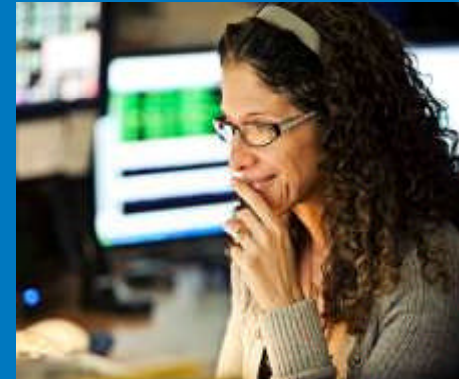
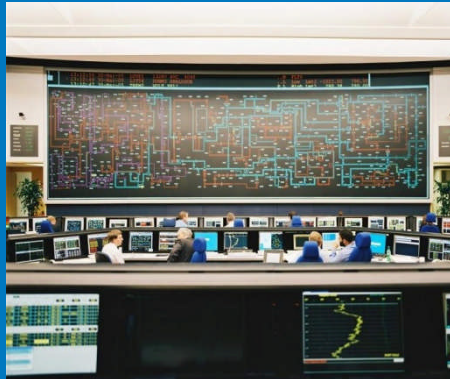
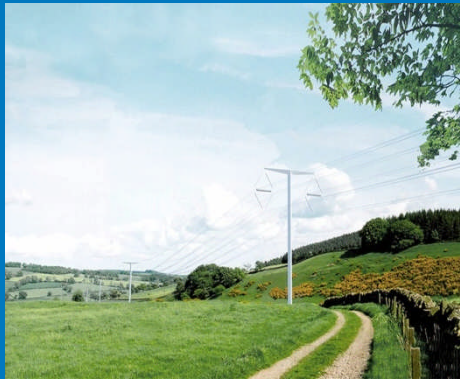


EMR Capacity Market Implementation Coordination Workshop



Prequalification Workshop
12th February 2014

Introduction

- Welcome
- Safety
- Agenda

Implementation Coordination Workshop

Wednesday 12th February 2014

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Agenda

Time	Topic
9:00 – 09:30	Registration and coffee
9:30 – 10:00	Capacity Market Implementation Success Factors
10:00 -12:00	Capacity Market Prequalification <ul style="list-style-type: none">•Questions received since last workshop•Timelines for Pre-Qualification•Communications between now and August•Process Maps•Data Requirements and the Pre-Qual System
12:00 – 12:30	Capacity Market Rules
12:30 – 13:00	Q&A
13:00	Close

CM Implementation Success Factors

Success	Description
Pre-qualification & the Auction happened on time	<ul style="list-style-type: none">• Planned dates were met / only moved under an agreed governance process• The Auction ran and cleared in 2014• Capacity was procured for delivery year of 2018/19
Pre-qualification ran smoothly and all applicants had the best opportunity to successfully pre-qualify	<ul style="list-style-type: none">• Rules/Guidelines were finalised in time, available to everyone, simple to understand and delivered the results expected• Procedures were explained, available to everyone, simple to understand and supportive (e.g. helping not blocking)• NG Systems were simple to use; ready on time; seen, tested and understood by applicants in advance; worked as intended and gave the results expected• Applicant Systems were ready on time and able to communicate with NG Systems as expected
The Auction ran smoothly and all bidders had the best opportunity to secure a capacity agreement	<ul style="list-style-type: none">• As above for Pre-qualification• The Auction was “liquid”, included a diverse range of technologies/applicant sizes and offered best value to consumers• The Auction Monitor approved the auction outcome
Settlement is on schedule for delivery	<ul style="list-style-type: none">• Smooth transfer of data from NG to Elexon• Payment/Settlement systems implementation is on track• Generators and Suppliers are confident of delivery of fit-for-purpose Settlement systems

Successes raised which might be better described as successful outcomes of the Capacity Market

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Success	Description
Secondary market is liquid and ready in time	<ul style="list-style-type: none">• Market was ready ahead of first delivery year and well supported by industry participants• Participants had the best opportunity to participate (knowledge, system access, clear rules & procedures)• Secondary Market supported delivery of physical capacity
Long-term market is stable and successful	<ul style="list-style-type: none">• Lights stayed on• New capacity was ready on time• Agreement holders were paid correctly and Suppliers were billed correctly• LOLE was achieved at lowest cost to consumers• Industry had broad knowledge of how the market works• Robust forward look of the need for market solution• Interim capacity arrangements no longer required

Implementation Risks/Issues

which will inform the agendas for future workshops

Issue	Detail
Potential timeline creep	Movement in the timeline and associated deadlines will undermine confidence in the process & lead to genuine loss from any delays
Industry representation	Are we involving the right people in the implementation process, how do we engage with “practitioners” who understand the details
Governance	Governance around the implementation process and development of the associated Rules is unclear
Participant readiness	What will happen if one participant (or a small number) are not ready? Will this be factored into the ‘Go Live’ readiness criteria?
Pre-qualification queue blockage	There is concern that pre-qualification will take longer than planned leading to delays in the auction
Auction system delay following pre-qualification	Delays to systems between pre-qualification and Auction could mean that pre-qualification data is no longer valid
Auction system security and confidentiality	It is not clear how security and confidentiality of pre-qualification and auction information will be protected
Auction is cancelled	There are concerns that the auction will be cancelled due to lack of liquidity, not clearing or that too much plant opts out
Supply side system development	In order to ensure participants can get paid on time, suppliers charging systems will also need to be ready.

Issues which impact Implementation, but cannot be resolved entirely within this process

Issue	Detail
Lack of firm rules	Final rules and regulations will not be available until late June. The plan does not allow sufficient time for applicants to review the rules or regulations that have not yet been published.
State Aid impact	The State Aid process and impacts are unclear for applicants, what are the deadlines and how might go-live be impacted.
DSR delays	Further delays to the start of the DSR Transitional Arrangements will undermine confidence and reduce the willingness to sufficiently invest in advance of go live
Interconnection participation	It is not clear how interconnected capacity will be eligible to participate in the CM
Secondary Trading	Concern that a robust secondary trading arrangement will not be in place
Change in Law confidence	There is insufficient change in law protection leading to a lack of confidence and appropriate risk management
Confidence in long term view	Participants are not confident that there will continue to be a capacity mechanism to participate in
General Election impact	Will the election and it's preparation lead to changes in policy or timescales

Note that all information presented in this slide-pack is based upon National Grid's current reading of the draft CM Rules and Regulations and is the basis upon which National Grid is designing and building its Capacity Market IS systems.

The CM Rules are still in the process of being finalised by DECC following consultation. In the event of any changes to those rules the information contained in this pack may become inaccurate. The most to date CM Rules and process maps should be consulted and take precedence

Questions received since last Workshop

Questions

- How will a CM Unit be defined?
- Industry Issues Resolution Workshop held last month
 - CM Units may be made up of one or more BM Units – maximum grouping up to a Trading Unit level
 - Demand Side Response CM Units – further work required
- Where the CM Rules require a ‘declaration’ must this be a document uploaded or rather a ‘tick box’ on the system
- Tick box may be used in places but that tick box is every bit as legally binding as uploading a document

Questions

- If a plant enters pre-qualification and is not deemed eligible and subsequently is unsuccessful in its appeal, does this have any impact on the demand curve?
- No – the demand curve is updated to reflect plant that has opted out – remain operational only. Such plant has effectively said that they do not require the CM revenues to remain open. A plant that tried to enter the auction is assumed to need the revenue to remain open. This is the same treatment as plant which is unsuccessful in the auction
- Are there any sanctions for plant failing pre-qual and then remaining open?
- Nothing in current rules

Pre-Qualification Timetable

Pre-Qualification Timetable - Preparation

Feb 2014	Implementation Coordinator Workshop
Feb-Jul 2014	Development of IS System for Auction and Pre-Qualification
May 2014	Implementation Coordinator Workshop: Detailed pre-qualification data requirements
Jun 2014	Informal Auction Guidelines published
Jul 2014	IS System for Pre-Qualification available for account set-up and early data upload
1 Aug 2014	Formal Auction Guidelines, Codes & Licenses in force, Secretary of State confirmation auction is required
4 Aug 2014	Pre-Qualification Window opens – formal data submissions may commence

Pre-Qualification Timetable

15 Aug 2014	Pre-Qualification Window Closes
26 Sep 2014	Pre-Qualification Results Day
3 Oct 2014	NG (Tier 1) Appeal Submission Deadline; Valid Credit Support to be provided
10 Oct 2014	NG (Tier 1) Appeal outcomes notified
17 Oct 2014	Ofgem (Tier 2) Appeal Submission Deadline
14 Nov 2014	Ofgem (Tier 2) Appeal outcomes notified
Dec 2014	CM Auction

Post-Auction Timetable

24 Dec 2014	Auction Results Day
23 Jan 2015	Issue Capacity Agreements to successful Bidders
Jun 2015	First six-monthly build progress report due from Prospective CMUs (and every 6 months thereafter)
Jan 2016	Financial Commitment Milestone: New build plant must demonstrate spending
24 Dec 2017	Long-Stop Date (Refurbishing CMUs): Substantial Completion Milestone to be achieved
30 Sep 2018	Achievement of Substantial Completion Milestone (new build CMUs) for full CM payments from start of Delivery Year
1 Apr 2020	Latest Achievement of Substantial Completion Milestone (new build CMUs) before permanent cancellation / pro-rata of payment

National Grid – Industry Communications

National Grid Communications

February 2014 – Imp. Coordination Workshop

Policy , CM Rules & Regs Development (DECC Lead)

- Expert Group Papers & Draft Rules for industry review

May 2014 – Imp. Coordination Workshop

Detailed Update on pre-qualification rules and requirements







Critical Implementation Phase (NG Lead)

- Frequent Industry engagement on system build progress and data requirements

August 2014 – Pre-Qualification Window Opens

National Grid Communications

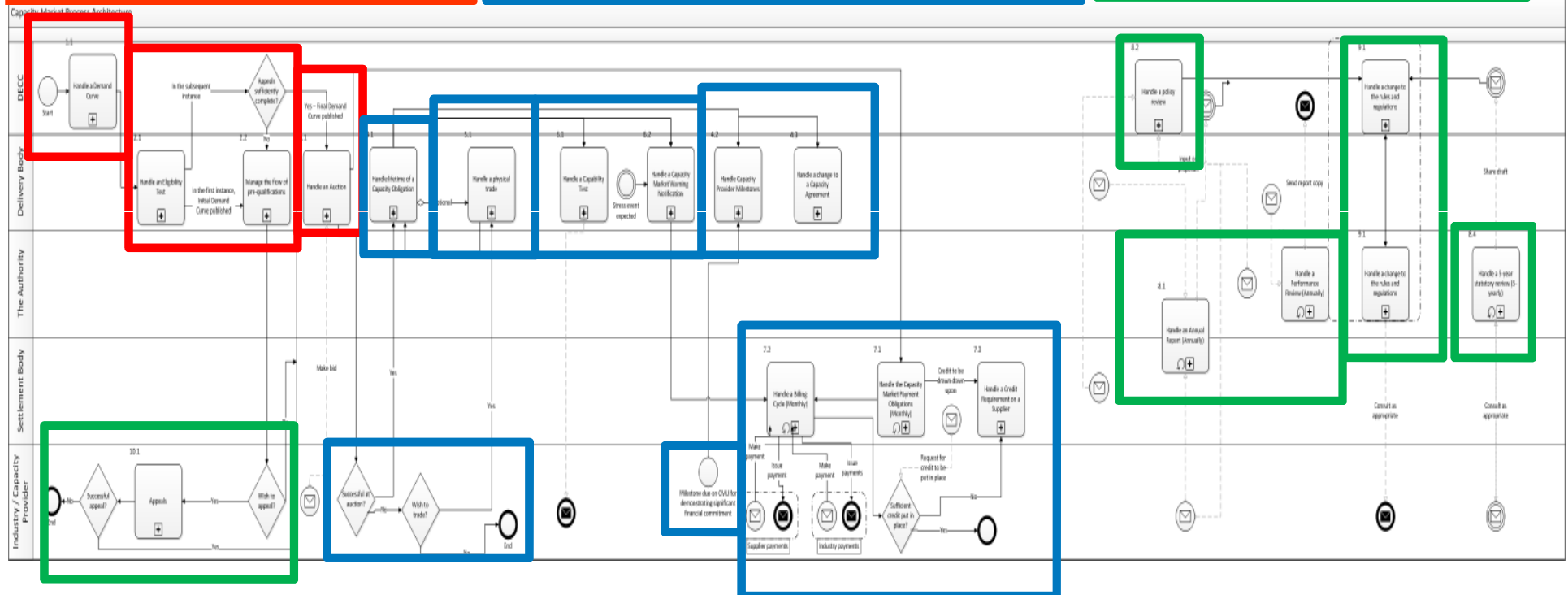
May - August 2014 Critical Implementation Phase (NG Lead)

-  [fortnightly] LiveMeeting events to update on progress
-  [fortnightly] LiveMeeting events enhanced by face-to-face workshops
-  Demonstration events on demonstration pre-qualification systems as available
-  Dedicated email account for queries
-  Regularly updated Q&A section on NG website
-  Twitter feed for short queries

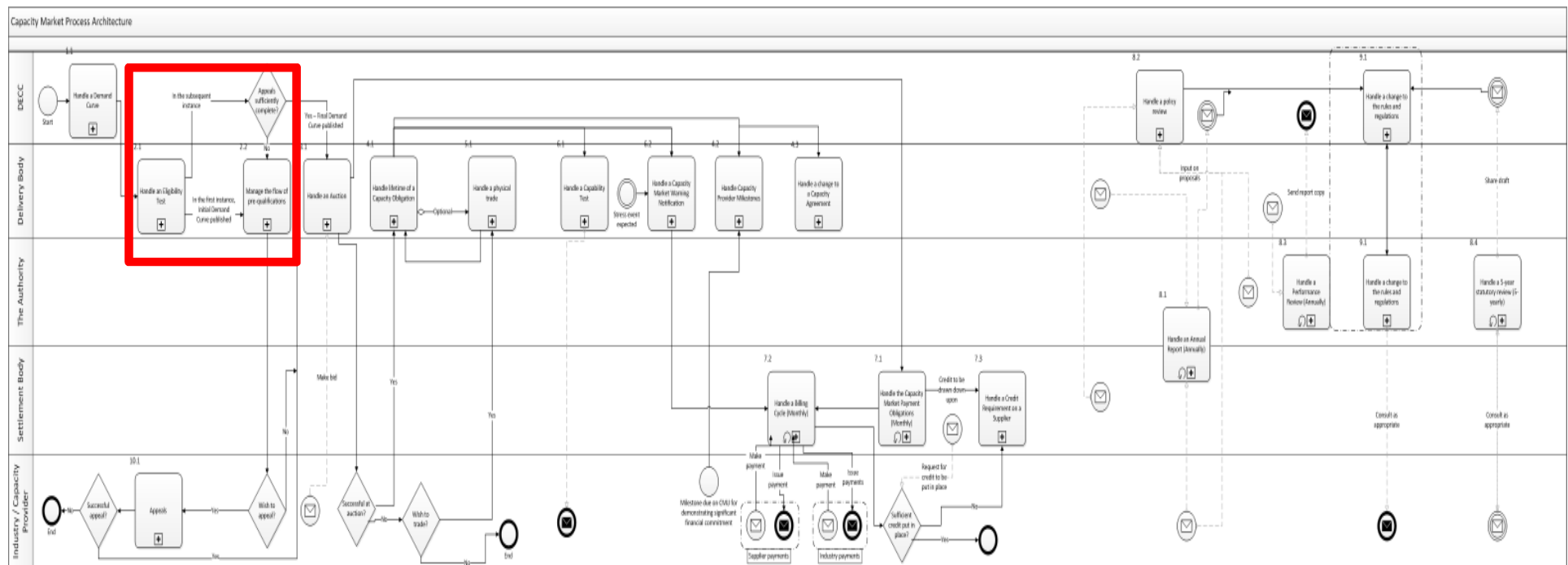
Prequalification process maps

Capacity Market Process End to End

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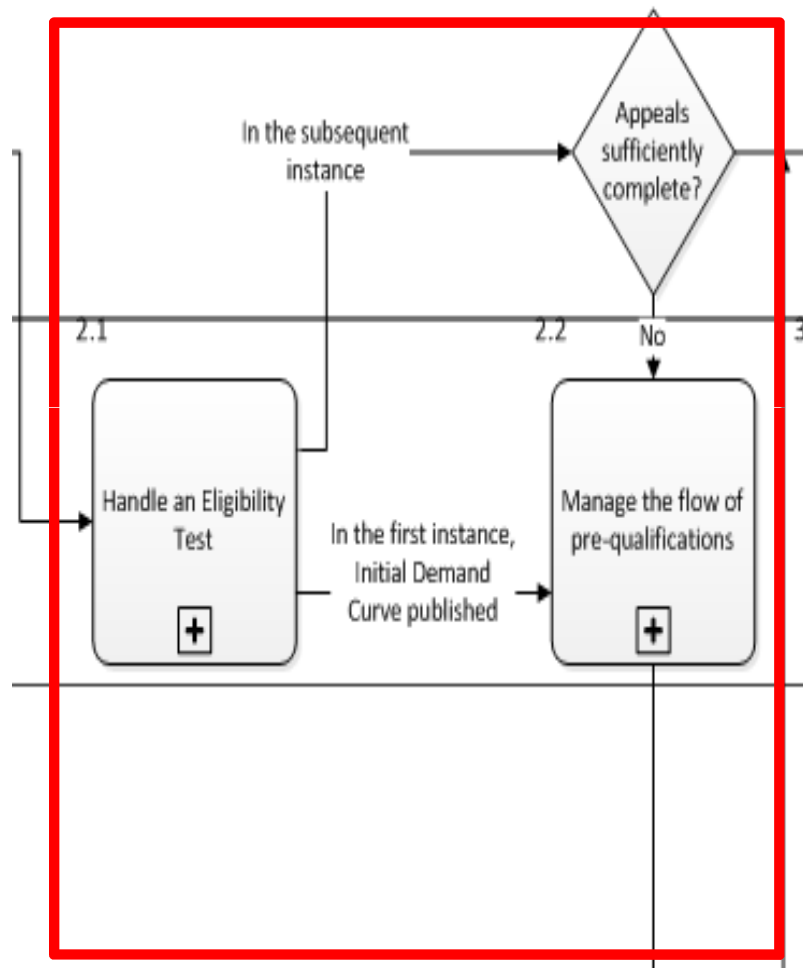


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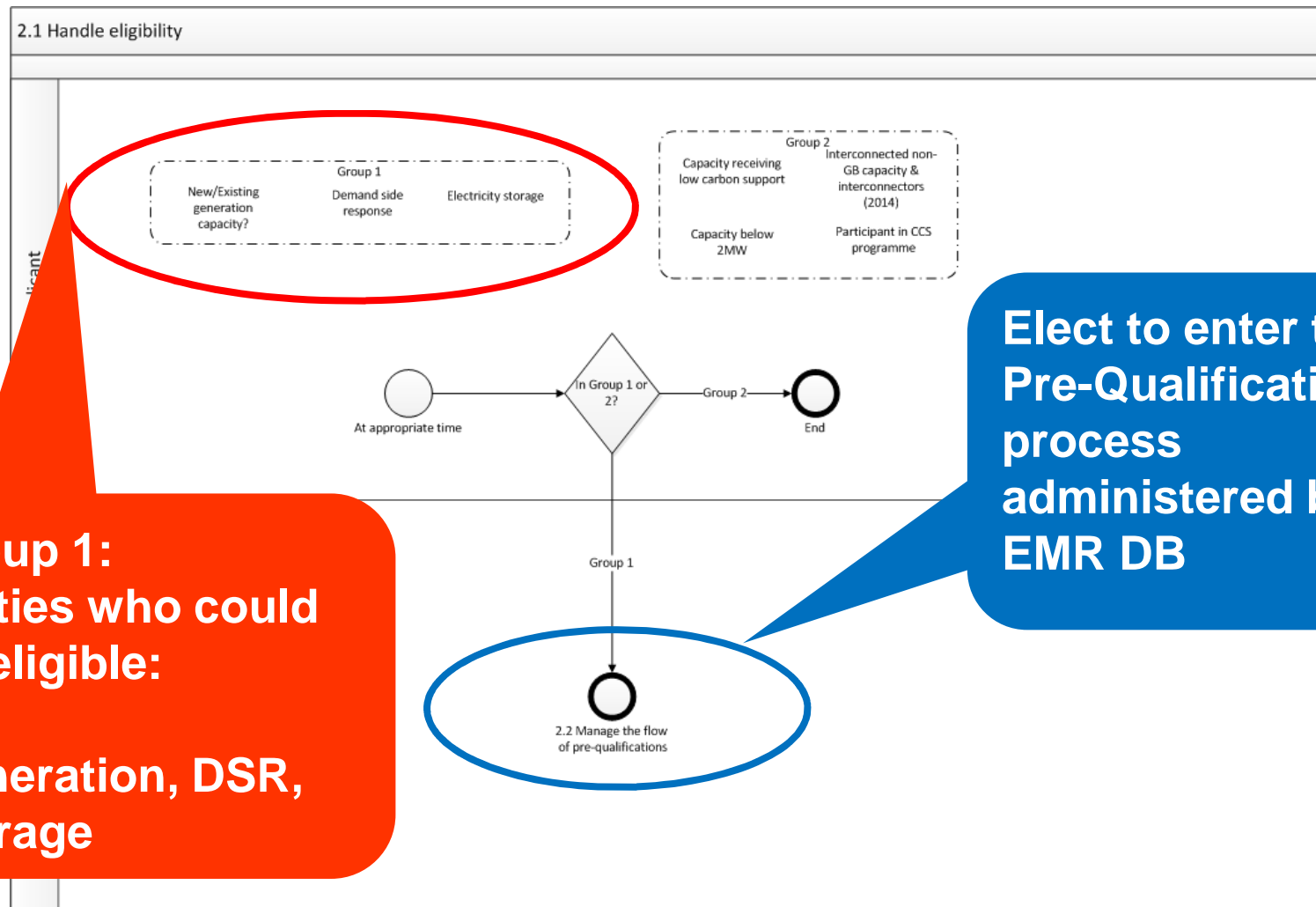
Capacity Market Process

2. Eligibility and Pre-Qualification



- Concerned with confirming eligibility and bidding status of potential auction participants
- EMR Delivery Body will assess the information and evidence submitted against set criteria and publishes results
- Potential capacity providers submit application via online system within set window

2.1 Handle Eligibility: Applicant decides to enter



Group 1:
Parties who could
be eligible:

**Generation, DSR,
Storage**

**Elect to enter the
Pre-Qualification
process
administered by the
EMR DB**

2.2 Manage the Flow of Pre-Qualification: nationalgrid

End to end process

Assess Applications

- Delivery Body
- De-rated capacity and volume of 'Opt Out'
- 6 week window

Appeals

- Applicants to DB (Tier 1)
- Applicants to Ofgem (Tier 2)

Unproven?

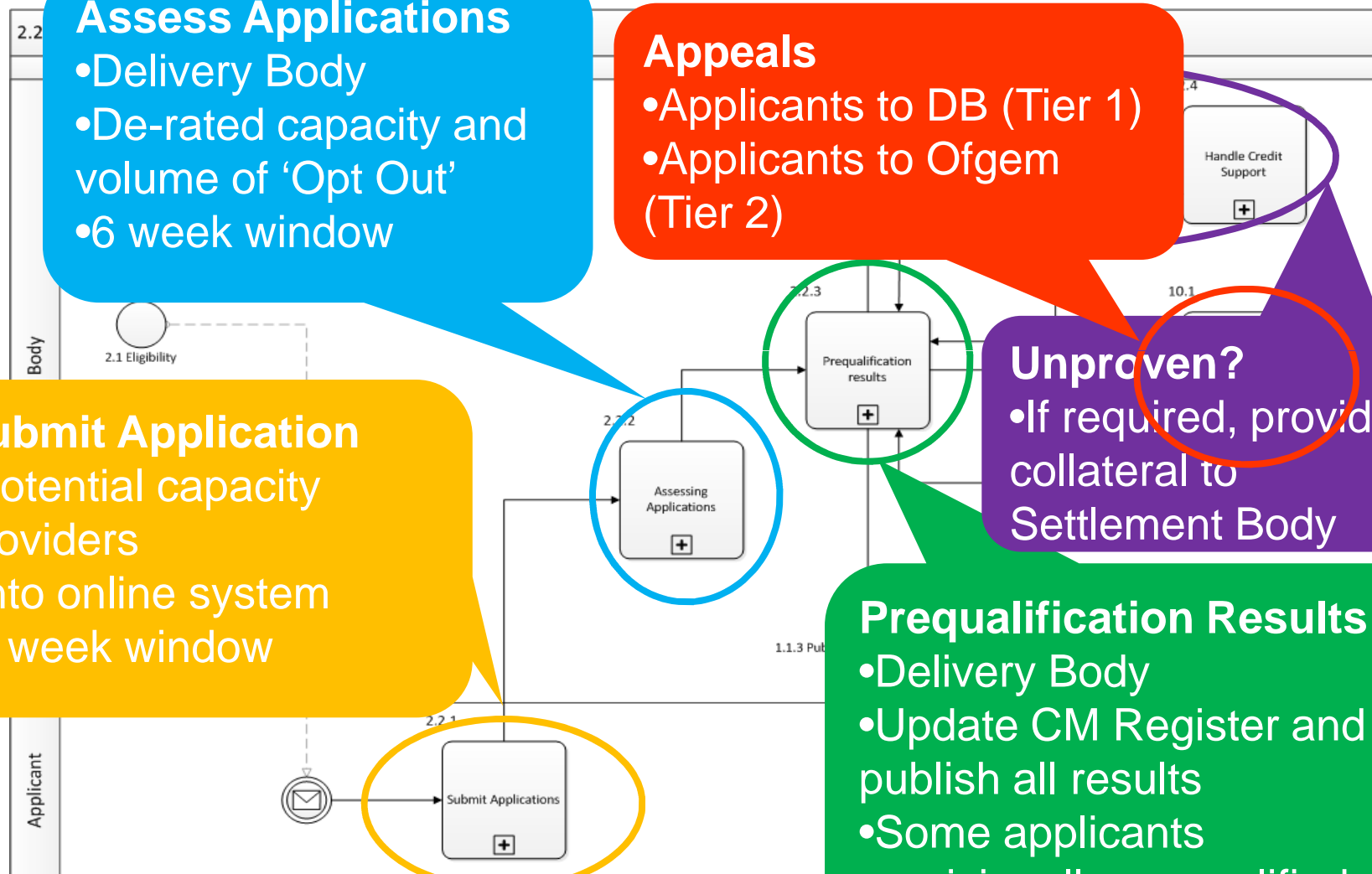
- If required, provide collateral to Settlement Body

Prequalification Results

- Delivery Body
- Update CM Register and publish all results
- Some applicants provisionally prequalified

Submit Application

- Potential capacity providers
- Into online system
- 2 week window

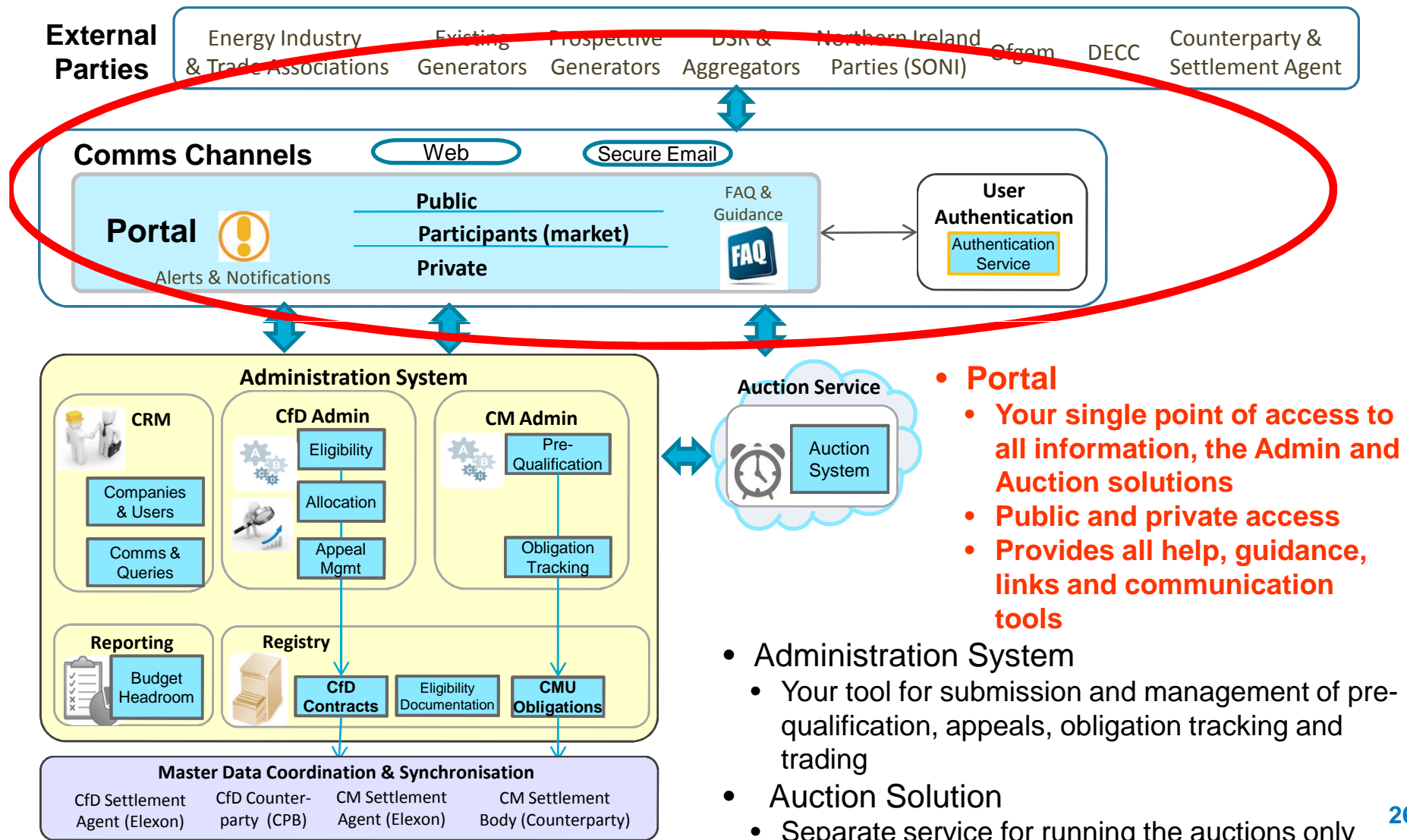


Interaction with the EMR DB

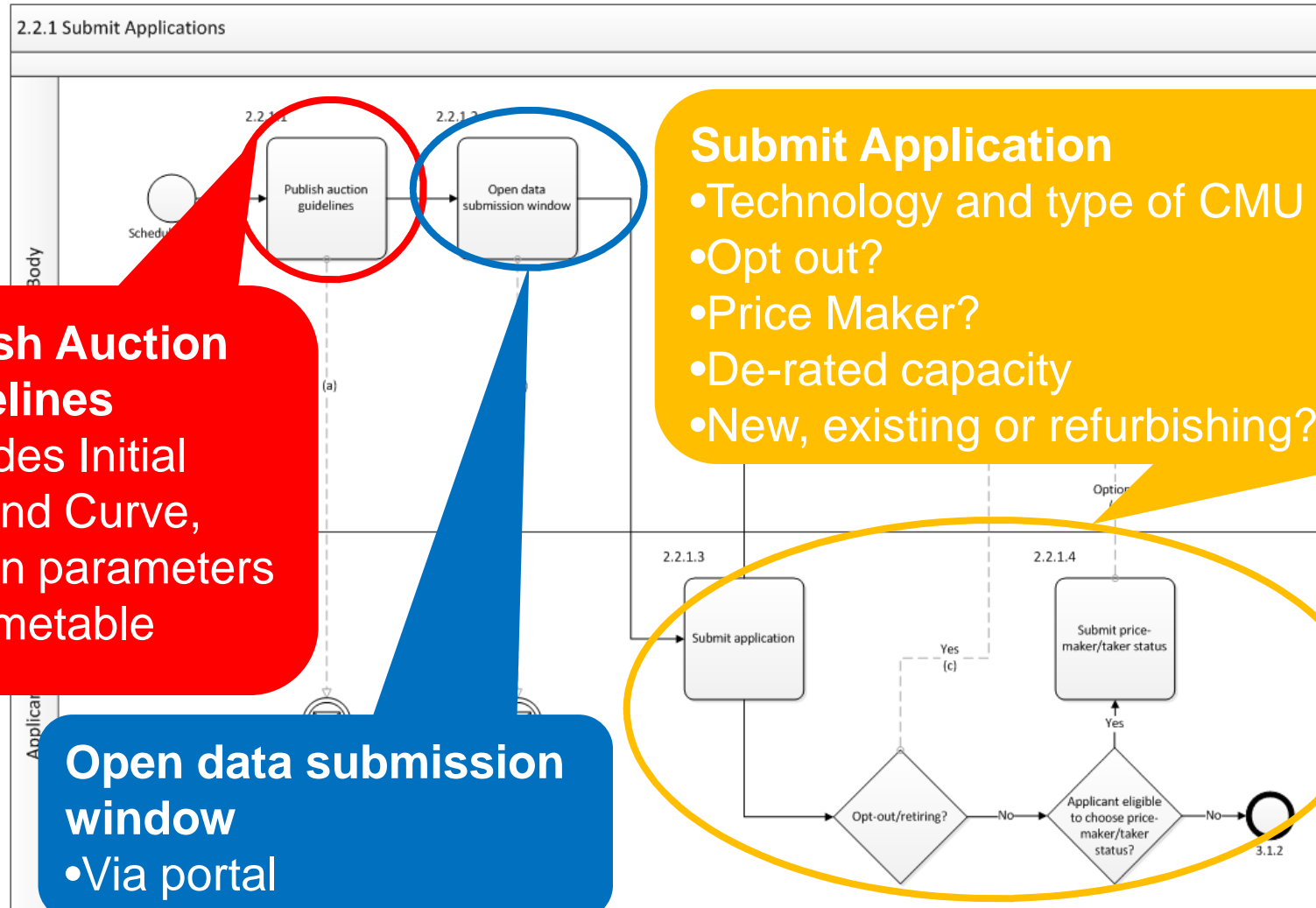


- Submit Application is window for applicants to submit required information and evidence. **No check by DB on completeness or accuracy** during submission window
- During 'Assess Application' **no new information submitted or updates provided** on the process of application
- **All results** published on Pre-Qualification Results day
- Unsuccessful applicants have one week to decide to appeal and lodge appeal, including any new information
- DB has one week to assess and publish outcome. **No early updates**

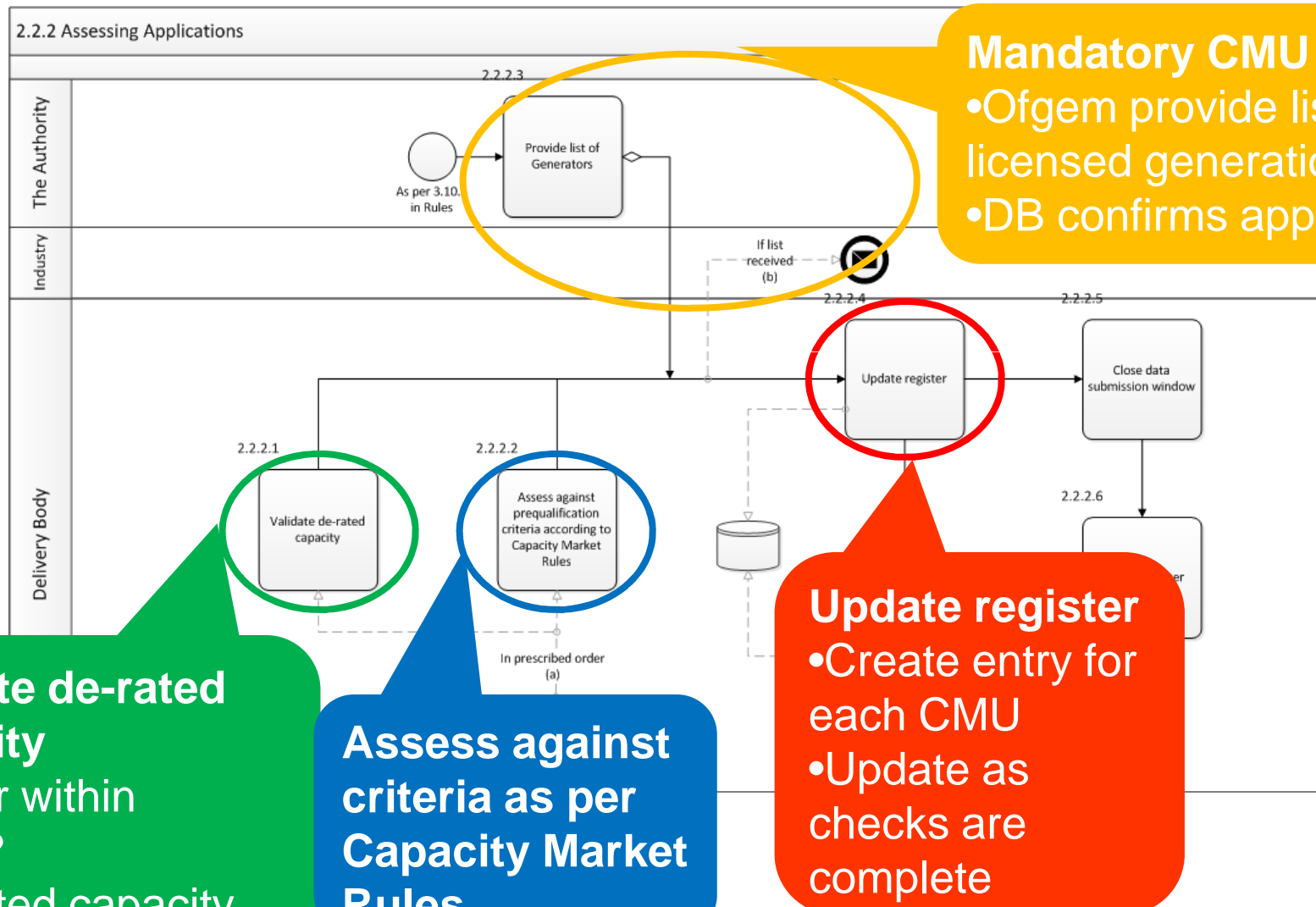
Reminder - The Reference Architecture



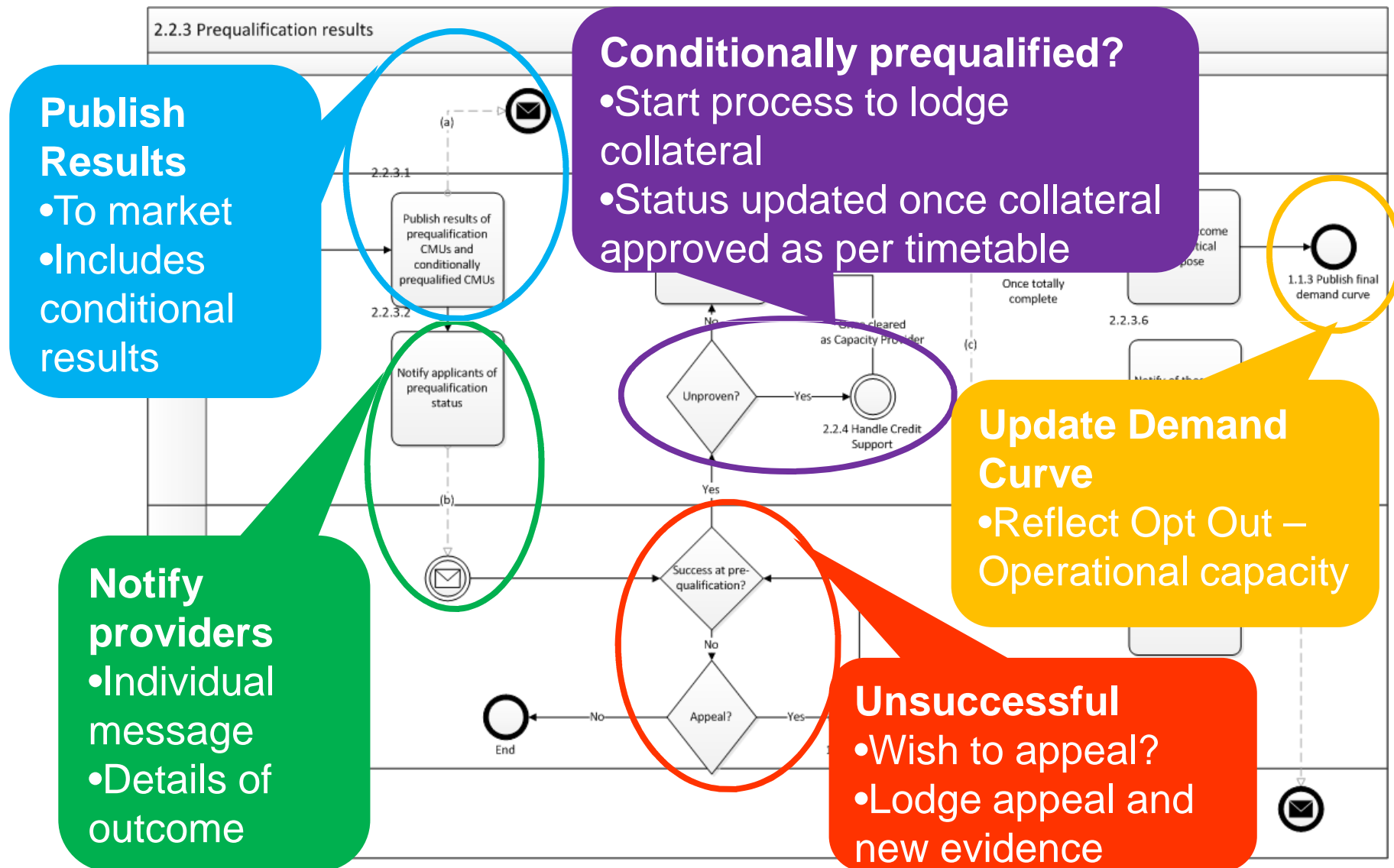
2.2.1 Submit Applications: Information available and Entry



2.2.2 Assessing Applications Activity by EMR Delivery Body



2.2.3 Prequalification Results Published by Delivery Body



Agenda

Data Requirements and the Pre-Qualification Process

Pre-Qualification Systems

- Pre-Qual data requirements currently being examined by DECC - Key consultation feedback
- Portfolio Approach
 - Lack of any significant support
- General desire to simplify data requirements
 - Avoid the collection of data if unnecessary
 - Avoid replication of existing enforcement processes in other Codes or licences

Pre-Qualification Systems

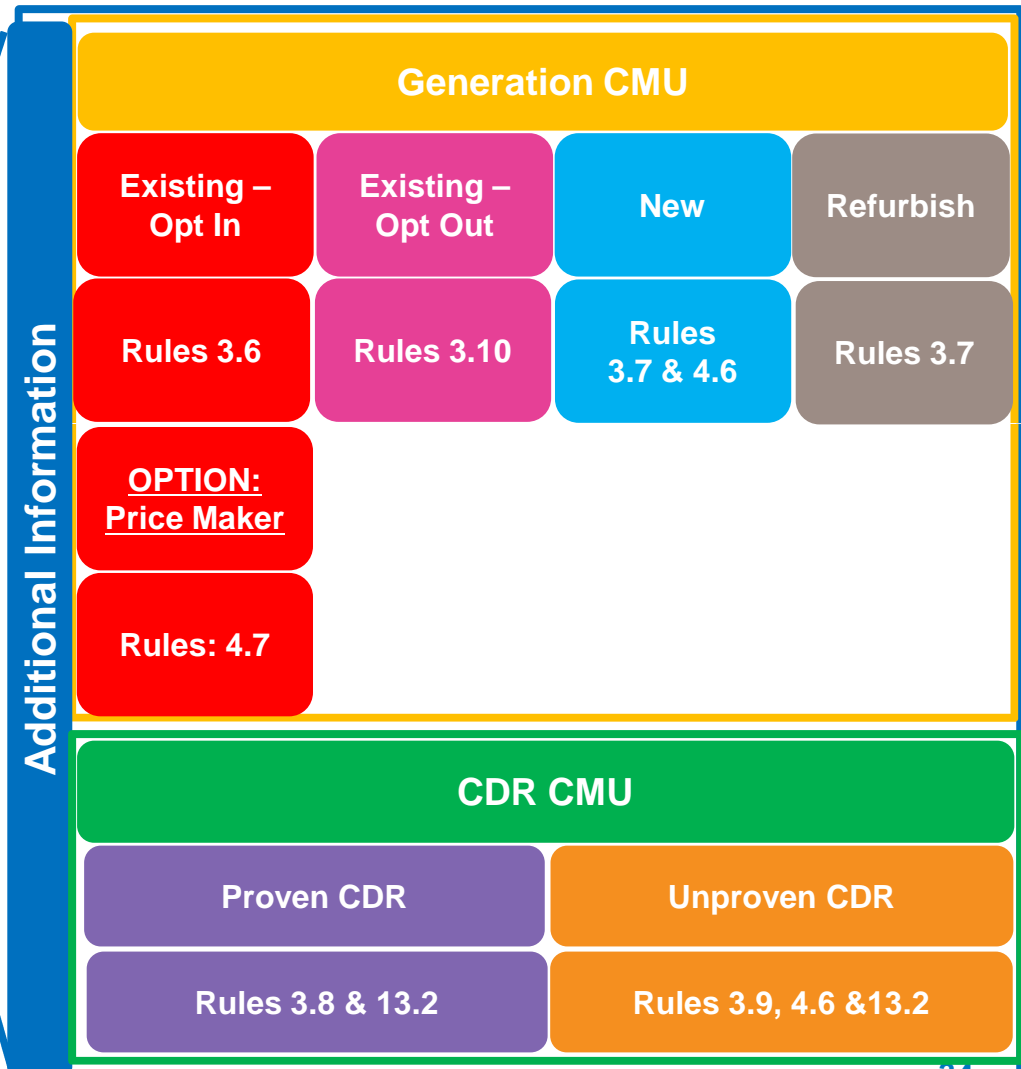
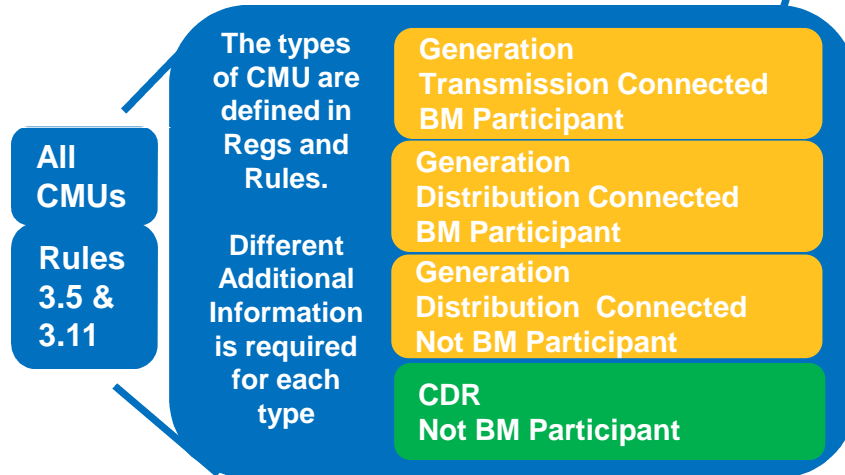
- Pre-population of Data
 - General desire from consultation respondents to minimise re-submission of data
 - National Grid aspiration that no data pre-population will be needed following DECC review
 - National Grid does not have data for a significant number of potential CMUs
 - CMU owners would retain ultimate responsibility for data submission
 - Planning IS system for Year 2 “copy data from last year” functionality prior to User review and submission

Pre-Qualification Systems

- National Grid aims to have a two-stage process to data entry
- Phase 1: Prior to the official Pre-Qualification Window
 - Aim to set up “User Accounts”
 - Need to work with Industry to decide how CMUs should be set up, if Agents are to be used etc
 - Facilities available after User account set-up to enter data
- Phase 2: Official Pre-Qualification Window
 - Further data entry and formal data submission

Pre-Qualification System Data Requirements

Aiming to have the Pre-Qualification System “walk the user through” the data entry process



Common Information: All CMUs - Rules 3.5 and 3.11

Information	Details	Comment
General details about the Applicant Details	Name Corporate Registration Number Contact Details Bank Account Details	Data to be entered directly in Pre-Qual System
	Generation Licence details (if applicable)	Licence No. / Hard Copy
	Agent details (if applicable)	
Legal Status	Details of corporate form and Copy of related Evidence	Soft Copy
Nomination relating to the CMU	Including: Description of and location of the CMU MPAN numbers and other relevant meter numbers BMU Identification number Portfolio holder ID and how this has been determined Type of CMU – which sets the Additional Information Required	Data to be entered in Pre-Qual System TBC Drop-Down Box
De-rated Capacity	Evidence of Connection Capacity or CDR Capacity Technology Class Selected de-rating factor from the published range	Format TBC
Other	Declaration of Solvency Declaration of Ethical Conduct in application	Form of declarations TBC
Low Carbon Exclusion Status	Must declare and evidence that the CMU will not benefit from Low Carbon support in or during the Delivery Year	Form of declaration TBC

Additional Information: Existing CMU Opting In - Rules 3.6 and 4.7

Information	Details	Comment
Previous Performance	Identify 3 specific Settlement Periods in two most recent years of operation when de-rated capacity was delivered	Format TBC
Grid Code Compliance (If applicable)	Declare compliant, providing details of any derogations Or declare non compliance does not materially impact it's ability to be a capacity provider	TBC
Connection Agreements	Provide copy of Connection Agreement (Grid Connection Agreement or Distribution Connection Agreement) permitting at least the de-rated capacity of the CMU	TBC
<u>If seeking to be a Price Maker</u>		
Price Maker Memorandum	Evidence of Board's decision to be a PM and reasons, including analysis, supporting that decision to be lodged with Custodian 5 working days ahead of auction	
Price Maker Certificate (Exhibit C of Rules)	To be provided to Delivery Body 5 working days ahead of auction	Format TBC

Additional Information: Existing CMU Opting Out - Rules 3.10

Information	Details	Comment
General Details on CMU Owner	Name of Owner Corporate Registration number Contact details	Data to be entered directly in Pre-Qual System
Nomination relating to the CMU	Including: Description of and location of the CMU MPAN numbers and other relevant meter numbers BMU Identification number	Data to be entered directly in Pre-Qual System
	Portfolio holder ID and how this has been determined	
De-rated Capacity	Connection Capacity	As above
Status Details	Must declare whether and provide reason for: a) Will be permanently non-operational by the start of the Delivery Year b) Will be temporarily non-operational for all the Winter of the Delivery Year c) Will remain operational for the Delivery Year	Data to be entered directly in Pre-Qual System

Additional Information: Prospective CMU - Rules 3.7 and 4.6

Information	Details	Comment
Planning Consents	Declare all Relevant Planning Consents obtained	Format & Sources TBC
Construction Plan	Brief description of the works Schedule identifying : a) start of construction works b) back-feed milestone c) Substantial Completion Milestone	Format and Structure TBC
	Amount of Capital Expenditure proper to be incurred within 12 months of auction That the expected Capital expenditure is greater than £250/kW	
Connection Agreement	Transmission Connected: Copy of Grid Connection Offer for at least the de-rated capacity by the start of the Delivery Year Distribution Connected – one of: a) Copy of Distribution Connection Agreement for at least the de-rated capacity by the start of the Delivery Year b) Copy of Distribution Connection Offer or at least the de-rated capacity by the start of the Delivery Year c) Declare the CMU will have such a connection offer at least 18 months prior to start of Delivery Year	Soft Copy to be uploaded into Auction System Verification method TBC
Credit Support	Credit support to cover Termination Fee <u>To be provided to Settlement Body</u>	

Additional Information: Refurbishing CMU - Rules 3.7

Information	Details	Comment
Planning Consents	Declare all Relevant Planning Consents obtained	Format & Sources TBC
Construction Plan	Brief description of the works Schedule identifying the Substantial Completion Milestone Amount of Capital Expenditure proper to be incurred within 12 months of auction That the expected Capital expenditure is greater than £125/kW	Format and Structure TBC
Connection Agreement	Transmission Connected: Copy of Grid Connection Offer for at least the de-rated capacity by the start of the Delivery Year Distribution Connected – one of: a)Copy of Distribution Connection Agreement for at least the de-rated capacity by the start of the Delivery Year b)Copy of Distribution Connection Offer or at least the de-rated capacity by the start of the Delivery Year c)Declare the CMU will have such a connection offer at least 18 months prior to start of Delivery Year	TBC
Grid Code Compliance	Evidence in support of Grid Code Compliance of CMU prior to refurbishment works being completed	TBC

Additional Information: Proven CDR - Rules 3.8 and 13.2

Information	Details	Comment
CDR Test Certificate on Previous Performance	Identify 3 specific Settlement Periods within 2 years prior to pre-qualification where: <ul style="list-style-type: none"> i. Baseline demand can be calculated ii. Each CDR component delivered as required by a Balancing Service contract 	Data provided direct into pre-qual system
Business Model	Including: <ul style="list-style-type: none"> ➤ Type of CDR ➤ Summary of relationship between the CDR provider and the components of the CMU ➤ Metering details and information to support calculation of baseline ➤ Metering details to support monitoring of performance ➤ Details of certainty that CDR capacity is available, including: <ul style="list-style-type: none"> i. Method of achieving load reduction ii. Equipment controlled or installed iii. How the CDR capacity has been secured ➤ A declaration that the information provided in the Business Model is true and accurate 	Format and Structure of the Business Model, and the information required within it TBC Verification method also TBC

Additional Information:

Unproven CDR (1 of 2) - Rules 3.9, 4.6 and 13.2

Information	Details	Comment
For CDR Components with whom a relationship HAS been established: For CDR Components with whom a relationship HAS NOT YET been established:		
	CDR Test Certificate for the CMU (if available)	Format and Data content TBC
	CDR CMU Component: type of CDR	
	CDR CMU Component: relationship between CDR provider and the CDR CMU Component	Data format TBC
	CDR CMU Component: If not provided via CDR Test Certificate, details of plant through which CDR achieved, MPANs of such plant, means of communicating data from MPANs to Sett Body, means of supplying historic data to satisfaction of SB that allows baseline to be calculated from start of Delivery Year, historic data to calculate the baseline available at time of application, confirmation from Sett Body that content with these submissions	Data format TBC
	CDR CMU Component: Method of achieving load reduction, equipment controlled / installed; details of how CDR Capacity has or will be secured to CDR provider	Data format TBC
	Declaration that info provided under 3.9.2 is accurate	Format TBC

Additional Information: Unproven CDR (2 of 2) - Rules 3.9, 4.6 and 13.2

Information Relating to:	Details	Comment
CDR Business Plan – General	Details of the programme or strategy for procuring additional CDR CMU components	Format and Data content TBC
	Declaration that CDR Business Plan is reasonable, accurate and not misleading	
CDR Test Certificate	Confirmation that the a CDR Test will be completed prior to the start of the relevant Delivery Year	Format and Data content TBC
Credit Support	Credit support to cover Bid Bond <i><u>To be provided to Settlement Body</u></i>	

Guidance for Implementing Changes to the CM Rules

David O'Neill, Emily Sam
12/02/14

ofgem



Overview

- Ofgem will publish Guidance for Industry on the process we will follow when considering changes to the Rules, including arrangements for Industry to propose changes for our consideration.
- We are currently developing the detail of the draft Guidance for consultation.
- We have outlined below the overarching focus of the document.

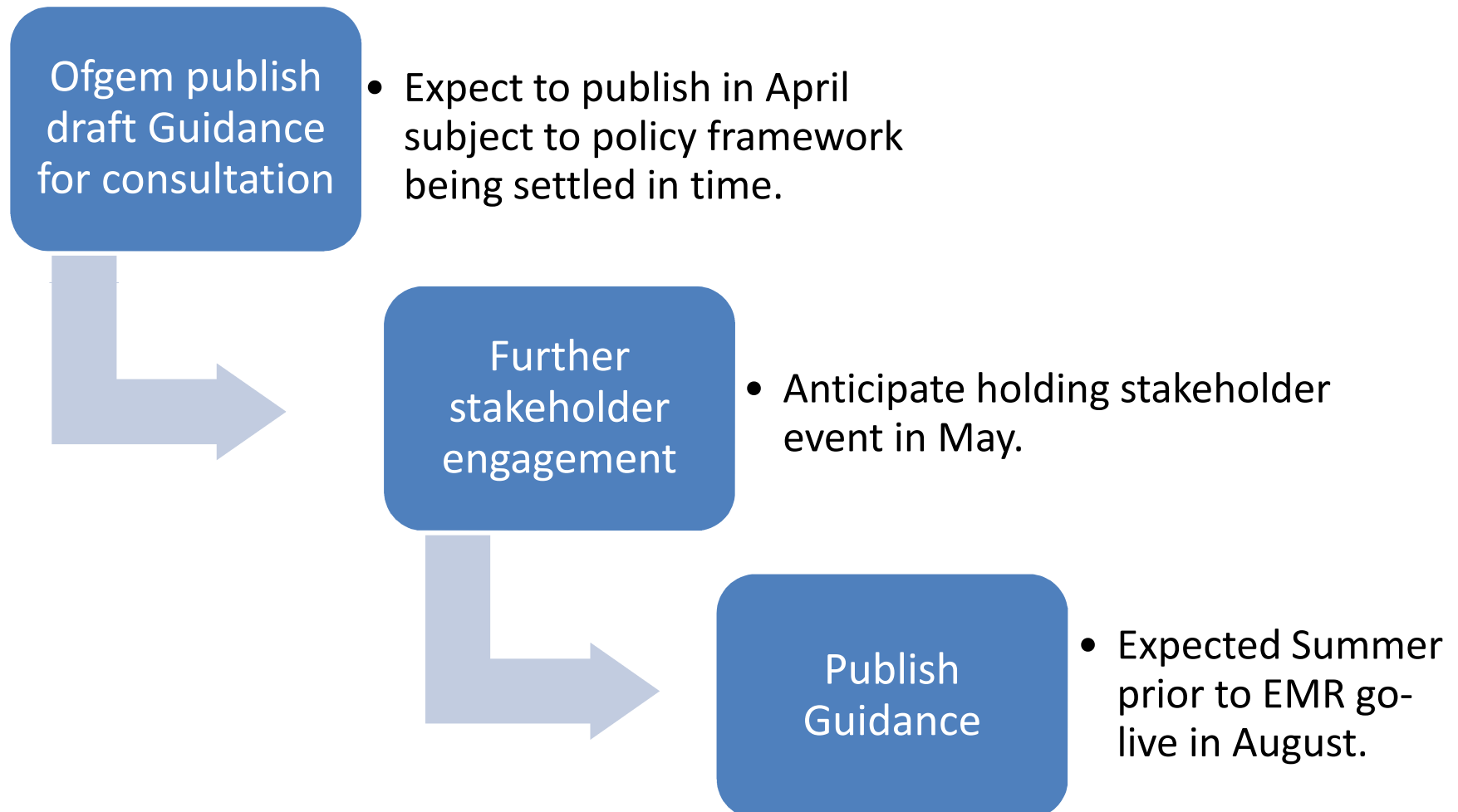
Key considerations

- Following stakeholder feedback to DECC's October consultation, we have identified the following key considerations for the process:
 - Timings for Industry to make change proposals and for any changes to be introduced prior to affected auction;
 - If and how change requests are prioritised to ensure the most efficient process; and
 - Clarity on the implications of any changes to the Rules on parties already holding a Capacity Agreement (note this is subject to DECC policy on grandfathering arrangements).

Core contents of the Guidance

- We anticipate the Guidance will cover the following key areas:
 - Overview of the change process:
 - What constitutes a change request
 - Process by which a change request may be made
 - How Ofgem will identify and consider proposals and determine any changes;
 - The consultation process; and
 - How final decisions will be communicated and implemented.

Timetable and next steps



Questions

- How might we best manage change proposals to ensure they are treated fairly and efficiently?
- We are considering how best to align the timings of revised Rules with the start of the affected auction. Do you have any views on this?
- Are there other areas than those we outlined which you would expect to be covered by the Guidance?

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We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.