

Guidance

The Change Process for the Capacity Market Rules

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Overview

This guidance is published to accompany our decision to establish the Capacity Market Advisory Group (“CMAG”). The process allows stakeholders to submit change proposals to CMAG or directly to Ofgem. Our view is that change proposals will benefit from CMAG analysis and hence we may refer change proposals submitted to us to CMAG.

Key provisions for the establishment and operation of CMAG are set out this update to the 2016 Change Process for the Capacity Market Rules Guidance document¹ (“2016 Guidance document”).

This is a finalised version of the draft Guidance,² we consulted on in January 2022, which also includes further changes in response to industry feedback which we set out in our decision establishing CMAG.

This guidance is for industry and interested parties on the change process for the Capacity Market Rules (the “CM Rules”) and the key design principles for the Capacity Market Advisory Group (“CMAG”) as part of this process.

The Capacity Market (“CM”) is designed to provide investment in the overall level of reliable capacity (both supply and demand side response) needed to help ensure secure electricity supplies. It was introduced as part of the government’s Electricity Market Reform (“EMR”) programme. The Capacity Market Rules govern how the Capacity Market

¹ <https://www.ofgem.gov.uk/publications/final-guidance-capacity-market-cm-rules>

² <https://www.ofgem.gov.uk/sites/default/files/2022-01/Draft%20Guidance%20Change%20Process%20for%20CM%20Rules%20%2C%20CMAG%20Final.pdf>

is implemented, as set out in The Electricity Capacity Regulations 2014 (the “Regulations”).

Ofgem is responsible for amending, adding to, revoking or substituting any provision of the Capacity Market Rules in line with the Regulations.

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Executive Summary

The Capacity Market is governed by secondary legislation through a combination of the Regulations and the CM Rules. The CM Rules provide the detail for implementing much of the Capacity Market operating framework set out in the Regulations. This includes many of the technical rules and procedures relating to how the Capacity Market operates. A list of what the CM Rules cover can be found in the introduction and overview.

We became responsible for the CM Rules the day after the results of the first auction were published in January 2015. This guidance shows the process we will follow to amend, add to, revoke or substitute any part of the CM Rules. It includes the change process and the legal framework that underpins it.

This document also contains guidance related to CMAG and describes how the processes followed by Ofgem and CMAG interlink and complement each other. CMAG has been created to improve the effective functioning of the CM by enabling the change process to become more dynamic and adaptive to changing market conditions, whilst also increasing transparency and promoting collaboration between experts and stakeholders.

Industry and other interested parties should use this guidance document to familiarise themselves with how a CM Rule Change proposal can be submitted via CMAG or Ofgem, CMAG's key design principles and objectives, and the role of CMAG and associated parties in the CM Rule Change process. The CMAG Secretariat and CMAG members should also use this guidance to ensure the efficient operation of CMAG. The guidance also includes Ofgem's principal objective and general duties, and the three objectives we will have regard to when making decisions to change the CM Rules (see paragraphs 1.11 and 1.12).

CM Rule Change proposals can be submitted by industry and other interested parties at any time via CMAG or Ofgem. We will work with CMAG to determine the optimal frequency and timing for consultations.

This guidance will be reviewed and updated as required.

Context and Related Publications

Context

Electricity Market Reform is a government policy that seeks to incentivise investment in secure, low-carbon electricity, improve the security of Great Britain's electricity supply, and improve affordability for consumers.

The Energy Act 2013 introduced several initiatives to achieve this. The Capacity Market has been introduced to help ensure security of electricity supply at the least cost to the consumer. It will be administered by National Grid Electricity System Operator ("NGESO"), alongside a number of Delivery Partners.

We have several important roles in EMR, including:

- being responsible for the Capacity Market Rules (the "CM Rules")
- having oversight of and enforcement powers over how NGESO, suppliers and generators are complying with The Electricity Capacity Regulations 2014 (the Regulations) and the CM Rules
- determining certain disputes where participants disagree with a decision made by NGESO
- monitoring the Capacity Market and the Contracts for Difference policies
- enforcing competition law and compliance with CM Rules and the Regulations.
- reporting on the effectiveness of the Capacity Market generally and on NGESO's performance.

The Regulations came into force on 1 August 2014 and contain provisions allowing amendments to the CM Rules. The CM Rules provide the detail for implementing much of the operating framework set out in the Regulations.

Related Publications

1.1 The Electricity Capacity Regulations 2014

http://www.legislation.gov.uk/ukxi/2014/2043/pdfs/ukxi_20142043_en.pdf

1.2 The Capacity Market Rules

<https://www.ofgem.gov.uk/electricity/wholesale-market/market-efficiency-review-and-reform/electricity-market-reform/capacity-market-cm-rules>

1. Legal Framework and Change Process

Section summary

This chapter explains the legal framework that underpins the change process for the Capacity Market Rules (the CM Rules). This includes a summary of the grandfathered provisions. It also states the objectives we shall have regard to when making decisions to change the CM Rules and an overview of the CM Rule Change process.

Legislative framework for the CM Rule Change process

1.1 Under the Electricity Market Reform (EMR) programme, we became responsible for the CM Rules the day after the results of the first auction were published in January 2015. The Capacity Market is governed by a combination of The Electricity Capacity Regulations 2014 (the Regulations) (as amended) and the CM Rules. The Regulations provide the overarching policy and design, including the powers that the Secretary of State retains. The CM Rules underpin the Capacity Market and provide the detail for implementing much of the operating framework in the Regulations. The CM Rules include details on:

- auction guidelines and de-rating information
- prequalification information
- determination of eligibility
- capacity auctions
- capacity agreements
- capacity market register
- obligations of capacity providers and system stress events
- transfer of capacity obligations
- volume reallocation
- transitional arrangements
- monitoring
- testing regime
- metering recovery faults and repayment of capacity payments
- data provisions

1.2 In accordance with the Regulations, we must consider all proposals from:

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- the Secretary of State
- the Delivery Body
- any person who is a holder of a licence to supply electricity
- any person who is a capacity provider
- an applicant, or a person wishing to apply to bid in a capacity auction; or
- a representative body representing persons (c) or (d) above or any other class of persons which we consider to have a sufficient interest in the capacity market.

1.3 Before making any changes to the CM Rules, we must consult with:

- the Secretary of State
- the Delivery Body
- any person who is a holder of a licence to supply electricity under section 6(1)(d) of EA 89
- any person who is a capacity provider
- such other persons as we consider it appropriate to consult.

1.4 This applies whether we have identified the potential change through our own analysis or through a proposal from an external party.

1.5 We will publicly consult on our website³ on proposed changes to the CM Rules to ensure industry and interested parties have an opportunity to comment.

1.6 If we do not think there is a good reason to take forward a proposal received from the parties set out in 1.2 above, we must publish our reasons for this decision.

1.7 The CM Rules will apply to all capacity providers with capacity agreements. Certain terms in the capacity agreements have been grandfathered⁴ by the Secretary of State through the Regulations. The terms covered by this in regulation 31(2)(a)-(i) are:

³ <https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/capacity-market-and-emr-dispute-resolution>

⁴ A provision in which certain terms set out in The Electricity Capacity Regulations 2014 continue to apply in respect of existing agreements, while the equivalent new CM Rule will apply to all future participants. Further information on the grandfathered terms can be found in Regulation 31 (2) a-i of The Electricity Capacity Regulations 2014.

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- the description of the CMU in respect of which the capacity agreement is issued
 - the duration of the capacity agreement, and the delivery year or years for which it is issued
 - the capacity obligation for which the capacity agreement is issued
 - the capacity cleared price
 - in the case of a capacity agreement issued following a T-4 auction, the base period applicable for the purpose of calculating capacity payments
 - the annual penalty cap and monthly penalty cap applicable in accordance with the electricity capacity regulations in force at the date of issue of the capacity agreement, expressed respectively as percentages of the annual capacity payment and the monthly capacity payments payable under the capacity agreement
 - whether the capacity provider is subject to a financial commitment milestone and, if so, the date by which that milestone must be met
 - whether the capacity provider is subject to a minimum completion requirement and, if so, the long stop date in respect of that requirement
 - the rates at which termination fees are payable, which must be determined by the Delivery Body in accordance with regulation 32.
- 1.8 These terms in existing capacity agreements will be unaffected by subsequent related changes to the CM Rules.
- 1.9 We will avoid making changes to CM Rules between a prequalification and an auction where possible. Numbered paragraph

The Objectives

- 1.10 We must act consistently with our principal objective and general duties when exercising our power to change the CM Rules.
- 1.11 Our principal objective is “to protect the interests of existing and future consumers in relation to gas conveyed through pipes and electricity conveyed by distribution or transmission systems. The interests of such consumers are their interests taken as a whole, including their interests in the reduction of greenhouse gases in the security of the supply of gas and electricity to them and in the fulfilment by the Authority, when carrying out its functions as the designated regulatory authority for Great Britain, of the objectives set out in

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Article 40(a) to (h) of the Gas Directive⁵ and Article 36(a) to (h) of the Electricity Directive.”^{6,7}

1.12 In addition, when we make any changes to the CM Rules, we must have regard to the following objectives (the “CM Rule Change Objectives”) which are set out in the Regulations:

- promoting investment in capacity to ensure security of electricity supply
- facilitating the efficient operation and administration of the Capacity Market
- ensuring the compatibility of the Capacity Market Rules with other subordinate legislation under Part 2 of the Energy Act 2013.⁸

1.13 Ofgem has to consider all proposals to change the CM Rules that are submitted. The key aspects of the standard process are described in chapter 3.

Urgent Proposals

1.14 Certain proposals can be classified as urgent. We will judge whether proposals are urgent on a case-by-case basis. An urgent proposal must be in accordance with our principal objectives and general duties and have regard to the CM Rule Change objectives. It should be linked to an imminent or current issue, and one which if not urgently addressed may:

- affect the efficient operation of the capacity market, and/or
- have a significant commercial impact on capacity market participants, possible capacity market participants, consumers or other stakeholders.

1.15 Urgent proposals can be raised with CMAG or directly with Ofgem.

1.16 Any proposed change, including an urgent change, is subject to a statutory consultation.

1.17 The Secretary of State retains the power to change the CM Rules after we take responsibility for them, subject to consultation.

⁵ Directive 2009/73/EC

⁶ Directive 2009/72/EC

⁷ For full details on our principal objective and general duties please see: <https://www.ofgem.gov.uk/publications-and-updates/powers-and-duties-gema>

⁸ This is set out in regulation 78 of The Electricity Capacity Regulations 2014

2. Capacity Market Advisory Group

Section summary

This chapter defines the key operating principles for CMAG, including the objectives it should follow when processing CM Rule Change proposals. It also provides details on CMAG membership and defines the role of the Secretariat and Delivery Partners⁹ in CMAG.

Introduction

- 2.1 This guidance document provides the framework for the operation of CMAG as an important part of the CM Rule Change process, and its integration with the process followed by Ofgem for making CM Rule Changes. It should be used by the CMAG Secretariat and CMAG members to ensure the efficient operation of CMAG. It should also be used by CM stakeholders who wish to understand and be involved in the overall process, and to inform themselves on how to submit CM Rule Change proposals for consideration.

CMAG objectives

- 2.2 We have identified three core objectives and associated details to ensure that CMAG operates under a robust set of guidelines that add value to the overall CM Rule Change process. These objectives should be used by CMAG members and the Secretariat when designing the CMAG process and when developing, scrutinising and prioritising CM Rule Change proposals, and submitting recommendations to Ofgem. The following table provides more detail about the CMAG objectives.

⁹ The Capacity Market Delivery Partners consist of the Department for Energy Security and Net Zero (DESNZ), National Grid Electricity System Operator (NGESO) who act as the Electricity Market Reform Deliver Body (NGESO DB or "Delivery Body"), the Capacity Market Settlement Body and Ofgem.

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Objective	Details
Ensure CM Rule Changes submitted to Ofgem via CMAG further Ofgem's principal objective as detailed in paragraph 1.11 of this guidance and the CM Rule Change objectives, as detailed in paragraph 1.12.	Demonstrate due regard and consideration of the CM Rule Change objectives when assessing and prioritising proposals and ensuring that recommendations to Ofgem further Ofgem's principal objective and the CM Rule Change objectives.
Present recommendations in a clear, robust and well-evidenced manner.	<p>a) Utilise industry and stakeholder-led discussion to assist in the development, scrutiny, and scoping of change proposals before they are submitted to Ofgem. These discussions should consider the complexity, efficacy and urgency of the proposals by, for example, effectively incorporating an initial impact assessment and advice provided by relevant Delivery Partners.</p> <p>b) Consider developments within the wider industry codes governance framework. Identify and recommend relevant changes to the CM Rules to promote regulatory alignment.</p>
CMAG operates and is administered in an efficient, impartial, and transparent manner.	<p>Develop a CMAG change proposal process that is accessible and understood by industry and interested parties. Consideration should be given to promoting consistency with the template used to submit CM Rule Change proposals directly to Ofgem, as described in Chapter 3 of this guidance.</p> <p>Develop a framework for assessing and prioritising proposals, based on a fair assessment of the impact as evaluated against the CM Objectives (paragraphs 1.11 and 1.12), while incorporating the views of all members and the benefits to consumers.</p> <p>Maintain a forward programme of change proposals, with input from stakeholders, including Ofgem.</p> <p>Ensure decisions and recommendations consider and balance a wide range of relevant stakeholder views.</p>

- 2.3 CMAG has the potential to better the effective functioning of the CM, enable the CM Rule Change process to become more adaptive and dynamic and improve transparency. Ofgem will consider the performance of CMAG against its objectives on an annual basis and consider the case for the ongoing functioning of the group for the following year. This will align with the annual membership process

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(paragraph 2.9) and will take into account views from the other Delivery Partners and the operation and outputs of the group.

Membership

- 2.4 CMAG membership will be comprised of select Capacity Market participants and other stakeholders, such as consumer groups, that meet regularly to develop, analyse, prioritise and recommend Rule Changes to Ofgem for approval. CMAG membership should bring together a wide range of relevant practical expertise and knowledge. Members will apply their expertise in an impartial manner to further Ofgem's principal objective and the CM Rule Change objectives (see paras 1.11-12) and, ultimately, consumer interests.
- 2.5 All interested parties must demonstrate suitability to join CMAG ahead of appointment. The CMAG Secretariat will be responsible for running the annual appointment of CMAG members. Ofgem will appoint the inaugural CMAG members and ratify members proposed by the Secretariat on an annual basis.
- 2.6 Ofgem will be part of CMAG. We will attend meetings and provide guidance in discussions when appropriate, including on the creation and updating of the CMAG process as needed.
- 2.7 The Delivery Partners will provide nominated representatives that will not be subject to this selection process.
- 2.8 Proposers who are not CMAG members will be able to raise proposals and typically be able to attend meeting. Proposers are listed in paragraph 1.2.

Role of the Secretariat

- 2.9 It is our view that an independent CMAG Secretariat, provided by a body who has the appropriate skills and experience to perform this function in an efficient and effective manner, will bring benefits to the group.
- 2.10 To ensure the efficient operation of CMAG and the fulfilment of its objectives, we expect the Secretariat to administer the following arrangements:
- Support the administrative running of the group, including meeting organisation, minuting and facilitation of meetings of meetings.
 - Design and operate the annual CMAG members appointment process, ensuring the suitability and merit of appointed members.
 - Maintain a priority list of CM Rule Change proposals.

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- Support proposers in the early development of change proposals, for example providing expert administrative or technical advice, if required,
- Prepare submissions on change proposals that have been assessed by CMAG and submit to Ofgem for consideration, ensuring the submissions and underlying case for change aligns with the CMAG objectives.
- Act impartially in administering the CMAG arrangements.

Role of Delivery Partners

- 2.11 The Delivery Partners will have full membership status. In addition, they will aim to provide the wider CMAG membership with information and advice that enables the group to make reasoned and robust decisions and recommendations, e.g., on the prioritisation of CM Rule Change proposals.
- 2.12 We recognise that it will not necessarily be practical or desirable for the Delivery Partners to provide CMAG with fully costed impact assessments for changes under consideration. However, to provide effective recommendations on prioritisation and scheduling, CMAG will require relevant Delivery Partners to provide an initial impact assessment to help form a view on the complexity of the change under consideration and implementation costs and timelines.

3. Developing the amended CM Rules

Section summary

The chapter explains how the process to change the CM Rules will work, how proposals for changes will be brought forward, the consultation process, and how we will publish our decisions.

Introduction

- 3.1 This section describes how the CM Rule Change process works and how the processes followed by CMAG and by Ofgem interlink and complement one other. It also describes the process for submitting change proposals directly to Ofgem. For details on how to submit change proposals to CMAG, please refer to the CMAG process.
- 3.2 The CM Rule Change process incorporates the work of CMAG into Ofgem's statutory obligation to consider CM Rule Changes raised by proposers (as defined

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in paragraph 1.2 of this document). Stakeholders can submit CM Rule Change proposals to CMAG, who will then make reasoned recommendations to the Authority. Proposers remain able to submit change proposals directly to Ofgem. We anticipate that most change proposals will benefit from initial submission to CMAG as the proposals will be exposed to wider industry expertise and scrutiny earlier in the development process.

- 3.3 We acknowledge that some stakeholders may wish to share confidential or sensitive information directly with Ofgem, such as price sensitive information or concerns related to Competition Law. Directions on how to submit confidential information in addition to your change proposal is included on the “Proposal for a Capacity Market Rule Change” form in Appendix 2. All rule changes are subject to statutory consultation and no confidential information should be included in the “Proposal for a Capacity Market Rule Change” form itself. Ofgem may send any proposals it receives to CMAG for their consideration, but we will not share any confidential information without the express permission of the proposer.
- 3.4 Figure 1 shows a high-level diagram of the integrated CM Rule Change process. It shows the two possible change proposal submission routes (either to CMAG or to Ofgem), and the route that Ofgem follows when considering change proposals recommended by CMAG and those submitted directly to Ofgem.

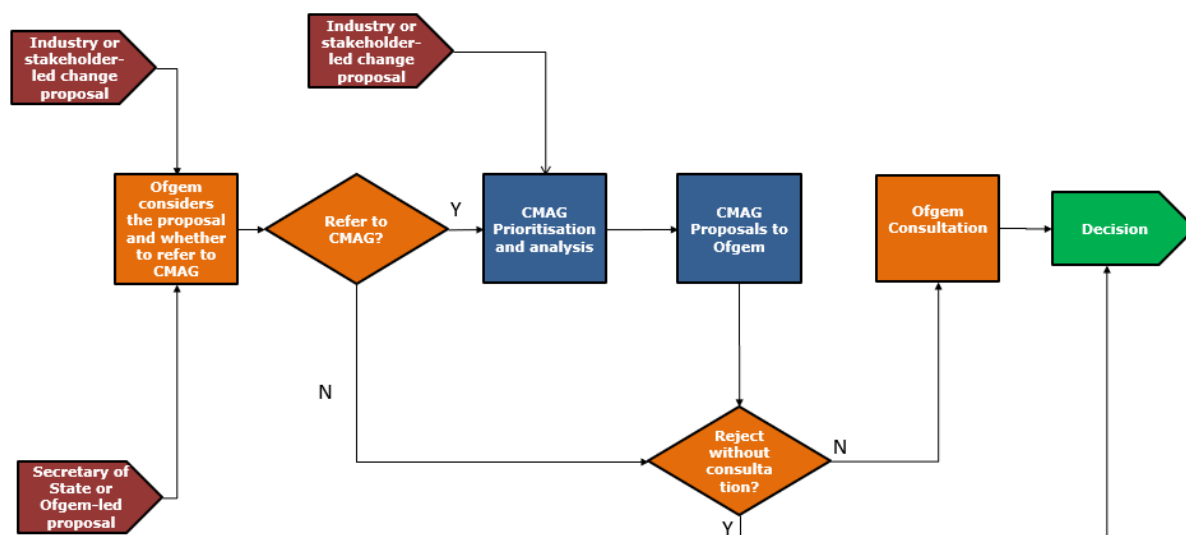


Figure 1: CM Rules Change Process

- 3.5 Ofgem can receive change proposals at any time either directly from industry participants and stakeholders or via CMAG, in accordance with the CMAG process.

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- 3.6 The Secretary of State retains the power to change the CM Rules after we take responsibility for them, subject to consultation.
- 3.7 Any proposed change, including an urgent change, is subject to a statutory consultation. If Ofgem decides to reject a proposal without consultation, it must publish the reasons for this decision. We will work with CMAG to determine the best timing and frequency of consultations. We will work with the proposer to anonymise and remove any commercially sensitive information before referring a change to CMAG.

How to bring forward a change proposal

Industry or stakeholder-identified changes

- 3.8 While submitting change proposals directly to CMAG promotes transparency in the Capacity Market Rule Change process and ensures that proposals benefit from the input of a panel of impartial capacity market experts, Rule Change proposals can also be submitted directly to Ofgem, as mentioned previously.
- 3.9 As part of our obligation to consider the proposal under regulation 79(3) of the Regulations, we may decide to refer the proposal to CMAG for inclusion in the overarching CMAG prioritisation programme (as a precursor to making a decision on whether to implement the change). We may also decide to consult directly or reject the proposal, publishing our reasons for this decision.
- 3.10 To submit a change proposal via the CMAG process, please follow the CMAG process, as maintained and made public by the CMAG Secretary.¹⁰
- 3.11 Any proposals for changes to the CM Rules made directly to Ofgem should be made via the change proposal form available on our website¹¹ (see example in Appendix 2). The form is standardised which means we get the information we need to make an informed decision. The areas we ask for information on are:
- A brief summary of the proposal. We will publish this summary on our website.
 - A description of the issue that the change proposal seeks to address
 - The proposed solution to the issue

¹⁰ <https://cmag.elexon.co.uk/change-proposals/>

¹¹ <https://www.ofgem.gov.uk/publications/decision-establishing-capacity-market-group-cmag>

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- Any existing proposals already submitted which the proposal relates to (if any)
- The proposed revised drafting, including whether the change is an amendment, addition, revocation or substitution and highlighting the changes to the current wording if applicable. This section can be left blank if desired and CMAG/Ofgem will propose legal text that best achieves the proposed solution. Your analysis and evidence on the impact on industry and/or consumers of making the change, including a justification for the change with reference to the CM Rule Change Objectives (see paragraphs 1.10 to 1.12), any significant risks and any potential implications for industry codes. It is useful to identify any impact on industry codes¹² at an early stage and say how you will take this forward where applicable.
- Whether you wish the proposal to be treated as urgent and a justification for this if yes, including the dates by which the CM Rule Changes need to be made and the consequences of not acting in time.

3.12 For CM Rule Change proposals submitted to Ofgem, legal drafting can be included but is not required, and we request that proposals include as much detail as possible. Clear proposals backed with a sound justification, thorough analysis and specific legal drafting (where possible) will ensure we - and industry - can assess the potential impacts of the proposal effectively and reach a decision on it as soon as possible.

3.13 To provide clarity on the process and to reduce the risk of duplication, all proposals will be published on our website. Please note therefore that proposals will become public. If you wish to include confidential information to support your proposal, we provide two routes to do this:

- Submit the CM Rule Change Proposal document directly to CMAG (cmag@exelon.co.uk) excluding the confidential information, then submit a copy of this document plus an additional file containing the confidential information (marked as confidential) to emr_cmrules@ofgem.gov.uk
- Submit the CM Rule Change Proposal document plus an additional separate file containing the confidential information (marked as confidential) directly to Ofgem at emr_cmrules@ofgem.gov.uk

¹² See <https://www.ofgem.gov.uk/energy-policy-and-regulation/industry-codes-and-standards>

Withdrawing a proposal

- 3.14 If you wish to withdraw a proposal once it has been submitted, please email EMR_CMRules@ofgem.gov.uk with your reasons.
- 3.15 Even if you seek to have the proposal withdrawn, we may progress the proposal ourselves if we think the proposal is useful.

Ofgem-identified changes

- 3.16 In addition to changes proposed by external parties, we may also identify proposed changes to the CM Rules. For example, if the Secretary of State changes the Regulations in a way that directly affects the CM Rules, we may consider if associated CM Rule Changes would be beneficial.
- 3.17 We are separately required to produce an annual report on the operation of the Capacity Market for the Secretary of State. We will consider our findings from that report process to inform our decisions on changes to the Rules.
- 3.18 If we identify an urgent issue to be addressed, we may take a change forward ourselves (see figure 1). Any change would be subject to a statutory consultation.
- 3.19 We may also ask CMAG to consider certain high priority issues.

Consultation on the draft amended CM Rules

- 3.20 The draft revised CM Rules will be subject to consultation. We will aim to publish the revised CM Rules at times that sufficiently avoid the prequalification period to provide as much clarity on arrangements for the process as possible to interested parties.
- 3.21 Throughout the process we may organise ad hoc stakeholder events in addition to any stakeholder workshops before the final deadline, to discuss issues if we feel there is a particular benefit in doing so.

Interaction with the Codes

- 3.22 The CM Rules are in secondary legislation, and therefore sit above the existing industry codes which set out the day-to-day rules that govern the gas and electricity arrangements in Great Britain. It is important that the industry codes are consistent with legislation, including the CM Rules. The industry codes place requirements on code parties in relation to change coordination, including for

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EMR.¹³ We expect industry to consider if an industry code change is likely to be needed when bringing forward any proposal to change the CM Rules. There is space in the change proposal to allow for this. It is industry's responsibility to identify consequential changes and ensure that, amongst other things, industry codes remain consistent with relevant legislation.

- 3.23 When a code modification proposal is raised, we would expect changes to the CM Rules to be identified. This would be part of existing duties on industry in relation to change coordination. This should include assessment of whether any change is consistent with legislation – which includes the CM Rules. We will take into account whether any proposed code modification is compatible with legislation, including the CM Rules, when we make a decision on it.

Publishing the final decision

- 3.24 The amended CM Rules will be published in so far as possible to avoid the prequalification period. We will publish feedback on the proposals received and the areas addressed by the revised CM Rules, including why we did not take certain proposals forward.
- 3.25 We will have the ultimate responsibility for the legal drafting of the final published CM Rules.
- 3.26 The amended CM Rules will apply to participants who already have a Capacity Agreement. Terms which have been grandfathered through the Regulations will remain unaffected.
- 3.27 All proposals will be published on our website. This ensures transparency and makes the process more efficient for interested parties.

¹³ See BSC section F clause 1.6, CUSC clause 8.15, Grid Code General Conditions clause 4.6 and STC section B clause 7.2.9

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Appendix 1 – Glossary

C

Capacity Agreement

A Capacity Agreement is the term used to describe the rights and obligations accruing to a Capacity Provider in relation to a particular Capacity Committed CMU in respect of one or more Delivery Years under or by virtue of the Regulations and these Capacity Market Rules, including the right to receive Capacity Payments in relation to the Capacity Committed CMU and the Capacity Obligation in relation to the Capacity Committed CMU.

Capacity Market (capacity mechanism)

The Capacity Market is the mechanism designed to provide investment in the overall level of reliable capacity (both supply and demand side response) needed to ensure secure electricity supplies.

Capacity Market Advisory Group (CMAG)

CMAG is a group consisting of industry and interested parties that develops, scrutinises, and prioritises CM Rule Change proposals before they are submitted to Ofgem for decision.

Capacity Market Register

The register maintained by the Delivery Body in accordance with Capacity Market Rules.

Capacity Market Rules (CM Rules)

A set of explicit principles that govern the conduct and procedure within the Capacity Market. The Capacity Market Rules provide the detail for implementing much of the operating framework set out in The Electricity Capacity Regulations 2014 (the Regulations).

Capacity Market Unit (CMU)

A Capacity Market Unit (CMU) is a unit of electricity generation capacity or electricity demand reduction that can then be put forward in a future Capacity Market auction.

Capacity Provider

For any Capacity Committed CMU and Delivery Year, the person who was the Applicant for that CMU at Prequalification.

Change Proposal (CP)

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A request made to change a provision of the Capacity Market Rules, usually submitted in a pro forma.

CMAG Objectives

Objectives derived from the Regulations to ensure that CMAG is operated and administered in an efficient, objective, and transparent manner.

Code

A multilateral code or agreement created and maintained pursuant to a licence granted by the Authority under section 6 of the Act or under sections 7, 7ZA or 7A of the Gas Act 1986.

D

Delivery Body

National Grid Electricity System Operator (NGESO).

Delivery Partners

The Capacity Market Delivery Partners consists of the Department for Energy Security and Net Zero (DESNZ), National Grid Electricity System Operator (NGESO) who act as the Electricity Market Reform Delivery Body ("NGESO DB" or "Delivery Body"), the Capacity Market Settlement Body and Ofgem.

DESNZ

The Department for Energy Security and Net Zero

E

Electricity Capacity Regulations

The Electricity Capacity Regulations 2014 provide the overarching framework for the Capacity Market, including such matters as determining whether a capacity auction should be held and the determination of auction parameters by the Secretary of State.

EMR

Electricity Market Reform.

G

Grandfathering

A provision in which certain terms set out in The Electricity Capacity Regulations 2014 continue to apply in respect of existing agreements, while the equivalent new Rule rule will apply to all future participants.

N

National Grid Electricity System Operator (NGESO)

The transmission system operator for Great Britain. NGESO is responsible for procuring balancing services to balance demand and supply and to ensure the security and quality of electricity supply across the Great Britain transmission system. NGESO has also been appointed by BEIS to be the delivery body for EMR.

O

Ofgem/The Authority

Ofgem is the Office of Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority (the Authority), the regulator of the gas and electricity industries in Great Britain.

P


Prequalification

The written confirmation by the Delivery Body that a CMU has prequalified for a Capacity Auction.

Prequalification Period

For any Capacity Auction, the period specified in the Auction Guidelines within which applications for prequalification are to be made.

Appendix 2 – Capacity Market Rule Change Proposal Form

Capacity Market Rule Change Proposal		 Making a positive difference for energy consumers	
		Reference number (to be completed by Ofgem):	
Title (a short title which summarises your CM rule change request) Click here to enter text.			
Name of organisation(s)/individual(s): Click here to enter text.		Contact e-mail address: Click here to enter text.	
Contact Telephone Number: Click here to enter text.		Date submitted: Click here to enter text.	
Proposal abstract (a short summary, suitable for published description on our website) Click here to enter text.			
Description of the issue that the change proposal seeks to address: Click here to enter text.			
Proposed solution to the issue: Click here to enter text.			
List of alternative proposals already submitted which this proposal relates to (if any): Click here to enter text.			
If you know the specific change to the Capacity Market (CM) Rules you wish to make, please select the type of change below and propose specific revised text, indicating the provision number from the CM Rules and highlighting the change (if left blank, the Capacity Market Advisory Group (CMAG)/Ofgem may suggest revised text to achieve the proposed solution above): <div><input type="checkbox"/> Amendment <input type="checkbox"/> Addition <input type="checkbox"/> Revocation <input type="checkbox"/> Substitution</div> Click here to enter text.			
Analysis and evidence for the impact of the proposed change on industry and/or consumers, highlighting how the proposal meets the Ofgem/Capacity Market objectives set out in Regulation 78 of The Electricity Capacity Regulations 2014, any risks to consider and any implications for industry codes: Click here to enter text.			

Guidance - The Change Process for the Capacity Market Rules

Urgency

Select this box if you would like this proposal to be treated as “urgent” (see 1.14 of “The Change Process for the Capacity Market Rules – Guidance” (2022) for details on the requirements of an urgent proposal)? ☐

If selected, please include a justification, including any dates by which the CM Rules changes need to be made and the consequences of not acting in time (Note that urgent proposals may be deprioritised or rejected if the Rule Change suggested cannot be implemented before the date(s) set out in this section)

[Click here to enter text.](#)

Confidentiality

We want to promote transparency in the Capacity Market Rules change process. Submitting proposals directly to the Capacity Market Advisory Group (CMAG) supports transparency whilst ensuring that proposals benefit from the input of a panel of impartial capacity market experts whose role it is to support the development, scrutiny, and prioritisation of proposals to improve CM Rules.

Proposals submitted directly to Ofgem may be shared with CMAG or published on our website as part of a public consultation before any rule change is enacted, provided the information shared has not been marked as confidential.

To submit your proposal directly to CMAG, e-mail this document to cmag@exon.co.uk

If you wish to submit confidential information to Ofgem as part of your proposal, there are two routes to do this:

1. Submit this document directly to CMAG (cmag@exon.co.uk) excluding the confidential information, then submit a copy of this document plus an additional file containing the confidential information (marked as confidential) to emr_cmrules@ofgem.gov.uk
2. Submit this document plus an additional separate file containing the confidential information (marked as confidential) directly to Ofgem at emr_cmrules@ofgem.gov.uk

Nothing marked confidential will be shared outside of Ofgem without the express permission of the proposer.

Guidance - The Change Process for the Capacity Market Rules

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