

Capacity Market Advisory Group Final Minutes

Meeting number **10**

Venue **Elexon Offices/MS Teams**

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

Classification **Public**

Attendance and apologies

Attendees	Initials	Type
Brian Lake	BL	Member
Claire Sedgwick	CS	Member
Eleanor Haynes	EHay	Member
Libby Glazebrook	LG	Member
Lisa Perrin	LP	Alternate Member for Claire Addison
Paul Jones	PJ	Member
Raoul Thulin	RaT	Member
Richard Thwaites	RiT	Member
Sarah Honan	SHon	Member
Abena Dalumo	AD	Representative (EMR Delivery Body)
Caroline Wright	CW	Representative (EMR Delivery Body)
Richard Griffiths	RG	Representative (EMR Delivery Body)
Rebecca Yang	RY	Representative (EMR Delivery Body)
Ross Haigh	RH	Representative (LCCC/ESC)
Bir Virk	BV	Representative (LCCC/ESC)
Andrew Macdonell	AM	Representative (Ofgem)
Holly MacDonald	HM	Representative (Ofgem)
William Farquhar	WF	Representative (DESNZ)
Anthony Lindley	AL	Guest (Stor Power)
Paul Troughton	PT	Guest (Enel-X)
Elliott Harper	EH	CMAG Facilitator (Elexon)
Amy Stackhouse	AS	CMAG Secretariat (Elexon)
Chris Arnold	CA	CMAG Secretariat (Elexon)
Phillip Paul	PP	CMAG Secretariat (Elexon)

Apologies

Attendance and apologies

Euan Graham	EG	Member
Claire Addison	CA	Member

1. Welcome and Apologies

- 1.0 Elliott Harper (EH) welcomed Members and Representatives and noted apologies from Euan Graham and Claire Addison (Lisa Perrin attending as Alternate).

2. CM Representative Updates

LCCC/ESC

- 2.0 The LCCC/ESC representative noted there were no updates for this month.

Ofgem

- 2.1 The Ofgem representative noted they would be presenting an update on CM Rules Change Proposals and CMAG at the EMR DB hosted Customer Event on 19 July 2023. The aim of the event is to inform attendees how they can engage with the process and CMAG for issues and ideas for CM Rules changes within industry.

EMR Delivery Body (EMR DB)

- 2.2 The EMR DB representative noted they had published updated Prequalification guidance in line with the changes to the CM Rules 2023.
- 2.3 The EMR DB representative further noted they will be producing a regular newsletter informing on progress against the plan for the EMR Portal V2.0, to be made available publicly for industry.

Department for Energy Security and Net Zero (DESNZ)

- 2.4 The DESNZ representative noted there were no updates for this month.

3. CMAG Secretariat Update

- 3.0 The CMAG Facilitator noted they were continuing to review the CMAG Operating Procedure with DESNZ and Ofgem and would circulate this for CMAG review shortly.
- 3.1 The CMAG Secretariat (AS) noted the CMAG website had been updated with new materials, including all previous versions of the CM Rules and Regulations, and requested Members to continue providing feedback on the website.

4. Delivery Body and Settlement Body Metering Process Exploration Update

- 4.0 The LCCC/ESC representative (BV) noted the slides had been circulated to CMAG Members in advance for feedback.
- 4.1 The EMR DB representative (RG) noted that the overall recommendations for CM Rules Change Proposals noted within the slides had been reviewed together with LCCC/ESC, focusing on metering data and assessment. RG noted as part of EMR Portal V2.0, the EMR DB is reviewing areas where it can deliver more efficiency and accuracy in metering processes for customers.
- 4.2 RG noted the proposal is to transfer overall ownership, role and accountability relating to metering aggregation; assessment and tests from the Delivery Body to the Settlement Body.
- 4.3 RG highlighted that the previous process under the Delivery Body and the existing interface is complex and inefficient; often requiring manual workarounds to resolve system interface issues.
- 4.4 RG noted the key objective of this change is to try and simplify where Capacity Providers access and utilise metering data based on feedback received from industry on pain points.
- 4.5 RG summarised the areas of CM Rules change being considered, noting the intent is to provide CMAG with draft Change Proposals for review at Meeting 11 or 12.
- 4.6 RG noted the first area of change proposed seeks to simplify the obligations on Capacity Providers at Prequalification and review the timing of when metering data is provided.

- 4.7 A Member queried if it is envisaged that all applicant interactions would be completed through the Portal v2.0. RG noted the intent is that at Prequalification, all required applicant data would be provided in on single place through the Portal V2.0.
- 4.8 A Member noted that it can be easier to have applicant data signed off by company registered directors at one time prior to submission and queried if it would be possible to submit metering data in advance as part of this change. The LCCC/ESC representative noted there is functionality available in the Portal where a CMU wishes to submit data in advance and will consider this option if there is strong feedback from industry.
- 4.9 RG noted the second area of change proposed looks at Capacity Agreement Notices, which contains metering data, and considered whether there is value in including this data or it can be removed.
- 4.10 RG noted the third area of change focuses on Capacity Market Register (CMR) enhancement, proposing there are two registers moving forwards; one register to be owned and published by the Settlement Body which includes metering data and a second register owned and published by the Delivery Body which includes milestones and CMU data.
- 4.11 CMAG Members noted they support having two registers and do not envisage any issues from this, but having both registers stored and accessible from a single location would be useful.
- 4.12 The LCCC/ESC representative (BV) noted that having two separate registers will allow for a cleaner process rather than creating a new interface to transmit metering data from Settlement Body to Delivery Body for a single register.
- 4.13 AL noted it is important that where there is reference data between the two registers, that both are updated in line with one another to avoid inconsistencies. RG noted the objective of the two registers will be to ensure data is not duplicated between both and there is a single version of the truth.
- 4.14 A Member queried why the CMR is published weekly rather than updated more frequently. RG noted this is due to the internal process of how the register is published, which required a transformation logic carried out weekly or where there is a specific milestone. RG noted the EMR DB is seeking to improve this within the new Portal, so there is opportunity to update the register more frequently.
- 4.15 RG noted the fourth area of change being considered is provision of metering data, and moving the obligations around this from Delivery Body to Settlement Body within the CM Rules.
- 4.16 RG noted the fifth and final area of change relates to DSR Component Reallocation, which is currently administered through the Delivery Body, proposing transferring this process to the Settlement Body to align with the above metering changes.

5. Developing CM Rules Change Proposal CP371 'Protection from Very Late Network Connections' – Waters Wye Associates

- 5.0 The CMAG Secretariat (CA) provided a recap of the issue and solution for CP371 and noted Ofgem had decided against granting urgency for this change.
- 5.1 The CMAG Facilitator noted Ofgem's decision on urgency had been circulated to CMAG, and noted it is a good opportunity to reflect on the criteria and detail required when submitting urgency requests and the things Ofgem may be looking for to justify urgency.
- 5.2 The CMAG Secretariat (CA) noted that following comments received during the critical friend review, an alternative solution had been drafted and circulated to CMAG for review.
- 5.3 The Ofgem representative noted this highlights the benefit of CMAG, as previously where a solution was out of scope the change would have been rejected outright but CMAG allows for an opportunity to explore the problem and alternative solutions. The Ofgem representative noted that with any CM Rules Change Proposals, they would wish to see the original policy intent behind the Rules kept whole within any solutions.
- 5.4 The CMAG Secretariat (PP) noted the policy intent behind Rule 6.7.7 sought to address the consequences of connection delays and raised concern that amending this Rule would alter the policy intent. The CMAG Secretariat (PP) noted they propose within the alternative solution to create a new Rule (Rule 6.7.10) which would seek to address the problem of maintaining whole capacity payments as a result of connection delays.
- 5.5 The CMAG Secretariat (PP) noted that Rule 6.7.7 allows for an extension to the Long Stop Date if a Capacity Provider is unable to achieve its Significant Completion Milestone as a result of connection delays; However

this is applied for on an annual basis, and a solution to CP371 could consider amending the Rules to allow for a longer extension to the LSD where it is confirmed there is a significant connection delay beyond one year.

- 5.6 The EMR DB representative (RY) queried if addressing connection delays through the CM Rules is appropriate and if other routes had been considered. The EMR DB representative noted that as a commercial party entering an Agreement, you must take on certain risks such as connection delays and look to mitigate against these using commercial tools available to you.
- 5.7 A Member noted that addressing connection delays through Connection Agreements and considering loss of revenue within this would result in additional charges to consumers through the Use of System Charges mechanism; and therefore it is right to address this within the CM.
- 5.8 The EMR DB representative highlighted that all Network Operators have regulated revenue, and should be penalised for significant delays to incentivise timelier connections.
- 5.9 A Member noted that Ofgem would be unable to approve an extension to the duration of Capacity Agreements or the Delivery Year or Years for which it is issued as per Regulation 31. The Member suggested that a more appropriate mechanism to address the issue would be through liquidated damages and placing the obligation on applicants to trade capacity in order to mitigate risks of non-delivery due to connection delays.
- 5.10 The EMR DB representative noted the [live consultation on connection reform](#) will include strong commercial tools to help Capacity Providers to address these issues with Network Operators directly.
- 5.11 A Member noted that often, Capacity Providers accept a Distribution Network Operator (DNO) connection offer only to go through project progression and have the Transmission Operator push back the connection date. The Member further noted it may be helpful to encourage Capacity Providers to only go through project progression once there is a reasonable expectation of connection offer available from the TO.
- 5.12 A Member noted there are two key issues to address; the first is the commercial issue of losing payments and recovering these through the CM; and the second issue is the risk of termination as a result of connection delays.
- 5.13 A Member highlighted there is often an asymmetry of power in terms of connections, and as a customer of the DNO/TO with the current state of the connection queue you are in a position that is difficult to negotiate and amend the agreement to your favour.
- 5.14 A Member noted a potential consequence of utilising liquidated damages as a solution would be DNOs being more conservative with the connection dates they provide.
- 5.15 A Member queried if there is an issue with procuring T-1 capacity for DY2 or later where the LSD is extended beyond DY1. The CMAG Secretariat (PP) noted the alternative solution opts to extend the end of the Agreement by the delay at the start, so delayed capacity would be known and accounted for in advance in later Auctions for DY beyond DY15.
- 5.16 A Member noted the ESO Capacity Report tracks non-delivery and DESNZ takes this into account when setting Auction parameters for T-1, but this uses data available from construction reports which are not always submitted.
- 5.17 The EMR DB representative agreed to feed this back to the ESO modelling team.
- 5.18 The CMAG Facilitator asked Members if they wish to proceed with the alternative solution presented, or wish to consider further alternative solutions due to possible implications of Regulation 31.
- 5.19 Members unanimously agreed they wish to review alternative solutions that consider an option to amend the Rules around termination and the Financial Completion Milestone and where there is a connection delay; consider an option for multi-year extension of LSD from a single application by the Capacity Provider; and an option to require delayed DNO connections to only qualify for extensions once they have gone through "project progression".
- 5.20 The CMAG Secretariat agreed to split out the CP371 proposal and consider the alternative solutions and mitigations available to address the concerns raised during the Meeting.
- 5.21 **NEW ACTION 0723/02 - The CMAG Secretariat to draft further options to mitigate the connections delay issue raised in CP371, given that the original proposal may be contrary to policy intent.**

6. Developing CM Rules Change Proposals CP372 'Change to Rule 4.4.4' - CMAG

- 6.0 The CMAG Secretariat (AS) noted this Change Proposal had been drafted following CMAG agreement at the last meeting to raise a change.
- 6.1 RG provided a recap on the EMR DB's previous response to Ofgem's proposed changes to Rule 4.4.4; EMR DB were supportive of the principal of change but did raise concerns with the practicality and implementation of the change.
- 6.2 The EMR DB representative noted they would need to understand the validations that would be required by EMR DB where there are changes to a configuration after a CMU has prequalified.
- 6.3 The EMR DB representative noted the legal text should make clear what assurance processes would be required for any changes to configuration.
- 6.4 A Member noted the legal text should be clarified to make explicit that a CMU must continue to meet its Auction Acquired Capacity Obligation (AACO) and this cannot change.
- 6.5 A Member noted the De-rating factor aligns with the obligation within the Agreement, and the legal text should note that the existing De-rating factor should be used.
- 6.6 Another Member noted that for a change in technology, it would be appropriate to use the most recent De-rating factor.
- 6.7 A Member queried if a consequential change to Rule 2.3.3 would be required, as the interpretation could be that secondary trading entrants are treated differently to acceptable transferees and are able to 'choose' which De-rating factor they use depending on who they trade with.
- 6.8 The Ofgem representative agreed to review the policy intent behind Rule 2.3.3 to clarify the interpretation.
- 6.9 **NEW ACTION 0723/02 - In relation to the CP372 solution, the Ofgem representative to clarify the policy intent behind Rule 2.3.3 and the De-rating Factors that secondary trading entrants and acceptable transferees use.**
- 6.10 **NEW ACTION 0723/03 - The CMAG Secretariat to review whether a change to Rule 2.3.3 is needed, and draft a change proposal for CMAG where it is required.**
- 6.11 The EMR DB representative queried what the intent behind changing configuration after prequalification is. A Member noted decarbonisation efforts are more of a rationale now than before, providing the example of an unabated gas plant with a 15 year Agreement that wishes to switch to hydrogen fuel.
- 6.12 The EMR DB representative noted that where configurations are allowed to change, the CMAG should consider strengthening the governance behind this to ensure the right level of assurance is there.
- 6.13 A Member noted that currently a change in primary fuel type e.g. gas to hydrogen would be allowed under the Rules, but a storage provider could not change their battery assets from 2x5MW to 10x1MW.
- 6.14 AL noted a strong reason for supporting this change is keeping security of supply, there are a number of market participants that have initially gas peak projects that wish to change to a different combination of engines with different sizes, this would not be allowed under the existing Rules as it's considered a change of generating units. This can result in participants being tied to one specific engine supplier which increases price. Many developers submit generic information about generating units at prequalification in order to get around this rule.
- 6.15 A Member noted there must be a level of assurance to ensure that changes to configurations, had they happened prior to prequalification, would have resulted in a different result.
- 6.16 Another Member noted that if a CMU has completed its Satisfactory Performance Days (SPDs), there is no reason to re-complete them following a configuration change. SPDs are used to prove De-rated capacity for a CMU, so if this is not to change under CP372 there should be no reason to recomplete any SPDs.
- 6.17 A Member noted there is a current requirement within the Rules that ensures a Refurbishing CMU used to prove Total Project Spend (TPS) cannot be re-used in another CMU, CP372 should take account of this wording to provide a level of assurance that configuration changes would not alter TPS.
- 6.18 The Ofgem representative noted CMAG should consider how CP372 is aligned to wider changes to secondary trading. The EMR DB representative noted that as secondary trading is a larger change, CMAG should not unnecessarily delay CP372 awaiting its outcome.

6.19 AL noted a Prospective CMU can reduce its De-rated Capacity and still meet either its Substantial Completion Milestone or even its Minimum Capacity Requirements. However the current drafting prevents CP372 reconfiguration involving a change in technology from reducing De-rated Capacity, which appears unfair.

6.20 **NEW ACTION 0723/04 - The CMAG Secretariat to review the solution for CP372 to include effective controls and verification to preserve the integrity of Prequalification.**

7. **CMAG Surgery – Rule 8.3.4 DSR Component Reallocation**

7.0 SH noted that while [OF12](#) had allowed for DSR CMUs to add and remove DSR Components, it had not considered the issue of moving Components within a Delivery Year. This is required by DSRs for effective portfolio management and under the current CM Rules it is not possible to move a DSR Customer from one CMU to another within a Delivery Year.

7.1 PT noted that as an Aggregator, portfolio management and being able to replace DSR Customers is comparable to Generators undertaking maintenance work to plants. DSR CMUs cannot force Customers to perform, so their only management option is to look for other performing Customers to add to their CMU.

7.2 PT further noted that the current limits on capacity provider requests for adding and removing Components proves to be an issue for many, and does not encourage DSR CMUs to be proactive in maintaining their performance.

7.3 A Member queried why the limits on DSR Component changes had been put in place. The CMAG Secretariat (PP) noted that within its response to Ofgem's consultation on OF12, the EMR DB had identified administrative constraints as a key reason to limit the number of changes allowed within a Delivery Year.

7.4 The EMR DB representative noted they would seek to clarify if this would still be an issue in Portal V2.0.

7.5 **NEW ACTION 0723/05 - The EMR DB representative to confirm what impact the Portal V2 will have on the administrative cost and process of component reallocation, and whether this will be made more cost effective/simpler.**

7.6 PT highlighted that preventing customers from switching between DSR CMUs is an issue for competition in the market, as currently a Customer would need to 'sit out' for part of a Delivery Year before being added to another DSR CMU in the next Delivery Year.

7.7 The EMR DB representative queried if reallocating customers between DSR CMUs within a Delivery Year would result in duplication of capacity payments for capacity provided by those customers. PT noted that as capacity is fixed for the Delivery Year as per the Capacity Agreement, no duplicate payments would be made, it would simply allow DSR CMUs to find customers to replace any lost capacity within a Delivery Year.

7.8 The EMR DB representative noted that at the point of drafting the CM Rules, it worked with the more conventional technology that was available at the time; but with an increase in storage and DSR, the industry is seeing new challenges that need to be accommodated within the Rules.

7.9 SH noted from previous discussion on the issue, it appears the intent behind the drafting of the Rules is to prevent reallocation of Components for the sake of testing and SPD purposes. SH further noted they had considered how to mitigate this, and believe the DESNZ proposal in its CM 2023 Consultation on changes to how SPDs are completed would help mitigate concerns in this area but this has been delayed.

7.10 SH suggested a CM Rules Change Proposal for this issue would also consider limiting Components to being able to contribute to DSR Tests for one CMU per Delivery Year to mitigate against potential gaming risks.

7.11 A Member queried what the demand currently is for DSR Component changes within year. PT noted that 53 Component changes have been made so far for Delivery Year 2022/23, but this may not be reflective of actual demand due to the current limits on component changes in place.

7.12 A Member noted that it would be helpful to understand the scale of the issue to determine whether a CM Rules Change is appropriate to address the problem. SH noted the history behind OF12 and the multiple CM Rules Change Proposals it sought to combine and address evidences this is a significant issue for the DSR community. SH further noted that this has been a persistent issue since 2014, and has been highlighted in the Association of Decentralised Energy (ADE)'s response to CM Consultation since.

8. Industry Feedback

- 8.0 A Member noted the DESNZ CM 2023 Consultation stated in Section 2.3 that DESNZ's proposed approach to reforming the way connection capacity is assessed would be to remove the option to base connection capacity on Connection Entry Capacity (CEC). The Member noted that the current drafting in the published CM Rule July 2023 for Rule 3.5.1(A) appears to be different than what DESNZ set out in its CM 2023 Consultation.
- 8.1 The Member noted that Rule 3.5.1(A) could be interpreted differently if not read alongside the CM 2023 Consultation, and the policy intent of this Rule is not explicitly clear. The Member noted the EMR DB Guidance should align with the Rules as written, but it currently appears to align with a different interpretation of Rule 3.5.1(A) than what is in the CM Rules July 2023.
- 8.2 The EMR DB representative noted they had received the Member's query on this, and had confirmation from DESNZ that the interpretation used within the EMR DB guidance is in line with the policy intention of the Rules. The EMR DB representative agreed that there is room for different interpretations, and the policy intent should be made clear, by communication to Parties to refer to the EMR DB guidance.
- 8.3 A Member noted that DESNZ could consider updating its Q&A document that it previously published alongside Rules, to ensure the policy intent behind any changes is made explicitly clear to avoid differences in interpretation as the CM moves forward.
- 8.4 The EMR DB representative agreed to raise this with DESNZ, and consider how it can be addressed with industry to ensure there is clarity on policy intent.
- 8.5 A Member noted DSR and Interconnectors were considered out of scope for the Mock Stress Event carried out in June 2023, and queried when they will be able to participate in a Mock Stress Event.
- 8.6 The CMAG Facilitator agreed to raise this with LCCC/ESC for consideration.
- 8.7 A Member noted they have been having difficulty securing a date for their Fossil Fuel Verification due to limited verifiers in industry.
- 8.8 The CMAG Facilitator noted this had been included within the DESNZ CM 2023 Consultation and would be flagged to them.

9. CMAG Forward Work Plan

- 9.0 The CMAG Secretariat (CAr) noted there had been no changes to the Forward Work Plan for this meeting.

10. Action Log

- 10.0 The CMAG reviewed the Action Log, all 'Complete' actions will be marked as closed. Discussion on actions 'In Progress' can be found in the CMAG Action Log v10.1 – 25.07.23, published on the [website](#).
- 10.1 The CMAG Facilitator confirmed all the new actions noted at CMAG Meeting 10. There were no further comments from CMAG.

11. AOB

- 11.0 A Member noted the September 2023 Meeting coincides with CM activities and may be difficult for some Members to attend. The CMAG Secretariat agreed to reschedule the September 2023 Meeting to a later date.
- 11.1 A Member queried if the EMR DB will continue to publish updated guidance notes for Prequalification as done in previous years. The EMR DB representative informed CMAG that they will review any common queries received and publish guidance as needed.
- 11.2 There was no further business and the meeting was closed. The next CMAG meeting date is Tuesday 15 August 2023.