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By email: EMR_CMRules@ofgem.gov.uk

Open letter on the Five Year Review of the Capacity Market Rules

Dear Michael,

RWE welcomes the opportunity to respond to the open letter on the five year review of the Capacity Market Rules. We are responding on behalf of RWE Supply and Trading GmbH and RWE Generation UK plc.

We believe that there is a great deal of scope to improve the Rules in order to make them simpler and clearer. To this end, a review with input from industry could work through key sections of the Rules to develop a more workable text. The capacity market has gone through a number of prequalification rounds and the first full delivery year and the experience gained should now be used to conduct a thorough review.

We agree with Ofgem that one of the areas in need of particular attention is secondary trading. The existing Rules make participation difficult and the timescales involved make trading close to real time impossible. We would particularly highlight the complex termination arrangements that exist, which impose unnecessary risks on both the buyer and the seller of a Capacity Market Agreement, making any associated contractual arrangements very difficult.

We would support a more streamlined process for correcting mistakes in the Rules through which simple changes could be made in short timescales, which could avoid unintended consequences. Such changes could include corrections to ALFCO as has been raised or, the (now clarified) requirement to state a VAT number when prequalifying.

While it is of course important that the Delivery Body provides a good service to participants, it is most critical that they apply the Rules consistently and objectively. Where the Rules are deficient, this may lead to accusations of inflexibility. However, NGET must apply the Rules as written rather than as participants may wish them to be written. As such care should be taken that NGET are not incentivised to 'flex' the

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Rules in ways that were not intended in order to improve their stakeholder satisfaction scores.

Yours sincerely,

By email

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