

ELEXON

09 February 2022

By e-mail to: EMR_CMRules@ofgem.gov.uk

Dear EMR CM Rules team,

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

Please find below Elexon Ltd's response to Ofgem's call for input, where we reaffirm our commitment to Ofgem and industry in operating the independent secretariat function for the Capacity Market Advisory Group (CMAG).

Elexon is the Code Manager for the Balancing and Settlement Code (BSC), which facilitates the effective operation of the electricity market. We are responsible for managing and delivering the end-to-end services set out in the BSC and accompanying systems that support the BSC. This includes responsibility for the delivery of balancing and imbalance settlement and the provision of assurance services to the BSC Panel and BSC Parties (energy Suppliers, generators, flexibility service providers and network companies). We manage not just the assessment, but also the development, implementation and operation of changes to central systems and processes. This includes independently chairing and facilitating industry discussions and developing impactful solutions to key industry challenges. In addition, our expertise is available to support the industry, government and Ofgem in considering future changes and innovation against the existing industry rules, for the benefit of the consumer. Elexon is a not-for-profit company, set up as an arms-length subsidiary of National Grid ESO (Electricity System Operator).

We also have Capacity Market (CM) related experience, through our operationally independent subsidiary, EMR Settlement Ltd. We calculate, collect and distribute payments to Contract for Difference (CfD) generators and CM providers, on behalf of the Low Carbon Contracts Company (LCCC). These services are provided to LCCC through a contract and on a not-for-profit basis.

We have limited our response to areas where we feel we can add value. If you would like to discuss any areas of our response, please contact Elliott Harper, BSC Change Manager at elliott.harper@elexon.co.uk.

Yours sincerely,



Victoria Moxham
Director of Customer Operations

Ellexon's consultation response

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

We support the benefits outlined by Ofgem for establishing the CMAG, and wish to reaffirm our commitment to operating the independent secretariat function for the CMAG.

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

As the proposed independent secretariat, we can support all areas, tasks and processes outlined in section 2 of the draft guidance, and support Ofgem's view that we have significant experience in delivering similar functions under the BSC.

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

At this stage, we have not identified any unintended consequences from the proposed CMAG or CM Rules change proposal process. However, we remain open and willing to support any future developments to the CMAG or CM Rules change proposal process that would better support Ofgem and industry. We are committed to ensuring the success of the CMAG in supporting industry change, and can be flexible to changes and increases in requirements of the scope of our independent secretariat support role, either prior to, or during CMAG operation.

Do you have any concerns about the suitability of Ellexon to act as Secretariat? If so, do you have a view on a suitable alternative?

To echo our response to the first question, we wish to reaffirm our dedication to operating the independent secretariat function for the CMAG, and are committed to providing a high quality service to Ofgem and industry. Undertaking the CMAG secretariat role will not impact on our business as usual BSC activities, and we will ensure that we resource to an efficient level to deliver this extra work for the benefit of industry and Ofgem.

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 do not have a particular view on the merits of any potential funding mechanism.

However, we believe the service we can provide will be cost effective and efficient for Ofgem and industry, due to the transferable skills and experience we already have in managing the BSC Change processes. These transferable skills will also ensure we have effective business continuity plans for the CMAG independent secretariat service.

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?

Section 2.9 of 'The Change Process for the Capacity Market Rules – Draft guidance update for consultation' states that the CMAG secretariat will independently chair the CMAG meetings. In contrast, the call for input Appendix B 'Indicative template for CMAG Terms of Reference' considers that the chair could be a CMAG member (elected or rotational), or the secretariat.

We consider that, as the proposed secretariat, we have the appropriate expertise to independently chair meetings, and can provide added value by having the independent chair within the same organisation. As the BSCCo, we have significant experience in managing a range of industry groups and Panels. For instance, we manage the BSC Panel and its sub-committees, as well as managing BSC Modification and BSC Issue working groups. For all of the aforementioned groups, Elexon provides independent chairing, meeting facilitation and minutes/summary notes. For BSC Modification and Issue Groups, Elexon drafts detailed technical reports to reflect industry change developments.

We believe there are strong benefits in having the independent chair within the secretariat, as the chair reviews all materials produced, and takes accountability not just for chairing the meetings, but also for the quality and independence of all materials produced.

We would welcome clarification from Ofgem that the secretariat will fulfil the chair role of the CMAG in line with section 2.9 of the draft guidance update.

The proposed frequency of CMAG meetings every two months seems a reasonable starting point for the group. We remain flexible to provide independent secretariat functions at a frequency that best supports Ofgem and industry.

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.

This question is not applicable for Elexon as proposed independent secretariat.