

11/02/2021

GB Wholesale Markets
The Office of Gas and Electricity Markets
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Non-confidential

Dear GB Wholesale Markets Team,

Call for input – establishment of the Capacity Market Advisory Group and updating the Capacity Market Rules change proposal process

Drax Group plc (Drax) owns and operates a portfolio of flexible, low carbon and renewable electricity generation assets – providing enough power for the equivalent of more than 8.3 million homes across the UK. The assets include Drax Power Station, based at Selby, North Yorkshire, which is the country's single largest source of renewable electricity. Drax also owns two retail businesses, Drax Energy Solutions (formerly trading as Haven Power) and Opus Energy, which together supply renewable electricity and gas to over 300,000 business premises.

We agree that a stakeholder forum, designed in the right way, can deliver transparency and enable the CM Rules change process to become more dynamic and adaptive to changing market conditions. However, we are concerned about the lack of a joined-up concept which explains how urgent modifications will be reviewed and how Ofgem and CMAG's change proposal assessment process will interact.

We've appended responses to the questions set out in the consultation. Our view is that the core principles of CMAG are appropriate. Nevertheless, we have several concerns with elements of the proposed CM Rule Change process:

- We feel that the consultation gives limited explanation of the approach taken by Ofgem towards change proposals submitted directly to them and how their assessment will interact with CMAG work. We think it is crucial to ensure that CMAG does not inadvertently act as a barrier to implementation of urgent Rule changes (whether due to a time delay, or otherwise) and this should be evaluated frequently, to ensure it is contributing to the evolution of the CM.
- The updated CM rule change process needs to strike a sensible balance between ensuring that proposals are scrutinised and well-evidenced, while also ensuring that changes can be made efficiently and timely in response to market conditions and in the best interest of consumers and CM participants.

- While we agree that Elexon is well-suited to undertake the role of CMAG Secretariat, we question the extent of its technical expertise in CM arrangements to be able to provide technical support to proposers as suggested by Section 2.10 of the Guidance.
- We expect further information and guidance on each stage and timelines of the CM change proposal assessment process to be set out in due course. Specifically, we would like Ofgem to elaborate on its role in the assessment of urgent or commercially sensitive modifications.

Yours faithfully,

Claire Sedgwick

Commercial Contracts Manager

Appendix - Detailed response

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

We believe that a stakeholder forum that can consider CM proposals holistically should lead to a well-considered, agile and transparent process for CM rule changes. While we agree with the proposal to establish CMAG, we would welcome more clarity on Ofgem's role in assessing proposals submitted directly to them. Specifically, we are keen to understand whether Ofgem will have the ability and remit to review certain proposals without referring them to CMAG. This is particularly important in the context of timing of the assessment process, review of urgent changes and commercially sensitive proposals. It is essential that sufficient clarity is provided through the CM change rule guidance to ensure that proposers can select the optimal route for raising changes.

Additionally, we expect adequate clarity and transparency with regards to any applicable criteria used to determine whether a change proposal submitted directly to Ofgem should be referred to CMAG or remain with Ofgem for assessment.

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

Yes, the proposed objectives and associated details appear appropriate, practical and proportionate.

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

As per our response to Q1, we believe there is a potential risk of some proposals being delayed or trapped in the process. Our understanding is that Ofgem and CMAG processes will interlink and complement one another, but it is hard to evaluate the full extent and practicality of that interaction. We would expect a clear statement on the proposed treatment of change proposals submitted directly to Ofgem, any proposed applicable criteria used to direct those proposals to CMAG and clear timelines for each stage of the process. Transparency of the assessment processes via both available routes is critical.

Overall, while we agree that CMAG can deliver better evidence and scrutiny of the changes, we believe there is a risk of over-complicating the CM Rule change process. Finding the right balance between additional scrutiny of the proposals and the need to keep the CM Rule change process efficient, transparent and clear should be given adequate consideration when finalising this framework and Terms of Reference for the group.

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?

We agree with Ofgem's minded to decision to designate Elexon as the Secretariat of CMAG. We are not aware of any suitable alternative bodies to take on this role.

We largely agree with the proposed arrangements and objectives for the Secretariat. However, we note that one of the objectives is for CMAG Secretariat to support proposers in the early development of change proposals, for example providing expert administrative or technical advice. We question the appropriateness of Elexon providing such technical expertise. In our view, Elexon does not have the right technical experience in CM arrangements and should only provide administrative support to proposers, as well as assist with arranging necessary technical inputs from relevant stakeholders, such as EMR Settlement Limited (EMRS).

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 broadly agree with the proposed approach to levying the administrative costs of CMAG. This seems to be the most pragmatic and practical solution. One alternative option could be to recover the cost of the Secretariat through the funding of EMRS.

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?

We acknowledge that the draft Terms of Reference included in the consultation are indicative and may be subject to modifications as necessary. The high-level principles and objectives are correct. We are concerned with the proposed frequency of CMAG meetings. We do not believe that meeting every two months is sufficient to ensure proposals are assessed in a timely manner. As per our comments above, we also expect clarity around urgent modifications and the expected timelines for their initial assessment by CMAG. As such, in addition to regular scheduled meetings, the Terms of Reference for the group should include the requirement to schedule special or urgent meetings if necessary.

With regards to the membership of CMAG, we expect adequate transparency around the appointment and reappointment process. We are keen to see further detail on the frequency of membership reviews as well as criteria for suitability and merit of appointed members in due course. It is important to agree on the optimal duration of membership, so that members can contribute fully and efficiently to the process. We are concerned that annual reappointment of members may be inefficient taking into account the proposed frequency of CMAG meetings.

Given the complexity of CM arrangements and their interaction with multiple areas of the market, including network codes, connections and wider policy developments, it is essential that the right level of expertise and knowledge from across all relevant areas is provided via CMAG membership, including consumer representatives and trade bodies.

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.

We are interested in joining the inaugural CMAG and look forward to receiving the formal request for expressions of interest.