

# Capacity Market Advisory Group Draft Minutes

Meeting number **24**

Venue **Elexon Offices/MS Teams**

Date of meeting **17 September 2024 10:00-13:00**

Classification **Public**

## Attendance and apologies

Attendee	Initials	Type
Brian Lake	BL	Member
Shahena Begum	SB	Member
Eleanor Haynes	EHay	Member
Raoul Thulin	RaT	Member
Paul Jones	PJ	Member
Richard Thwaites	RT	Member
Mark Duffield	MD	Member
Kamila Nugumanova	KN	Member
Bir Virk	BV	Representative (CM Settlement Body)
Toby Hastings	TH	Representative (CM Settlement Body)
Omer Ahmed	OA	Representative (CM Settlement Body)
William Farquhar	WF	Representative (DESNZ)
Matt Bowen	MB	Representative (DESNZ)
Beth Hanna	BH	Representative (EMR Delivery Body)
Stuart Wells	SW	Representative (EMR Delivery Body)
Kat Gay	KG	Representative (EMRS)
Andrew MacDonnell	AM	Representative (Ofgem)
Oli Meggitt	OM	CMAG Facilitator (Elexon)
Chris Arnold	CA	CMAG Secretariat (Elexon)
Phillip Paul	PP	CMAG Secretariat (Elexon)
Sean Dryden-Woods	SDW	CMAG Secretariat (Elexon)
Paul Farmer	PF	CMAG Secretariat (Elexon)
<b>Apologies</b>		
Claire Sedgwick		Member

## 1. Welcome and Apologies

- 1.1 The CMAG Facilitator welcomed Members and Representatives and gave apologies from Claire Sedgwick, who nominated Kamila Nugumanova as alternate. OM introduced SDW as a new member of the CMAG Secretariat team and explained that Jenny McGowan would additionally be joining the team next month.

## 2. CM Representative Updates

### CM Settlement Body (CMSB)

- 2.1 BV highlighted EMRS have been progressing metering data for the upcoming delivery year. It has been slightly delayed because of the EMRS portal deployment at the end of July. Noting if Capacity Providers haven't set up their Aggregation Rules or Metered Data Flows, these should be set up as soon as possible. EMRS are also progressing the change proposal for Domestic DSR Bespoke Metering and there should be an update next month.
- 2.2 KG noted that a lot of fixes have gone into the portal for accessibility, thanking participants who have provided feedback. Also highlighting that huge numbers of component data have caused issues for data processing, which will feed into the Domestic DSR Bespoke Metering component change proposal to the rules.

### EMR Delivery Body (EMR DB)

- 2.3 EMR DB are working through new portal issues with stakeholders to fix.

### Ofgem

- 2.4 AM confirmed that their proposal to slightly delay the Statutory Consultation to include more change proposals has been formalised. Stating what comes out of this meeting and possibly the next CMAG, will be their last intake of CMAG recommended Change Proposals changes to include.

### Department for Energy Security and Net Zero (DESNZ)

- 2.5 WF confirmed that the Phase 2 changes, which didn't make it through parliament in the post general election period, have all been approved and are on track to be laid in parliament next month. The Ten-Year review decision document is planned to be published next month, with no issues highlighted at this stage. WF noted this is his last week at DESNZ before leaving for the Department for Business and Trade. WF introduced MB who will take over the DESNZ representative role in the short term.

## 3. CMAG Secretariat Update

- 3.1 OM confirmed this is the last meeting of the current CMAG Membership. The CMAG Secretariat and Ofgem have agreed on the new membership and will be contacting all applicants by the end of this week. OM thanked all those who showed interest in joining CMAG and encouraged everyone who was not successful this time to attend as guests any future CMAG meetings.
- 3.2 OM presented the results of the Membership survey (which will feed into the upcoming Sixth Monthly report), noting it was largely positive, and thanked members for their feedback.

## 4. Industry feedback

- 4.1 No industry feedback was raised.

## 5. Secondary Trading Eligibility Directory

- 5.1 BV introduced the presentation which will cover background, project overview, industry feedback and future scope. In researching the project, ESC identified that having a [Secondary Trading Eligibility Directory](#) would be helpful to CM Participants. Noting this is a proof-of-concept project only, which should help inform future policy and industry discussions. BV confirmed they have only used data that is publicly available and focussed on Capacity Provider access to a live directory of qualified Secondary Trading trade participants.
- 5.2 TH presented the project timeline, highlighting that the project is expecting to reduce the administrative burden and time spent on finding trading partners.
- 5.3 In the process of seeking industry feedback, existing processes for identifying secondary trading participants are typically ad-hoc and rely on previous partnerships.

- 5.4 The project had received mostly positive feedback and the directory will be published and communicated to industry this week. Changes to the directory will be assessed and taken forward internally by ESC. Feedback is welcome directly to ESC, from all stakeholders.
- 5.5 TH confirmed that any trades arising from the introductions made will still be subject to the existing EMR DB process for approval and recording in the CM Register.
- 5.6 BV noted there are still wider considerations to improve secondary trading but believes the project will be useful in future policy and industry discussions.

## **6. CMAG Surgery - Clarify the scope of Rule 8.5.1 for Interconnectors**

- 6.1 PF presented the issue and the actions from the last CMAG meeting. No clear policy had been identified by members or CMAG Secretariat research, which would cover scenarios 1(b) and 2(b) (see slide 32 from CMAG23). Highlighting that next steps are dependent on clarifying policy intent and asking DESNZ for input. WF confirmed DESNZ are still working within a wider interconnector and security of supply review and is keen to hear CMAG views on this proposal.
- 6.2 PJ reiterated examples from the last CMAG meeting. That gas fueled capacity providers wouldn't be let off their capacity obligations in a gas emergency. Similarly, CMUs connected to distribution networks are not being protected from penalties if they are curbed by the relevant DSO. Ehay also noted that a battery CMU would also not be protected from CM Penalties if they had responded to ESO Balancing Services and fully discharged during the 4 hour period of the Capacity Market Notice ahead of first settlement periods of the Stress Event. CMAG agreed that scenario 1b and 2b shouldn't be in scope due to these examples.
- 6.3 MD asked when the DESNZ wider work on Interconnectors would be made public and if it relates to de-rating factors for Interconnectors. WF confirmed they are looking at de-rating factors, but it's also wider than that. WF outlined broad discussions are taking place but doesn't expect sweeping decisions in the short term. On scenarios 1(b) and 2(b), WF will try to get DESNZ views this week.
- 6.4 CMAG discussed whether Scenario 1(b) and 2(b) should be out of scope of protection under rule 8.5.1, because both scenarios are initiated by a system operator in a connected country. CMAG agreed if an action is initiated by the ESO to protect the GB market, market participants are protected from penalties. However, any actions or trades initiated by a system operator in a connected country are not protected from missing their CM obligations.
- 6.5 Action: DESNZ to comeback as quickly as possible, confirming the policy intent and then a rule change for clarity can be drafted with wording to be agreed.

## **7. Developing CM Rules Change Proposal CP380 'Extending the Financial Commitment Milestone'**

- 7.1 PF presented the issue, a summary of actions and discussions to date. SW presented the initial questions EMR DB had for CMAG as result of preparing their Impact Assessment. BH highlighted that diluting milestones should be considered as a separate question to this change, if there is a wider question of whether the milestones in the rules work for CM participants.
- 7.2 SW presented the question of when CM applicants should be permitted to apply for an extension. i.e. before the prequalification window closes, or up to Auction Results Day (ARD)+16 months, for T-4 agreements. RT noted that an inexperienced CM participant may not be aware they should request an extension before prequalifying closes, but a mature participant with established supply chains would be more likely to know they should apply. SW commented that new entrants might represent a slightly higher risk to delivery and therefore slightly higher assurance could be appropriate.
- 7.3 SW presented the EMR DB impact assessment in detail, highlighting three modifications to the current proposal for CMAG to discuss. Overall, if the following three changes are accepted by CMAG, then there will be a medium impact for EMR DB. If one or more of the changes are not applied, then the impact moves into the high impact range. SW noted that a high impact change would require further comparisons to other change development work in order to prioritise development for Prequalification Window 2025. Also, if this change allows for CM participants to apply for an extension after prequalification, then a brand-new process would need to be implemented, but that could be considered in a wider policy discussion. CMAG agreed that allowing applications for an extension up until prequalification closes seemed reasonable.

- 7.4 The two other proposed modifications were considered by CMAG. Whether a Directors' Certificate is sufficient assurance for an extension application, and whether to fix the extension deadline for demonstrating 10% Total Project Spend paid and incurred to ARD+30 months only.
- 7.5 CMAG discussed both adjustments. PP confirmed that CMAG hadn't been presented with the proposed Capital Expenditure Profile detail at CMAG, but it had been part of the legal text review and PP's worked example had been shared with EMR DB. PP gave a brief description of the three variables in the Capital Expenditure Profile. The spend, a percentage against the Total Project Spend, and the project timeline in months.
- 7.6 EMR DB gave their assessment of the Capital Expenditure Profile. Questioning where the data would come from to populate the profile and EMR DB's ability to accurately assess an applicant's Capital Expenditure Profile. SW presented that a Director's Certificate would provide sufficient assurance and be easier to implement for Capacity Providers and EMR DB.
- 7.7 CMAG discussed the Capital Expenditure Profile. EHay didn't think it would be burdensome for participants to create a Capital Expenditure Profile, but that it would be difficult to assure the data is accurate. Whether an Independent Technical Expert assured it or not. RT highlighted that at the time of prequalification, the Capacity Provider would be uncertain whether they have even have a supply chain in place, therefore the data would always be estimated. PP suggested putting an example Capital Expenditure Profile in EMR DB guidance, but not make it a requirement in the rules.
- 7.8 SW raised the question of whether fixing the extension to ARD+30 months (the proposed maximum), rather than allowing applicants to choose a shorter extension, was worth the extra effort to implement. Noting that the Credit Cover increase from ARD+12 months would still be in place, and the simplification of fixing the extension would be helpful to all stakeholders. EHay agreed that it would be harder to track for everyone, if each Agreement in the CM register had a different FCM deadline per CMU. Agreeing with EMR DB, that if the participant can achieve 10% TPS earlier, they will do as they could then release Credit Cover. CMAG agreed that all three modifications to the proposals seemed sensible and proportional.
- 7.9 SW confirmed that the Impact Assessment for implementation would therefore be medium level, and low level on an ongoing cost basis, especially with the modification of fixing the deadline of any extension. They are expecting relatively low numbers of applications for the extension, as a lot of technologies won't be able to take advantage. However, EMR DB are seeing more battery CMU applications, which may require the wider discussion on the applicability of the Milestones.
- 7.10 EMR DB would like certainty on this change before late December 2024, to have enough time for this to be implemented before prequalification 2025. At this time, they have experienced difficulty in building timeline certainty for this change in isolation.
- 7.11 CMAG Secretariat offered to go through the Standard Questions again, but it was decided that the agreed modifications from this meeting shouldn't affect the responses. CMAG Secretariat agreed to review the updated legal text with the proposer and EMR DB, before writing the final report for wider Member review via SharePoint.
- 7.12 RT sought confirmation of the timeline for implementation. CMAG agreed that the change doesn't have to go back to CMAG, but all updates from today would be captured in the final report, which would be ready by next CMAG meeting. AM reconfirmed Ofgem is happy to delay the Statutory Consultation process to allow for a change that members want to be in place before 2025 Prequalification. However, this is no guarantee any other CP agreed at the next CMAG meeting would be included in the Statutory Consultation.
- 7.13 Action: CMAG Secretariat to re-draft legal text and circulate to members for review

## **8. Developing CM Rules Change Proposal CP382 'ITE Report Requirements'**

- 8.1 CA went through the high-level proposed solution and confirmed that all the ITE legal texts have been circulated for review on SharePoint. Noting the drafting principle of declarations has been to use existing information already required within the CM Rules.
- 8.2 CA covered one specific instant which could go against this principle, looking for CMAG input on making the proposed information optional or mandatory, which is specific to the Operational ITE report. The information that is not in the Rules for the report are: Agreement AACO, De-rating Factor, hence the Operational De-Rated Capacity and determined % of AACO. SW explained that EMR DB do not want to calculate a CMUs de-rating factor following a SCM test, as this would have a consequence on CM payments, and there is a possibility for

future disputes. No comments were made by CMAG and the decision will be considered through the SharePoint review process.

- 8.3 CA went through the standard questions for CP382 and the proposer's comments against them. Highlighting future CPs from the work carried out by the ITE subgroup. Action: CP382 CMAG members to review already published legal text
- 8.4 EMR DB confirmed that there was no need for an IA. CMSB had previously confirmed that they don't need an IA. CA confirmed that the final recommendation is subject to the legal text review, which closes on 24 September, and CMAG will come back to confirm the final recommendation at the next meeting on 15 October.

## **9. CMAG Forward Work Plan**

- 9.1 PF presented the FWP and asked for members views. No comments.

## **10. Action Log**

- 10.1 PF presented the action log which contained two items. 1023/05 and 0824/01
- 10.2 0824/01 - BH will draft Change Proposal.
- 10.3 1023/05 – AM confirmed Ofgem are looking at a broader review of secondary trading and the plan is to update CMAG at the October meeting. As this action is looking to clarify ambiguity around how the rules are implemented, Ofgem want to wait for their full review to be completed first.
- 10.4 OM clarified actions from the meeting. 0924/01 - DESNZ to clarify policy intent of rule 8.5.1 (6.2)
- 10.5 CP380 CMAG Secretariat to re-draft legal text and circulate to members for review. (7.1)
- 10.6 CP382 CMAG members to review already published legal text. (8.3)

## **11. AOB**

- 11.1 PP raised if members thought it would be appropriate for CMAG Secretariat to create a useful links section on the CMAG website. This could include historic rules, presentations, consultations, guidance and change proposals for ease of reference and develop structure when researching. Also links to other sites that CMAG members or stakeholders submit for verified historic or live material.
- 11.2 PJ noted that past rule change proposals are hard to find. PP noted that he had previously sought a Change Log from Ofgem AM noted that Ofgem are rebuilding a Change Log for previous CPs for the CM, but it is taking time.
- 11.3 EHay raised if the redline version of the Informal Consolidated Rules had been shared with CMAG to check implementation of the proposed changes to the rules. AM confirmed that Ofgem will supply to DESNZ, who will pass to CMAG Secretariat by Monday 23 September 2024.
- 11.4 OM closed the meeting, noting the next CMAG meeting date is 15 October 2024.