



Making a positive difference
for energy consumers

Capacity Market participants,
prospective participants and
other interested parties

Direct Dial: 020 7901 70000

Email: EMR_CMRules@ofgem.gov.uk

Date: 04 October 2019

Dear colleagues,

Update on the Forward Work Plan and the Capacity Market Rules change process

We published our report on our Five Year Review of the Capacity Market Rules ("Rules") on 31 July 2019¹. This report discharged our statutory obligation to carry out a review of the Rules within five years of their entry into force. This document also contained our Forward Work Plan for changing the Rules and regulatory framework over the next two years. This work plan outlined the areas in which we are carrying out further work, in response to feedback received to the First Policy Consultation².

One of the priority work streams we identified and highlighted in our Forward Work Plan was the improvement of our Rules change process. We set out that the Rules change process would benefit from several improvements such as formalising roles and responsibilities in the process; providing greater clarity over timelines; increasing transparency and seeking further industry involvement.

Our next piece of engagement on this work stream will be the Ofgem Capacity Market Rules change process workshop on 21 October 2019³, where we aim to test our principles of the

¹ <https://www.ofgem.gov.uk/publications-and-updates/report-our-five-year-review-capacity-market-rules-and-forward-work-plan>

² <https://www.ofgem.gov.uk/publications-and-updates/five-year-review-capacity-market-rules-first-policy-consultation>

³ <https://www.eventbrite.co.uk/e/ofgem-capacity-market-workshop-rules-change-process-tickets-70118768123>

revised change process framework with industry. We will then work to develop a consultation on the Rules change process guidance, which we aim to issue in Q1 2020. A guidance document outlining the future approach to the ongoing Rules change process will then be developed from this consultation.

In light of the responses to the First Policy Consultation and our wider findings of the Five Year Review, we have decided not to run a full Rules change process for 2019/20. While we establish the revised Rules change process, we will focus on developing changes on policy areas which have already been highlighted as part of our Five Year Review or raised by stakeholders in the First Policy Consultation. This is consistent with the programme outlined in the Forward Work Plan, and will allow us to take a prioritised approach and deliver lasting change to governance framework. Our view is that this is necessary to reform key areas such as Prequalification and Secondary Trading, as well as to enable the step change in systems development needed from the Delivery Body.

Although we will not be running a full Rules change process for 2019/20 we will still be accepting proposals for consideration where they meet the criteria for urgency set out in our current Guidance⁴.

Yours faithfully,

Chris Thackeray
Head of GB Wholesale Markets

⁴ <https://www.ofgem.gov.uk/publications-and-updates/final-guidance-capacity-market-cm-rules>