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Consultation on Capacity Market Rules change proposals - Second Policy Consultation

Dear Harry,

We welcome the opportunity to reply to this consultation in our role as EMR Delivery Body within National Grid Electricity System Operator (NGESO). This response is not confidential.

As the EMR Delivery Body, we perform a central role in the delivery of the Capacity Market (CM) and Contracts for Difference. We manage the end-to-end process for all CM participants, supporting them through pre-qualification and annual auctions to the issuing and management of capacity agreements. The Delivery Body also works closely with BEIS and Ofgem to ensure that the CM Rules and Regulations enable competitive capacity procurement and facilitate the efficient operation and administration of the CM. In doing so, we drive the implementation of amendments to the Rules and Regulations arising from the Rules change process and the longer-term strategic solutions identified in BEIS and Ofgem Five-Year Reviews.

We remain supportive of Ofgem's intention to deliver policy changes to reduce the burden and complexity of Prequalification and agreement management via amendments to the Rules. The Delivery Body is equally committed to delivering a step change in how Participants experience the end-to-end process and to driving efficiencies in the administrative process. To this point, we have this year implemented a customer relationship management system to support improved and more efficient query management for all participants. Moreover, in response to customer feedback, and in recognition of the EMR Portal's importance, the Delivery Body is working to deliver a substantive change in user experience of the Portal, which will continue during the RIIO-2 period. We will deliver improvements against three core objectives: (1) customer experience; (2) flexibility of change; and (3) cost of change. Resultant improvements to reporting and data management will enable customers to carry out Prequalification and agreement management activities more easily, whilst the Portal's underlying architecture will be purposely agile and flexible in order to support more cost-efficient implementation of future regulatory change. We are proceeding with the first tranche of these improvement for delivery in April 2021, which includes the required regulatory changes and a set of priority customer requirements.

The Delivery Body welcomes Ofgem's intention to deliver Rule change proposals that will also assist in reducing the administrative and regulatory burden of agreement management processes. We broadly agree with the principle of Generators having greater flexibility to change their components, between Prequalification and Delivery Year, via an amendment to Rule 4.4.4. We share Ofgem's view that any changes to a Generating CMU's configuration should not increase the possibility of non-delivery on any Capacity Obligations. However, we would urge caution on extending the proposal to allow Generating CMUs to change components within Delivery Year. There is a concern that permitting changes within Delivery Year will have significant consequential impacts for other processes, such as Satisfactory Performance Days and Secondary Trading, which need to be considered fully. We are of the view that the Secondary Trading market enables Capacity Providers to cover periods of unavailability of capacity due to planned and unplanned outages of generators, and a move to introduce greater flexibility for generators within Delivery Year could undermine the core purpose and function of the Secondary Trading market.

The Delivery Body is also mindful that allowing changes to components within Delivery Year would add further complexity to an already significant Rules change proposal for Rule 4.4.4. We would encourage Ofgem to undertake a comprehensive end-to-end process assessment on the impact of the proposed amendment to Rule 4.4.4, both Pre and within Delivery Year changes, to identify potential wider implications and to avoid unintended consequences precipitated by the proposed change.

As the Delivery Body, our aim is to facilitate the implementation of policy and Rules changes in the most efficient way to ensure the Rules continue to meet their objectives. We welcome Ofgem's statement on the need for the proposed changes to be prioritised for delivery amongst others being considered by BEIS and the CM Delivery Partners. Several of the changes proposed in this consultation are sizeable in scope and will require a significant amount of change to Delivery Body processes and systems, within potentially short delivery timescales. Concurrent to this is the programme of planned improvements to the EMR Portal and the high volume of regulatory change already scheduled for implementation across the period 2021 and 2022. It is the Delivery Body's view that a vital prerequisite for effective prioritisation and implementation of future regulatory change is effective co-ordination and consideration of change at a holistic level, taking account of BEIS and Ofgem change programmes for both the CM and Contracts for Difference scheme. This would work to the benefit of agreeing realistic implementation timescales and would support smooth, more efficient implementation of Delivery Body process and system changes. Moreover, adoption of a holistic approach to Rules change will also provide customers and the market with better sight of upcoming changes so that they can engage with and be sufficiently prepared when changes are implemented. The Delivery Body is keen to work with Ofgem, BEIS and all the Delivery Partners, to support the development of a long-term delivery change programme that provides an integrated view of the regulatory change pipeline across all work streams.

Our detailed response to the specific questions in the consultation document are appended to this letter. As changes to the Rules and Regulations often require amendments to the EMR Portal, where appropriate, we have commented both on the rule intent and potential system impacts.

Should you require any further information or would like to discuss any of the points raised within this response, please contact Sarah York in the first instance sarah.york@nationalgrideso.com.

Yours sincerely



Andrew Ford

EMR Stakeholder & Compliance Manager

Amendments to Rule 4.4.4

Q1. Do you agree with our suggestion to allow changes to a Generating CMUs configuration between Prequalification and delivery? Do you think that a similar amount of flexibility should be provided to Generating CMUs during Delivery Years?

The Delivery Body broadly supports the principle of allowing changes to a Generating CMUs configuration between Prequalification and the relevant Delivery Year via an amendment to Rule 4.4.4. We concur with Ofgem's view that Rule 4.4.4, as currently defined, can inadvertently incentivise Applicants to submit limited information at Prequalification. This said, we would remind Ofgem that Rule 8.3.7 already affords some flexibility for Prospective CMUs to change location and this can facilitate relocation to a new site with new assets, albeit a Prospective CMU cannot change components to the extent proposed under amendments to Rule 4.4.4, for example Generating Technology Class.

We are generally supportive of increased flexibility for New Build CMUs to change components prior to Delivery Year and are comfortable with the proposal to allow a change to Fuel Type, Generating Technology Class, Metering arrangement and Connection Capacity (prior to Delivery Year) provided that the CMU continues to meet its de-rated capacity. The Delivery Body would welcome clarification as to whether the intent is to allow New Build CMUs, with multi-year agreements, to amend their configuration only to the extent that it remains a New Build category CMU, or whether a configuration change can also lead to a change in CMU category, for example a New Build changing to an Existing CMU. We believe that the flexibility to allow changes to a Generating CMUs configuration should remain on a 'like for like' basis, meaning a New Build CMU remains as such post-configuration changes. This is preferable given the impacts to Agreement Managements processes of a change in CMU category from New Build to Existing, such as agreement length.

Potential implications to metering assurance and metering aggregation rules of allowing a change to components prior to Delivery Year should also be considered when setting a suitable deadline for changes ahead of Delivery Year. We note that the increase in flexibility outlined in the consultation proposal appears to go beyond the equivalent DSR component reallocation process to effectively permit a New Build to switch site to another in a portfolio that would be able to deliver the obligation. This is suggestive of the need for a new 'mini' Prequalification process to provide delivery assurance against Agreement Management milestone(s), which would have process and resource implications for the Delivery Body to validate the information provided as part of a change request.

The Delivery Body has reservations about permitting a change to configuration during Delivery Year. We remain unclear on the commercial and/or market drivers for component reallocation for Generators within Delivery Year, given that the decision to implement DSR Reallocation was taken in response to specific issues relevant to DSR portfolios (e.g. potential for failed assets within an overall DSR group) and also in recognition of the differences between DSR and Generating CMUs, noting that Generators have recourse to Secondary Trading where an obligation cannot be met. We observe that to date the uptake of DSR component reallocation remains very limited in comparison to expected levels and the cost of significant process and system changes to implement component reallocation. As such, the Delivery Body believes there is strong need for a cost benefit assessment of allowing greater flexibility for Generating CMUs to change their components both prior to and within Delivery Year to ensure any amendments to Rule 4.4.4 deliver tangible value.

We further believe that allowing a change of components within Delivery Year could adversely impact the Secondary Trading market. Secondary trading exists to enable Capacity Providers to cover periods of unavailability of capacity and mitigate the risk of under-delivery. Thus, a shift to allow this level of flexibility within Delivery Year would likely weaken the incentive for Capacity Providers to trade and ultimately undermine the liquidity of Secondary Trading. We believe a wider review of the scenarios likely to prompt a change of component during Delivery Year should first be considered before initiating a significant Rules and system design change.

Ofgem recognise that proposals to amend Rule 4.4.4 represent a significant change from the current process, and that time will be necessary to develop both the specifics of how the Rules should function and to deliver the necessary IT changes. We share this view and would encourage Ofgem to work early with the Delivery Body in order to provide clarity and assurance on the delivery timeline from Rules being formalised to system change. The Delivery Body's current IT system and business processes were not designed to manage the proposed amendment to Rule 4.4.4 so to implement the change will require the development of entirely new capabilities and functionality to, for example, enable the tracking of components and metering test processes. We would

also welcome clarification as to whether Ofgem intends to facilitate greater flexibility, both pre and within Delivery Year, for existing Generating CMUs with multi-year agreements. Should this be the case, then we anticipate that the impact to Delivery Body processes and IT system will increase in both size and complexity, and knowing if this Rules change will be applied to existing agreements will be a key determinant in our overall assessment of the scale of IS change required to support an amendment to Rule 4.4.4. Given the complex and sizeable scope of change proposed, we would ask Ofgem to be cognisant of how this will be managed and delivered alongside other changes already scheduled for implementation in the forthcoming period 2021-2022.

Q2. Do you have any views on the suggested level of assurance that should be necessary for CMUs who would undergo changes of components?

We consider the suggested assurance requirements for changes pre-Delivery Year to be appropriate and would again emphasise that a change of components should be completed sufficiently ahead of the relevant Delivery Year to allow enough time for the current metering process to be concluded, for the purposes of delivery assurance. With regards to timescales, we also note that all required information will have to be validated which in turn means an increase in Delivery Body process obligations to administer and manage change of component requests. The requirement for Capacity Providers to confirm that the component either being removed or added will not be used to ensure that a different CMU meets the CAPEX thresholds for longer agreements will serve to provide additional assurance. We are minded that should Rule 4.4.4 apply to CMUs within Delivery Year then further assurance requirements, beyond those cited in the consultation, may be advisable. This might extend, for example, to the provision of metering evidence against a CMUs obligation in the form of SPDs or generating history. We would also point to potential process and system implications if it is decided that a CMU is required to re-demonstrate its ability to meet AACO, where a change is made within Delivery Year.

Q3. Are you aware of any unintended consequences introduced by our proposals on Rule 4.4.4, including any other Rules which may need amendment to avoid conflict?

The proposed amendments to Rule 4.4.4 will have wider implications on Secondary Trading, as described in answer to Q.1, and the Metering Aggregation and Metering Test processes, which will need to be considered when developing the specifics of how Rule 4.4.4 should work. If changes are permitted during the Delivery Year, and applicable to multi-year agreements, then the potential impact on current SPDs and Extended Performance requirements would also need to be reviewed. We recognise that Ofgem has outlined potential assurance requirements in the consultation, but we would reinforce the need for the Rules to fully consider potential gaming risks, which amendments to Rule 4.4.4 may create. Further, we believe it is important that consideration is also given to the level of assurance required to assess any changes made to components, as well as the impact on delivery and Security of Supply, during the interim period i.e. from when a change request is submitted and processed to the new component being in place.

We note the proposal that in the event any changes to Generating CMUs lead to an increase in the Acquired Auction Capacity Obligation (AACO), capacity payments would remain at the same level as prior to the change taking effect and would welcome further clarification as to whether this is Ofgem's intent. The Delivery Body is mindful that such a scenario would have several consequential impacts: (1) during a stress event, a Capacity Provider is expected to deliver its AACO and in this case the CMU would not receive payment for all of its AACO; (2) should a Capacity Provider wish to secondary trade its entire obligation (i.e. AACO), then they would have to trade away more than they would receive payment for; and (3) for SPDs, a Capacity Provider would be required to prove its AACO whilst receiving payment for a lower amount.

The Delivery Body supports a holistic review of the processes relevant to a CMU transfer and change of location, as well as Secondary Trading, in order to make sure the most effective change is implemented in the Rules; this may well lead to the merging of the current location change process in to the component change process that is subsequently defined for Rule 4.4.4.

Q4. Should there be a limit of the number of times a CMU undergoes a change of component(s), and the number of components that can be changed? If so, how many and why?

The Delivery Body believes it is advisable to set a limit on the number of times a CMU undergoes a change of component(s) in the Rules, as is the case for changing DSR components. The limit which is set should recognise that a Generating CMU change of component(s) is not the same as DSR component reallocation and the likely

demand for changing components, especially within Delivery Year, should be considered against the overall administrative burden to all parties and maintaining the necessary level of delivery assurance. Ofgem may wish to consider a phased approach to implementation, with changes prior to Delivery Year permitted in the first instance and within Delivery Year changes following thereafter, subject to the outcome of a cost benefit review against uptake by Generating CMUs over a given period.

Q5. Should there be a point in the lead up to delivery, after which changes in components should not be permitted? If so, when and why?

We believe there should be a deadline beyond which changes to the CMU's configuration would be not possible and to allow enough time to validate and complete any change and provide assurance that the new component(s) can operate and be monitored effectively, this should be prior to the relevant Delivery Year. When determining the appropriate deadline, it will be necessary to recognise the level of assurance required to validate each change and the associated information submitted. For example, the change of location process currently allows 10 Working Days for Delivery Body review. The proposed change of component process will involve additional activities, including Metering aggregation by ESC, meaning a longer review period will be necessary. A deadline for changes in components should, therefore, afford a suitable period, prior to Delivery Year, to support completion of both the Delivery Body's administrative process and the Settlement Body's metering assurance process.

Evergreen Prequalification

Q6. Are you aware of any Rules which may need to be changed to ensure that the principle of 'evergreen' Prequalification can be implemented?

We are of the view that the proposals in this section focus on delivering improvements to Prequalification rather than establishing a true 'Evergreen' prequalification process. The proposed improvements will, to a large extent, be implemented via process and Portal system change rather than Rules change. The proposed change comprises two discrete yet distinct areas which are important to draw out: (1) Ofgem's desire to improve Portal usability and simplify the Prequalification process; and (2) Rules change to implement the proposed Annual Exhibit. We recognise that improvements to usability will not require rule change and will be facilitated, in the main, by the improved EMR Portal. The potential for Prequalification Exhibits to be created and managed within the Portal, along with the ability to provide e-signatures, is being considered as part of the Delivery Body's planned improvements to the EMR Portal. Integration of the current Exhibit generator tool into the Portal, as a first step towards full automation, is under consideration for delivery in April 2021. For e-signatures, a key requirement to ensure a clear and robust process for both Applicants and the Delivery Body is the provision of appropriate assurance measures.

To support delivery of EMR Portal improvements, we will continue to consult industry via planned User group engagement intended to help define targeted Prequalification improvements and prioritise areas for improvement that address User pain points. We are already taking steps to improve the EMR Portal and make the Prequalification process less burdensome on Applicants with the provision of bulk upload functionality, and to enable a reduction in potential administrative errors by, for example, defining formats for fields and validation criteria. We believe these improvements can be achieved without Rules changes. The Delivery Body considers that a Rules change would be required to implement the proposed annual Exhibit and to allow for most of the current suite of Exhibits to be provided by difference only, and potentially to allow for e-signatures. To help support this, we would suggest a review is first undertaken to clarify existing Exhibit obligations detailed in Chapter 3 and CMR obligations as per chapter 7, to identify where changes would then be required.

Q7. Is there any information provided during Prequalification which would prevent this from being an effective change?

We do not foresee there is any information provided at Prequalification which would prevent this being an effective change.

Q8. Do you have any feedback on the proposal to look at reforming the method by which exhibits are submitted and signed?

We recognise there would be benefit in having flexibility in the initial system design to allow for any potential future changes to the annual Exhibit format and/or Rules changes to be implemented with relative ease in the EMR Portal. We would also highlight the importance of putting in place a robust assurance mechanism to ensure e-signatures are appropriately validated.

Q9. Do you know of a reason to maintain the requirement to provide Exhibits annually?

No, we are supportive of the proposed change to introduce an annual Exhibit for Applicants to declare that their Exhibits either remain valid or have been updated where required.

Prequalification Data**Q10. Do you agree with our proposal to remove the Previous Settlement Period Performance requirement in cases where Applicants are prequalifying a CMUs, which has previously delivered upon its Capacity Market Agreement obligations in the previous two Delivery Years?**

The Delivery Body recognises the intent of the proposal to remove the Previous Settlement Period Performance requirement for Applicants prequalifying a CMU that has previously delivered on its obligations in the two previous Delivery Years, and to provide an alternative option of using previous Satisfactory Performance Days (SPD).

We observe, however, Ofgem's consideration of potential amendments to the calculation of Connection Capacity (OF15 proposal) made in a previous consultation; it was proposed to allow providers an opportunity to self-declare a connection capacity volume and that participants should be required to demonstrate the capacity during a testing period prior to the start of the relevant Delivery Year, for Existing Generating CMUs. We believe the value of removing Previous Settlement Period Performance requirements under Rule 3.6.1 would be usurped if the change to connection capacity methodology, proposed in OF15, is ultimately progressed. Further, we recommend that priority is given to the expected BEIS review and consultation on proposals relating to the demonstration of Connection Capacity at Prequalification, as referenced in this consultation.

Q11. Do you see any unintended consequences related to delivery assurance associated with our proposal?

As articulated in answer to Q.10, we believe that Ofgem's OF15 proposal and BEIS' review of Connection Capacity would implement a more comprehensive solution that delivers the intent of simplifying Prequalification whilst also putting in place strong assurance to incentivise CM participants to correctly state their connection capacity.

With regards the consultation proposal, we believe there may be potential risks with correctly tracking data across agreements and linked CMUs and ensuring that the new process manages de-rated capacity changes between agreements. There is also a concern that because the current SPDs process entails manual validation by the Delivery Body, there exists a potential for errors in previous years data. We would also highlight that the proposed change would require the integration of SPDs into the Prequalification process, thereby requiring significant process and system change to facilitate.

Q12. Should the Previous Settlement Period Performance requirement under Rule 3.6A.1 also be removed for Interconnector CMUs?

We see no reason that prevents the removal of Previous Settlement Period Performance requirement for Interconnector CMUs, should Ofgem elect to make the proposed change.

Planning Consents

Q13. Is the proposal outlined in paragraphs 5.12.1 to 5.12.4 appropriate – do you think any amendments should be made?

We support the move to simplify Prequalification for Applicants with the removal of requirements to submit Relevant Planning Consents and instead replace it with a self-declaration stating planning has been gained. We are of the view that planning assurance should rest with the relevant planning authorities and not the Delivery Body.

Option 2, as outlined in the consultation document, is considered an appropriate option to facilitate the change to a self-declaration process. We agree that a mechanism should remain in place for the Delivery Body to request and review further information from the Applicant to verify any declarations made in relation to planning consents, should a concern or need for clarification arise, and for the information to be shared with Ofgem, if applicable. It may also be appropriate to strengthen Termination Event 6.10.1(o) - linked to accuracy of information or declaration in an Application - given that at present it does not carry a fee.

Q14. Do you agree with our proposal to clarify who should make an associated planning declaration when the Despatch Controller and legal owner are separate companies?

We agree with Ofgem's position that the proposed planning declaration should be made by the legal owner, in such scenarios.

Q15. Do you have any views on our proposal to clarify the Rules when the RPC states the maximum output of the New Build CMU is smaller than the Connection Capacity?

The Delivery Body is supportive of Ofgem's intent to provide clarification where the RPC is different to the Applicants requested Connection Capacity. We would be interested to explore with Ofgem how this is delivered, with enough assurance, in a self-declaration process.

Capacity Market Register

Q16. Do you have any comments on our proposals to add the information outlined in paragraphs 6.5.1 to 6.5.7, paragraph 6.6, 6.9.4, along with the CP270 and 271 proposals to the CMR?

We agree with the move to formalise rules around existing processes and data that is already submitted as part of Prequalification, as outlined in paragraphs 6.5.1 to 6.5.7. To this point, we wish to clarify that the additional data items proposed are already captured on the Capacity Market Register (CMR) and the suggested Rules change is in recognition that these data items are updated via amendments from CM processes.

We would suggest that it will be necessary, for new data items included on the CMR, to review and define associated changes to the Rules to make clear when the data items are collected and when the CMR is to be changed correspondently. So, for example, DSR category and fuel type at component level can be added to the CMR but this will require additional information to be collected as part of Prequalification or confirmation of Components (for DSR) since the information is not captured at present. We would welcome clarification of Ofgem's expectation for historical agreements where all, or any of, the proposed additional information items are missing. It is not clear whether a CMR update would be omitted for the missing items or whether the data would have to be collected retrospectively. Should there be a requirement to collect any missing information, then undertaking to collate this would be a considerable exercise for the Delivery Body to complete and would require a formal obligation in the Rules, mandating the Delivery Body to do so.

The CMR already records when a Metering Test Certificate has been provided to the Delivery Body. We are unclear about the added value of recording, specifically, the date on when a test certificate was awarded and would also wish to understand how to manage invalidated certificates as part of the process. We would also highlight that implementing a new field to capture Metering Test Certificate date would require significant process and system change. We support the addition of expected date and confirmation of meeting SCM, noting that SCM is not currently defined as a Prequalification condition but is subject to a tracking milestone, with associated review and approval processes. It should be noted that a system change would be required to support the

tracking of SCM completion, and the Delivery Body would require defined Rules on the expected data requirements to support this process.

With regards to CP270 proposals, to publish the Connection Capacity, De-rated capacity and technology type for each component making up each CMU in the CMR, the data will be captured in the EMR Portal at component level as part of Prequalification, but there are specific considerations that need to be made when determining transparency of information requirements for Prospective CMUs and Unproven DSR CMUs throughout agreement management processes. For example, Connection Capacity and De-rated capacity is held at component level for the purpose of Prequalification and is subsequently managed at CMU level for agreement management activities; it is not updated at component level post Prequalification. If the intent is for component level data captured at Prequalification to be subsequently updated then a more significant set of rule changes would be required, and the Delivery Body would need further clarification on the areas proposed under CP270 in order to determine the size of any resultant business process and/or system changes.

We note Ofgem's intention, in the decision on the First Policy Consultation, that CP270 and CP271 would be taken forward following the completion of OF12, on the basis that OF12 would enable component level data to be collected and stored within the EMR Portal. However, the requisite system functionality that OF12 was expected to provide was not delivered as part of OF12 Rules. As such, the collection and storage of component level data is not currently available in the Portal to then be able to provide this information on the CMR and system changes would be required to facilitate this going forward.

Ofgem's intent with the proposed CMR changes is to improve data visibility across the CM scheme and to provide valuable information for market participants. To this point, we consider it important to recognise potential alignment between how the CMR is delivered in the future and the ESO's proposed single, integrated platform for balancing service markets and the Capacity Market, as part of its RIIO-2 business plan. The single integrated platform will serve as a focal point for parties of 1MW and above to participate in all balancing service markets and will also provide access to the CM. Integral to the platform will be an asset register identifying each unique asset on the transmission and distribution system that is participating in the markets. For the single asset register to fulfil its intended purpose of sharing data across multiple platforms, and improve visibility, it is crucial that the full scope of CM data held on the register is not precluded because certain information continues to be classified as Commercial EMR Administrative Information (CEMRI). We would, therefore, like consideration to be given to what data may remain as CEMRI and what data may form part of a future single industry register.

Q17. Do you have a view on our proposal outlined in paragraph 6.18, to record the new CMR information items proposed for capacity providers who hold valid capacity agreements, where the information has already been collected at the time of application?

We agree that it seems appropriate to record the new CMR information items for capacity providers who hold valid capacity agreements, where the information was previously captured at the point of application. Notwithstanding this, we would encourage Ofgem to be mindful that undertaking to retrospectively populate the CMR with the new information items for existing capacity providers, where the information is already held, will have a resource and cost impact for the Delivery Body. We would also point to the need to consider how to manage any historical agreements, where data is not shown, as well as the potential for inconsistencies in the format and accuracy of existing Portal data.

Reporting Requirements

Q18. Do you agree with our proposal, outlined in paragraph 7.9, to remove progress reports and corresponding ITE assessments for the scenarios detailed, and replace with an alternative reporting milestone?

We believe that value for the Delivery Body lies in understanding Capacity Providers progress in meeting operational status rather than other construction progress milestones. Thus, we are supportive of reducing the cost of participating in the CM where value is not fully realised in terms of delivery assurance and agree with the proposal outlined in paragraph 7.9 to remove progress reports and associated ITE assessments in certain scenarios. The current requirement to provide progress reports on a six-monthly basis places an undue cost and resource burden on Capacity Providers and the Delivery Body to administer, given the minimal use of reporting and the questionable value that the reports deliver in terms of assurance. We would suggest that

consideration should also be made to the value in requesting the original Construction Plan dates for other milestones as part of Prequalification (Rule 3.7.2), for example achievement of the Back-feed milestone and completion of Main Foundations.

Q19. Do you have any views on the timing of the proposed new reporting milestone?

From a security of supply perspective, we believe there is benefit in Capacity Providers submitting a formal update on construction progress prior to the capacity being set for the T-1 auction. The proposed timing of the construction update would provide NGESO with modelling data inputs to support the Electricity Capacity Report (ECR) process; this data would help to inform the sensitivities that are modelled and support better quantification of over or non-delivery risks. As the ECR sensitivities are usually agreed with BEIS and the Panel of Technical Experts in March / early April each year, NGESO would require the information by the end of February so the proposed timing of the new reporting milestone is appropriate in order to support the ECR process.

Q20. Do you have a view on whether the new reporting milestone should be implemented with a corresponding termination event? Should the proposed reporting milestone have to be validated by an ITE?

The Delivery Body recognises the intent behind implementing a corresponding termination event. However, we would suggest there is need to be mindful of the potential impact of the termination process on the modelling data inputs, described in our answer to Q.24. The minimum period from a termination event being raised and a Termination occurring is 60 working days, but this can be appealed and extended by a further 60 working days and withdrawn at any point during this timeframe.

Q21. Do you have a view on what information should be included as part of any update given to the Delivery Body in relation to the proposed reporting milestone?

We support the position that any material change to the expected SCM date should be highlighted in the update on construction progress. There is value also in placing a requirement on Applicants to detail what capacity they aim to be generating at their SCM, at either full AACO or at a reduced obligation, as proposed in the consultation. We consider the provision of this information to be important for the purpose of delivery assurance; this is to provide an indication of those assets which may not meet their SCM prior to the Delivery Year and may, therefore, be subject to long-stop rules. The Delivery Body continues to see value in retaining a clear obligation for Capacity Providers to inform us of any change to metering and CMRS status, but would suggest this is considered within the proposed amendment to Rule 4.4.4 and the associated new process to change generating CMU components, rather than being defined specifically as material changes in construction progress.

Q22. Is the current definition of “material change” clear enough – do you have any suggestions on how it could be amended/clarified?

We agree that there is merit in undertaking a review of the current definition of material change to either amend or clarify its meaning in order to support the proposed new reporting milestone. At present, material change relates to a change in date for any of the construction milestones cited in Rule 3.7.2(b), where the new date is at least two months earlier or later than the date originally stated, and also any change of location (8.3.7), any change to metering arrangements/assessment and any change from CMRS to Non-CMRS. As referenced in our answer to Q.26, we see most value in the material change flagging any change to the expected SCM date and the capacity expected to be generated at SCM. As such, any amendment to the current definition should provide clarity on the time period covered by material change and the expected content/level of explanatory reasoning Capacity Providers must detail in order to give satisfactory justification for a material change to the expected SCM.

Q23. Should the proposed amendments to reporting requirements be applied to all capacity providers who hold Capacity Agreements that have not expired or been terminated when these Rules changes come into force?

We consider it is appropriate to apply the proposed amendments to reporting requirements to all capacity providers holding Capacity Agreements when the Rules changes come into force. This would extend the benefit

of a reduced administrative and cost burden to a greater number of capacity providers, whilst also saving the Delivery Body resource and time.

Further amendments to the Rules

Q24. Do you believe it is appropriate to amend the Rules to mandate the Delivery Body to send a formal notice to an Applicant, as well as an update to the CMR, when their corresponding Prequalification Status changes from 'Conditionally Prequalified' to 'Not Prequalified'?

At present the Delivery Body communicates Conditional obligations, and their associated timelines, within Prequalification notices and further general updates and reminders of upcoming milestone deadlines are published on the EMR Portal homepage. Any change in Applicant status is updated on the CMR, which is accessible via the EMR Portal website, in accordance with Rule 7.5.

We recognise there is a benefit to Applicants of mandating the Delivery Body to send a formal notice when any change(s) is made to their Prequalification status. Whilst changes are communicated outward via the CMR and EMR Portal, we understand that these indirect and less formal channels of communication may not always provide enough notice to an Applicant of its changed status. The Delivery Body also recognises the additional value this would bring in relation to the Disputes Process under Regulations 68 and 69, and the CM Rules related to the accuracy of Capacity Market data, which require a party to raise a dispute against specific timelines. We would also note that the Delivery Body intends to improve accessibility and visibility of the CMR and notifications for individual CMUs as part of its planned improvements for the EMR Portal, which will support Ofgem's desire for more transparent communication when a change to Prequalification status has occurred.

Q25. Are there any other changes that should be proposed relating to the notice(s) issued by the Delivery Body to an Applicant?

We do not have any other suggested changes.

Outstanding areas of the First Policy Consultation

Q26. Do you agree with our proposal to include Category 2 and 4 intertrips as Relevant Balancing Services in Schedule 4?

We are of the view that the operational intertrips described in Category 2 and 4 are not a type of Relevant Balancing Service (RBS) and should not be classified as such in Schedule 4. We believe that intertrips are already accounted for in Rule 8.5.1(c), with reference to a "relevant interruption" pursuant to section 5.10 of the CUSC.

We instead suggest there is greater value in undertaking a wider review of RBS to ensure the services listed in Schedule 4 remain appropriate and take account of new ESO balancing products and fast-acting frequency response services being introduced to manage the system. Moreover, there is a growing need to keep the list of RBS under regular review and have in place a more agile process for adding new RBS to keep pace with market changes and future reforms to ancillary and balancing services. A recent example being Dynamic Containment (DC), the first in a suite of new fast-acting frequency services to be introduced by the ESO and will soon be followed by Dynamic Moderation and Dynamic Regulation. DC, launched on 1st October 2020, is a fast-acting post-fault service to contain frequency within the statutory range of +/-0.5Hz in the event of a sudden demand or generation loss. We are of the view that the DC service, along with Dynamic Moderation and Dynamic Regulation, qualify as RBS and should be prioritised for inclusion in Schedule 4. Their inclusion will allow providers of these services to be treated in the same way as other balancing services and to maximise their ability to stack revenues for the provision of multiple services, thus removing any potential conflict between DC and CM rules that may otherwise discourage participation. We note that DC is similar in nature to existing Firm Frequency Response and Enhance Frequency Response services, both of which are already acknowledged as RBS in Schedule 4.

Q27. Do you believe Category 3 intertrips should be included as a Relevant Balancing Service in Schedule 4?

See our response to Q26.

Q28. Do you think that the Relevant Balancing Services list in Schedule 4 should be updated to include the Trans European Replacement Reserve Exchange?

Given that the UK's participation in TERRE is intrinsically linked to the outcome of BREXIT and uncertainty remains still as to whether the UK will leave the EU at the end of the transition period with a deal or not, we believe that the inclusion of TERRE as a Relevant Balancing Service at this time would be premature. Should the UK leave without a deal, then UK market participants will not be allowed to participate directly on dedicated European platforms, including the Libra platform for TERRE, post 31st December 2020.

We would also note that TERRE is an auction where providers elect whether to submit a bid or not, with the process commencing 1-hour ahead of real time. Thus, in a scenario where a Capacity Market Notice (CMN) is issued, 4-hours ahead of stress event, there would exist the potential that some providers may make the commercial decision to submit a TERRE bid and, therefore, no longer be available to the CM