

PWC summary notes of EMR Capacity Market Collaborative Development workshop – 28 August

Please find below a short summary of the key topics which were discussed at the EMR Collaborative Development workshop on 28 August.

This summary will be in addition to the more detailed record of discussions which will be made available in due course.

We began discussions regarding the role the publication of collaborative development notes (a table setting out the steps associated with each process and the discussion points at each step), which are available here:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/232184/Notes_of_CM_working_groups_so_far.zip.

The final output for each workshop will be published shortly, setting out the questions asked in each workshop, and how they will be responded to.

Updated process maps were distributed for the day. Please find these attached electronically along with the draft breakdown illustrating current thinking on what would be contained in regulations and what would be contained in rules.

Fergal introduced the topics for the day, setting out the legal framework in regards to a change to the rules and handle a policy review, handle an annual report and handle an ad-hoc policy review, specifically:

- Primary – Energy Bill / Act (201X)
- Capacity Market Regulations [Owned by DECC]
- Capacity Market Rules [Owned by Ofgem]
- Capacity Agreement
- Particulars of the CMU
- Price obtained at Auction (£/kW-year) and De-Rated Capacity (MW)
- Agreement Term (up to 10 years)
- Milestones (for new plant)
- Consequential Amendments to Codes and Licences
- Auction Guidelines (practicalities of auction and incorporate by reference Auction Parameters)

Fergal also set out the regulations and rules applicable to change control processes. These will be consulted on in due course.

Regulations:

- The Functions of the Secretary of State
- The Reliability Standard
- Setting the volume of capacity
- Security of supply report
- The payment model and finance arrangements
- Treatment of low carbon plant
- Change control processes
- Capacity Market review process

Rules:

- Pre-Qualification Information
- Determination of Eligibility & De-Rating
- Capacity Auctions
- Capacity Agreements

- Capacity Market Register
- System Stress Events & Obligations of Capacity Providers
- Trading and Assignment of Capacity Obligations
- Capacity Incentives
- DSR & Transitional Arrangements
- Monitoring
- Disputes & Appeals
- Testing Regime

He then set out the policy position to date regarding reviews.

- Statutory Review
- Meeting overall CM objectives
- Reviewing the market failures
- Existential
- Likely a requirement of the European Commission
- Operational Review
- Ofgem on efficacy of CM Rules, experience of the auction
- DECC on Regulations, Auction Parameters etc.

In the context of "handle a change to the rules", the discussion touched on:

- How regulations and rules are changed and by whom, with particular focus on industry's role in raising issues and receiving due consideration
- The decision steps for considering the change and any consequential changes to rules,
- The decision for whether Secretary of State changes the rules,
- The differences between Ofgem and DECC processes in relation to rule changes

In the session "handle an annual report", the discussion related to the relationship between the annual review and how it provides impetus to a change to the rules

In the session "handle a policy review ", the discussion related to the internal process that DECC would undertake, and where input is sought from Ofgem and from industry stakeholders.

In the session "handle a 5 year statutory review ", the discussion related to the scope and timing of a 5 year report, and where stakeholders would be consulted. This process includes reports from each Ofgem and Government (albeit with differing scope for each report).