



Electricity Market Reform Consultation: ELEXON's Response

By email to: SecondaryLegislationEMR@decc.gsi.gov.uk

20 December 2013

EMR Programme Team
Department of Energy & Climate Change
4th Floor Area D
3 Whitehall Place
London
SW1A 2AW

Dear EMR Programme Team,

ELEXON's response to the Government's "Electricity Market Reform: Consultation on Proposals for Implementation"

We welcome the opportunity to provide ELEXON Limited's views on the above consultation published by DECC on 24 October 2013.

As you know, ELEXON, as the Balancing and Settlement Code Company (BSCCo) for Great Britain, is responsible for the proper, effective and efficient delivery of the Balancing and Settlement Code. It is also the prospective settlement agent for both Electricity Market Reform (EMR) Contracts for Difference (CfDs) and the Capacity Market.

We have not responded to every formal consultation question. We have answered only those questions where we believe we can assist with the detailed design, operation and implementation of new arrangements, so we are not commenting on the policies themselves but rather considering how we can help you implement the various policy options. Our answers and comments have been drafted so far as is possible to stand on their own without cross referencing to other answers. However this has necessarily led to some degree of repetition.

With this in mind we have also made detailed comments on the drafting of the Regulations and Rules accompanying the main consultation document.

We are also aware that since the publication of the consultation, the development of EMR has continued to evolve, but to avoid confusion all our comments are based on the consultation document as published, not any later developments.

The views expressed in this response are those of ELEXON Limited alone, and do not seek to represent those of the Parties to the Balancing and Settlement Code.

Structure of our response

Accompanying this covering letter are seven attachments, which together form our consultation response. These documents are:



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- A response to the formal consultation questions (only those to which we are responding are included, not the full set);
- Additional ELEXON comments on the main consultation document;
- Five separate documents with our comments on the drafting of the two draft CfD Regulations and the Capacity Market Regulations and Rules (one response document per Regulations document and Rules).

There are thus seven attachments to this letter and together they form ELEXON's response to this consultation.

Particular comments we wish to highlight

There are two particular comments in our response that we wish to highlight, as follows.

1. ELEXON is proposed to be the settlement agent for both Contracts for Difference and the Capacity Market.

But there is a marked contrast between the approach taken to our proposed role in the draft Contracts for Difference (Supplier Obligation) Regulations and in the draft Electricity Capacity (Payment) Regulations. In the former, the settlement agent is not referred to at all. Instead all duties and obligations are on the Government-owned CfD Counterparty with an ability for the Counterparty to delegate some of those duties and obligations. It has chosen to do this by contracting with a settlement agent, which is most likely to be a subsidiary company of ELEXON.

By contrast, the draft Electricity Capacity (Payment) Regulations (and also the draft Capacity Market Rules) make many references to the Settlement Agent as well as the Settlement Body and impose various obligations on the Settlement Agent directly.

We are strongly of the view that the Capacity Market regime should follow the CfD regime whereby the obligations and duties introduced by the Regulations and Rules are placed on the Settlement Body with an ability to discharge them via a contractor (the Settlement Agent).

2. The second highlighted comment consists of our responses to consultation Questions CM16 and CM47 as we believe that BSCCo and/or the Capacity Market Settlement Agent will not be able to deliver these obligations as they are currently written in the Capacity Market Rules within the time permitted. With reference to Question CM16, draft Capacity Market Rule 4.3.2 requires BSCCo to verify whether Existing Generating CMUs delivered their De-Rated Capacity. BSCCo is unable to deliver this obligation as it is currently written as it will not be able to verify the capacity of the large number of CMUs that are expected to pre-qualify within the time permitted. This role requires specialist metering skills and from past experience it seems it will be very difficult to recruit sufficient numbers of metering specialists to satisfy this short spike in activity. To carry out this obligation we estimate needing months rather than days. Our comment in response to consultation Question CM47 is similar.

In conclusion

We will endeavour to support DECC, Ofgem, National Grid and GB industry participants in ensuring that the EMR requirements are implemented in the most efficient way possible.

If you wish to discuss this further, or have any questions about the thoughts we have set out in this letter, please contact David Osborne on 020 7380 4199, email: david.osborne@elexon.co.uk; or me on 020 7380 4253, email at steve.wilkin@elexon.co.uk.



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Yours sincerely

Steve Wilkin
Senior Market Advisor, ELEXON

Seven Attachments as follows:

- 1. EMR – ELEXON response to the formal Consultation Questions**
- 2. EMR – ELEXON additional comments on the consultation document**
- 3. EMR – ELEXON comments on the CfD Allocation Regulations**
- 4. EMR – ELEXON comments on the CfD (Supplier Obligation) Regulations**
- 5. EMR – ELEXON comments on the Capacity (Payment) Regulations**
- 6. EMR – ELEXON comments on the Capacity Regulations**
- 7. EMR – ELEXON comments on the Capacity Market Rules**