospective CMU’s Capacity Agreement is Terminated Implement CP362 proposal, but allow Secondary Trades before Termination of the Capacity Agreement.
CMAG Secretariat Comment	The ability to secondary trade before SCM could allow Capacity Providers facing connection delays a means of managing late network connections.

Option 4: Extend the period during which Capacity can be increased under Rule 6.7.6

Option 4	Extend the period during which Capacity can be increased under Rule 6.7.6 As presented at CMAG #11
Objective	Allow for Capacity to be increased as a consequence of delayed connection, by amending Rule 6.7.6 to refer to the LSD rather than start of DY1.
Example Scenario	<ol style="list-style-type: none">1. A Prospective CMUs' connection is delayed meaning achieving SCM is delayed, allowing the LSD to be extended under Rule 6.7.7.2. When a connection is provided it is initially at a capacity significantly less than planned, such that the CMU only achieves MCR and Capacity Payments commence based on that reduced capacity.3. However, within 6 months of the LSD, the connection's capacity is increased to that originally planned and the Agreement returns to its original AACO from that date – with Capacity Payments increasing accordingly.
Proposed Change to Legal Text	6.7.6 At any time up to eighteen six months after the start of the first Delivery Year Long Stop Date of the Capacity Agreement, a Capacity Provider may notify the Delivery Body that a Generating Unit forming part of a Prospective Generating CMU has increased its Operational physical capacity such that it is now sufficient to deliver a higher proportion (up to but not exceeding 100 per cent) of its Capacity Obligation, and the updated Capacity Agreement will take effect from such date with respect to that increased proportion.
CMAG Secretariat Note	The above proposed change does not apply to Prospective Interconnectors in Rule 6.7.6A, where increase in capacity is allowed within the DY of a Capacity Agreement.
CMAG Questions	Should option 4 be included in Alternative Solution for CP371? Does the Proposed Change to Legal Text meet the stated Objective?

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

STANDARD PROPOSAL QUESTIONS CONSIDERATION

CP371 – Standard Proposal Questions

CMAG Members are requested to review the Proposer’s response to the Standard Change Proposal Questions, and confirm if they agree with the Proposer’s view and if not, why.

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

CP371 - Standard Proposal Questions

Question	CMAG View/Options
Are there any impacts on consumers, and if so, what are the impacts?	To be determined by CMAG.
What are the expected impacts and implementation/enduring costs on Delivery Partners?	Does the CMAG wish to request an Impact Assessment from LCCC/ESC or EMR DB? If not, what are the impacts? CMAG will need to determine which Options it wishes EMR DB and LCCC/ESC to impact assess.
What are the expected impacts and implementation/enduring costs for CM Participants?	Does the CMAG need to consult to determine the possible CM Participant impacts? If not, what are the impacts on CM participants?

CP371 - Standard Questions

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

Ofgem Principal Objective

'protect the interests of existing and future consumers in relation to gas conveyed through pipes and electricity conveyed by distribution or transmission systems. The interests of such consumers are their interests taken as a whole, including their interests in the reduction of greenhouse gases in the security of the supply of gas and electricity to them and in the fulfilment by the Authority...

CM Rules Change Objectives

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

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

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

Proposer View

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

CP371 – CMAG Recommendations

The CMAG recommends to Ofgem:

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



CMAG SURGERY

'EXTENSION OF SECONDARY TRADING PRINCIPLES' - TOM GUILFOYLE (FRV)

Capacity Market Rules Change Proposal

Extension of secondary trading principles

CMAG: 21 September 2023

Issue: no effect of secondary trade on extended performance

The issue

- **The Rules do not adequately provide for the effect of a partial trade of a Capacity Obligation, for a full Delivery Year, on extended performance testing requirements under Rule 13.4A.2.**
- **Extended performance is tested against Adjusted Connection Capacity, being *the product of the Connection Capacity for a Capacity Committed CMU and the Technology Class Weighted Average Availability of the Storage Generating Technology Class* (Rule 13.4A.4)**

Inconsistency in the CM Rules

Adjusted Connection Capacity does not automatically take account of reduced Capacity Obligations following a secondary trade which, in our view:

- **contradicts the principle set out in Rule 9.4.1 that a secondary trade rateably reduces the rights and obligations associated with a Capacity Committed CMU's Capacity Obligation following a secondary trade;**
- **does not align with the principle under Rule 9.5.11; and**
- **does not follow the effect of secondary trading on satisfactory performance testing.**

Proposal: extension of the secondary trading principle (1)

The Proposal

A new Rule 9.5.13 whereby Adjusted Connection Capacity is notionally reduced through secondary trading, where part of a Capacity Obligation is traded for:

- (a) the full Delivery Year where the Extended Performance Test is to be demonstrated in accordance with Rule 13.4A.2(a); and
- (b) the entirety of the three Delivery Year period in respect of which Extended Performance Test is to be satisfied in accordance with Rule 13.4A.2(b).

Extension of the Secondary Trading principle

Reducing Adjusted Connection Capacity through secondary trading would align with, and merely extend, the general principle that following a secondary trade, a Capacity Provider's rights and obligations are rateably reduced in line with its reduced Capacity Obligation.

The effect and implementing the Rule change

The effect of this would be that the satisfactory Extended Performance Test threshold for the purpose of Rule 13.4A.2 would be equal to:

$$\text{Connection Capacity} \times \left(\frac{\text{Capacity Obligation following transfer}}{\text{Capacity Obligation prior to transfer}} \right) \times TCWAA$$

Proposal: extension of the secondary trading principle (2)

A new Capacity Market Rule 9.5.13

In the case of a Capacity Committed CMU that has transferred part of its Capacity Obligation under Rule 9.2.4(a) for:

- (a) the entire Delivery Year during which extended performance is to be demonstrated in accordance with Rule 13.4A.2(a); or**
- (b) the entirety of each Delivery Year during which extended performance is to be demonstrated in accordance with Rule 13.4A.2(b) and for each of the next two (2) Delivery Years immediately thereafter,**

that Capacity Committed CMU's Adjusted Connection Capacity shall, for the purpose of demonstrating extended performance in accordance with Rule 13.4A.2 only, be reduced by the [Transferred Part]."

Application

- **The Rule change should apply retrospectively to all Capacity Agreements.**
- **Any partial trade undertaken in accordance with 9.2.4(a)(iii) requires the aggregate of the CMU Transferor's, and the CM Transferee's, Capacity Obligation to be at least equal to the Minimum Capacity Threshold – a secondary trade should therefore alleviate any technology risk concerns which we assume to be the basis for the Extended Performance Test.**

Important notice:

Fotowatio Renewable Ventures, B.V. is an affiliate of Abdul Latif Jameel. The term “Abdul Latif Jameel” refers broadly to several distinct, separate and independent legal entities. Abdul Latif Jameel is not itself a corporate entity, association or conglomerate run by an overarching parent company but merely refers to a group of distinct and wholly separate legal entities that are collectively referred to as “Abdul Latif Jameel”. Abdul Latif Jameel is not a corporate group as defined in section 1161(5) of the Companies Act 2006.

Questions on the Issue & Government Policy

Questions on the issue

- Is this a valid problem?
 - Are the issues related to just BESS, or other technologies too?
- Is the CM the right place to address this problem?

Impact on government policy

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

‘SPLITTING AND MERGING CMUS
BEFORE SCM’ – LISA WATERS
(WATERS WYE ASSOCIATES)

Splitting and Merging CMUs before SCM

Scenario	Issue
Splitting a CMU	<ul style="list-style-type: none">• A Capacity Provider wants to sell half of their CMU to another company prior to Significant Completion Milestone (SCM), splitting one asset into two, with two owners.• Post-SCM, the Capacity Provider would be able to trade away part of the Capacity Obligation, add a new meter and trade it back into a “new CMU”. However there may not be a spare asset to trade to and from to make this work, despite the outcome being the same.
Merging a CMU	<ul style="list-style-type: none">• A Capacity Provider with two storage assets on the same site wants to merge them into one CMU.• Over time as the assets degrade, they believe it will be easier to meet extended performance requirements as one CMU rather than two.• The Capacity Provider could trade the Capacity Agreements, re-register the asset as one CMU and trade back, but this is administratively burdensome.

Questions on the Issue & Government Policy

Questions on the issue

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

Impact on government policy

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



INDUSTRY FEEDBACK

Fossil Fuel Emissions Verification Process

A Member has noted that while completing their Fossil Fuel Verification process, they have been requested to provide additional information as follows:

- **Monitoring procedure – Natural Gas monitoring in all CMUs**
- **Calibration certificate of Natural Gas meter.**
- **CHPQA certificate – second page where detailed calculations presented (F4 submission)**
- **Underlying /supportive calculations- evidence such as NG reads, NCV for CHPQA calculations or submitted to CHPQA body for certification. Please note though CHPQA is an external body and certified all calculations, LRQA would like to carry out sense checks to confirm the integrity of our verification.**
- **If you have commissioning /installation certificate of CMUs**
- **A call with Environment Team and CHPQA support**

The Member is also concerned the auditing companies are not fully aware of the pre-qualification deadlines.

The Member has been informed that if they are unable to supply the additional information they will not be able to provide the required verification.

The Member has raised concern that some of the above information may not be available yet, and is not requested within the CM Rules or this year's prequal guidance provided by the Delivery Body, and wished to share their experience for information with other CMAG Members



GOVERNMENT POLICY IMPACTS SESSION



CMAG FORWARD WORKPLAN

CMAG Forward Plan

Key updates include:

- Addition of Housekeeping Changes to the plan
- Addition of ITE Report Requirements Review; and
- Moving CMAG Recommendation date for CP373 to September 2023

Title	2023							2024		
	June	July	August	September	October	November	December	January	February	March
CP366 - Definition of Total Project Spend	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem
CP365 - ITE Reporting Requirements	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem
CP364 - Allow Secondary Trading from T-4	Development	Development	Development	Development	CMAG Recommendation	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem
CP363 - Changes to EMR Delivery Body Portal	On hold	On hold	On hold	On hold	On hold	On hold	On hold	On hold	On hold	On hold
CP362 - CM Agreement Transfers	Development	Development	CMAG Recommendation	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem
CP356 - Facilitate Secondary Trading before CMU Termination	On hold	On hold	On hold	On hold	On hold	On hold	On hold	On hold	On hold	On hold
CP368 - CVR Publication and CMVRN Submission Deadlines	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem
CP369 - Secondary Trading with CMU Metering Aggregation Rules	Development	Development	CMAG Recommendation	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem
CP370 - Changes to Extended Performance Test	On hold	On hold	On hold	On hold	On hold	On hold	On hold	On hold	On hold	On hold
CP371 - 'Management of connection delays by network companies'	Initial Consideration	Development	Development	CMAG Recommendation	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem
CP372 - 'Change to Rule 4.4.4'	Initial Consideration	Initial Consideration	Development	Development	Development	Development	Development	CMAG Recommendation	With Ofgem	With Ofgem
CP373 - 'Delivery Body and Settlement Body Metering Process'	Initial Consideration	Initial Consideration	Initial Consideration	CMAG Recommendation	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem
ITE Report Requirements Review	Initial Consideration	Initial Consideration	Initial Consideration	Initial Consideration	Initial Consideration	Initial Consideration	Development	Development	CMAG Recommendation	With Ofgem
Housekeeping Changes	Initial Consideration	Initial Consideration	Initial Consideration	Initial Consideration	Initial Consideration	CMAG Recommendation	With Ofgem	With Ofgem	With Ofgem	With Ofgem
DSR Component Reallocation	Initial Consideration	Initial Consideration	Initial Consideration	Development	Development	Development	Development	Development	Development	Development

Key	
Initial Consideration	Initial Consideration
Development	Development
CMAG Recommendation	CMAG Recommendation
With Ofgem	With Ofgem
On hold	On hold



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