

ELEXON

CAPACITY MARKET ADVISORY GROUP

SIX - MONTHLY UPDATE: APRIL 2024



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FOREWORD

I am delighted to present my six monthly report as the interim Capacity Market Advisory Group (CMAG) Facilitator. Over the last six months (October 2023 to March 2024), I've been really impressed with the thoughtful contributions that CMAG Members have made to proposals to amend the CM Rules. It's also been great to watch the collaboration between CMAG Members and the CM Delivery Partners continue to mature.

In its ['Ten-Year Review of the Capacity Market Rules'](#)¹ Ofgem's encouragement for stakeholders to direct CM Rule change suggestions to CMAG for assessment underscores our reputation as a trusted, knowledgeable forum. In this spirit, it's great to see during this reporting period, all formal Change Proposals to the CM Rules have first been submitted to the CMAG. I take this as a strong indicator that stakeholders value the CMAG and regard it as a useful forum to work with to develop their CM Rule changes, rather than submit their CPs direct to Ofgem.

The Department of Energy Security and Net Zero (DESNZ) has also recognised the CMAG's contributions, particularly highlighting our work on Secondary Trading in its [consultation](#)², which underscores the impact of our efforts.

There remain many areas of the CM Rules that we believe require further analysis and may provide opportunity for meaningful improvements. We detail these in our Forward Work Plan section below.

Furthermore, we have listened to feedback from the last CMAG member's survey, where some felt that changes were taking too long to progress, and things could be simplified. As a result, we have initiated a review of the [CMAG Operating Procedure](#). It will be important for us to factor in constraints and dependencies, such as interactions with the CM Regulations and resource availability from CM delivery partners and stakeholders when considering any changes to the processes.

This period also saw the [Association of Decentralised Energy](#) and [Citizens Advice](#) step back from the CMAG. I'd like to take this opportunity to thank them for their time and contributions.

We recognise that CMAG discussions are often technical and there are better ways for these important stakeholders to contribute to Capacity Market (CM) Rule changes, for example, by responding to the Ofgem statutory consultation. We will continue to work with these organisations and support them where needed. With the CMAG Member's first tenure coming to an end this summer, the next six month period will see the Members appointment process run for the first time since the CMAG was formed.



¹ This consultation ran from 8 January 2024 to 19 February 2024

² This consultation ran from 13 October 2023 to 8 December 2023

FOREWORD

(Continued)

The CMAG has continued to develop, scrutinise and prioritise proposals to the CM Rules, making recommendations to Ofgem with thorough justifications. As covered later in this report in greater detail, we have had three new proposals raised by industry during this reporting period. Including these, we have worked on developing six proposals this reporting period. We have now submitted all six of these to Ofgem for consideration. These changes will be included in Ofgem’s spring 2024 CM Rules statutory consultation. Ofgem will also be publishing their response to its autumn 2023 statutory consultation, its second since the CMAG became operational. A visual view of the progress and status of all CMAG Change Proposals can be found in the Forward Work Plan later in this report.

I am handing the CMAG Facilitator baton to the very capable Oli Meggitt, Head of Governance Services at Elexon, to continue the exciting work ahead. I extend my gratitude to all CMAG participants for their continued effort and commitment. I have been made to feel very welcome. I am confident that the CMAG will persist in evolving and driving advancements for the CM Rules for the benefit of industry and consumers.

Lawrence Jones
Head of Rules Management and interim Capacity Market Advisory Group (CMAG) Facilitator

How to get involved with CMAG

Attending a meeting

Did you know that CMAG meetings are open sessions?

If you would like to attend a meeting you can register by e-mailing the CMAG Secretariat at: CMAG@elexon.co.uk

Stay up to date

Stay up to date with CMAG business by signing up to our [newsletter and mailing list](#).

Raising queries

You can raise queries, request CMAG surgery items, or provide industry feedback using our simple and quick [online form](#). The CMAG surgery sessions were introduced at the July 2023 CMAG Meeting. The intention of these surgery sessions is for stakeholders with problems in the Capacity Market to share these issues and workshop possible solutions with the CMAG.

Proposals Submitted to Ofgem in this six month period

CP364 'Allow Secondary Trading from T-4'

Change Proposal [CP364 'Allow Secondary Trading from T-4'](#) was sent to Ofgem following CMAG meeting 18 on 19 March 2024 with the CMAG Recommendation to implement this Change Proposal.

This proposal seeks to amend the CM Rules allow secondary trading from the T-4 auction rather than the conclusion of the T-1 auction. Capacity Providers who accept secondary trades after the T-4 auction but before the T-1 auction:

- Are prohibited from entering the relevant T-1 auction with the same CMU, and
- Must accept the trade more than six months prior to the start of the T-1 for the relevant Delivery Year.

CP364 is expected to benefit Capacity Providers who will have more options in managing the risks associated with possible non-delivery of Capacity Obligations and consumers as the risk of over procurement of capacity (and associated costs) is reduced.

CP371 'Protection from Very Late network connections'

Change Proposal [CP371 'Protection from Very Late Network Connections'](#) was sent to Ofgem following CMAG meeting 14 on 23 November 2023 with the CMAG recommendation to implement this proposal.

The initially raised Proposer solution sought to:

- Allow Capacity Providers to keep capacity agreement lengths whole by moving the Delivery Years to which the capacity agreement applies in line with the delay, and
- Give Capacity Providers the option to electively terminate Capacity Agreements without incurring a Termination Fee.

Due to concerns surrounding government policy interactions and possible inconsistencies with the Regulations the CMAG developed an alternative solution. For the case where a Transmission Licensee or Distribution Network Operator delays a connection this solution seeks to:

- Clarify that Rule 6.7.7 allows multi-year extensions to the Long Stop Date (LSD)
- Allow Capacity Providers with a Prospective CMU the ability to postpone the Financial Commitment Milestone (FCM), and
- Extend the period during which capacity can be increased under Rule 6.7.6.

The CP371 alternative solution is expected to benefit Capacity Providers through the mitigation options detailed above. There is also expected to be a positive impact on consumer due to the reduced investment risks associated with very late network connections as a result this could indirectly lower auction prices and thus lower the cost of the Capacity Market for consumers.

CP374 'Splitting Capacity Market Units'

Change Proposals [CP374 'Splitting Capacity Market Units'](#) was sent to Ofgem with a CMAG recommendation to reject following CMAG meeting 15 on 13 December 2023.

This proposal seeks to amend the CM Rules to allow CMUs to be split after Prequalification subject to the total Connection Capacity and Generating Technology Class (and therefore De-rated Capacity) remaining unchanged.

The CMAG recommended rejection of this proposal on the basis that there was a significant risk the proposal would be contradictory to Regulations and DESNZ policy intent. The Proposal was deemed a low priority issue as the likely impacts of the issues raised by the proposer would apply to a low number of sites.

Proposals Submitted to Ofgem in this six month period

(Continued)

Change Proposals in development

Merging Capacity Market Units

Change Proposal [CP375 'Merging Capacity Market Units'](#) was sent to Ofgem with a CMAG Recommendation to reject following CMAG meeting 15 on 13 December 2023.

This proposal seeks to amend the CM Rules to allow CMUs to merged after Prequalification subject to the total Connection Capacity and Generating Technology Class (and therefore De-rated Capacity) remaining unchanged.

The CMAG recommended rejection of this proposal on the basis that there was a significant risk the proposal would be contradictory to Regulations and DESNZ policy intent. The Proposal was deemed a low priority issue as the likely impacts of the issues raised by the proposer would apply to a low number of sites.

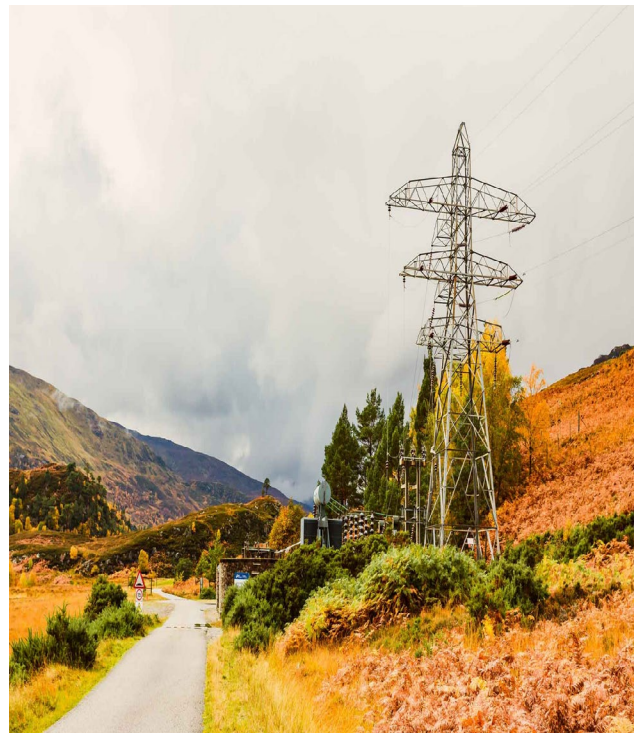
CP376 – 'Clarifying Restrictions on the role of Agent'

Change Proposal [CP376 'Clarifying Restrictions on the role of Agent'](#) was sent to Ofgem following CMAG meeting 17 on 22 February 2024 with a recommendation to implement this proposal.

This proposal seeks to amend Rule 3.3.5 to clarify that an Agent cannot also be a member of a Group (the direct or indirect Holding Company and any Subsidiary of that Holding Company) that includes a member acting as an Agent representing other Applicants.

This proposal is expected to facilitate the efficient operation and administration of the Capacity Market by supporting competition in the Capacity Market and preventing the misuse of market power which may lead to inefficient auction outcomes.

As at the time of writing there are no Change Proposals with CMAG for development. However, CMAG are working on reviewing a number of priority areas that will likely lead to Change Proposals.



Proposals with Ofgem for decision

Below we summarise the status of the all the Change Proposals CMAG has submitted to Ofgem.

The following Change Proposals are with Ofgem for decision:

Title	Status
CP362 'CM Agreement Transfers'	This proposal was recommended to Ofgem by CMAG at meeting 11. This proposal is expected to be included in the next Statutory Consultation to be published by Ofgem.
CP372 'Change to Rule 4.4.4'	This proposal will be considered as part of a broader piece of work on secondary trading and Rule 4.4.4 by Ofgem and DESNZ. Once this broader piece of work has concluded a decision will be made on the progression of this proposal.
CP368 'CVR Publication Deadline'	This proposal was included as part of Ofgem's Statutory Consultation published in November 2023. The consultation closed on 5 January 2024 and an Ofgem decision is expected soon.
CP369 'Secondary Trading with CMU Metering Aggregation Rules'	This proposal was included as part of Ofgem's Statutory Consultation published in November 2023. The consultation closed on 5 January 2024 and an Ofgem decision is expected soon.
CP373 'Process Transfer from EMR Delivery Body to CM Settlement Body'	This proposal was included as part of Ofgem's Statutory Consultation published in November 2023. The consultation closed on 5 January 2024 and an Ofgem decision is expected soon.
CP374 'Splitting Capacity Market Units'	The CMAG has agreed not to continue development of CP374 on the basis that there was a significant risk they would be contradictory to Regulations and DESNZ policy intent. They were deemed a low priority issue as the likely impacts of these issues would apply to a low number of sites. The CMAG recommended that this proposal is not developed further to Ofgem on this basis at CMAG meeting 15 on 13 December 2023
CP375 'Merging Capacity Market Units'	The CMAG has agreed not to continue development of CP375 on the basis that there was a significant risk they would be contradictory to Regulations and DESNZ policy intent. They were deemed a low priority issue as the likely impacts of these issues would apply to a low number of sites. The CMAG recommended that this proposal is not developed further to Ofgem on this basis at CMAG meeting 15 on 13 December 2023

More information on each of these proposals can be found on the relevant Change Proposal pages on the CMAG Website. Each of these can be accessed by clicking the hyperlinks in the title of each Change Proposal in the table above.





Ofgem decisions

Ofgem rejected two Change Proposals without consultation in this six monthly period. The table below gives the Ofgem rejection reason for each proposal. More information for each proposal can be accessed by clicking the hyperlinks in the title of each Change Proposal in the table below:

Title	Status
CP365 'ITE Report Requirement'	The CMAG reviewed this change and recommended implementation at CMAG Meeting 4 . Ofgem rejected this proposal as DESNZ has implemented a Rule change covering the same topic as CP365 as part of their January 2023 consultation on strengthening security of supply and alignment with net zero.
CP366 'Definition of Total Project Spend'	The CMAG reviewed this change and recommended implementation at CMAG Meeting 4 . Ofgem has rejected CP366 as DESNZ has consulted on the issue raised in this proposal in their January 2023 consultation and a decision will be made on its implementation by DESNZ as part of this work.

Decisions summary table

The table below gives a summary of the number of CM Rules change proposals that have been considered over the last six months.

3 Proposals Raised	
0 Proposals in Development (as at the end of the period)	
5 Recommendations to Ofgem	
2 Ofgem decisions	

Other Work Conducted by the CMAG

Forward Work Plan

CMAG Surgery Discussions

The intention of the CMAG surgery sessions is for stakeholders with problems in the Capacity Market to share these issues and workshop possible solutions with the CMAG to inform the raising of any CM rule changes. CMAG has considered the following four items in the surgery sessions:

Independent Technical Expert (ITE) Report Requirements Review

CMAG Members agreed to conduct a review of the ITE provisions in the CM Rules. The CMAG agreed to establish an expert subgroup to consider solution options and report back to the CMAG with relevant recommendations. The CMAG are aiming to submit rule changes to the ITE provisions in time for Ofgem’s autumn 2024 statutory consultation.

Rule 2.3.3 De-Rating Factors

CMAG Members discussed the treatment of De-rating Factors when secondary trading. DESNZ, Ofgem and EMR DB have taken an action following these discussions to clarify policy intent in this area and advise on next steps.

CMAG Change Process Review

CMAG Members are considering amendments to the CMAG Change Process to improve the quality of CMAG analysis and recommendations and speed up the development process. This work is expected continue over the next few months.

Housekeeping Change

The CMAG considered a series of [housekeeping amendments](#) to the CM Rules and shared these with DESNZ to include with the next updates to the CM Rules.

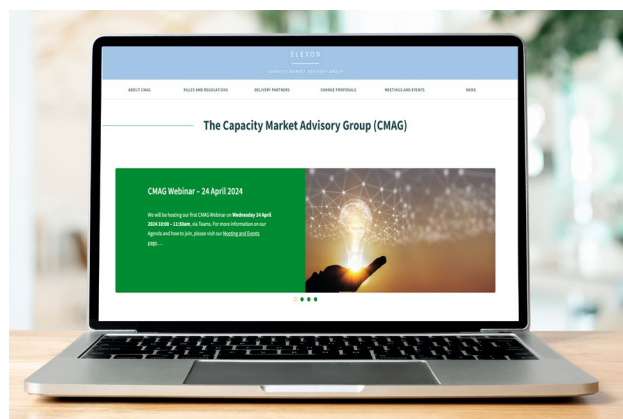
Following CMAG surgery sessions relevant parties may take actions to provide clarifications or update guidance or alternatively raise Change Proposals to address any identified defects. We are expecting some proposals to be raised following some of the surgery items above.

The CMAG Forward Work Plan details all changes currently being progressed by CMAG, and an estimated timescale for each change to complete the change process.

On the next page is an extract showing the current inflight changes that are not currently with Ofgem. The full Forward Work Plan can be found on the [CMAG Website](#).

Beyond the Change Proposals highlighted on the next page the CMAG Secretariat is:

- Hosting on [webinar](#) on 24 April 2024 for stakeholders who are interested in the work of the CMAG giving updates on Change Proposals and CMAG Activity, and
- Beginning the new CMAG membership appointment process.



Forward Work Plan

Title	2023										Commentary
	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	
CP364 'Allow Secondary Trading from T-4'	Development	Development	Development	CMAG Recommendation	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	Awaiting impact assessment from EMR DB on the alternative solution
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	The Proposer has agreed to keep this change on hold, pending delivery of the new EMR Portal v2.0
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	To be considered as part of CMAG's wider review of Secondary Trading. The Proposer has agreed to keep this change on hold, pending the outcome of CM Rules Change Proposal CP364
CP376 'Clarifying restrictions on the role of Agents'	Initial Consideration of Proposal	Development	CMAG Recommendation	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	With Ofgem	
ITE Report Requirements Review (wider review than CP365)		Pre-raise Consideration	Pre-raise Consideration	Pre-raise Consideration	Pre-raise Consideration	Pre-raise Consideration	Pre-raise Consideration	Pre-raise Consideration	Initial Consideration of Proposal	Development	CMAG agreed to review the ITE Reporting Requirements. CMAG will review different aspects of the ITE requirements with the intention of raising a proposal to improve the ITE requirements in the CM Rules
DSR Component Reallocation	Pre-raise Consideration	Pre-raise Consideration	Pre-raise Consideration	Pre-raise Consideration	Pre-raise Consideration	Initial Consideration of Proposal	Development	Development	Development	Development	This was discussed in a CMAG surgery in September 2023. A Proposal is currently being drafted by Sarah Honan for further consideration
CPXXX 'Rule 2.3.3 De-rating Factors'	Pre-raise Consideration	Pre-raise Consideration	Pre-raise Consideration	Pre-raise Consideration	Pre-raise Consideration	Initial Consideration of Proposal	Development	Development	CMAG Recommendation	With Ofgem	Ofgem/DESNZ/EMR-DB in discussions to clarify policy intent
CPXXX 'Managing SPDs and Secondary Trading'					Pre-raise Consideration	Initial Consideration of Proposal	Development	Development	CMAG Recommendation	With Ofgem	
CPXXX 'Extension of Secondary Trading Principles for Extended Performance Testing'	On hold	On hold	On hold	On hold	On hold	On hold	On hold	On hold	On hold	On hold	Placed on hold as this is expected to be considered by DESNZ separately.
CMAG webinar					Other task						
New Membership Appointment Process									Other task	Other task	

Key

Pre-raise Consideration
Initial Consideration of Proposal
Development
CMAG Recommendation
With Ofgem
On hold
Other task

CMAG Members Feedback Survey

Every six months, in advance of the CMAG six-monthly report, we conduct a survey across CMAG Members, to understand what is going well and that we should keep doing, or any areas that we can improve on. Therefore, the outcomes of CMAG Member views directly feed into the future improvements that we continually plan to make to the way CMAG operates and delivers value.

Whilst it may not be possible to implement all suggestions, there are opportunities for us to improve. For example, off the back of the previous survey, we have implemented a CMAG SharePoint site to allow for better collaboration between Members outside of meetings, set break times, so attendees can better plan their days and take important calls when required in the knowledge that we will pause at specific times.

We have outlined below and on the next page the results of our latest six-monthly survey which covers the same operational period as this six-monthly report. A total of six responses were received out of seven Members. Overall, a majority of CMAG Members have rated their experience of CMAG over the last six months as 'Excellent' noting that meetings provide a 'constructive and collaborative environment' and 'adding structure to meetings with set break times has been helpful'.

Since the last survey in October 2023, Members have noted that there is "a clearer focus on issues and change proposals" and "better all-round participation". A majority of Members highlighted that their CMAG experience had improved over the past six months. Suggested areas of improvement have included hosting meetings outside of London, circulating meeting materials further in advance than the current five working days before a meeting, and making clear any changes on updated meeting materials.

We will continue to review these areas and seek opportunities where we can improve upon. If any of our wider stakeholder group have feedback on the CMAG processes or work that we are doing, be it positive or constructive, we'd love to hear from you, so we can continually improve CMAG to deliver value for industry.

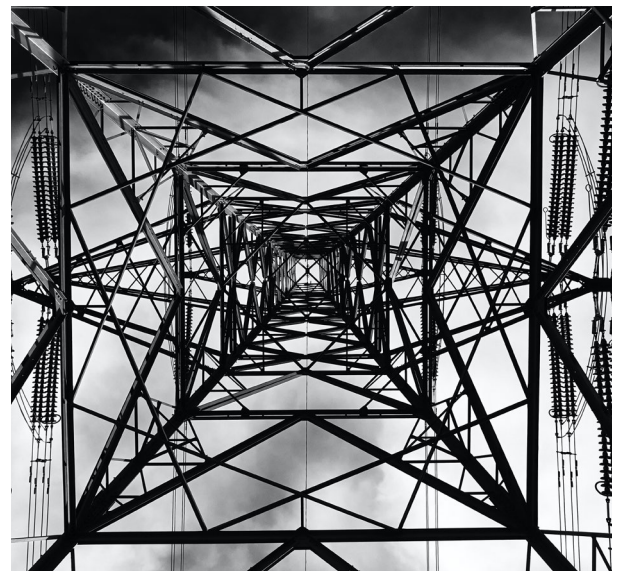
Attendance

We have continued to benefit from strong attendance by CMAG Members, and have welcomed a number of external guests to observe meetings, bringing their ideas for discussion through the CMAG Surgery, or to participate in CM Rules Change development.

On the next page is a record of the attendance of the attendees at all CMAG meetings held from 1 October 2023 – 31 March 2024. This is required to be published in the six monthly report as specified in the CMAG Operating Procedure.

Note that for Delivery Partners and Representatives, colleagues are grouped, as it is the attendance by organisation that is pertinent to the operation of the CMAG, rather than the specific named individuals. Please note that attendance by DESNZ is optional and they are not required to attend by the Operating Procedure or Terms of Reference.

Where a Member did not attend but appointed an Alternate, this is identified by 'A' in the cell (note that Alternate attendance is not added to the Member attendance percentage column).



Attendance Table

CMAG meeting attendance from 18 April 2023 to 21 September 2023

Name (Capacity)	Meeting 13 (17 October 2023)	Meeting 14 (23 November 2023)	Meeting 15 (13 December 2023)	Meeting 16 (16 January 2024)	Meeting 17 (22 February 2024)	Meeting 18 (19 March 2024)	Attendance Percentage
DESNZ (Representative)	Y	Y	Y	Y	Y	Y	100%
CMSB (Delivery Partner)	Y	Y	Y	Y	Y	Y	100%
EMR DB (Delivery Partner)	Y	Y	Y	Y	Y	Y	100%
Ofgem (Representative)	Y	Y	Y	Y	Y	Y	100%
Elexon (Facilitator/ Secretariat)	Y	Y	Y	Y	Y	Y	100%
Brian Lake (Member)	Y	Y	Y	Y	Y	Y	100%
Claire Addison (Member)	A	Y	Y	A	N	A	33.33%
Claire Sedgwick (Member)	Y	N	A	Y	N	A	33.33%
Eleanor Haynes (Member)	Y	Y	Y	Y	Y	Y	100%
Citizens Advice	N	N	N	N	N	N	0%
Libby Glazebrook (Member)	Y	Y	Y	Y	Y	N	83.33%
Mark Duffield	Y	Y	Y	Y	Y	A	83.33%
Paul Jones	Y	Y	Y	Y	A	Y	83.33%
Raoul Thulin	Y	Y	Y	Y	Y	Y	100%
Richard Thwaites (Member)	Y	Y	Y	Y	A	Y	83.33%
Sarah Honan	Y	Y	Y	N	N	N	50%
Sophie Lethier	Y	N	N	N	N	A	16.67%
Lisa Waters	N/A	Y	N/A	Y	N/A	N/A	N/A
Steve Jones	Y	N/A	Y	N/A	N/A	N/A	N/A
EMRS (Guest)	Y	Y	Y	Y	Y	N/A	N/A

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