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cc: Joanna Whittington, Simon Dawes and
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Jonathan Brearley
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Dear Jonathan

Ofgem CM Consultation

The Flexible Generation 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. Most of our members have participated in the Capacity Market (CM) since its inception and have made significant investment in new capacity on the back of CM agreements.

FGG want to raise with you our grave concerns about the slow progress Ofgem is making in improving the capacity market. We have met with Ofgem and raised numerous concerns for a long time, but the most recent consultation does not address these.

Evergreen Prequalification

FGG has proposed that prequalification is simplified and made evergreen. None of the points we have been raising for years on this have been addressed by Ofgem, for example the deletion of OS references. Evergreen should mean we just tick a box saying it is all correct. It is unclear why Ofgem are suggesting some exhibits, such as the funding declaration, should be annual if there has been no change and no simplification has been done. Furthermore, why are Satisfactory Performance Days (SPDs) not simply fed into the system each year as the previous performance evidence, again as previously requested?

CM Register

These proposals are fine. However, we are very concerned that the DB is suggesting that when it launches a new portal it will expect all parties to enter all data in the first year of

using that portal and does not intend to migrate the old data into the new system. This seems to defeat any attempts to make prequalification and agreement management easier.

Notices

While FGG support these proposals this does not address the bigger problem of the Deliver Body (DB) sending notices, for example issuing a construction report is due notice, without referencing the CMU id. As you know FGG members have literally 100s of CMUs between them, so staff are left having to get into the portal and check each one, taking 2 hours to find the offending CMU. Likewise notices around uploads being missing, are often not missing, but the portal only allows you to upload something at a given time (for example SPDs cannot be uploaded in May though the rules give you to July), so parties upload into the wrong part of the portal, because it is where they can. Indeed, FGG have noted previously that it is not clear to us why the Portal needs to close access to certain parts of the Portal at all.

Change Proposals

Ofgem only recently published the CM change proposals that have accumulated since 2019, but you do not appear to be actually consulting on them, why not? FGG's CP363 was raised in April. It addresses a material point, as we are sure other proposals do as well. When is Ofgem going to consult? The Governance Review cannot accuse the industry of not bringing forward changes to make the market more efficient, and lower cost for customers, if Ofgem does not play its part in the process. We believe the new portal is the obvious opportunity to implement this change, but DB will not design in a solution if Ofgem has not approved the change.

Points Not Addressed

The issue of most concern to FGG is that changes they have been requesting since 2014 are not even mentioned in the Ofgem document. For example, Rule 4.4.4, which prevents a change in configuration, and which FGG continues to believe should be deleted. It serves no useful purpose and stops parties making the most economic decisions when deploying new plant or considering the refurbishment of sites. As it stands this rule stops parties replacing old plant with new, could stop any plant conversions, deployment of new low carbon technologies, etc. In July 2018 Ofgem said it would consider this in its 5 year review, then Ofgem said it would clarify the rule, then saying it would develop proposals. Where are the proposals? This is a simple but vital rule change that Ofgem needs to progress.

The same is true for secondary trading. The working group held in early 2019 has resulted not just in no change, but no proposals for change. Freeing up the secondary trading rules is vital to ensure that capacity subject to changes beyond their owner's control is able to be kept on the system, instead of being sterilised. This must be to the benefit of customers. Instead Ofgem is leaving it to a new governance body that also has not been progressed.

Other issues raised by FGG have included: the treatment of DNO outages; SPDs how they are done and the impact on the trading rules; relevant balancing services; location changes and matching sites; extended years; adding capacity; and the new portal.

FGG does not raise these issues lightly, but they have a material impact on the operation of our businesses, the efficiency of the CM as a means to deliver secure supplies and the cost of being a CM provider, and thus the costs to customers. As we move to net zero the role of the CM seems likely to become increasingly important and it desperately needs the type of overhaul we all hoped the 5 year review would deliver.

Please can Ofgem set out a timetable for delivery and progress with some more substantive and material improvements than those proposed in this consultation.

Happy to discuss.

Yours sincerely



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Chairman

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