

9 October 2018

## **Open letter on the Five Year Review of the Capacity Market Rules and NGET's incentives**

We welcome the opportunity to respond to the above Open Letter. This response is made on behalf of National Grid Electricity System Operator (NGESO). The ESO fulfils the role of EMR Delivery Body for the Capacity Market (CM) and is responsible for pre-qualifying auction participants, running the capacity auctions, issuing and monitoring agreements, and for issuing CM notices. Our response to this Open Letter provides the views of the ESO and is not confidential.

We have focused our response on the complexity and burden that has resulted from incremental changes to the CM Rules since 2014. In appendix 1 we provide a detailed rationale for the four priority areas, these being: (1) more efficient ways to assess and implement changes to the Rules; (2) simplification of the Rules and less burden on participants; (3) the appropriateness of secondary trading arrangements; and (4) the appropriateness of NGET's incentives. Further to this, we have provided more detailed and specific evidence, in Appendix 2, on how the burden may be lessened and where renewed clarification of the intent within certain Rules would remove ambiguity.

The ESO is supportive of Ofgem's commitment to ensuring that the Rules continue to meet their objectives, remain appropriate, are achieved with less burden on CM participants, and deliver value to the consumer by prioritising the right changes. To this point, we agree with the four priority areas identified for improvement in the Rules, and welcome the focus on exploring more efficient ways to implement changes to the Rules and, where appropriate, to simplify the Rules, thus ultimately reducing the burden on participants.

The CM has undergone significant change since 2014 and is now operating in a very different context. Much of this change has been driven by the energy industry decentralising and has resulted in the emergence of new technologies and markets with greater numbers of active and diverse participants. At the same time the CM's framework and the Rules Change process have not evolved at the same pace. Incremental change to the Rules year on year has served to make the prequalification process complicated and there is significant effort required to participate in the CM, which may create unnecessary barriers to entry. We believe that consolidation of the incremental changes made to date, and rationalisation of the administration process and information that is required for prequalification, are critical to achieving simplification of the Rules and to ease the burden on participants.

As EMR Delivery Body, we recognise that it is our role to facilitate and guide applicants through the complexities of the CM. For this to happen in an efficient and pragmatic way, however, we believe it is necessary for the baseline CM Rules, current framework and incentives package to be reflective of the operational context in which the Delivery Body now functions. We therefore welcome the opportunity to:

- remove the complexity and burden that has resulted from incremental changes, while ensuring that we do not create ambiguity
- drive efficiencies in the Rules Change and Prequalification processes respectively
- define a structured change framework and governance that enables the implementation of more substantial change in the future
- revisit EMR incentives to make sure they are reflective of today's market

While we recognise that simplification of the Rules is important to achieving less burden on participants, we also believe that this simplification should be undertaken in a manner which is balanced and pragmatic. This will avoid introducing ambiguity for certain specific Rules where complexity and detail is necessary to safeguard against misapplication and/or misinterpretation. Further, we note that recent changes to regulations preventing applicants from submitting additional information if their application is rejected has resulted in participants raising concerns that the Delivery Body is not applying the Rules in a pragmatic way. This is an example of where increased ambiguity has, in the first instance, generated confusion and frustration for customers, and additional problems for the Delivery Body to manage.

We also see this review as an important opportunity for checking that the Rules provide a framework that drives changes aimed specifically at delivering benefits realisation for customers and value for consumers. To help achieve this, we see that there is potential merit in having a Panel that uses an agreed cost-benefit analysis approach and appropriately takes in to account stakeholder views to determine priorities for Rule Change implementation and associated system

development. As part of this process, specific consideration should be given to whether the proposed changes will result in demonstrable consumer benefit.

We welcome the opportunity to further discuss the points raised within this response. Should you require any further information or would like clarity on any of the points outlined in this paper then please contact Julian Ross in the first instance at [julian.ross@nationalgrid.com](mailto:julian.ross@nationalgrid.com).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'C McClay', with a long, sweeping underline.

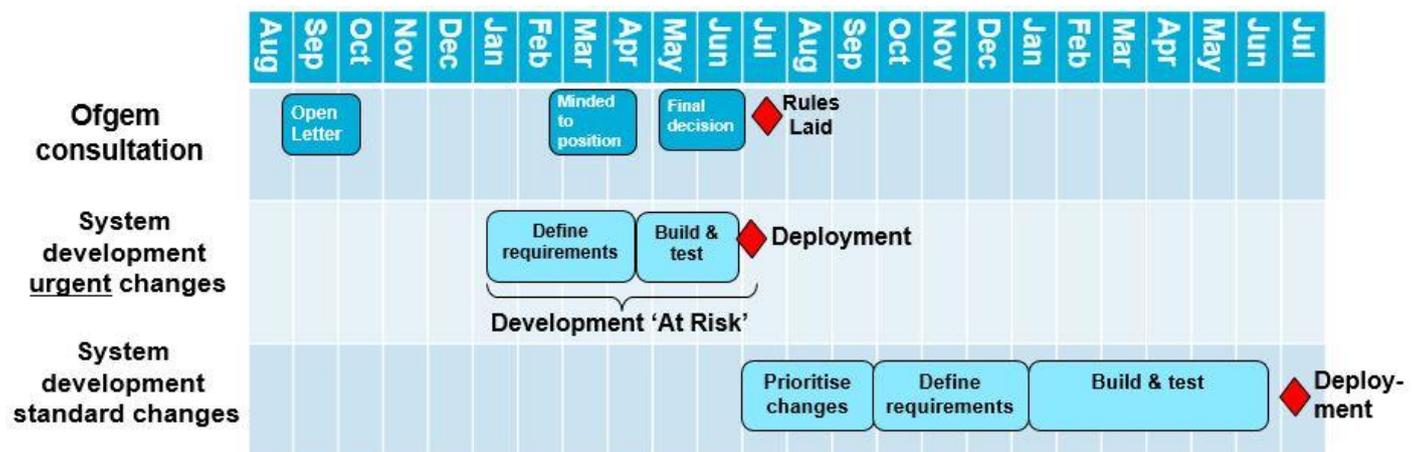
Cathy McClay  
Head of Future Markets

**APPENDIX 1**

**Assess and implement changes to the Rules**

We agree that there are efficiencies to be gained in the way that changes to the Rules are currently assessed and implemented. We see that there is potential merit in having a panel that uses an agreed cost-benefit approach, alongside appropriate consideration of stakeholder views, to co-ordinate and prioritise the implementation of Rule changes and associated system development. As part of this process specific consideration should be given as to whether changes will provide demonstrable benefits to consumers. The panel would be representative of diverse organisations across industry.

Sufficient time for implementation should be allowed between the final Rules and/or Regulations being laid and them coming into force. Current timings mean that applicants may have only a few weeks to confirm which Rule changes have been implemented and to understand the implications for their own applications. Equally, regarding system development, it is frequently the case that new system functionality is required to be 'live' within a few weeks of final Rules being laid, and this can introduce operational risks. To account for this short implementation window, much of the system development work currently takes place alongside the consultation process and before a final outcome has been confirmed. This approach introduces significant risk since expenditure can be wasted in developing functionality that subsequently is not required or needs to be amended. It is also difficult to accommodate large scale system changes as the limited time scales are not conducive to major development work. We recommend therefore that current timelines for the change process are amended. Our proposed change timeline is shown below.



As indicated above, we appreciate that there are some circumstances where system changes will be required within a shorter timescale and, in this case, suggest that recourse to the urgency criteria set out in Ofgem’s guidance is upheld.<sup>1</sup> Further, we suggest that only changes relating to significant inconsistencies in the Rules or Regulations, that could result in a major deviation from the policy intent of the CM scheme, should be considered as an urgent change. For example, a change to remove a barrier to entry that otherwise prevents participation. A shorter implementation timeline can be agreed for changes deemed to be urgent, potentially before the start of the prequalification period in the same year. However, it would be important for firm rule or regulation drafting to be received before development begins to reduce the potential risk of financial waste linked to developments which subsequently require revision.

The Open Letter also references Ofgem’s intention to take forward those changes which have already been consulted and decided on and urgent proposals. We believe it is important to highlight the issues and risks involved with the implementation of any changes that would require process redesign and/or system development to commence before the final Rule drafting is complete. There is potential risk associated with the implementation of previously delayed proposals, particularly if changes are required in 2019 and where firm rule drafting is not already in place. Similar risks will apply to any new ‘urgent’ proposals that are raised. Most of the Delivery Body’s development capacity in the period leading up to the 2019 prequalification period is already reserved for delivery of the DSR component reallocation change

<sup>1</sup> [https://www.ofgem.gov.uk/system/files/docs/2016/09/revised\\_guidelines\\_for\\_the\\_capacity\\_market\\_rules\\_150916.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/09/revised_guidelines_for_the_capacity_market_rules_150916.pdf)

(OF12).<sup>2</sup> We are keen to work with Ofgem to understand the prioritisation of these delayed and urgent proposals and to confirm a workable plan for the required system development once firm rule drafting is in place.

### **Simplification of the Rules and less burden on participants**

Since introduced in 2014, the Rules have undergone significant change each year, with the number of change proposals also increasing year on year. Over time this has made the task of managing and understanding the Rules more challenging for Capacity Providers (CPs) and Delivery Partners, and has been exacerbated by having Rules specific to each Capacity Market Unit (CMU) category, to prequalification and to Capacity Obligation.

We receive between 250 and 400 direct queries per month from applicants and CPs related to the prequalification and auction processes and Agreement Management activities, for which it provides support. This high volume of queries is indicative of the complexity of the Rules and the significant effort required to participate in the CM, which may create unnecessary barriers to entry. Moreover, as the role of the Delivery Body has evolved over time, in response to the growth in participation, it has been necessary to dedicate more resource to guiding and facilitating applicants through the CM process. We believe that by removing some of the current complexity it may be possible to move to a self-serve model, which in turn would allow us to make more efficient use of the resource to facilitate future development of the scheme and ensure that it remains fit for purpose and delivers consumer benefit.

The complexity of the Rules and Regulations is also highlighted by the fact that the latest CM prequalification guidance document (v13.0 September 2018) has 242 pages.<sup>3</sup> We believe that there is an opportunity to consolidate some of the incremental changes made to date and to rationalise the information that is required for prequalification. In our role as Delivery Body, we want to ensure that all data is required and collected from customers at the appropriate time (i.e. not all information is submitted during the six-week prequalification window). Currently the Delivery Body collects information for prequalification which is non-essential to the assessment of CM applications. For example, we collect evidence of delivery or non-delivery metering to monitor performance in a stress event. This information is important for settlement rather than prequalification.

We suggest that changes could be made to prequalification which would allow for exemption from the annual process where applicant circumstances remain unchanged and also facilitate the introduction of a rolling prequalification process carried out at any time in a year ahead of a pre-agreed deadline (see Appendix 1). This could be delivered through the introduction of a central database to consolidate relevant information.

The CM is open to applications of 2MW or greater and applications that aggregate even smaller components up to the 2MW de minimis. The Delivery Body must collect prequalification data for smaller applicants, but the equivalent data does not have to be collected for larger applicants. This is because certain data pertaining to larger applicants is already available from established industry processes and registers. As the market decentralises, this information will increasingly be required across the industry and not solely for the CM, thus we feel there is merit in exploring the adoption of an industry register that captures standardised information for small scale generation and DSR. Having a standard process in place should prevent duplication of information and ease the administrative burden on participants.

A review of the customer queries received by the Delivery Body and also the main points of complexity within the guidance material has identified several areas for further consideration. These areas align to two distinct categories: (1) reduce burden / simplify the Rules; and (2) Rule clarification. Appendix 1 contains specific examples of how the burden on participants may be lessened and where renewed clarification of the intent within certain Rules would help to avoid misinterpretation and misapplication. The Delivery Body would welcome an opportunity to explore these areas further with all parties.

### **Appropriateness of the secondary trading arrangements**

The Delivery Body supports the proposed holistic review of secondary trading arrangements and recommends that feedback to BEIS' Five Year Review of the Capacity Market, particularly around the penalty regime, is also considered. We agree that current secondary trading arrangements are complex for Capacity Holders, Transferees and the Delivery Body. For example, the processes around registering and assessing an "Acceptable Transferee" (where not already a

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<sup>2</sup> OF12 relates to an Ofgem proposal to amend the Rules to allow DSR components to be altered during a DY. DSR component reallocation will ensure that DSR CMUs or portfolios have the capacity to maintain reliability throughout the DY. The changes are due to take effect in 2018 DY.

<sup>3</sup> <https://www.emrdeliverybody.com/Prequalification/CM%20Prequalification%20Guidance%20v13.0%202018.pdf>

valid participant in the Rules), the time taken to identify a suitable counterparty and to negotiate trading agreements, and processing a trade when reviewing compliance against rule obligations.

We believe that the complexity of the current process adversely impacts the appetite to trade when balanced against the risk of a penalty for non-delivery against an Obligation. We have observed that trade levels for 2017/18 and 2018/19 Delivery Years (DY) have so far been low, with 29 out of the 33 trades made to date being for the full DY.

DY	Total Number of trades	Trades for full DY
2017/18	8	4
2018/19	25	25

Table 1: Secondary trades for 2017/18 and 2018/19

We consider there to be a number of factors which may influence the risk profile / incentive for Capacity Holders and Transferees when deciding whether to undertake a secondary trade. We believe that the existing penalty regime may not be an adequate deterrent, with the current charges for non-delivery instead incentivising participants to accept the risk profile of a non-delivery penalty compared to trading volumes away for period which may not be achievable (i.e. due to a planned or unplanned outage). This is likely a key factor in the liquidity of the secondary trading market, in particular for specific periods rather than the full DY.

The CM has now run in either Transitional or the Early Auction mode without the occurrence of a stress event. Applicants may, therefore, be reflecting this within their risk profile and decision making. Capacity Providers (CPs) can undertake Volume Reallocation post-stress event between any units that may under deliver against their obligations with other registered participants. This again influences the risk profile decision of providers when determining their appetite to trade.

We observe that for partial trades the Transferee is obligated to undertake testing in accordance with Chapter 13 of the Rules. This obligation, coupled with the introduction of the new Termination Events for non-delivery, may also be a consideration when the Transferee is deciding whether to participate in partial trades.

Under the current rules a Transferee's obligation is cancelled where the original Transferor becomes Terminated. This reduces certainty for trading parties and may therefore impact the liquidity of the market to take a partial trade (volume or number of days).

We consider there to be several opportunities to make it easier for those who wish to participate in secondary trading to do so. At present the secondary trading market is processed within the CM rather than being facilitated by a trading platform/party. In relative terms this means that the clear majority of trades (as shown by the Capacity Market Register trades to date) are carried out within a company's wider portfolio. We recognise that Section 9 of the Rules amalgamates the processes of Secondary Trading and CMU Transfers in to a single term "Transfer of Capacity Obligations". Customer feedback has shown that this section is confusing for participants that may wish to trade, therefore, we recommend that work is undertaken to make secondary trading obligations clearer with the CM Rules. We also observe that the Rules are applied differently for different types of Capacity Providers. For example, unproven DSRs are able to trade obligations, even where they have not met their Proven DSR testing, whilst prospective CMUs are unable to trade until they have met the relevant Substantial Completion Milestone. We recommend that the Secondary Trading Workgroup considers how the Rules are applied to ensure all parties are treated consistently.

The time taken to become an eligible secondary trading entrant also impacts participants' ability to participate with ease. To be an Acceptable Transferee for taking Secondary Trading obligations, under the current Rules, a participant must meet the criteria of rule 9.2.6. This criterion means that the Transferee must have either Prequalified for the DY, be a Prospective CMU that has met their Substantial Completion Milestone early or become an Eligible Secondary Trading entrant. Secondary Trading entrants go through an equivalent to a mini-Prequalification process (as per rule 3.13) for which the rules provide a period of up to three months for assessment (rule 4.9). This process is lengthy and can only currently be formally requested after the Auction Results Day of the T-1 Auction for the DY, which impacts on the opportunity to participate.

We recognise that the minimum period for approval of a Transfer reduces the opportunity for trades to be taken closer to real-time events (e.g. managing obligations against unplanned outages). At present, once a trade has been matched between the Registered holder and the Transferee, the current Rules (9.3.1) require at least 5 working days before the first calendar day of the trade obligation. This period is primarily intended to allow the Delivery Body to review and approve compliance of the trade within rule requirements.

Current Rules only permit a trade to be enacted for a DY once the T-1 Auction has been undertaken. This means that a Capacity Holder cannot formalise trades made across multiple years. The implication being that should a party wishes to extract themselves from an obligation by trading (due to their risk profile on delivery or business strategy) they can only do so one year at a time. This increases the administrative burden for a Transferor in managing their obligation and the risk of non-delivery where a Capacity Holder is unable to trade.

Rule 9.2.6 (ii bb) requires a Transferee to have delivered capacity at least equal to the De-rated capacity for a settlement period within the six months prior to the first date of the relevant DY. Transferees are required to provide evidence of their performance, in order for the trade to be accepted, which again increases the administrative burden for a Transferee and may therefore negatively influence their appetite to participate.

### Appropriateness of NGET’s incentives

The EMR financial incentives were implemented in 2014 and are expected to be in place until the end of 2020/21. The incentives are detailed within Special Licence condition 4L (SLC 4L) and result in an adjustment to the Maximum SO Internal Revenues (either Positive or Negative) two years after the relevant year.

The Capacity Market has undergone significant change each year since 2014. This change has largely been driven by the energy industry decentralising and has resulted in a market with greater numbers of active participants, and new emerging technologies. We welcome the opportunity to revisit the EMR Incentives to make sure that they are reflective of today’s market and, as much as possible, are future proofed. The Incentives should be designed to reward where the ESO is driving value for the consumer. As indicated in the Ofgem Letter, this response focuses on improvements that could be made to the existing incentive package for 19/20 rather than a wholesale review. From the 1<sup>st</sup> April 2021, we believe the EMR incentives should be considered as part of a holistic ESO Incentive package.

### Dispute Resolution (DRI)

We believe that it is correct to incentivise the ESO to improve quality and to reduce the number of decisions that are later disputed by participants with Ofgem. Value for the consumer is driven by the Delivery body and by participants getting the right answer first time, with the least burden and rework.

We believe that the work being done by the Delivery Body to improve quality in Capacity Submissions by guiding customers through a very complex rule set demonstrates that we are delivering the intent of this incentive. Unfortunately, the mechanics of the incentive calculation do not reflect this. We believe the potential reward for this incentive does not reflect the high cost of achieving 0 overturned decisions. Applications for the CM reached almost 2000 in 17/18 and each of those applications was assessed against approximately 75 potential criteria, meaning that the Delivery Body could take up to 150,000 decisions annually. The table below shows the incentive ( $CMQD_t$ ) and how the incentive reaches its floor if 4 decisions are overturned. As a percentage of the decisions we must take, this is not reflective.

In past Dispute Resolution determinations Ofgem has ‘grouped’ decision categories rather than making a determination based on individual decisions. We have welcomed this pragmatism and believe there is merit in formalising a similar approach.

	(1)	(2)	(3)
Number of overturned decisions	$CfDQD_t$ £000s	$CMQD_t$ £000s	$CMECAQD_t$ £000s
No overturned decisions	100	100	50
1 overturned decision	0	0	0
2 overturned decisions	-35	-35	-18
3 overturned decisions	-65	-65	-35
4 or more overturned decisions	-100	-100	-50

### **Demand forecasting accuracy (DFA<sub>t</sub>)**

We believe that it is correct to incentivise the ESO to forecast demand and that there is value for the consumer in doing so. This forecast underpins the volume bought in the CM and is therefore paramount to the success of the scheme. At this stage, it is too early to reliably assess its effectiveness as we are only in the second effective year. This incentive should be reassessed prior to the commencement of the new regulatory period, by which time a fair assessment of its impact can be undertaken. That assessment should also include reviewing the demand definition utilised and consider moving to Underlying Demand (which is what the CM is based on) and away from Transmission level demand by utilising distribution generation data from Electralink.

### **Demand side Response (DSR<sub>t</sub>)**

The DSR incentive was introduced to drive the Delivery Body to remove Barriers for DSR and to achieve year on year growth in DSR participation. The Baseline year was 2017/18. DSR participation increased faster than was expected so by the time the baseline year was reached, DSR participation was already at a high level.

One of the contributing factors to DSR growth in the CM was the Power Responsive programme, which included targeted CM DSR customer engagement, guidance documentation and prequalification events. The details of which can be found in the open letter below:

<https://www.emrdeliverybody.com/Lists/Latest%20News/Attachments/173/EMR%20DSR%20Incentive%20-%20Letter%20to%20Ofgem.pdf>

We believe that removing barriers should be a priority for all technologies and participants, not just DSR. Therefore, we consider that a better outcome could be to improve the incentive on Disputes and to explore the creation of an incentive to delivering change (further details below). A large amount of the change seen in the CM has been made with the intention to reduce barriers to entry, but often this change has proved to introduce additional complexity of the CM and therefore increase the potential for error.

### **Customer and Stakeholder Satisfaction (CSSSt)**

It is correct that we are incentivised to improve customer satisfaction, and we accept that part of our role is to guide and facilitate applicants through the process. We continue to listen to feedback received from customers and stakeholders and use this to drive continuous improvement.

We do note that some of the feedback pointed towards the Delivery Body is borne from the frustration of the complicated rules that we administer. We believe that significant improvement could be made to simplify the rules and reduce the burden on participants. This, in turn, would reduce some of the frustrations that participants have expressed through our surveying.

We are keen to engage in more detailed discussions regarding how our performance in relation to customer and stakeholder satisfaction should be measured.

### **Further areas for future consideration**

#### **Change implementation**

The pace and volume of change since the CM was established in 2014 has resulted in customers and stakeholders becoming focused on the speed and implementation of these changes into Delivery Body process and IT systems. It is frequently the case that Rule change implementation and new system functionality is required to go 'live' within a few weeks of the final Rules being laid. We believe there is merit in exploring a financial incentive linked to both the speed and volume of change. A more efficient change process would remove barriers to entry and lead to increased liquidity, which could in turn lead to greater value for the consumer. This however could be subjective and influenced by external factors. It is therefore possible that this type of incentive lends itself to a 'principles' based approach such those recently introduced for the ESO incentives.

We welcome conversations (outside of this consultation) to discuss and progress the development of a future incentives package.

## APPENDIX 2

### ***Specific examples of how the burden on participants may be lessened***

#### Changes to prequalification

The Rules currently require all Applicants to undertake prequalification each year, even where there has been no change to the requirements from that CMU category. This creates an annual burden on providers to repeat the process and increases the risk of administrative errors being made. Consideration should be given to whether applicants can be made exempt from annual prequalification processes if their circumstances are unchanged. In addition, prequalification submissions and assessments can only be undertaken during a specific period specified in the Operational Plan. Consideration should be given to whether prequalification activities could be carried out at any time in a year ahead of a pre-agreed deadline. This would potentially reduce the time-pressure and administrative burden on applicants, the Delivery Body and the Settlement Body.

#### Metering Details

Metering details are required to support Meter Testing and the Aggregation rule processes for the Settlement Body. The Rules currently require participants to provide Metering details as a part of Prequalification (Rules 3.4.3, 3.6.4, 3.6A & 3.9.4), but also allow the option to defer. We consider that it would be more efficient for the metering obligations to be provided as a part of the Metering Assessment, Meter Testing and Aggregation processes rather than as a requirement for Prequalification. We consider that this would both simplify the Prequalification requirement for Applicants and avoid potential rework where additional metering information/changes are encountered between prequalification and the DY.

#### Satisfactory Performance Day (SPD) Obligations

The Rules require all Transferees to take on SPD and Extended Performance obligations (Rules 9.5 & 13.4), even where a trade is for a short period. This may be a contributory factor to the liquidity of the secondary trading market, therefore we recommend a review of this burden as a part of the Secondary Trading review.

#### Despatch Controller Transfer

Rules (9.2) currently allow a CMU to be Transferred from a Despatch Controller to Legal Owner or from a Legal Owner to Despatch Controller, but does not currently allow a transfer from Despatch Controller direct to a new Despatch Controller. This creates a delay in the transfer process as well as additional administrative burdens for participants, the Delivery Body and Settlement Company.

#### Transfer of Capacity Obligations (9)

This section within the Rules is used to describe the processes for becoming an Acceptable Transferee, undertaking a Secondary Trade, processing a Transfer of a CMU to a new Legal Owner and describes implications to Testing following a Trade. We recommend simplification of the Rules in this section, to make each of these processes clearer to understand.

#### New Build CMU met FCM prior to Prequalification

Where a New Build CMU can provide evidence that they have already met the obligations of capital expenditure (as defined in the Total Project Spend term) to meet an Financial Commitment Milestone (FCM) at the point of Application (as required by Rule 6.6), the obligation to post Credit Cover may be considered as inappropriate and creates additional burdens on applicants and the Settlement Company.

#### Construction Plan (3.7.2)

The Rules require New Build CMU's applying for a longer than 1 year duration agreement, to declare that they will meet the Extended Years criteria and provide a description of how the criteria will be met. We believe that the Rules could be simplified by removing the requirement for a description to be provided within the application.

### ***Specific examples of where renewed clarification of the Rules would prove beneficial in avoiding misinterpretation and misapplication***

It should be noted that the below is not an exhaustive list, and the Delivery Body intends to undertake a further review of the Rules and will raise additional points of clarification in due course.

#### Construction Plan (3.7.2(b))

The rules currently require all New Build CMU's to provide a schedule for construction milestones. The descriptions are closer aligned to more standard generating plant, therefore we recommend amending descriptions to recognise how the schedule might work for non-standard plant. As a specific example, storage CMU's have often left out "First firing date" as this causes confusion against their relevant construction plan.

#### Duration Bids (5.6.4 & 5.6.5)

We believe the duration bid rules were intended to allow Applicants to define a parameter from which their full length of agreement may be amended to just 1 year. Applicants have previously interpreted rule 5.6.4 as allowing an amendment to the Duration Bid at any time during a Capacity Auction, enabling a change to any length of agreement. We recommend an amendment to rule 5.6.4 to clarify that this is not permitted.

#### Evidence of being "Operational" (6.8.3, 6.7.2, 6.7.3)

The Rules require a Prospective Generating CMU to provide evidence of being "Operational" to support meeting Minimum Completion/SCM. We have discovered that an ION does not generally define "physical capacity", which is required to meet the obligations. Physical capacity is not defined in rules as a specific term, therefore we suggest making the requirement clearer or to add additional ITE report obligations.

#### Capacity Market Register

There are several data fields that may be updated during the lifecycle of an agreement, which are not defined in the "Delivery Body Amendments" section of the rules (7.5). To provide a clear and accurate position on the CMU and Capacity Agreement, the DB recommends additional references to be added to this rule to cover the following items; Credit Cover amount, Parent Company details, Secondary Trading details, New Build yet to meet FCM, MPAN details, Agreement Duration and DYs.

#### Unproven DSR Metering Assessment (8.3.3(b))

This rule does not currently define a date for when the Unproven DSR is required to complete a Metering Assessment. When read in conjunction with Rule 3.10.2 (a or b) the timelines are clear, however we recommend referencing back to this rule to provide clarity or repeating the requirements in this section.

#### Notifying change of address (8.3.7)

The DB interpretation of the rules is that if an Applicant defers provision of requirements covered within this rule at Prequalification (3.7), then they should not attempt to provide as part of a Location Change. We would like this clarified in the rules.

#### Satisfactory Performance Day requirements for Transferees (9.5.3)

Where a full trade has been made covering the period 1/1 to 30/4 then SPD's are required for transferees covering the period 1/5 to 31/7. The rules do not currently state a requirement for when these are to be notified to the Delivery Body. We believe that the intent of this rule is for notification to occur by 1/8, to support subsequent processes for Suspension of payments and Termination Notices.

#### Satisfactory Performance Days (13.4.5)

This rule is intended to allow a CMU which has failed its SPDs (in the winter) to be able to demonstrate SPDs for that Delivery Year (DY), even after the new DY has begun. The DB recommends making this clearer in the rules to ensure that there is no misconception.

#### Satisfactory Performance Days (13.4.1)

The rule requires Capacity Committed CMU's to "demonstrate" capacity at least equal to their Capacity Obligation. The Delivery Body considers that clarity should be provided within the rules on whether "demonstrated" aligns with the confirmation received from the Delivery Body against Rule 13.4.4 (or equivalent from previous versions of rules) or the date of entry of the performance days from the Capacity Holder.

Connection Agreements for Existing Generation Distribution CMUs 3.6.3(c i)

We would like to see additional text added to this rule to clarify that accepted connection offers are also permitted as is currently provided within rule 3.7.3(b i)

Ambiguity of System Stress Event Definition in rules (8.4.)

This rule is inconsistent in its treatment of the max gen service and emergency assistance from interconnectors. We suggest that the system stress event definition in 8.4 should be updated to be consistent with the definition of loss of load in Regulation 6 and the agreed CM modelling approach.

Ambiguity of storage Technology Class Weighted Average Availability (TCWAA) and Equivalent Firm Capacity (EFC) definitions in the Rules (2.3.4 / 2.3.5 / 13.4A / Schedule 3B)

The wording of the CM Rules does not fully reflect the storage de-rating methodology agreed following consultation with the industry. We suggest amending the wording to better reflect the agreed storage de-rating methodology to avoid any ambiguity in interpreting the rules.

Incorrect risk metric implied for storage Equivalent Firm Capacity (EFC) calculation (2.3.9c)

This rule refers to the EFC of duration limited storage as being based on the amount of firm capacity displaced while maintaining the “reliability standard set out in the Regulations”, which is based on the loss of load expectation risk metric (LOLE) used in the GB national reliability standard. This is inconsistent with the agreed approach for storage derating as implemented by the Delivery Body, which uses expected energy unserved (EEU) as the reliability risk metric upon which to base the EFC calculations. We recommend an amendment to the rules to be consistent with the agreed approach, which would also allow flexibility to apply the most appropriate modelling risk metrics to other technologies in future.

Data provision for Balancing Services utilisation (8.5.4 c i)

The rules are clear that a Relevant Balancing service provider should not be penalised in the CM, when reducing output pursuant to delivery of a Balancing Service. To meet this, the CP is required to notify the System Operator at the time of entering the contract or when they receive a CM agreement. We believe that additional clarity should be added to the rules to state that specific CMU Components and supporting information is required to meet this obligation.