

ELEXION

**Capacity Market Advisory Group (CMAG)
Meeting 10**

18 July 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
Decision Items	
4. Confidential Item	Bir Virk (LCCC/ESC)
5. Developing CM Rules Change Proposal - CP371 'Protection from very late Network Connections'	Chris Arnold (CMAG Secretariat) and Lisa Waters (Waters Wye Associates)
6. Developing CM Rules Change Proposal - CP372 'Change to Rule 4.4.4'	Amy Stackhouse (CMAG Secretariat)
Information Items	
7. CMAG Surgery <ul style="list-style-type: none"> • 8.3.4 DSR Component Reallocation 	Sarah Honan (ADE)
8. Industry Feedback <ul style="list-style-type: none"> • Opportunity for stakeholders to provide constructive feedback to Delivery Partners 	Elliott Harper
9. Confidential Item	Andrew Macdonell (Ofgem)
10. DESNZ Policy Impacts Session <ul style="list-style-type: none"> • No items planned for this standing agenda item for July 2023 	Elliott Harper
11. CMAG Forward Work Plan	Chris Arnold
12. Action Log	Amy Stackhouse
13. 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

CMAG Secretariat Update – Website Changes

As part of our review of the CMAG Website, it was identified that having access to all versions of the CM Rules and Regulations in one location would be useful for both the CMAG and industry stakeholders.

We have updated our '[Rules and Regulations](#)' webpage to include all previous versions of the CM Rules and Regulations as below.

Previous Releases

The below tabs contain previous releases of the Capacity Market Rules and the Electricity Capacity Obligations.

2021	2020	2019	2018	2017	2016	2015	2014
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2021

- [Capacity Market \(Amendment\) \(No.2\) Rules 2021 \(GOV.UK\)](#)
- [Capacity Market \(Amendment\) Rules 2021 \(GOV.UK\)](#)
- [Informal Consolidated Capacity Market Rules 2021 \(Ofgem\)](#)

- [The Electricity Capacity \(Amendment\) Regulations 2021 No.901 \(GOV.UK\)](#)



DEVELOPING CM RULES CHANGE PROPOSALS

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

Issue and Proposed Solution

What is the Issue?

- Rule 6.7.7 allows a Capacity Provider to extend 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.

6.7 Achieving the Substantial Completion Milestone

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 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.

Where the Capacity Provider has the connection for the relevant CMU delivered after the start of the relevant Delivery Year by their Transmission or Distribution Network Operator any whole Capacity Market Years by which their connection date is late will be added on to the end of their Capacity Market Agreement; and

Where the Capacity Provider has the connection date for the relevant CMU delivered after the start of the relevant Delivery Year by their relevant Transmission or Distribution Network Operator, but in the middle of a Capacity Market Year, the missing months' payments from the start of their Capacity Market Agreement and a Capacity Market Providers commissioning are added to the end of their agreement; or

Where the Capacity Provider has the connection date for the relevant CMU delayed by 2 years or more from the start of the relevant delivery year by their relevant Transmission or Distribution Network Operator the Capacity Provider can elect to terminate their Capacity Market Agreement with no termination fee.

Delivery Partner and Representative Initial Feedback

The initial feedback from Delivery Partners and Representatives was presented at CMAG Meeting 9, as follows:

Ofgem

- The particular solution proposed likely falls beyond the scope of CMAG and the CM Rules given that it involves introducing elective terminations, but we would be keen to understand industry's view on the risk that connection delays pose to CM agreements and any alternate routes they might suggest for resolving the issue;
- For the next CMAG, it would be helpful to discuss with the group the principles behind the proposal; how it interacts with wider risk management changes also on CMAG's radar (e.g. secondary trading, Rule 4.4.4); and whether the CM is the most appropriate route to address the issue raised.

EMR-DB

- Highlighted that is a policy question for DESNZ/Ofgem. No other comments at this stage.

ESC/LCCC

- Highlighted the risk shift impact on auction clearing prices as an area for CMAG consideration.

Original Proposed Legal Text – Initial Considerations (1/2)

Following feedback at CMAG Meeting 9, the CMAG Secretariat has reviewed the Proposer’s legal text and identified the following queries. These have been addressed in the updated proposed legal text.

Query	Comment
Rule 6.7.7 is about extending the LSD as a result of connection delays beyond the Capacity Providers control. However, in the proposed legal text it is being used to “hold whole” the term of the agreement. Is this appropriate?	A new Rule 6.7.10 would be better employed to “hold whole” the term of the agreement, thereby following 6.7.9 exclusion from extension of LSD if CP has “released” the TL/DNO from their obligation or agreed to the delay.
The LSD will normally be extended by one DY at a time, in order to avoid the risk of Termination. Should the LSD initially be extended by an evidenced forecast of a “very delayed” connection, as verified in an initial ITE report with the request for an extension?	This would avoid the administrative burden and cost of a specific ITE report in support of each annual request to extend the LSD. There would then need to be a requirement placed on the CP to advise when the connection is actually delivered (with evidence from the TL/DNO) and a final LSD set, against which SCM/MCR can be monitored.
Should the LSD be extended if SCM never achieved, but only MCR?	Appropriate where the delay is still solely because of connection delays.

Original Proposed Legal Text – Initial Considerations (2/2)

Query	Comment
<p>The proposed legal text does not appear to address the need for Supplier Charges to be collected to fund Capacity Payments for the period of the extension to the Capacity Agreement?</p>	<p>In order for a Capacity Agreement to be held “financially whole” then the Term of the Agreement must be extended by whole DYs for any DY in which Capacity Payments will continue to be made. Only in this way will the forecast Capacity Payments for that DY (Schedule 1 s3) include the extended agreement and the Supplier Charge Levy (SPR Schedule 1 s2) seek to collect sufficient funds from Suppliers to pay for that extended agreement. If the extended Capacity Payments end during the DY then the Supplier Charge may be reduced under SPR Schedule 1 s3 (Revised Supplier Schedule) or repaid to Suppliers via SPR 20 (Monthly Reconciliations) or SPR 21 (Annual Reconciliations).</p>
<p>Should the Capacity Agreement be held “financially whole” if the connection capacity is the sole reason for a reduction in capacity below 100% of the original AACO?</p>	<p>No, because the resultant lower capacity has reduced the impact of the Capacity Agreement on the security of supply and the Capacity Provider may have had the opportunity to reduce their investment by reducing the generating capacity of the plant accordingly (ie to better match the reduced connection capacity).</p> <p>However, if connection capacity is the constraint and there is the opportunity for that connection capacity to increase during the (“held whole”) term of the agreement, then the CMU should be able to increase it AACO back towards the original 100% level, beyond the timescales currently offered by Rule 6.7.6 (within 18 months of the start of DY1).</p>
<p>The proposed voluntary Termination should be removed from the proposal, as this would constitute a change in policy.</p>	<p>Updated in the alternative proposed legal text, which does not allow for elective terminations.</p>

Updated Proposed Legal Text

Updates

- Does not allow for Capacity Providers to elect to terminate;
- Clarifies when SCM due to be achieved by; and
- Effectively maintains the duration of Capacity Payments, but only if the connection is delayed by at least 12 months, so the LSD is delayed by at least 1DY

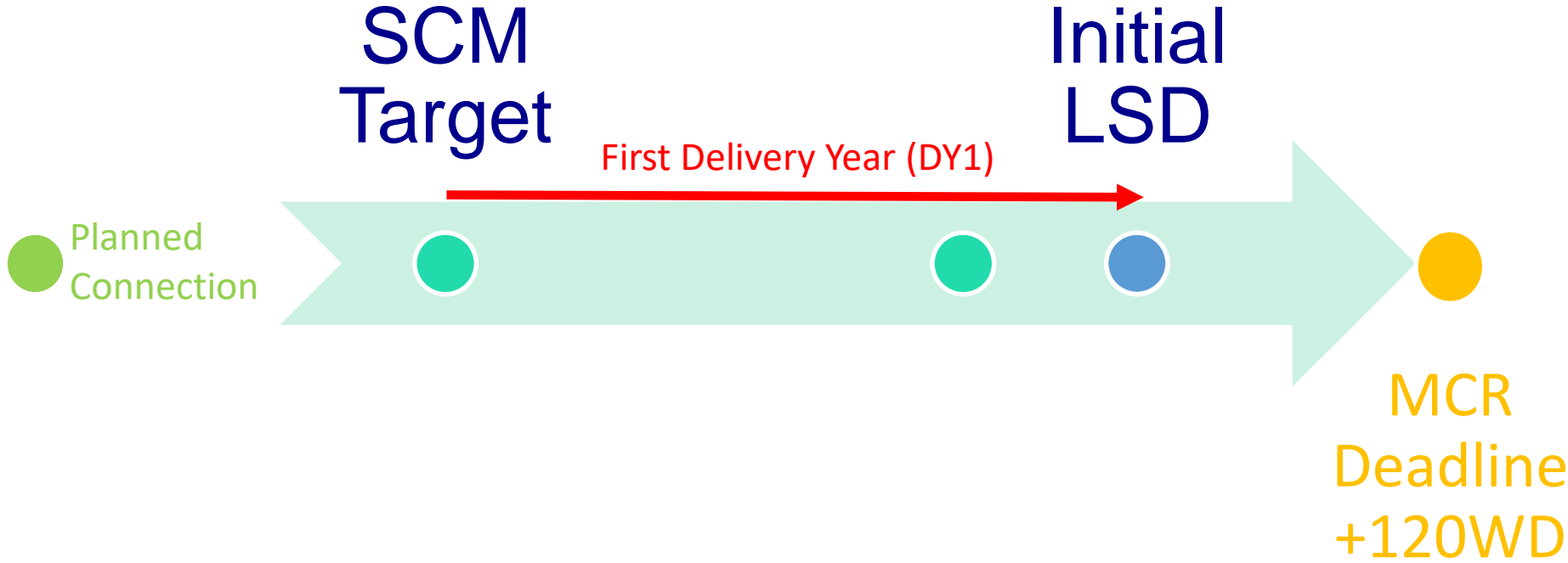
6.7 Achieving the Substantial Completion Milestone

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.

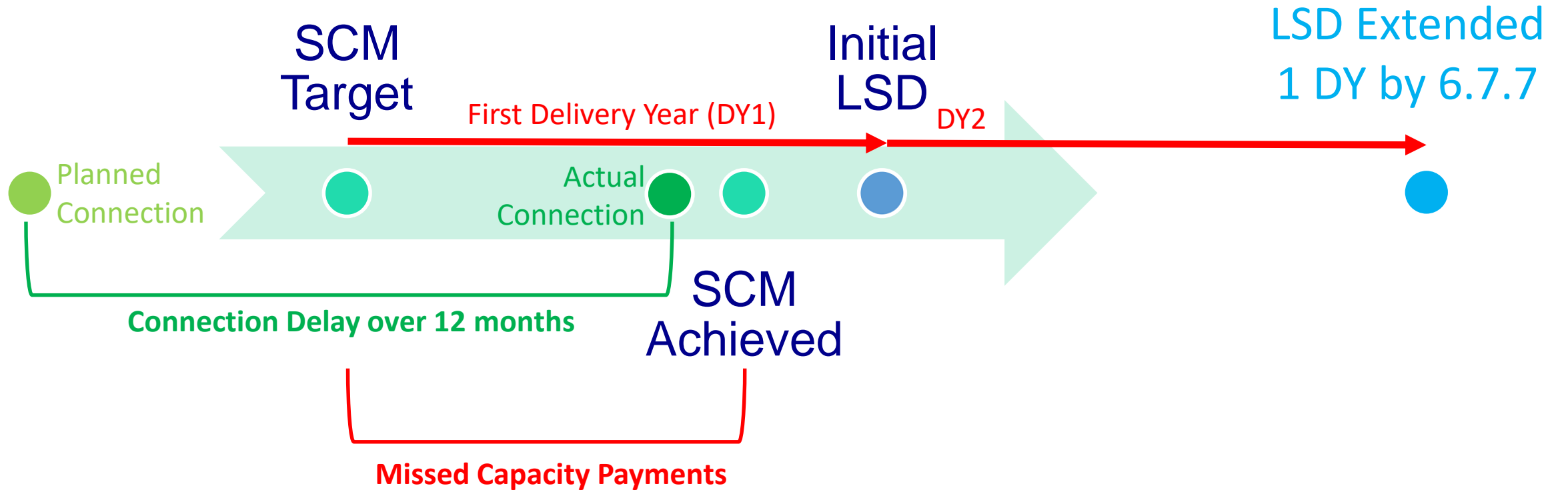
6.7.10 Where a Capacity Provider has obtained an extension to the Long Stop Date for a CMU under Rule 6.7.7 of at least one whole Delivery Year and has missed out on Capacity Payments solely as a result of those delays in provision of an active connection point delaying when the Capacity Agreement would take effect (under Rules 6.7.4(a) [SCM] or 6.8.4 [MCR]), then:

- a) the term of the Capacity Agreement (as originally set out in a Capacity Agreement Notice and reflected in the Capacity Market Register under Rule 7.4.5(e)) shall be extended by the number of whole Delivery Years by which the Long Stop Date has been extended; and
- b) in order to compensate the Capacity Provider only for the missed Capacity Payments at the start of the Capacity Agreement (solely arising from the delay in provision of an active connection point) the Capacity Payments will cease after the original term of years from the date when the Capacity Agreement became effective. Such Capacity Payments to still be subject to the provisions for suspension of payment or Termination of the Capacity Agreement.

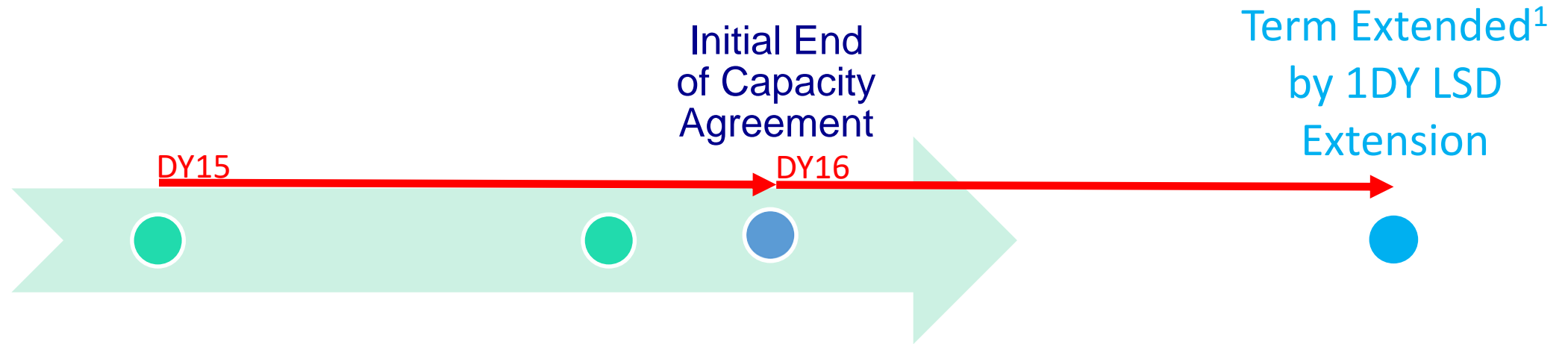
Timeline – Initial Milestones



Timeline – Impact of Connection Delays under current process



Timeline – Hold Capacity Agreement “Whole” by alternative proposal 6.7.10



1) With the Capacity Agreement (CA) extended to DY16 the PR Schedule 1 s3 forecast Capacity Payments for DY16 includes that CA so are then included in SPR Schedule 1 s2 forecast Supplier Charge for DY16 and funds collected from Suppliers accordingly.

2) Term of Capacity Payments limited to the original 15 year Term of the Capacity Agreement from the date the CA “became effective”.

3) If the extended Capacity Payments end by February in the extended DY, then the reduction in Capacity Payments will be included in SPR Schedule 1 s3 Revised Supplier Charge for DY16 and reduced funds collected from Suppliers accordingly. Otherwise any reduction in Capacity Payments compared to the Supplier Charges collected is addressed by SPR 20 Monthly and SPR 21 Annual Supplier Reconciliations.

**Missed Capacity Payments
Now paid² in DY16 by 6.7.10(b)**

Unpaid DY16 Capacity
Payments addressed in
Supplier Reconciliations³

- Should this change be applied to both existing and new Agreements?
 - If the proposal is to be applied to existing Agreements, are there any consequential impacts as a result?
 - Can the EMR DB/Ofgem provide specific data on what Agreements from which Auctions are impacted by late connections and the scale of financial impact of preserving the duration of Capacity Payments?
- Is it possible that the EMR DB will have a forecast of late connections and hence shortfall in delivery, when setting the T-1 volume?
- Should Capacity Providers be required to notify EMR DB of connection delays impacting non-delivery, once they are made aware by the network company?
 - should the CM Register be updated to show updated delivery dates?

CP371 – Specific Change Proposal Questions (2/3)

- How does CP371 interact with wider risk management changes under development by CMAG?
 - There is a known interaction with CP362, which seeks to allow CM Agreement transfers before a site has reached SCM.
 - DESNZ and EMR DB have confirmed the policy intent and interpretation behind Rule 9.2.4(a) is that prospective CMUs should not be allowed to trade until the Transferor CMU has met its SCM, to prevent speculative applications.

CP362 Solution Options	Objective and Implications on CP371
Option A - ST only once a Prospective CMU “becomes effective” (ie SCM or MCR)	<p>This maintains the principal of the current policy intent.</p> <p>The proposed text relies on the effective date being from Auction, SCM under Rule 6.7.4(a)(ii) or MCR under Rule 6.8.5. Otherwise, those details could be specified by additional text in Rule 6.7.1.</p>
Option B – ST within the Prospective CMU’s LSD, as long as they have met FCM	<p>This varies from the current policy intent and interpretation but maintains an effective mitigation of the perceived risk that speculative CMUs could be created for use in ‘gaming’ auctions.</p> <p>This would have to change again if CP371 is implemented and used to maintain the term of a Capacity Agreement after the agreement becomes effective, i.e. you can’t both PTCO-out during the delay and still receive Capacity Payments for the full original term.</p>
Option C – ST before the Prospective CMU’s Capacity Agreement is Terminated	<p>An extension of Option B, will allow ST before Termination of the Capacity Agreement.</p>

CP371 – Specific Change Proposal Questions (3/3)

- Is the Capacity Market the most appropriate place to address this issue?
 - What alternative routes are available to address the issue of connection delays?
- Will there be an impact on Auction clearing prices from shifting Agreements alongside connection delays?
- Is there an unintended consequence of Capacity Providers being able to use this change as a means of avoiding termination fees for other reasons?

Are there any other specific questions CMAG should consider?

CP371 – Standard Proposal Questions

Question	Proposer View
Are there any related changes to the CM Rules in the pipeline?	CP362, noted on the previous slide.
Does the CP impact on the Regulations?	The original proposed legal text which includes elective terminations would require a change to the Regulations. The alternative legal text option does not impact the Regulations.
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 on: CM Participants? Delivery Partners?	<p>Does the CMAG wish to request an Impact Assessment from LCCC/ESC or DB? If not, what are the impacts?</p> <p>Does the CMAG need to consult to determine the possible CM Participant impacts? If not, what are the impacts on CM participants?</p>
What are the expected implementation/enduring costs for: CM Participants? Delivery Partners?	<p>Does the CMAG wish to request an Impact Assessment from LCCC/ESC or DB? If not, what are the impacts?</p> <p>Does the CMAG need to consult to determine the possible CM Participant impacts? If not, what are the impacts on CM participants?</p>

CP371 - Standard Proposal Questions

Question	CMAG View – Yes, Neutral or No
Do you agree the Proposer’s legal text addresses the issue?	
Is the Proposer’s legal text the preferred solution?	
Do you agree the alternative legal text addresses the issue?	
Is the alternative legal text the preferred solution?	
Is there a recommended implementation date for most effective delivery of the preferred solution?	

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
- a) Facilitating the efficient operation and administration of the Capacity Market
- a) 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 Secretariat Recommendations

CMAG to decide if:

The CMAG recommends to Ofgem:

- That CP371 better facilitates Ofgem's Principal Objective;
- That CP371 better facilitates the 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
- The alternative legal text; and
- That CP371 should be **approved**.

CP372 'CHANGE TO RULE 4.4.4' CMAG

Issue and Proposed Solution

What is the Issue?

Rule 4.4.4 prevents a change in the configuration of Generating Units that comprise a CMU, once that CMU has prequalified. A CMU may need to change its configuration in order to ensure delivery against unforeseen issues, or for older plants to adopt new, low carbon technologies on site.

There is a risk of termination which arises from a prospective Generating Unit within a CMU that can no longer deliver as originally proposed during Prequalification.

What is the Proposed Solution?

Amend Rule 4.4.4 to allow CMUs to change their configuration after prequalification, so long as they do not lower their de-rated capacity and Auction Acquired Capacity Obligation (AACO).

Proposed Legal Text for CP372 ‘Change to Rule 4.4.4’

- 4.4.4 ~~The configuration of Generating Units that comprise a CMU must not be changed once that CMU has Prequalified.~~
A CMU comprised of Generating Units may only change its configuration such that it does not lower its de-rated capacity and AACO. Where there is a change in technology class, the CMU must use the most recent de-rating factors for that technology class and subject to:
- a) Providing updated Qualification Exhibit ZA – Fossil Fuel Emissions Declaration and Exhibit ZB –Fossil Fuel Emissions Commitment, where necessary.
- 6.10.1 Each of the following events is a Termination Event with respect to a Capacity Agreement (other than a Capacity Agreement that has been transferred under Rule 9.2.4(a)), and the Capacity Provider must notify the Delivery Body if any of the following events has occurred and is continuing:
- :
- (l) where the Capacity Agreement relates to a Generating CMU with a multi-year Capacity Obligation and the CM Settlement Body determines that the Capacity Provider has on three separate occasions, **other than occasions relating to changes of the CMU configuration under Rule 4.4.4**, invalidated the Metering Test Certificate relating to that Generating CMU;

A futuristic, curved tunnel with blue lighting and people walking. The tunnel has a series of dark, curved arches on the left side, creating a sense of depth and perspective. The floor is illuminated with blue light trails, and several people are walking away from the viewer towards the end of the tunnel. The overall atmosphere is high-tech and modern.

EMR DB “critical friend” review of CP372: Change to Rule 4.4.4

14 July 2023

Reminder of EMR DB's 2020 response

- The EMR DB provided a published response to Ofgem's [2020 consultation](#), which identified a number of issues and questions for Ofgem's consideration summarised below:
 - Supportive of the proposed changes where they applied to New Builds in advance of the Delivery Year, as otherwise Rule 4.4.4 creates an incentive for them to submit limited information in their Application in order to be able to build on the same site in a different way (e.g. moving from two 5MW assets to one 10MW asset).
 - Allowing a New Build to switch to another site to delivery its Obligation goes further than what was contemplated for DSR and would require a "mini" Prequalification process to provide delivery assurance.
 - 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.
 - Sought clarification regarding if the proposal was pre- and within Delivery Year and if it would apply for existing Generating CMUs with multi-year agreements, as this would have implications for ongoing Agreement Management, in addition to Prequalification.
 - The proposed level of assurance would be sufficient, provided they are in advance of the Delivery Year. However, if changes are possible within Delivery Year, then further assurances may be required, such as provision of metering evidence against a CMUs obligation in the form of SPDs or generating history.
 - Holding capacity payments the same where AACO has increased could have consequences, such as that, during a stress event, the CMU would be required to deliver AACO greater than the payments it would receive or, in a secondary trade, they would need to trade away an AACO greater than the payments it receives.
 - There should be a deadline to allow time for the EMR DB (and ESC) to validate and complete a change and provide assurance. The example given was that a change of location allows 10 working days for the EMR DB to review.
- These issues are still applicable to the proposed amendments under CP372.

Further considerations with revised drafting (1/2)

- In their 2020 consultation, Ofgem identified a list of requirements that a CP needed to meet in order to change the configuration of a CMU (proposed in Elexon's initial drafting to be added in 4.4.4B), which CMAG have indicated they do not consider to be necessary. Removal of this from the Rules drafting means that CP372 represents a **fundamental change to the operation of the Capacity Market**, as it means that changes to CMUs will not be subject to the governance or assurance that is required as part of prequalification.
- The CP identified situations where it may be desirable for CPs to have flexibility to change their configuration - decarbonising a site and changing batteries that are degrading over time. It is unclear what other issues the change is trying to address or why it cannot be achieved through other measures, such as secondary trading (which would be less liquid with the amended Rule 4.4.4)
- We 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.
- In 2020, Ofgem indicated that payments should be kept the same, even if de-rating capacity increased, but this is not reflected in the proposed drafting. Allowing CMUs to receive additional payments due to post-Agreement changes to their configuration does not represent good value to consumers, as they would be paying to secure supply greater than the capacity that was required from the Auction.
- Rule 8.3.4(d) prevents DSR from reusing a component that has been removed as part of a CMU in the same Delivery Year to address the risk that CPs could reuse the same components in multiple CMUs in order to pass their SPDs. Any changes to the Rules in relation to Generating CMUs should include a similar provision, as the same risk applies. Note, we are aware that Rule 8.3.4(d) is going to be discussed at CMAG 10 and the key point is that the same mitigation should be applied to both types of CMUs.

Further considerations with revised drafting (2/2)

- Changes to or from Storage, Wind, and Solar GTCs could lead to unintended consequences due to the de-rating factors of these GTCs depending on the installed capacity of each technology. If assurance requirements were not sufficient, this could also lead to gaming, for example a CP entering a CMU as a reciprocating engine at prequalification then changing to a Storage CMU post-auction.
- As discussed at CMAG 9, de-rating factors apply to an Auction, rather than the Delivery Year (as set out in Rule 2.3.3) and so would apply for the duration of an Agreement, rather than being updated each year. Applying the most recent de-rating factors to a configuration change would be inconsistent with the treatment of other CPs in that technology class with multi-year Agreements.

CP372 'Change to Rule 4.4.4' – CMAG Member Review

Members were requested to review the draft change proposal form for CP372 'Change to Rule 4.4.4', the following comments were received in advance of the Meeting:

Area	Comment
De-rating Factor	<p>The current solution uses the most recent de-rating factor for the technology. This is contrary to the arrangements for Secondary Trading which require the same derating to be used as was used in the relevant Auction, as set out in Rule 2.3.3.</p> <p>Solution: Update the legal text to use the same de-rating factor as set out in the relevant Auction.</p>
Connection Capacity	<p>Ofgem noted it is minded to allow changes to Connection Capacity, but the proposed solution does not allow for a CMU to lower its derated capacity. The CM Rules do not allow a CMU to increase its Connection Capacity either.</p> <p>I think it would be helpful to clarify what changes are considered as allowable, given this statement, perhaps with an example?</p> <p>Solution: Update the legal text to clarify that the overall Connection Capacity of the CMU must remain the same; and the ability to change generating technology class would be subject to the ability to change overall Connection Capacity.</p>
Assurance/Pre-qualification	<p>The legal text should perhaps require a condition that any changes to configurations facilitated under Rule 4.4.4 would not, had they been present at the time of the CMU's prequalification, led to a different prequalification result.</p>

CP372 'Change to Rule 4.4.4' – Implications

Amendments to Rule 4.4.4 could have unintended consequences, the following implications have been highlighted for consideration:

Area	Implication
Satisfactory Performance Days and Demonstrating Extended Performance	If a component is changed within a Delivery Year, would SPDs (and Extended Performance Test where applicable) need to be completed again with the new configuration?
Metering Aggregation and Metering Test certificates	<p>Issued at a CMU level, would any component changes within a Delivery Year require re-completion of appropriate metering assessment and testing, for the whole CMU or just the Component?</p> <p>Rule 6.10.1(l) could result in a termination event if a CMU invalidates its Metering Test Certificate on three separate occasions.</p>
Number of changes / cut-off for changes	<p>Should there be a limit on the number of changes a CMU can make to its configuration?</p> <p>Should there be a deadline on when configuration changes to Generating Units could be made by?</p>
Capital Expenditure Thresholds	<p>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?</p> <p>Where the CMU has yet to pass the Evidence of Total Project Spend, how could it confirm the component(s) being added have not been used to ensure that a different CMU has met the CAPEX threshold for longer agreements?</p>

CP372 – Specific Change Proposal Questions

1. If a CMU has multiple components, and it changes the configuration of one component, is de-rated capacity recalculated for just that component, or for all components making up the CMU?
2. Are there any limitations or supporting evidence requirements that should be included in any change to 4.4.4 that aren't in the current drafting?
3. Should 'configuration' be a defined term?
4. Should DSR and Generating be treated the same?
5. Are the right mechanisms in place to do this (operationally)?
 - The EMR DB has noted that ***“The Delivery Body’s current IT system and business processes were not designed to manage Ofgem’s proposed amendment to Rule 4.4.4 so to implement the change will require the development of entirely new capabilities and functionality to, for example, enable the tracking of components and metering test processes.”***
6. Are there any potential gaming risks to consider?
 - Could creating a register of generating components (aligned with DSR CMUs) reduce the risk of gaming, and prevent capacity providers from switching expensive components to exceed Cap-Ex thresholds and secure multi-year Agreements?

Are there any other Specific Change Proposal Questions CMAG should consider?

CP372 – Standard Proposal Questions

Question	CMAG View
Are there any related changes to the CM Rules in the pipeline?	No identified related changes in the pipeline.
Does the CP impact on the Regulations?	The CMAG Secretariat has not identified any impact on the Regulations.
Are there any impacts on any other central industry frameworks or obligations?	The CMAG Secretariat has not identified any impact on other frameworks/obligations.

CP372 - 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 on: CM Participants? Delivery Partners?	Does the CMAG wish to request an Impact Assessment from LCCC/ESC or DB? If not, what are the impacts? Does the CMAG need to consult to determine the possible CM Participant impacts? If not, what are the impacts on CM participants?
What are the expected implementation/enduring costs for: CM Participants? Delivery Partners?	Does the CMAG wish to request an Impact Assessment from LCCC/ESC or DB? If not, what are the impacts? Does the CMAG need to consult to determine the possible CM Participant impacts? If not, what are the impacts on CM participants?

CP372 - Standard Proposal Questions

Question	CMAG View – Yes, Neutral or No
Do you agree the proposed legal text addresses the issue?	
Is the proposed legal text the preferred solution?	
Are there any alternative solutions to address the issue?	
Is there a recommended implementation date for most effective delivery of the preferred solution?	

CP372 - Standard Questions

- Does CP372 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
- a) Facilitating the efficient operation and administration of the Capacity Market
- a) 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.

CP372 'Change to Rule 4.4.4' Next Steps

The next steps for CP372, if agreed by CMAG are:

- Request an Impact Assessment from Delivery Partners
- CMAG to vote on its recommendation to either approve/reject CP372



CMAG SURGERY

8.3.4 DSR COMPONENT REALLOCATION

ADE CM Rules Change Proposal (Initial Discussion)



ade

The Association for
Decentralised Energy

Combined Heat & Power
Demand Side Services
Energy Efficiency
Heat Networks

Sarah Honan



To Discuss

1. Issue
2. Rule and Intent
3. Discussion



ade

The Association for
Decentralised Energy

Combined Heat & Power
Demand Side Services
Energy Efficiency
Heat Networks



1. Issue

Component Reallocation in DSR CMUs

- ⊙ *Whether CM Providers with DSR CMUs should be able to move components (eg a site or an asset) between CMUs within a Delivery Year*
- ⊙ History:
 - ⊙ First raised in 2014/15 with a [CP](#) by the UK Demand Response Association
 - ⊙ [OF-12](#) then raised by Ofgem to allow the removal (up to 10 per DY) and adding (up to 40 per DY) of DSR CMU Components within deliver year (up to July end)
 - ⊙ Does not cover same component being readded to another CMU in same DY
- ⊙ Use Cases
 - ⊙ Effective portfolio management
 - ⊙ Provider wins a site from a competitor – before (or possibly during) delivery year

2. Rule and Intent

8.3.3A Notifying DSR Components & 8.3.4 Changing DSR Components

8.3.3A(a)	8.3.3A(a) sets out the information DSR CMUs must provide in relation to each component	
8.3.3A(b)	8.3.3A(b) requires that this information is provided either by whichever is the earlier date:	The completion of the metering assessment requirements, The date the Provider provides the DB w/ the information needed for a DSR Test.
8.3.4(a)	prevents changes to DSR CMU Components.	
8.3.4(b)	allows a provider to notify the DB and SB that they wish to remove a component.	
8.3.4(d)	prevents a removed component to be reinstated in another CMU in the same DY	
8.3.4(e)	Enables components to be added to a CMU during a DY, not later than July of the DY, subject to conditions	

- From previous discussions on the issue, it appears that the intent behind the rule is to avoid reallocation of components that may be 'double-counted' for Testing and SPD purposes



3. Discussion

- ⊙ How to protect against same assets being used to 'strengthen' testing and SPD performance:
 - ⊙ DESNZ 2023 Consult proposal would help (but delayed)
 - ⊙ Each component only able to contribute to DSR Test for one CMU per DY and Each component only able to contribute to SPDs for one CMU per DY (potential for gap in case of one competitor winning from another)
- ⊙ Rules on '2 months prior to DY' and Number of changes that can be made
 - ⊙ Rationale behind number of changes unclear
 - ⊙ Rationale behind 2 months prior appears related to DSR testing timelines
 - ⊙ Are these necessary?

CMAG Surgery – 8.3.4 DSR Component Reallocation Next Steps

The CMAG Surgery is intended to provide Proposers considering raising a CM Rules Change, or any interested stakeholder, the opportunity to discuss their idea with other CM experts (CMAG).

The CMAG can provide different perspectives, alternative options and technical guidance on areas of the CM it has experience in.

The CMAG Surgery can be used as a ‘sounding board’ to determine whether an idea has merit to be taken forward as a CM Rules Change Proposal.

- Is this a known issue within the industry?
 - What are the impacts?
- Is a CM Rules Change Proposal the appropriate route to address this issue?
 - What alternative options are available to address this issue?

Is there merit in taking this forward as a CM Rules Change Proposal?



INDUSTRY FEEDBACK



DESNZ POLICY IMPACTS SESSION



CMAG FORWARD WORKPLAN

CMAG Forward Plan

No changes from last meeting.

Title	2023											
	Jan	Feb	March	April	May	June	July	August	September	October	November	December
CP366 - Definition of Total Project Spend	CMAG Recommendation	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem
CP365 - ITE Reporting Requirements	CMAG Recommendation	With Ofgem	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	Development	Development	Development	CMAG Recommendation	With Ofgem	With Ofgem	With Ofgem	With Ofgem
CP363 - Changes to EMR Delivery Body Portal	Initial Consideration	Development	Development	Development	Development	On hold	On hold	On hold	On hold	On hold	On hold	On hold
CP362 - CM Agreement Transfers	Initial Consideration	Development	Development	Development	Development	CMAG Recommendation	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem
CP356 - Facilitate Secondary Trading before CMU Termination					Initial Consideration	On hold	On hold	On hold	On hold	On hold	On hold	On hold
CP368 - CVR Publication and CMVRN Submission Deadlines	Initial Consideration	Development	CMAG Recommendation	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	Development	Development	Development	CMAG Recommendation	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem
CP370 - Changes to Extended Performance Test			Initial Consideration	Development	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	Development	CMAG Recommendation	With Ofgem	With Ofgem
Secondary Trading Issue Area - Trading Eligibility			Initial Consideration	Development								
Secondary Trading Issue Area - Agreements and Obligations Risks				Initial Consideration	Development							
Review of Rule 4.4.4			Initial Consideration	Development	Development	Development						

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



[ACTION LOG](#)

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AOB AND MEETING CLOSE