

CRM imperfections mitigations checklist

CRM	Challenge	Mitigation	Completed
Capacity market (with and without reliability options)	A.1. Provide incentives to be available	Appropriately exacting prequalification requirements and removal of loopholes in penalty regime	<input type="checkbox"/>
		Penalty regimes that incentivise capacity to price unavailability risk into their offers, potentially putting at risk a significant share of capacity market revenue collected since the previous performance interval occurred	<input type="checkbox"/>
		Implement reserve scarcity pricing	<input type="checkbox"/>
	A.2. Ensure an economic volume of capacity	Draw on European Resource Adequacy Assessments (ERAA) and provide for scrutiny of the target capacity volume to procure by independent technical experts	<input type="checkbox"/>
		Neutralise potential conflicts of interest — where the system operator may have integrated commercial interests that would benefit from a volume of capacity that exceeds the system’s economic optimum; the most effective measure may be to provide for an entirely independent system operator	<input type="checkbox"/>
		Revisit choice to introduce a capacity market, recognising excess procurement is an inherent risk with a capacity market	<input type="checkbox"/>
	B.1. Stimulate DSR	Target cost recovery charges to coincide with scarcity (handful of hours with greatest scarcity)	<input type="checkbox"/>
B.2. Open to cross-border resources	Implementation of the European ‘margin available for cross-zonal electricity trade’ (MACZT) regulation to make at least 70% of cross zonal capacity available for trade. Conclusion of bilateral agreements between TSOs not to impede energy export of capacity contracted to a foreign market during a stress event that affects both the domestic and foreign market	<input type="checkbox"/>	
B.3. Optimal capacity mix	Discontinue long-term contracts — to provide a level playing field for rapidly developing technologies and avoid lock-in or arbitrary standards	<input type="checkbox"/>	
Reserve scarcity pricing	A.3. Optimal balance of risk between consumers and investors	Add a real-time reserve market to back-propagate scarcity signals, which allows for more regular but less severe scarcity prices, which lowers investment risk and reduces the cost of capital	<input type="checkbox"/>
		Protect vulnerable consumers from retail contracts with undiluted wholesale price cost reflectivity	<input type="checkbox"/>
		Conduct prudent financial regulation of retailers, and empower and resource regulators to monitor and address abuse of market power	<input type="checkbox"/>
		Consider implementing affordability options and smart two-sided CfDs; until then implement a circuit breaker to reduce cost for consumers during stress	<input type="checkbox"/>
	B.2. Open to cross-border resources	Further research into ensuring that foreign resources can access the same value from reserve scarcity pricing adders as domestic resources	<input type="checkbox"/>