



EMR Consultation Response Document (Part 2 of 7)

Additional Comments on the consultation document

Name of reviewer

ELEXON Ltd.

Name of document being reviewed

EMR Consultation on Proposals for Implementation, DECC, October 2013 – additional comments (additional to the formal consultation question responses)

Page	Chapter	Section	Paragraph or Question Number	Response (Comment / Observation)
Pg. 38	2	Box 4	Delivery & Section 4.9	The statement that National Grid will issue a Capacity Market warning four hours before an anticipated stress event is correct but could mislead, because if the stress event is not anticipated in this timescale, a Capacity Market warning can be issued at shorter notice or even after the stress event has commenced.
ALL Chapter 3	3			We note that the respective roles of the Counterparty and the Settlement Agent will need to be further refined as we move towards implementation.
Pg 68	3	3.2.2.4	148	We note that the Government is considering making it a legal requirement for generators to provide a post-build report. If this were implemented, would there be any settlement implications from a refusal or failure to provide it, e.g. termination of the CfD contract and payments?
Pg 101	3	3.3.7	263	We note that it may not be possible for a party to make payments via BACS, which we believe to be a more cost effective approach. It will wholly depend on their relationship with their bank and the 3 day BACS exposure limit they have in place.
Pg 101	3	3.3.7	265	We note that it is stated in paragraph 265 that reconciliation will survive termination of the CfD. In the particular case of a CfD that has been terminated for breach is it intended that the CfD generator in question would continue to <u>receive</u> reconciliation payments post termination?

EMR Consultation Response Document (Part 2 of 7)

Additional Comments on the consultation document

Page	Chapter	Section	Paragraph or Question Number	Response (Comment / Observation)
Pg 108	3	3.3.9	286	<p>How are suppliers classified? If it is by supply licence, we note that this does not necessarily equate to the popular perception of large suppliers because supply companies may have multiple supply licences and currently only a few suppliers have over 10% of market share using this measure.</p> <p>A definition of a supplier is therefore necessary because the level (licensee or groups of licensees) at which suppliers are charged has implications for the insolvency reserve requirement calculations.</p> <p>See also our accompanying comments on the draft Contracts for Difference (Supplier Obligation) Regulations 2014, in particular Regulation 17.</p>
Pg 113	3	3.3.12	303	BSC procedures will not be relevant to disputes regarding metered data for private wires generators or for Northern Ireland data.
Pg 121	3	3.3.18	330	The market share will not be determined by BSCCo for CfD purposes. This will be done by the CfD settlement agent or counterparty using BSC and, when applicable, Northern Ireland data. BSCCo will supply the BSC data required to enable this.
Pg 179	4	4.2.4.1	507	The settlement agent and its service provider will definitely need access to the register in order to carry out their obligations.
Pg 179	4	4.2.4.1	508	If there is a requirement that the providers cannot trade their capacity if there remains an unpaid liability obligation, there needs to be a means for the settlement body/agent to record this on the register or otherwise notify the Delivery Body.
Pg 191	4	4.2.6	549	Given that suppliers fund the Capacity Market it is unclear why the penalty payments owed by a defaulting capacity provider are mutualised across suppliers because they would be returned back to suppliers – unless it is because it funds over-delivery payments? However, we already

EMR Consultation Response Document (Part 2 of 7)

Additional Comments on the consultation document

Page	Chapter	Section	Paragraph or Question Number	Response (Comment / Observation)
				know that if penalty payments are not sufficient in a given month then the over-delivery payments are scaled back.
Pg 208	4	4.4.2	619	This paragraph seems to contradict with paragraph 631. Due to the timing difference between payments made to the settlement body and payments made by the settlement body, it is not possible for the settlement body not to carry a positive or negative cash balance from month to month.
Pg 211	4	4.4.4	630	In line with the arrangement for CfD, it will be more efficient for the settlement agent to release payments to capacity providers.
Pg 215	4	4.4.4.2	645	The Settlement Body/agent is responsible for monitoring that credit is valid and sufficient and notifying when it is insufficient according to the Capacity Market (Payment) Regulations. The Settlement Body/agent cannot ensure credit is in place – only the suppliers can do this.
Pg 225	4	4.5.1.2	682	Both the draft Electricity Capacity (Payment) Regulations and the Capacity Market Rules cover payment calculations. It is therefore particularly important that the two requirements are consistent and remain so at all times, particularly since the governance arrangements between the two are different but the Settlement Body is bound by both simultaneously. (Note that we have not mentioned Settlement Agent in this context as we believe that the Settlement Agent should not be named in the Regulations or Rules.)
Pg 230	4	4.6.1.1	Footnote 129 on page 230	This can be read to require just one half-hourly meter per CMU but this restriction is not necessary as long as the output of the CMU can be determined per Settlement Period from aggregation of one or more half-hourly meter readings.
Pg 234	4	4.6.2.6	717	We understand that the Authority will be responsible for modifications to the capacity market rules but, other than specifying that they must consult with certain parties, there is no process prescribed in the Regulations or the Rules.



EMR Consultation Response Document (Part 2 of 7)

Additional Comments on the consultation document

Page	Chapter	Section	Paragraph or Question Number	Response (Comment / Observation)
				We would welcome further guidance on how the Rule change process will work, in particular given our settlement role the route for impact assessments on settlement systems and processes and implementation timescales and cost recovery. In addition we note that it is possible that changes to the Capacity Market Rules would require consequential changes to other Codes, e.g. the BSC and its settlement systems. The process for coordinating change (and again cost recovery) will need to be developed.
Pg 235	4	4.6.2.8	724	See our comments in Electricity Capacity (Payment) Regulations response.
Pg 249	4	4.8.2	Figure 4.19 on page 249	There is no mention of metering in the pre-qualification requirements in this table. We think that metering requirements should be explicit since it is such a crucial part of the Capacity Market to monitor performance during stress events and in some cases to monitor performance ahead of the delivery year, e.g. to establish the baseline for DSR, and to monitor opt outs.
Pg 253	4	4.9	Penalties on page 253	The statement that over-delivery payments will be made should be caveated to note (based on our understanding) that over-delivery payments also have to be funded by penalty payments and will not be paid in full (or maybe at all) if penalty payment receipts are insufficient.

