



EMR Consultation Response Document (Part 7 of 7)

Comments on the Capacity Market Rules

Name of reviewer	ELEXON Ltd.
Name of document being reviewed	Capacity Market Rules Consultation draft

Page	Chapter	Section	Paragraph	Response (Comment / Observation)
General comment				All the comments in this document, on the Capacity Market Rules, are made without prejudice to our general comment that the Settlement Agent should not be named in the Capacity Market Regulations and Rules.
General comment				<p>There are a number of rules setting out where the Delivery Body has to update the Capacity Register, but there is not always an accompanying obligation to tell the Settlement Body/Settlement Agent about the changes made. We suggest a general rule that says that the Settlement Body/Settlement Agent must be informed of updates when they are made.</p> <p>Also, we suggest that there is a general rule that states that the Settlement Body/Settlement Agent can rely upon the entries in the Capacity Register as it exists at the time the data is required. This is irrespective of whether there are pending updates from the Delivery Body, which are to be made but which have not yet actually been made to the register entries. The Delivery Body is given time to update the register for any changes but the data that the Settlement Body/Settlement Agent use to fulfil their obligations will require reliance on the Capacity Register entries at the time the data is needed.</p> <p>Given that disputes will be raised on the accuracy of the Capacity Register on occasion, this also suggests that a full audit trail is needed of changes made to Capacity Register entries.</p>
General comment				The definition of Volume is in MWh or kWh rather than MW or kW. When used in the CM rules this may not always work. E.g. price is in £ per MW or £ per kW so the rules that

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				calculate costs may not work. If volume is in MWh the period of time over which it is measured needs to be specified in each case it is used.
Pg 3	1	1.1 Definitions	BM Responsible Party	The definition of BM Responsible Party refers to a specific section of the BSC. Given that the BSC is a living document and that the section numbering could easily change over time, it would be better to refer simply to the BSC.
Pg 4	1	1.1 Definitions	Capacity Payment	This is defined in the rules by reference to the Regulations but we have not been able to find "capacity payment" defined in either of the two draft Capacity Market Regulations.
Pg 4	1	1.1 Definitions	Capacity Provider	Is there any case/rule where the Capacity Provider needs to be identified as the transferee following secondary trading? For example, for payment purposes under other rules? As defined in the Capacity Market Rules it can only ever be the original Applicant at Prequalification, so can never be the recipient of a capacity agreement under, for example, a secondary trade.
Pg 5	1	1.1 Definitions	CDR Volume (b)	The definition is imprecise when coupled with the Metered Volume definition as there is no sign convention.
Pg 5	1	1.1 Definitions	CMRS Distribution CMU and CMRS Transmission CMU	These definitions refer to specific sections of the BSC. Given that the BSC is a living document, it would be better to refer simply to the BSC.
Pg 8	1	1.1 Definitions	Despatch Control	The term "Responsible Party" is a European one and does not (yet) appear in the BSC. The use of the term "supply" is confusing because of its linkage with suppliers and supply

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				licences.
Pg 10	1	1.1 Definitions	Gate Closure	If Gate Closure changes in the BSC, then this definition will not reflect that change. We suggest referencing the definition in the BSC instead.
Pg 14	1	1.1 Definitions	Metered Volume	The definition is imprecise when coupled with the CDR Volume definition as there is no sign convention and the definition refers to flows "to or from"
Pg 16	1	1.1 Definitions	Portfolio Adjustment Payer	The definition is missing.
Pg 20	1	1.1 Definitions	Volume	See general comment above on the definition of Volume. When used in the CM rules this definition may not always work.
Pg 27	3.	3.5 Information to be provided in all Applications	3.5.1(d)	The bank account details are required a long time before Capacity Payments may be due. How do subsequent changes in bank account details between the Application and the Delivery Year (or during the Delivery Year) get notified and passed to the Settlement Body/Settlement Agent?
Pg 35	3.	3.10 Opt-out Notifications	3.10.3	For existing generation that has pre-qualified but decided to opt out of the auction under Rule 3.10.2(g)(ii) the Settlement Agent will notify the Delivery Body if the CMU generates during the relevant Winter. The rule book places an obligation on the Settlement Agent to monitor existing generation that has opted out of the auction. This seems overly burdensome obligation on Type 3 CMUs that will need to put in new metering systems to comply.
Pg 41	4.	4.3 Delivery Body	4.3.2	Rule 4.3.2 requires BSCCo to verify whether Existing Generating CMUs delivered their De-Rated

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		to review complete Applications		<p>Capacity in accordance with rule 3.6.1. 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.</p> <p>Furthermore, this obligation (rule 4.3.2) should not be placed on BSCCo as BSCCo does not receive metered volumes for type 3 non-CMRS registered CMUs and thus cannot easily carry out this obligation for all Existing Generating CMUs. The obligation should be placed on the Settlement Body/Agent.</p>
Pg 43	4.	4.6 Conditional Prequalification and submission of Credit Support	4.6.1(a)(ii)	In 2014 due to the shortened timescales for pre-qualification acceptable forms of bid bonds should be limited to cash and letters of credit.
Pg 45	5.	5.3 Capacity Auction format	5.3.1(a)	If the T-1 auction is held close to the end of the auction window, or otherwise, there needs to be certainty that the complete set of baseline data (which can be from up to a year prior to the Delivery Year) for CDR CMUs can be made available to the Settlement Body/Settlement Agent before the start of the Delivery Year.
Pg 51	5	5.9 Capacity Auction results	5.9.4(c)	According to the definitions, Price is £ per MW (or kW) but Volume is per MWh (or kWh) so the calculation of the total forecast cost is not possible until there is a conversion from one to the other (MWh to MW or vice versa, say) and the time period over which the cost is calculated is specified.
Pg 58	6.	6.7 Achieving the Substantial	6.7.1 and 6.7.4	We suggest that where these rules apply, an obligation on the Delivery Body to update the Capacity Market Register and notify the Settlement Body/Settlement Agent is required.

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		Completion Milestone		
Pg 60	6	6.8 Sanctions for Delay in Achieving Milestones	6.8.5(b)	<p>We suggest that where this rule applies, an obligation on the Delivery Body to update the Capacity Market Register and notify the Settlement Body/Settlement Agent is required.</p> <p>We also note that the formatting is misleading here and that the phrase starting with “the Capacity Agreement will take effect...” presumably applies to both paragraphs (a) and (b).</p>
Pg 61	6	6.10 Termination	6.10.1(g)	It seems inefficient to require the Capacity Provider to notify the Delivery Body that it has received a notice from the same party (the Delivery Body).
Pg 61	6	6.10 Termination	6.10.2(d)	We suggest that where this rule applies, an obligation on the Delivery Body to update the Capacity Market Register and notify the Settlement Body/Settlement Agent is required.
Pg 62	6	6.10 Termination	6.10.4	Will the required values of CPI always be available when required to calculate the termination fee, for example if the termination fee is to be calculated on 1 October (the start of a new Delivery Year) will all the CPIs be available from the previous Delivery Year?
Pg 63	6	7.2 Establishment, form and maintenance of the Capacity Market Register	7.2.2	“The Capacity Market Register may be in electronic form.” Regardless of the form the Settlement Agent needs access to the information in the Capacity Market register. As prospective Settlement Agent, we will work with National Grid on how to best share this information.
Pg 65	7	7.6 Delivery Body amendments to	7.6.2(d)	In 7.6.2(d) of the Capacity Market Rules, the Delivery Body has to update the Capacity Market Register with secondary trades “within five Business Days of receipt of the request for a

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		the Capacity Market Register		<p>transfer” (or within thirty days in the case of a transfer under Rule 9.2.3(b)). We assume that this effectively creates a “gate closure” for secondary trades at five (thirty) Business Days ahead of real time and that the Settlement Agent will have five (thirty) Business Days’ notice of secondary trades.</p> <p>Note that we assume that the Settlement Body/Agent will rely on the Capacity Market Register as the definitive source of information at the time it needs the data, so if the Register is later updated, this change be picked up in later reconciliations. This also means that the disputes process need to take this into account, i.e. that the Settlement Body/Agent can only rely on the data that is recorded in the Capacity Market Register at the time.</p>
Pg 68	8	8.3 Specific obligations and consequences	8.3.1(b)	What is the effective date of termination for payment purposes?
Pg 69	8	8.3 Specific obligations and consequences	8.3.5(a)	As written, this requires the Settlement Agent to receive every Physical Notification and Final Physical Notification directly from the Capacity Provider 24/7 and to confirm receipt to every notification. This seems unnecessary and is probably unworkable but we are considering further.
Pg 72	8	8.4 Triggering a Capacity Obligation and System Street Event	8.4.6	There should be a requirement on the System Operator to notify the Settlement Agent/Settlement Body.

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Pg 73	8	8.4 Triggering a Capacity Obligation and System Street Event	8.4.7(e)	<p>There is an issue with this automatic cessation of the Capacity Market Warning at midnight.</p> <p>For example, if the Capacity Market Warning is given at 10pm and the related Stress Event starts at 1am, then we have to restart the 4 hour count at midnight whereas we should keep the count from 10pm.</p>
Pg 73	8	8.4 Triggering a Capacity Obligation and System Street Event	8.4.7(f)	<p>There should be a requirement on the System Operator to notify the Settlement Agent/Settlement Body.</p>
Pg 73 & 74	8	8.5 Discharging a Capacity Obligation	8.5.1	<p>We would rather the Rules, when considering obligations and payments, were cast in terms of System Stress Event Settlement Periods and Capacity Market Warning Settlement Periods. 8.4.1 does this for System Stress Event, but 8.4.7 is not written in the same way.</p> <p>Writing in terms of Settlement Periods means that we need rules, such as in 8.4.1, determining whether a given Settlement Period is a System Stress Event Settlement Period and/or a Capacity Market Warning Settlement Period dependent on the timing (to the minute) of a System Stress Event and a Capacity Market Warning. This makes the process easier to write and understand. Also as written (a) and (b) are not correct because they says that the continuing obligation is either ALFCO or Frozen Physical Notifications and merely depends on the relative timing of Warning and Stress Event it implies, although legally it is probably alright, that the Capacity Market Warning always precedes the System Stress Event.</p> <p>We would then write 8.5.1(a) and (b) as follows:</p>

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				<p>In chronological order of Settlement Periods and starting with the first Capacity Market Warning Settlement Period and ending with the last Capacity Market Warning Settlement Period in a consecutive set of Capacity Market Warning Settlement Periods, number each such Settlement Period, with the first Capacity Market Warning Settlement Period as number 1, the second as number 2 and so on.</p> <p>For each Capacity Market Warning Period which is numbered 8 or less and which is also a Stress Event Settlement Period, the Obligation shall be the Frozen Physical Notification;</p> <p>For each Capacity Market Warning Period which is numbered 9 or more and which is also a Stress Event Settlement Period, the Obligation shall be its Adjusted Load Following Capacity Obligation</p> <p>The title of 8.5.1 is also misleading because there is no requirement to respond to a Capacity Market Warning that is not accompanied by a System Stress Event.</p> <p>8.5.1 (d) is clear as written, but DECC may want to consider the interaction with, the possibility of, a Partial Shutdown as introduced into the BSC Section G by P276, which will be implemented in the BSC on 31 March 2014. In such a Partial Shutdown, the market is not always suspended. It should also be noted that the market is not suspended during Fuel Security Periods or Civil Emergencies.</p>
Pg 74 & 75	8	8.5 Discharging a Capacity Obligation	8.5.3	<p>It is our understanding that $PTCO_{ij}$ refers to Capacity Obligations that are sold as well as 'acquired' (as per current wording) and so $PTCO_{ij}$ can be negative as well as positive.</p> <p>CMCC - How does the Settlement Agent determine the "capacity delivered"? This is presumably the sum of metered outputs from all CMUs but it needs to be defined, particularly</p>

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				<p>whether (and this is a general point) losses from the BSC or otherwise are applied to the metered data.</p> <p>The definition of $CMCC_{ij}$ is given as the aggregate of the capacity delivered by all Capacity Committed CMUs, however the subscript i implies it is a per-CM Unit value. Only the summation $\sum_i CMCC_{ij}$ gives the aggregate value.</p> <p>The summation $\sum ILR_j$ is ambiguous as to what ILR is being summed over. The definition implies it is already an aggregate of load reduction occurring for that Settlement Period, so a summation may not be required here.</p>
Pg 75	8	8.5 Discharging a Capacity Obligation	8.5.4	<p>"by the BM Unit" – implies that all CM Units are also BM Units, which will not be the case particularly if some of the non-BSC DSR metering options are used in the Capacity Market.</p>
Pg 78	9	9.2 Restrictions on transfer and eligibility to trade	9.2.3(a)	<p>The use of the term "Volume" makes the transfer ambiguous because Volume is defined in MWh/kWh. This means that there are multiple ways of allocating the Volume over the specified Settlement Periods.</p> <p>We understand that secondary trades must relate to a continuous period of at least 24 hours and align exactly with calendar days and so there can be no part-day trades. As such, 9.2.3(a) would benefit from replacing the reference to "a specified number of Settlement Periods" with a reference to "all or specified Calendar Days". As written currently "a period of 24 hours" is ambiguous because the period is not defined as a continuous period, nor does it necessarily align with a calendar day because it can commence at any point in a day.</p>

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Pg 80	9	9.4 Effect of transfer	9.4.1	It is unclear how monthly capacity payments would be made in the event of a transfer that starts or ends mid-month. Are they made proportional to the ratio of number of days in the month that the transferor and transferee hold the capacity agreement?
Pg 81	9	9.4 Effect of transfer	9.4.3	To whom are payments to be made in the light of the phrase "including for the period prior to the date of transfer"? If capacity payments have already been made to the transferor for example, are they now to be recovered and paid to the transferee?
Pg 81	9	9.4 Effect of transfer	9.4.6	<p>We suggest that where this rule applies, an obligation on the Delivery Body to update the Capacity Market Register and notify the Settlement Body/Settlement Agent is required.</p> <p>"accrued and unpaid" – how far back in time does this go? Is it to the start of the Delivery Year even if a multi-year contract for example?</p> <p>The definition of "Capacity Provider" in section 1.1 does not permit the existence of a "new" Capacity Provider as the definition relates to the original Applicant.</p>
Pg 83	10.	10.4 DSR Transition Capacity Auctions	10.4.1	"weekdays in Winter" will include bank holidays such as Christmas and New Year. Is this what is intended?
Pg 89	12.	12.4 Consequences of Appeal	12.4.2	We suggest that where this rule applies, an obligation on the Delivery Body to update the Capacity Market Register and notify the Settlement Body/Settlement Agent is required.
Pg 90	13.	13.2 CDR Testing	13.2.2	We note that a baseline demand will be required for these CDR Tests and with reference to Schedule 3 would require access to metered data up to 53 weeks earlier, i.e. over a year before the auction and before perhaps the potential CMU is even identified as such. Is this

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				what is intended? What happens if such data is not available?
Pgs 90 & 91	13	13.2 CDR Testing	13.2.5	<p>(c) and (d) We note that a baseline demand will be required using data from up to 53 weeks before the start of the Delivery Year. What happens if such data is not available?</p> <p>(d) What criteria is the Settlement Body/Agent to use to assess whether the evidence is satisfactory? We would prefer that this is spelt out in the rules rather than left to be disputed.</p> <p>(f) It is unclear what happens next if the Settlement Body/Agent is not satisfied.</p>
Pg 92	13	13.2 CDR Testing	13.2.9	<p>Similar to our comment on 4.3.2, the Settlement Agent/Body will not be able to deliver the obligation in 13.2.9 of verifying data and calculating CDR CMU capacity if the time permitted is similar length i.e. during pre-qualification. 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.</p> <p>In 2014 due to the shortened timescales for pre-qualification acceptable forms of bid bonds should be limited to cash and letters of credit.</p>
Pg 93	13	13.3 Spot testing by Delivery Body	13.3.1 (b) and 13.3.5	"three separate Winter days" in 13.3.1 and "consecutive" in 13.3.5 may be regarded as contradictory.
Pg 93	13	13.3 Spot testing by Delivery Body	13.3.3(c)	Is there any involvement of the Settlement Body/Agent in this process?
Pg 97	14	14 All Sections	14	General comment – how do we take account of amended data – do we reconcile each month taking account of the latest data, and even in months when there was no stress event do we reconcile for previous months?

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				General comment – Are Penalties and Caps only calculated at each month end or on a rolling basis at the end of every Settlement Period? There seems to be some evidence in the Rules that point to both outcomes but we understand that the latter is required.
Pg 97	14	14.2 Determining the output of a Capacity Committed CMU (E)	14.2.1	This paragraph appears to prevent over-delivery payments in some circumstances, e.g. when the System Operator accepts an Offer and the generator over-delivers on that Offer, the capacity delivered will be capped at the FPN + Offer volume. This might be right during the 4 hour window? But after that point in an ongoing stress event?
Pg 97 & 98	14	14.3 Determining the CMU penalty for delivery failure and the CMU payment for over delivery	14.3.1	<p>1) The rule for h_{ij} does not take into account the more complex rules for determining whether a stress event is of greater than 15 minutes duration.</p> <p>2) The concept of h also requires the settlement agent to undertake the calculation in every settlement period of the year, so should be dropped. We suggest having rules for determining a Stress Event Settlement Period and separately this rule should start “In respect of a Stress Event Settlement Period....”</p> <p>3) CMO_{ij} is not correctly defined. The System Stress Event does not necessarily follow the Capacity Market Warning nor does it have to for payment purposes. Assuming we add rules to define a Capacity Market Warning Settlement Period based on when the Warning is given, then the ALFCO obligation commences at the start of a Settlement Period where that Settlement Period is both a Stress Event Settlement Period and a Capacity Market Warning Settlement Period. Penalty and over-delivery payments against ALFCO are calculated for any Settlement Period that meets the two criteria that it is both a Stress Event Settlement Period and a Capacity Market Warning Settlement Period – the order in which the events occur is immaterial for payment calculation purposes.</p>

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				<p>4) $FRPN_{ij}$ is not precisely defined and needs to be either here or in section 8.5. 14.3.1 refers to $FRPN_{ij}$ as the Final Physical Notification Data, which Market Rules Section 1 defines as having “the meaning given in the BSC”. However, the context, different abbreviation and reference to 8.5.1 (b) suggest that this is the Frozen Physical Notification (as defined in Market Rules 1.1). As such, FRPN is more than simply FPN_{ij} data from the BSC for several reasons as follows:</p> <ul style="list-style-type: none"> i) it will also comprise a snapshot of PN data, presumably sourced from National Grid but probably arriving as minute by minute data – under the BSC such FPN minute data is converted into Settlement Period (half hour) data. ii) for non BM Units, it will be different as noted in 8.5.1 and such data needs to be specified and maybe converted into half hourly values. <p>5) Settlement Agent is unlikely to be the recipient of monies as according to the Capacity Market (Payment) Regulations the Settlement Agent invoices in the name of the Settlement Body, so our current understanding is that the Settlement Body should be named in these rules as the recipient of monies. Similarly payments to Capacity Providers will be made in the name of the Settlement Body.</p>
Pg 98	14	14.3 Determining the CMU penalty for delivery failure and the CMU payment for over delivery	14.3.2	<p>It is possible that CO_{ij} will rise above $(Z \times VoLL)$ making the first (CMRS) Penalty Rate negative. To be safe, we suggest that this Penalty Rate formula has a minimum value of zero.</p> <p>We note the following: as Z and VoLL apply to the Delivery Year, they cannot be changed between the different auctions in respect of that same Delivery Year; the “prevailing System Buy Price” is presumably meant to take account of BSC reconciliation changes to the System Buy Price, so that the formula value is calculated using the latest available System Buy Price</p>

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				<p>for that Settlement Period; TPR/TODV in the ODR formula can be infinite, but this should not be a problem given the minimum function in the formula.</p> <p>However, the ODR formula mixes half hour Penalty Rate with monthly ODR rate. In the ODR formula, "collected by the Settlement Agent" should be written as "collected by the Settlement Body".</p>
Pg 99	14	14.3 Determining the CMU penalty for delivery failure and the CMU payment for over delivery	14.3.3	<p>14.3.3 refers to a 'hard annual penalty cap applied to that individual CMU' (our emphasis). This implies that the hard annual cap is a property of the CMU itself, which it retains regardless of where the capacity obligation currently lies. Similarly the auction-related information on the MW value and the clearing price are enduring properties of that CMU for that Delivery Year. So CMU_i is a property of the CMU and is unaffected by who the provider is; all these values remain valid regardless of who currently holds the capacity obligation for this CMU.</p> <p>However, what is not made clear is how this cap should be applied in practice, if, say, the capacity obligation is split between two providers as a result of a physical trade.</p>
Pg 99	14	14.3 Determining the CMU penalty for delivery failure and the CMU payment for over delivery	14.3.4	<p>From the definition, unlike APC, the Soft Cap will take account of traded obligations because it is based on the penalty (SPP) payments for a particular CMU. Is this right?</p>
Pg 99	14	14.3 Determining the CMU penalty for	14.3.4	<p>Our understanding is that the ODP_{ijm} payments in the last month of a Delivery Year are not used in the calculation of ODR_{jm}</p>

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		delivery failure and the CMU payment for over delivery		
Pg 100	14	14.4 Liability of the Portfolio Holder for portfolio penalties	14.3.5 & 14.4.5	Both these paragraphs refer to payments that fell due. Should the Settlement Agent make any adjustments for payments that were not made?
Pg 100	14	14.4 Liability of the Portfolio Holder for portfolio penalties	14.4.1	"Having made such payments..." This sentence implies an adjustment at Delivery Year end and that a refund is dependent on the Settlement Body having received any payments due. Is this right? In particular because the next sentence implies refunds for a calendar month.
Pg 100	14	14.4 Liability of the Portfolio Holder for portfolio penalties	14.4.2	PAPC does not include traded obligations because APC does not include them – see our comment on 14.3.3. However, transfers of CMUs (as opposed to trades of obligations) are included through (i) and (ii). Is this right? We think that (i) and (ii) don't work particularly well as drafted because (i) makes no reference to plant joining and leaving during the Delivery Year – it assumes all joiners stay in the portfolio to the end of the Year. It would be better if (i) were dropped and we relied on (ii) for both joiners and leavers.
Pg 101	14	14.4 Liability of the Portfolio Holder for portfolio	14.4.3	Why is there a reference to negative penalties? Is this related to reconciliations?

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		penalties		
Pg 101	14	14.4 Liability of the Portfolio Holder for portfolio penalties	14.4.4	MaxPP is calculated for “any point” in a Delivery Year, but refers to MaxP, which according to 14.3.4 appears to be calculated in respect of whole calendar months only?
Pg 102	14	14.5 Liability and Capacity market Warning	14.5	This does not match our understanding which is that a System Stress Event does not have to be preceded by a Capacity Market Warning for payments to become due. Our understanding is that the requirement is that both a Capacity Market Warning and a Stress Event are in force (for a given Settlement Period).
Pg 103	Schedule 1	Throughout		A minor point but the sub-paragraph numbering “(iv), (v)....” in this Schedule has gone awry. Comments below refer to the numbering as given however.
Pg 103	Schedule 1	Part B Capacity Agreement Details	ix	This references amendments to the Capacity Agreement – what is the relationship between this Notice and the Capacity Register and which takes priority if there is a difference? From a Settlement Agent perspective, the Capacity Register will be definitive at all times.
Pg 104	Schedule 1	Part C: Capacity Provider Details	xiii	An Agent, as defined in these rules, is limited to the role of submitting Applications to a Capacity Auction so it is not clear why this role needs to be specified in a notice given after the auction is completed.
Pg 104	Schedule 1	Part C: Capacity Provider Details	xiv	Over Supply Payments does not appear to be defined in the rules. Presumably this is referring to over-delivery payments (which also seem not to be defined).

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Pg 105	Schedule 1	Part E CMU Details	Longstop Date	For consistency, should be Long-Stop Date
Pg 106	Schedule 2	1. Permissible forms of credit	1.1	Are "Performance Bond" and "Qualified Bank" defined?
Pg 108	Schedule 2	7. Interpretation of Schedule 2	7.1	"Approved Credit Agency" - we suggest using an additional rating agency and then make the requirement that two out of three need to meet the minimum requirement, that way increasing the security to the market.
Pg 108	Schedule 2	7. Interpretation of Schedule 2	7.1	"Approved Credit Rating" makes reference to B grade ratings, but the requirements always state it must be A rated - see definition of "Letter of credit".
Pg 109	Schedule 2	7. Interpretation of Schedule 2	7.1	"Insurance Performance Bond" – should this be in favour of the Settlement Body/Agent?
Pg 109	Schedule 2	7. Interpretation of Schedule 2	7.1	<p>"Letter of Credit" - For practical reasons because Letters of Credit have to be presented physically to the issuing bank for payment, Letters of Credit must be available for payment at a London branch of the issuing bank. (This also means that Letters of Credit from banks that don't have a London branch will not be accepted.)</p> <p>Also, to make a claim on a Letter of Credit it has to be signed in accordance with the approved bank mandate, so if the settlement agent is making a claim for payment to be made into another's bank account we need to explore with you what are the required practical arrangements to enable the encashment.</p>
Pg 113	Schedule 3	4. Responsibility for the Methodology	4.2 and 4.3	Paragraph 4.3 of Schedule 3 Baseline methodology states that if the Settlement Body/Agent suspects any Baseline Manipulation, it must notify the Authority providing details of its suspicions. The Settlement Agent will need more information to carry out this obligation



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				<p>including criteria to monitor against and timescales.</p> <p>We note that paragraph 4.2.2 requires that meters “other than the meter through which Customer Demand Response....is be measured” are to be monitored. This requirement is unclear and appears to require metering and communications from an indefinite number of other meters.</p>