

# Consultation on Capacity Market change proposals

Via email: [EMR\\_CMRules@ofgem.gov.uk](mailto:EMR_CMRules@ofgem.gov.uk) on 22nd October 2020

This submission is made on behalf Limejump Ltd.

Limejump is an award-winning energy tech company, connecting trading and data abilities with customers who generate and manage energy assets through to the ESO to optimise value. Limejump, based in London, manages the largest portfolio of batteries in the United Kingdom and is a wholly owned subsidiary of Shell.

We welcome the opportunity to respond to OFGEM's consultation on its Capacity Market change proposals. We note that this consultation does not cover direct participation foreign capacity in the Capacity Market as this is part of a separate review by BEIS. In general, we are supportive of many of the proposed solutions. Please see below for our detailed responses.

If you have any questions or would like to discuss further, please let me know.

Kind regards  
Melanie Ellis  
Head of Regulatory Affairs

## **Amendment to rule 4.4.4**

**Q1: Do you agree with our suggestion to allow changes to 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?**

A1: When considering changes to Generating CMUs we believe it is useful to consider them in the two categories of Existing Generating CMUs and Prospective/New Build CMUs as they have different characteristics. We agree with the principle that there should be the ability to change components for these CMU categories both 1) after the auction and pre the Delivery Year as well as 2) during the Delivery Year. We support the principle of permitting Generation CMU changes as this will promote delivery and volume certainty for the Capacity Market. Key to the success of these changes is that there is no change to the AACO or length of the Capacity Agreement originally awarded in the auction.

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

A2: Existing Generating CMUs wishing to change all or some of their components should provide most of the information provided at Prequalification. This would include connection agreement/s as required by rule 3.6, historic performance data plus confirmation letter, a carbon emission declaration and component details.

For New Build Generating CMUs they should provide at least the data provided to date for the incumbent CMU. This would include a connection agreement, planning consent, construction milestones, total spend, emission declaration, extended years criteria and metering.

It may be necessary to create an Exhibit to confirm some of the confirmations previously made as part of Prequalification such as the ability to meet the extended years criteria.

We believe that the main challenge with allowing generating units to change their configuration will be the resource required by the Delivery Body. This is because much of the work carried out during Prequalification would need to be repeated as part of the CMU reconfiguration.

**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?**

A3: We are not aware of any unintended consequences but recommend that changes are considered alongside the 'Change of Location' permitted under rule 8.3.7 and the CMU transfer process.

The rules which govern the current Change of Location need to be reviewed and, in our view, relaxed. Currently a New Build which is relocating must be for the same technology, construction plan, technology type etc. We would welcome a review to assess whether the rules could be widened to allow the Change of Location to an alternative site so long as it can deliver at least the same AACO, meets the spend threshold to qualify for a multi-year contract and can meet the milestones previously provided.

We would also welcome a review of the rules to enable the transfer of the remaining duration of a multi-year Capacity Market contract to another site assuming all milestones and key data can be met by the transferee. This would allow a site to sell its obligation should it be unable to fulfil the remainder of its contract due to unforeseen circumstances rather than incur termination penalties.

We also highlight that currently if a New Build site has not been built then it can not use Secondary Trading to trade out its obligations. Therefore, by allowing changes to New Build generating CMUs this will provide an option to change the asset, ensure the volume is delivered and avoid paying penalties.

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

Q4: As discussed in our answer to question 2 the biggest barrier to changing components is likely to be the required Delivery Body resource. So long as the appropriate information is provided, we do not believe there needs to be a restriction on the number of times there can be a change.

**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?**

Q5: In order to change components and ensure they are ready to participate in the Delivery Year we recommend that changes should not be permitted in the 2 months prior to the start of the Delivery Year. This should allow sufficient time for the Delivery Body to assess all applications as well as the Applicants ensuring that all data flows are in place ahead of the Delivery Year.

## **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?**

A6: The Rules and Regulations would require a full review as there would be several areas that require modification to account for an Evergreen Prequalification.

In referencing Evergreen Prequalification is OFGEM considering an option whereby a CMU which has participated in the prior year and has no changes to its configuration can sign a Declaration to this effect and then bypass the remaining Prequalification requirements? This would be one possible solution.

If the focus is on reducing workload with Exhibits, then we support the use of digital signing such as the use of 'docusign'. This was used during the 2020 Prequalification due to COVID19 restrictions and significantly reduced the workload and increased access to the necessary Directors over the summer. We highly recommend continuing for future Prequalifications.

We support the integration of a tool within the new Deliver Body Portal to assist with the production of the Exhibits rather than the use of the existing spreadsheet.

With electronic signing and an integrated Exhibits tool this should reduce the burden significantly. Whilst we support the idea of scaling back the Exhibits so that they only need to be introduced when there is a difference or a change of law, we think this may lead to errors if the onus is on participants to determine whether they need to provide updated Exhibits or not depending on their circumstances. One hybrid solution would be to use Evergreen Exhibit As and Cs and annual updates for the remainder.

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

A7: We note that over the last few years there have been new exhibits introduced. If we expect this to continue then we recommend it is the responsibility of the Delivery Body to provide guidance on what Exhibits are required each year, rather than it being the responsibility of the Applicant to determine this.

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

A8: As noted above, exhibits were signed electronically this year without compromising the integrity of the applications.

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

A9: As noted above we recommend a hybrid solution whereby the requirement to submit annual Exhibits As and Cs is relaxed. For the remainder of the Exhibits Applicants should use the integrated Exhibit tool and electronic signing.

## **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?**

A10: We support this proposal so long as the data is not required to be re-submitted at Prequalification. Where the CMU is cloned (where there are no changes from the prior year) then we recommend there is a tick box option to say the CMU has previously passed the last 2 year's SPD requirements. As part of this reduced submission we also assume that the application does not need to be accompanied by a letter of confirmation of the historic metered output or the line loss factors. If this is not the case, then we believe it will not reduce the administrative burden.

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

A11: We are not aware of any unintended consequences.

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

A12: Yes.

#### **Planning Consents**

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

A13: We support the proposals outlined in 5.12.1 to 5.12.4. We would build on proposal in 5.12.3 to suggest that the Delivery Body sample a random selection of Relevant Planning Consents to provide governance.

**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?**

A14: We support the proposal to clarify that it should be the legal owner who makes the Declaration.

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

A15: We support the clarification and the interpretation.

#### **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 CP2701 and 271 proposals to the CMR?**

A16: In our experience the CMRs do not show populated data for all the current 'headings' such as MPANs and milestones. On the flip side, some of the data which has been suggested is already included such as the agreement duration, credit cover and parent company. That said, we support the suggested data being updated and maintained by the Delivery Body.

We also support showing the date the SCM was met or is intended to be met to provide insight around when new sites will be operational (paragraph 6.6). We view the addition of the meter test certificate as a nice to have rather than essential.

We support showing components details but flag that this may lead to a significant increase in the amount of data. The new Portal would ideally have a way of automatically populating this data.

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

A17: We support this proposal so long as it does not require any further information being provided by the Applicant.

### **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?**

A18: We support the removal of the progress reports and corresponding ITE assessments for the detailed scenarios. In terms of a replacement milestone we believe this should be a declaration from the asset owner stating the date range for when they expect to complete their SCM. We do not believe it is necessary to add a volume estimate to the SCM as it already requires 90% to be met.

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

A19: As the update is primarily to support the Delivery Body in their assessment of what volume will deliver in order to take any necessary action, we believe they are best placed to set a time frame which meets their needs.

**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?**

A20: We do not support a new milestone being implemented with a termination event, nor should it need to be validated by an ITE.

**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?**

A21: If the main objective is to ensure the new build site will be ready for the beginning of the Delivery Year then we suggest this report just focuses on the date range for delivering the SCM.

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

A22: We believe the definition is clear. If there is variation by more than 2 months, then an explanation should be provided.

**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?**

A23: As the intention is to reduce the reporting burden, we recommend that the changes are introduced for all those holding agreements which have not expired. The exception to this would be if a new termination were introduced.

#### **Applicant notice**

**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’?**

A24: In our experience registering the change in the CMR has not been an issue so we see this change as a nice to have.

**Q25: Are there any other changes that should be proposed relating to the notices(S) issued by the Delivery Body to an Applicant?**

A25: We support the reinforcement of the timelines in the Rules for which the Delivery Body needs to feed back to Applicants when they need to meet certain milestones. For most submissions during the year these are 5 or 10 working days. In our experience these timeframes are not always met e.g. delays to notification on SPDs and Extended performance tests which were only provided after the Delivery Body completed these reviews for all CMUs. This resulted in less time for participants to take timely corrective action.

We would also request that when the Delivery Body sends specific emails and alerts to Applicants that they identify which CMU they relate to. This would significantly aid Applicants who look after multiple CMUs and who otherwise must contact the Delivery Body to identify the relevant CMU.

#### **Other**

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

A26: We support the inclusion of Category 2 and 4 intertrips as a RBS.

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

A27: We support the inclusion of category 3 but do not have significant knowledge around this category of intertrip.

**Q28: Do you think the Relevant Balancing Services list in Schedule 4 should be updated to include TERRE?**

A28: We recommend that Schedule 4 is amended to include a catch all category for all National Grid Frequency and Reserve products as well as listing the known products. This is to ensure all products such as newly created ones like ODFM, Dynamic Containment and those in trial are also covered. In this way TERRE would also be included. As DNOs are now providing balancing services we recommend that these products are also included in the RBS.