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**Call for input – establishment of the Capacity Market Advisory Group and updating the Capacity Market Rules change proposal process**  
February 9, 2022

**Uniper**

Uniper is an international energy company with around 12,000 employees in more than 40 countries. The company plans to make its power generation CO<sub>2</sub>-neutral in Europe by 2035. With about 35 GW of installed generation capacity, Uniper is among the largest global power generators. Its main activities include power generation in Europe and Russia as well as global energy trading, including a diversified gas portfolio that makes Uniper one of Europe's leading gas companies. In 2020, Uniper had a gas turnover of more than 220 bcm. Uniper is also a reliable partner for municipalities, public utilities, and industrial companies for developing and implementing innovative, CO<sub>2</sub>-reducing solutions on their way to decarbonising their activities. As a pioneer in the field of hydrogen, Uniper has set itself the target of operating worldwide along the entire value chain in the future and implementing projects that will make hydrogen the mainstay of the future energy supply.

The company is headquartered in Düsseldorf and currently the third-largest listed German utility. Together with its main shareholder Fortum, Uniper is also the third-largest producer of CO<sub>2</sub>-free energy in Europe.

In the UK, Uniper operates a flexible generation portfolio of seven power stations capable of powering around six million homes, and a fast-cycle gas storage facility.

**Call for Input**

Thank you for the opportunity to comment on the proposed approach to setting up the Capacity Market Advisory Group (CMAG) and the associated draft changes to the Change Process for the Capacity Market Rules. We are generally supportive of the changes set out, but believe that they would benefit from additional detail clarifying how different aspects of the process will work, as well as addressing a number of issues on which the Guidance appears to be silent at present.

Our responses to the specific questions raised follow.

**1. In general, do you agree with our intention to establish CMAG? If not, please explain your concerns.**

We agree with both the intention to establish CMAG and the aim to increase stakeholder engagement in the CM Rules change process. We believe the vast majority of proposals should be considered by the CMAG, and this process should only be bypassed by exception. We give more detail in our answer to question 3.

**2. Do you agree with the objectives and role of CMAG as set out in Section 2 of the new Guidance?**

We agree with all three objectives. Of course these are set out at a high level and the detail that is developed below this will be crucial in ensuring that these aims are achieved. We note that the CMAG will be tasked with developing its own operating procedures, but Ofgem should also consider whether some of this should be set out in the Guidance itself.

We suggest the following questions and issues should be considered further:

- The Secretariat is assigned the responsibility for running the annual appointment of CMAG members. The specific principles for conducting this annual appointment and the criteria against which candidates are appointed should be set out more clearly. For instance, will representatives be sought from different types of capacity provider or from different market segments? What knowledge and experience will be required?
- We support a diverse membership for CMAG, whilst noting that members will be required to act impartially in order to best meet the objectives of the advisory group and not to represent any specific company, sector or viewpoint. To that end, appointees should provide a letter from their employer agreeing they will act impartially in a similar manner to that required from industry code panel members.
- The Secretariat is tasked with maintaining a priority list of CM Rules change proposals. The draft CMAG Terms of Reference set out three criteria against which proposals should be prioritised: adherence to CMAG objectives; costs to systems and market participants; and benefits (as far as they can be quantified). However, there is no guidance on what factors will drive the need for prioritisation. We assume these will be limitations in resources to progress change proposals within Ofgem, Delivery Partners and the wider industry, but the Terms of Reference or the Guidance should set this out more clearly.
- Will CMAG operate under any form of Service Level Agreement or any Key Performance Indicators, such as responding to proposals within a certain timeframe etc?
- The Guidance suggests that CMAG will develop proposals. This is an additional step over and above prioritising and making recommendations on changes submitted to CMAG. Does this mean that CMAG will be able to raise alternative approaches to proposals which have been submitted to it? If so, is there a danger that the original proposer could lose ownership of their change?
- The Guidance suggests that CMAG should take account of stakeholder views when assessing and prioritising proposals, but does not specify how this

should happen. Will CMAG be required to set up workgroups and issue consultation documents?

- What happens if a stakeholder is concerned about a decision that CMAG has taken. Will there be any route for objections or appeals to be raised?

### **3. Do you foresee any unintended consequences from following the indicative process as set out in Section 3 of the new Guidance?**

Section 3 sets out a dual process for submitting change proposals, as illustrated in Figure 1 of the new Guidance. Proposals can be submitted directly to CMAG, under a process as yet undefined, or to Ofgem who will then consider whether or not to send them to CMAG. We believe that it is better that all change proposals should be submitted to Ofgem in the first instance, and that as a matter of course they are then referred to CMAG. Any changes not passed to CMAG should be by exception only. This would have a number of benefits:

- This would ensure a single consistent process and format for submitting proposals.
- Ofgem would maintain strategic oversight of the possible workload associated with change proposals.
- Any dual or parallel path raises concerns of divergent or inconsistent processes being developed, and proposers tactically choosing one particular path to avoid an inconvenient aspect of the other. This would be avoided with a single submission route.

In paragraph 3.22 it is suggested that Ofgem may ask CMAG to “*consider certain high priority issues*”. It would be helpful if the Guidance set out what would be expected of CMAG in this instance and how this process would work.

### **4. Do you have any concerns about the suitability of Elexon to act as Secretariat? If so, do you have a view on a suitable alternative?**

Elexon has experience as secretariat of the Balancing and Settlement Code Panel and various workgroups, and would be a suitable provider of secretariat services to CMAG.

### **5. Do you agree that levying the administrative costs of CMAG on BSC users is an appropriate funding route? Please outline any concerns and/or alternative approaches, if appropriate.**

We note that levying the administrative costs of CMAG on BSC users does not specifically target the costs on those parties who use the process. However, there is a high degree of overlap between BSC parties and those who participate in the Capacity Market, either as capacity providers or by making payments. Additionally, the secretariat costs should only result in a small increase to existing funding mechanisms. Therefore, this should be an appropriate funding route.

### **6. Do you have any comments on the indicative template for the CMAG Terms of Reference we have included as part of this call for input?**

The draft of the Terms of Reference (TOR) for CMAG are quite high level and broad ranging at present. We note that one of the first tasks of the CMAG will be to ratify the TOR but we are not certain whether this means the CMAG can develop more specific TOR.



As we believe that change proposals should be submitted first to Ofgem before being passed to CMAG, we do not believe that it is necessary for CMAG to develop a process for this as presently set out in the draft TOR. This part of the TOR could instead specify that the CMAG should develop a process for prioritising and assessing proposals that have been referred to it.

We believe that a number of the points of detail we raise in our answer to question 2, such as if, when and how CMAG would develop proposals, could be addressed in the terms of reference. Alternatively, these could be set out in the Guidance document.

**7. Please indicate if you or a suitable representative from your company or stakeholder group are provisionally interested in joining the inaugural CMAG. Please do not provide names at this stage. We will formally ask for expressions of interest when we publish the new Guidance.**

Uniper is provisionally interested in putting forward a candidate to join the inaugural CMAG.