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Dear Mr Ahmed

**CM Rule Changes**

The Flexible Generators Group (FGG) represents the owners of and investors in small scale, flexible generation. These power stations are embedded in distribution networks and provide a variety of vital services to the system operator to help it deliver secure, economic supplies to electricity customers. We also participate in the Capacity Market (CM) and have made significant investment in new capacity on the back of CM agreements.

While many changes have been made to the CM since it started, we believe that there are still many improvements that could be made and we welcome this consultation.

**Urgent Changes**

FGG are concerned by the timetables proposed to make some of the changes and the lack of progress in resolving issues that have been a significant problem for years now. The Code Governance Review has urged the industry to make timely rules changes to that progress towards net zero targets can be made more quickly. The CM is very much part of that agenda and we believe Ofgem therefore should act far more quickly to resolve the following material problems:

- Rule 4.4.4 – this stops parties bringing forward new technologies post PQ and stops parties changing technologies in response to issues such as environmental limits. This was raised as an issue in 2017, and 4 years later it is not resolved, resulting in non-delivery of CM capacity. It is absolutely critical this is resolved as parties need to be able to adapt to meet their obligations.
- Secondary Trading – again raised in 2017, followed by an Ofgem working group, but still no resolution. There is no requirement to trade obligations, but where parties try to reasonably deliver their agreements by trading because, for example, a plant fails, or there is a build issue, etc., trading is incredibly difficult and only allowed after SCM is met. As with 4.4.4., trading will be critical to maintaining secure supplies and meeting net zero.
- Rule Changes – FGG and other parties have submitted CM Rule changes to Ofgem. These have not been published (as the guidelines suggest they will) and none seem to have been consulted on. The last changes on the Ofgem web-site are in 2018, which is very concerning for those in the CM who believe that the Rule change process must operate efficiently to deliver the most efficient market to the benefit of all GB customers. We would like to see

these proposals progressed, if necessary with changes between PQ and the auction where they do not directly impact those processes, for example allowing an administrative controller, removing 4.4.4 and resolving Secondary Trading.

#### Applicant notice

FGG welcome the requirement on the Delivery Body (DB) to notify an applicant when their status is changed from conditionally pre-qualified to not prequalified, which should add to clarity. We would also support notification when applicants CMUs change from conditionally PQ'd to PQ'd, but more broadly ALL DB communications should state which CMU the communication is in relation to and which Delivery Year. For FGG member companies, with multiple CMUs of different vintages, some of the communications results in hours of time trying to identify which CMU and associated agreement the DB is talking about.

#### Evergreen PQ

We have always supported evergreen prequalification, but is disappointing this is taking so long to deliver. We would also like to see pre-qual bought forward in the year, along with the auctions, so that parties have time to deliver their agreements as defined in the auctions titles, i.e. 4 years and not 3.5 years.

We do not believe that emissions declaration should be required annually if nothing has changed, so would like to see a far simpler tick box to certify that all director certificates and declarations are correct. Likewise construction plans appear to serve no useful purpose so we believe these could reasonably be removed.

#### Relevant Balancing Services

FGG have previously proposed that the term “relevant balancing service” is kept in the Rules, but with a list that sits outside the Rules which can be changed as services come and go. We believe services like Dynamic Containment, the new reserve products, etc. should all be included, but a more flexible way to add and remove services is needed. We also want to see all ancillary services procured by DNOs included, as the current Rules would see us deliver to the CM and not the DNO, but for say STOR we would deliver STOR and not the CM. It is important that the Rules are aligned so that the DNOs and ESO know which types of response they are likely to see to help them manage their systems.

#### Planning consents

We support company directors certifying that planning permission is in place. However, we suggest consideration should be given to some form of auditing of a few sites on a random basis, to check compliance.

#### CM Register

We do not mind if the CM components are added to the Register, but believe the other data is more important. We therefore fully support adding in:

- Credit cover amount;
- Parent company details;
- Secondary trading details;
- Confirmation of meeting FCM;
- MPAN details;
- Agreement duration;

- Relevant delivery year;
- Confirmation of meeting SCM; and
- Whether a metering test certificate has been awarded.

Maximum obligation period

FGG support clarification of the text around new build generators bidding for 3 or 15 year contracts.

Previous settlement period performance

Any change that makes administration easier is welcomed. We therefore agree any data within the previous 24 months should be used if already on the portal.

Further consultation

We have always supported making the CM rules run more like a normal code. We therefore fully support Ofgem's proposed Capacity Market Advisory Group.

If you would like to discuss any of these issues further please do not hesitate to contact us.

Yours sincerely

PP



Mark Draper  
Chairman

cc: Simon Dawes - BEIS