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Consultation on Capacity Market Rule amendments – Evergreen, CMR & Applicant Notice

Dear Sohail,

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 Prequalification 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.

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. As part of this, the Delivery Body is currently building a new EMR portal for delivery during 2022 which will improve the Prequalification and agreement management processes.

As the Delivery Body, our aim is to facilitate the implementation of policy and Rule changes in the most efficient way to ensure the Rules continue to meet their objectives. We have been working with Ofgem to seek clarity on the Rule changes relating to Prequalification to enable us to implement these in the new EMR portal. The development of the new portal is well underway and, as previously advised, due to the timing of these Rule changes, this work has had to be based on Ofgem's minded-to position. If any changes do arise as a result of responses to this consultation, we would need to assess whether the changes are viable, the cost impact and whether they can be delivered in time for Prequalification 2022. We urge Ofgem to confirm the final Rule changes as soon as possible after the close of the consultation in order to provide certainty for the delivery of the new EMR portal as well as to customers wishing to participate in the 2022 Prequalification process.

We note that Ofgem have not taken forward other changes that were previously considered through the Five Year Review of the CM. It is important to get early clarity if Ofgem decided to progress any of these changes in the future. We are keen to continue to work with Ofgem, BEIS and other delivery partners to ensure Rule changes are planned, prioritised, and implemented in good time, taking account of their urgency, impact and the value they deliver to customers and consumers. We are aware of recent feedback from some Capacity Providers that they find the current Capacity Market Registers (CMR) difficult to navigate. We suggest that the forthcoming Capacity Market Advisory Group could be best placed to consider, prioritise, and deliver any other changes or simplification to the CMR.

Our detailed response to the specific questions in the consultation document are included in this letter. Should you require any further information or would like to discuss any of the points raised within this response, please contact Jared Morgan in the first instance: Jared.Morgan@nationalgrideso.com.

Yours sincerely

A handwritten signature in black ink, appearing to be 'AF', enclosed within a circular scribble.

Andrew Ford

EMR Delivery Body Manager

Evergreen Prequalification

Question 1: Do you agree with our proposed Rule amendments to facilitate the implementation of reusing Exhibits and other information?

The Delivery Body generally supports the idea of facilitating the reuse of certain Exhibits and certain other information during Prequalification. We concur with Ofgem's intention of reducing the administrative burden on Applicants including the removal of offline processes from Prequalification. The creation and subsequent reuse of Exhibits and other information is a key design principle of the new EMR portal.

We agree with Ofgem's view that, in order to preserve the integrity of the Prequalification process, Applicants should provide assurance that where previous Exhibits and Additional Information have been resubmitted, those details remain valid. We therefore support Ofgem's Rule changes in this respect, including the annual submission of Exhibit A. We also agree with Ofgem's position that where the Rules or an Applicant's circumstances have changed, a previously submitted Exhibit should not be used and that doing so would lead to the Application failing their Prequalification assessment. That said, we suggest that Ofgem should make it clear in scenarios where Exhibits are not reused correctly in line with Rule 3.3.6, whether this is considered a non-material error or omission and whether the Applicant should have a route to appeal within Regulation 69.

Ofgem have stated that they intend to allow Exhibits and certain other information to be reused from successful Applications only. We believe that a "previously successful" application should be defined. We suggest that this could be defined as an application that successfully entered into an auction and we recommend Ofgem to clarify this in the Rules or in their final decision.

As we have reiterated in previous consultation responses, a Rule change is required to implement the proposed annual Exhibit and to allow for most of the current suite of Exhibits to be provided by difference only. We believe that the revised Rule 3.3.6 makes it clear which Exhibits and declarations will not have the ability to be reused. That said, we believe declarations should be made every time an application is submitted - the administrative effort in making a declaration is already very low in the current EMR portal and it will likely continue to be a simple "tick box" or similar in the new EMR portal. On balance, we therefore consider that declarations should not be included in proposed changes to Rule 3.3.6.

With the likely introduction of the Capacity Market Advisory Group, there is the possibility that the Capacity Market could encounter more Rule and Regulatory change and at a faster pace than currently experienced. Applicants will need to be more vigilant than ever to ensure each Application is correct and all information is submitted in line with any Rule changes. It is for these reasons that we support Ofgem's view that reused information is not considered as pre-approved.

We agree with Ofgem that any change to an Exhibit and/or other information submitted previously to form a successful Application would deem that Exhibit and/or other information not reusable for a subsequent round of Prequalification to be appropriate given the importance of an Exhibit's accuracy to the integrity of an Application.

We note that Exhibits should only be reused following the 2022 Prequalification Window. Ofgem's proposed approach supports the development of the new EMR portal for Prequalification 2022. Applicants are already expected to benefit from a significantly improved Prequalification experience in the new portal for 2022, with further improvements thereafter arising from the ability to reuse information in future Prequalification rounds.

In order to make the process of applying and reusing information as easy as possible, moving to e-signatures and completing all information within the portal (rather than through offline documents) would be preferable. We are keen to work with Ofgem and customers on how such an approach could be implemented.

The Delivery Body believes it is advisable to set a timeframe for how long certain information from a previous Application can be reused. This should ensure the Rules are actively being reviewed by Applicants, reducing the risk of Applications being submitted which are no longer compliant with the Rules and Regulations. This should also ensure that Applicants consider whether there have been any changes in circumstances which will require them to update certain information be that for a change in circumstances or for any other reason. We

believe that the 4 year limit suggested by Ofgem is appropriate. We also recognise the benefit of keeping Exhibits year specific which will ease the monitoring of when they were created and how long they could be reused.

We believe that although Ofgem describe in their current minded to position what Evergreen Prequalification could mean, we recommend that for the benefit of Applicants, a clear summary of what Evergreen will entail should be included within Ofgem's final decision letter.

Capacity Market Register

Question 2: Do you agree with the draft Rules to implement CP270 and the partial implementation of CP271?

We believe the draft Rules make it clear what component level data items are required to be collected and when the CMR is to be changed correspondently.

We would welcome formal direction from Ofgem as to their expectation for historical agreements where the proposed additional information items are missing. It is assumed the data is not required to be provided by Capacity Providers and collected by the Delivery Body retrospectively. Should there be a requirement to collect any missing information, then 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 new EMR portal is currently being built on the basis that missing historic information will not be collected.

We welcome Ofgem's proposal to publish information on the CMR regarding whether a CMU was subject to the SCM and the expected date on which it would be achieved, noting that SCM is subject to a tracking milestone, with associated review and approval processes. We consider the provision of this information to be important for the purpose of delivery assurance; providing an indication of those assets which may not meet their SCM prior to the Delivery Year and providing a more accurate view of forthcoming capacity.

We are aware of recent feedback from some Capacity Providers that they find the current CMR difficult to navigate. We suggest that the forthcoming Capacity Market Advisory Group could be best placed to consider, prioritise, and deliver any other changes or simplification to the CMR.

Question 3: Do you agree with our proposal where Applicants would provide the "Primary Fuel" for each Generating Unit or Component comprising a CMU?

The Delivery Body note that BEIS previously suggested in their response document: 'Capacity Market: Government Response to Consultations on Future Improvements, Emission Limits and Coronavirus Easements' published in May 2020 that Fuel Type/s for Emissions Components should be collected for each relevant component (over 1MW). We would encourage Ofgem to engage with BEIS to determine future provision requirements.

Applicant Notice

Question 4: Do you agree with our proposed amendments to the Rules to facilitate our Applicant Notice proposal?

The Delivery Body is supportive of this proposal and recognise the benefit to Applicants of formal notices being sent through the new EMR portal when any change is made to their Prequalification status. We understand that the current, 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.

As part of the new EMR portal, the Delivery Body already intend to improve accessibility and visibility of the CMR and notifications for individual CMUs, which supports Ofgem's desire for more transparent communication when a change to Prequalification status has occurred.