
ADE Response | Ofgem Call for input – establishment of the Capacity Market Advisory Group and updating the Capacity Market Rules change proposal process | 10 February 2022

Context

The ADE welcomes the opportunity to respond to Ofgem's Call for input – establishment of the Capacity Market Advisory Group and updating the Capacity Market Rules change proposal process.

The ADE is the UK's leading decentralised energy advocate, focused on creating a more cost effective, low-carbon and user-led energy system. The ADE has more than 140 members active across a range of technologies, including both the providers and the users of energy equipment and services. Our members have particular expertise in demand side energy services including demand response and storage, combined heat and power, heat networks and energy efficiency.

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

The ADE supports the establishment of the CMAG.

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

The ADE agrees with the CMAG objectives. Adding efficiency or timeliness to Objective 2 may add clarity that both the presentation of recommendations to Ofgem as well as the internal operation of the CMAG is conducted in a time efficient manner.

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

Without explicit guidance as to who must comprise the CMAG, in terms of how many representatives from industry (and what sectors), trade associations, and other stakeholders (including consumer advocates) there could arise a situation in which the CMAG dismisses a proposal to move forward for consultation owing to lack of perspective in the issue area at question. In a similar vein, time commitment to the CMAG could deter smaller actors from applying for membership thereby exacerbating the representation question above.

Likewise, the procedure for reaching a recommendation must be clarified and a means to appeal or for Ofgem to reconsider a CMAG recommendation ought to be explored.

Conversely, adding another layer to the Rules Change process, along with maintaining the option to propose directly to Ofgem and BEIS' ability to initiate Rules Changes autonomously, could significantly add to timelines thereby undermining the CMAG objectives of being dynamic and adaptive to market conditions. Further clarity on how changes to the rules and regulations can be streamlined with the help of the CMAG process would be helpful, especially since the Delivery Partners will sit on the group. How the implementation of such rules changes are ensured in a timely manner, to avoid delays similar to those in the past, should also be explicated.

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?

No.

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.

The ADE does not have a position on this question, noting that it should be kept under review in concert with any other major CM changes.

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?

As above, better clarity on the representative character of the CMAG could avoid some unintended consequences. There is a difficult balance to be struck between ensuring timeliness for the Rules Change process and overwhelming potential members' ability to apply or effectively participate. More clarity should be provided on how this balance will be achieved, thereby giving industry and stakeholders legitimate expectations on how the CMAG will operate.

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.

The ADE may be interested in joining the CMAG, depending on the composition issues addressed above.

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