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Dear Sohail

Statutory Consultation on Capacity Market Rules change proposals

SSE welcomes an opportunity to provide additional comments on Ofgem's statutory consultation on Capacity Market Rules change proposals.

While we are broadly supportive of Ofgem's final proposals, it is disappointing to note that a number of important areas contained within Ofgem's Five-Year Review continue to lack clarity and detail. We are sympathetic to Ofgem's comments regarding the diversion of its resources to COVID-19 related tasks, however we expected to have seen more specifics around Ofgem's plans in relation to the CM Advisory Group formation and Secondary Trading Rules workstream by this point. In particular, we believe that the CM Advisory Group could have delivered significant improvements to the governance process around CM Rules change proposals and reviews, yet creation of this group has been delayed with no clear timeline for its set up, membership mix or Ofgem's role in the process. It seems likely, therefore, that the benefit of this group will not be realised for some time to come. In addition, as I am sure you will be aware, participants have been promised enhancements to the EMR Delivery Portal for some time, so it is particularly disappointing to note that improvements to the Capacity Market processes continue to be delayed with Ofgem's decision to postpone the implementation of the 'evergreen' prequalification by a year. We also feel that it would be helpful for the authorities to commit to providing full guidance around rule changes several weeks before the prequalification window opens so that participants can determine the changes required to their processes ahead of time.

Separately, while we accept that Ofgem's proposals around the introduction of 'evergreen' prequalification represent an improvement to the process, we continue to be surprised by Ofgem's lack of recognition as to the benefits that a 'rolling' prequalification period could potentially deliver. This is particularly true for participants with larger CMU portfolios which contribute a significant share of capacity in the CM and for which an 8-week window seems needlessly restrictive, especially when recognising that the process takes place during a main holiday period and the considerable difficulties that can then bring. Having reviewed the responses from the consultation it seems that a number of participants supported this proposal and it is disappointing to note Ofgem's decision not to consider it further at this time with no real reason given.

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In relation to Ofgem's proposal to introduce a mandatory annual Exhibit as part of the evergreen prequalification process, we continue to believe that this creates an avoidable administrative step. From the description within the consultation, it seems that the proposed implementation serves to introduce an unnecessary piece of documentation to be uploaded to the Portal and we would question why an acceptable outcome could not be achieved by, for example, ticking a relevant 'box' within the Portal confirming whether the existing documents remain valid or whether new documents have been uploaded instead. Separately, we welcome confirmation that electronic signatures will continue to be accepted for Prequalification 2021. However, we would also ask that Ofgem consider accepting signatures from company employees with delegated authority in place of Directors' signatures. This measure would assist considerably participants with larger portfolios that make submissions on behalf of a number of companies.

Separately, we agree with Ofgem's proposal to amend the definition of Maximum Obligation Period to allow greater flexibility for Prospective Generating CMUs in selecting a Capacity Agreement length. We also accept the inclusion of more detailed component-level information within the CM Register as part of CP270/271 to increase transparency, however we would perhaps question how much insight this gives into Auction behaviour or how much it can further inform future policymaking. We are supportive of Ofgem's minded-to decision to expand the current list of Relevant Balancing Services.

Overall, we consider that Ofgem's Five-Year Review highlighted the right areas for improvements to the CM Rules in a bid to reduce their complexity and lessen the administrative burden on CM participants. However, given this is a major review, we would have supported much more ambitious and wide-ranging changes being implemented in the interests of all participants within the Capacity Market. We are looking forward to the launch of the consultation on the CM Advisory Board later this year and a setup of the Secondary Trading Rules workstream which, in our view, should be progressed as soon as possible.

Kind regards

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Regulation Manager