



Department
of Energy &
Climate Change

Electricity Market Reform Capacity Market

Implementation Plan

December 2013

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Introduction

This document provides potential participants in the Capacity Market with details of the key Capacity Market implementation activities and milestones.

The implementation plan is one of the outputs of Electricity Market Reform (EMR) Collaborative Development Programme which took place between August 2013 and December 2013; the other key output is the Capacity Market Operating Model which contains process maps and data flow descriptions for the Capacity Market and has been published alongside this document. A partial Contract for Difference (CfD) Operating model is also being published alongside this document. This contains revised versions of some of the CfD process maps which went through collaborative development. The remainder of the process maps and the CfD Implementation Plan will be published in early 2014.

Scope and Status

The Capacity Market Implementation Plan identifies the key milestones and activities that are required to successfully implement the Capacity Market as set out in in “Electricity Market Reform: consultation on proposals for implementation” (the EMR October Consultation Document) and the accompanying draft legislation published in October 2013¹. **Depending on updates to the design of the Capacity Market and the draft legislation after the consultation closes, this plan may need to be revised.** The timeline for the implementation of the Capacity Market also remains subject to the passage of legislation on time and state aid clearance.

The plan brings together milestones from Government and each of their delivery partners and is intended to provide a high level overview of the steps involved in the implementation of the Capacity Market and the running of the first pre-qualification and auction process, such that industry participants have the clarity they require to plan and manage their own implementation activities.

Figure 1 provides an overview of the relative timings of capacity auctions and delivery years. Although this includes the proposed demand side response (DSR) specific auctions for context, this plan does not include any activities associated explicitly with the implementation of the transitional arrangements for DSR capacity. Further detail on the proposals for DSR is included in the EMR October Consultation Document.

The implementation plan is a summary plan and does not replace or replicate the detailed implementation plans that Government, delivery partners and individual industry participants may need to produce to manage their respective implementation activities.

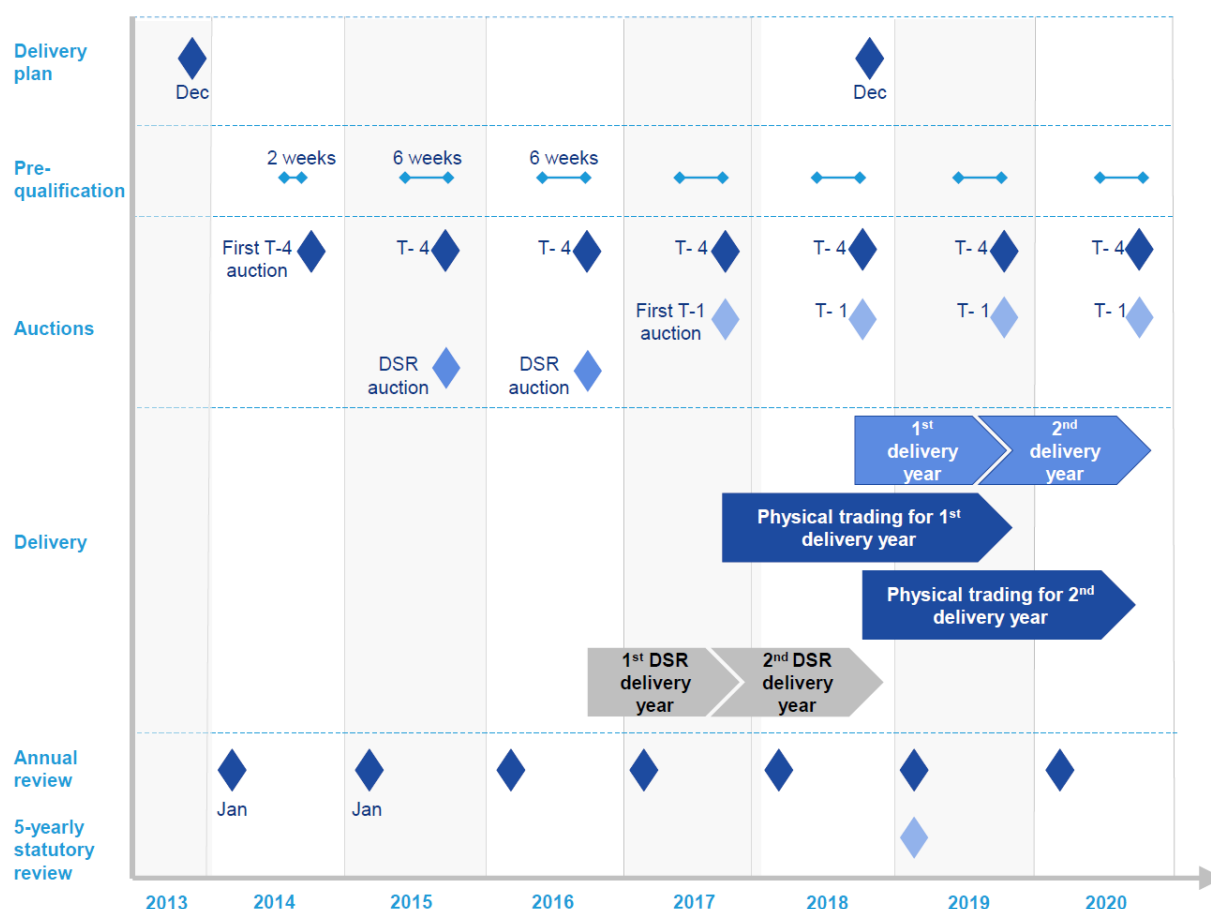
¹Electricity Market Reform: consultation on proposals for implementation
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/255254/emr_consultation_implementation_proposals.pdf

Implementation Approach

The first capacity auction will be held in December 2014, be open to all types of eligible capacity, and will award capacity agreements which will come into effect in October 2018. This auction, 4 years ahead of delivery, is called a “T-4” auction. The first year-ahead (T-1) auction will take place in late 2017 for capacity agreements which also come into effect in 2018.

Figure 1 illustrates the relative timings of the auctions associated with DSR transitional arrangements and the standard Capacity Market auctions and delivery years.

Figure 1 Overview of proposed capacity auctions



Roles and Responsibilities

A number of organisations will work together to implement the Capacity Market. This section focuses on these organisations' roles in relation to the 'implementation phase' covering the first pre-qualification and auction process.

Government

- Overall responsibility for implementation of the EMR Programme including the Capacity Market
- Reporting to Ministers / communication of Ministers' decisions

- Finalising the design and implementing legislation
- Establishing the Capacity Market Settlement Body
- Securing state aid clearance
- Appointing the Auction Monitor (TBC)
- Appointing the panel of technical experts²
- Managing updates to codes and licences
- Producing the EMR Delivery Plan and annual updates to it
- Managing any future changes to regulations

National Grid (Implementation Co-ordinator)

National Grid will also fulfil the role of 'Implementation Co-ordinator' for the Capacity Market. This will involve:

- Owning and maintaining the Capacity Market Implementation Plan
- Co-ordinating implementation activities across delivery partners and potential capacity providers
- Engaging with potential capacity providers on implementation issues and their readiness to participate in the Capacity Market
- Collating, tracking and helping to resolve implementation issues
- Passing any policy issues to Government if raised as part of implementation discussions

National Grid (Delivery Body)

As the delivery body for the Capacity Market, National Grid will be responsible for:

- Procuring and implementing core systems to support the running of capacity auctions and the pre-qualification process, and the implementation and maintenance of the capacity register
- Designing and implementing business processes to support capacity auctions and pre-qualification, and producing supporting documentation/guides including the auction guidelines
- Designing and implementing business processes to support the management of each delivery year i.e. contract management, spot testing
- Implementing processes and systems and testing these with stakeholders
- Producing annual capacity reports for Government, which will advise on capacity requirements to meet the published reliability standard
- Drafting of consequential changes to some codes

² For more information see <https://www.gov.uk/government/policy-advisory-groups/141>

Capacity Market Settlement Body

The Capacity Market Settlement Body is being established to provide ultimate accountability, governance and control of the monies collected and disbursed under the Capacity Market (Payment) Regulations.

During the implementation phase, the Capacity Market Settlement Body will be responsible for the design and implementation of the processes and systems it needs to fulfil its role.

The settlement body will be responsible for contracting a settlement agent to carry out the administrative functions associated with the collection and verification of bid bonds and collateral.

Elexon (including Capacity Market Settlement Agent)

The settlement body will be ultimately accountable for the holding of bid bonds and collateral ahead of the 2014 auction. It is intended that the settlement agent (Elexon) will carry out the verification of bid bonds and collateral on behalf of the settlement body.

During the implementation phase, Elexon will also be responsible for the following activities:

- Procuring settlement agent services and systems
- Managing changes to Balancing and Settlement Code (BSC) systems
- Drafting some changes to balancing and settlement documentation
- Designing and implementing payment related processes and systems

Ofgem

During the implementation phase, it is proposed that Ofgem will be responsible for:

- Designing, implementing and publishing processes for changes to Capacity Market rules
- Modifying enforcement guidelines for EMR (if required)
- Drafting consequential changes to licences
- Handling appeals which have been escalated following the delivery body appeals process. Note the scope and process of Ofgem's role in these appeals remains subject to final discussion and agreement.

Key Activities and Milestones

Note the 'description' column in the table below includes references to 'process maps'. The process maps are part of the Capacity Market Operating Model (published alongside this document) and describe the activities and data flows between Government, delivery partners and participants for the main processes involved in capacity auctions and pre-qualification³.

Activity/Milestone	Description	Date	Owner	Dependencies
1 Delivery Plan published	Publish the final reliability standard and the methodology for the demand curve in the delivery plan	19 th December 2013	Government	
2 Publish draft Capacity Market Rules "change process"	Consultation on the draft governance and change mechanism for Capacity Market Rules	March/April 2014	Ofgem ⁴	<ul style="list-style-type: none"> • GEMA approval of Ofgem role
3 Electricity capacity modelling and analysis	Modelling and analysis work to provide recommendation on the target volume and the demand curve for the T-4 and T-1 auctions (Process Map 1.1.2)	March – June 2014	National Grid	<ul style="list-style-type: none"> • Receipt of winter data • Receipt of Government input assumptions

³ The Operating Model and process maps can be found in the following Collaborative Development link: <https://www.gov.uk/government/policy-advisory-groups/electricity-market-reform-emr-collaborative-development>

⁴ Ofgem's role in EMR, including its role in tier 2 appeals, remains subject to final decision by GEMA.

Activity/Milestone		Description	Date	Owner	Dependencies
4	Publish final Capacity Market Rules change process	Publish final proposals for the governance and change mechanism for Capacity Market Rules	30 th June 2014	Ofgem (TBC)	• GEMA approval of Ofgem role
5	Publish appeals guidance	Publish details of the tier 2 pre-qualification appeals process	30 th June 2014	Ofgem (TBC)	• GEMA approval of Ofgem role
6	"Informal" auction guidelines	<p>Initial publication (which will need to be confirmed once secondary legislation is in force) to include:</p> <ol style="list-style-type: none"> 1. Dates for pre-qualification opening/closing/results and the provisional auction date 2. Details of pre-qualification IT systems including the format for applications 3. Auction Parameters (including demand curve and target volume) 4. De-rating factors 5. Details of the National Grid appeals process <p>(Process Map 1.1.2)</p>	30 th June 2014	National Grid	<ul style="list-style-type: none"> • IT systems • Auction parameters from Government
7	Applicant access to National Grid pre-qualification IT systems	Provide access codes and instructions to applicants to enable "user trials" and data pre-load	14 th July 2014	National Grid	• IT systems

Activity/Milestone		Description	Date	Owner	Dependencies
(Process Map 2.2.1)					
8	Legislation and code/licence changes in force	Secondary legislation comes into force (along with all directed code/licence changes)	1 st August 2014	Government	<ul style="list-style-type: none"> • Parliamentary process
9	Publish auction determination and parameters	Confirm that an auction is required and publish this confirmation alongside final auction parameters	1 st August 2014	Government	<ul style="list-style-type: none"> • Secondary legislation in force
10	Publish "Formal" auction guidelines	Publish final guidelines to reflect Government auction parameters	1 st August 2014	National Grid	<ul style="list-style-type: none"> • Secondary legislation in force • Government confirmation auction will run and publication of auction parameters
(Process Map 3.1.1)					
11	Pre-qualification window opens	IT systems "active" and applicants submit formal registration and data submission	4 th August 2014	National Grid/ Applicants	<ul style="list-style-type: none"> • Secondary legislation in force • Government confirmation that auction will run • IT systems
(Process Map 2.2.1)					
12	Pre-qualification window closes	Last date for applications to be submitted (Process Map 2.2.2)	15 th August 2014	Applicants	<ul style="list-style-type: none"> • Secondary legislation in force • Government confirmation that auction will run • IT systems
13	Capacity Market Settlement Body operational		1 st September 2014	Government	<ul style="list-style-type: none"> • Capacity Market Settlement Body incorporated and bank

Activity/Milestone	Description	Date	Owner	Dependencies
				accounts in place.
14 Pre-qualification results day	<p>Inform applicants of the outcome of assessment and issue conditional pre-qualification certificate to all parties.</p> <p>Create an auction IT system account for each successful applicant and issue system login details</p> <p>Provide Government with aggregate de-rating capacities for each category of applicant and provide recommendation of any adjustment required to the demand curve (as a result of plant opting out whilst still operational)</p> <p>Update Capacity Market register and share information with Ofgem and Elexon</p> <p>(Process Map 2.2.3)</p>	26 th September 2014	National Grid	<ul style="list-style-type: none"> • Secondary legislation in force • Government confirmation that auction will run • IT systems
15 National Grid appeal submission window opens	Opening date for applicants to raise an appeal with National Grid against the pre-qualification outcome	26 th September 2014	Applicants	

Activity/Milestone	Description	Date	Owner	Dependencies	
(Process Map 10.1.1)					
16	National Grid appeal window closes	Closing date for applicants to raise an appeal with National Grid against the pre-qualification outcome	3 rd October 2014	Applicants	
17	Deadline for applicants to post bid bond/ collateral with settlement body/ agent	New build participants and DSR providers must post collateral in pre-qualification (Process Map 2.2.4)	3 rd October 2014	Applicants	<ul style="list-style-type: none">• Deadline is 5 business days after pre-qualification results day
18	Appeal assessment complete and appellants notified	Notify appellants of appeal outcome. Provide successful appellants with auction system login details and update capacity register Inform Government of any impact on demand curve / target volume (Process Map 10.1.1)	10 th October 2014	National Grid	<ul style="list-style-type: none">• Any / all National Grid appeals assessed and decisions made
19	Tier 2 appeal submission	Opening date for applicants to raise an appeal with Ofgem (TBC) against the pre-qualification	10 th October 2014	Applicants	

Activity/Milestone	Description	Date	Owner	Dependencies
window opens	outcome			
20 Tier 2 appeal window closes	Closing date for applicants to raise an appeal with Ofgem (TBC) against the pre-qualification outcome (Process Map 10.1.3)	17 th October 2014	Applicants	
21 Publish updated auction guidelines and enable IT system access	Update to include confirmed date for the auction and updated target volume / demand curve (as a result of National Grid appeals). Provide auction IT system access to all pre-qualified applicants to enable participant testing (Process Map 3.1.1)	20 th October 2014	National Grid	<ul style="list-style-type: none"> • Government update to National Grid on parameters • IT systems
22 Initial collateral verification	Latest date to notify applicants (copying National Grid) that have posted collateral whether their collateral has been verified (Process Map 2.2.4)	24 th October 2014	Capacity Market Settlement Body	
23 Collateral re-posting	Latest date that applicants who have been notified that their original collateral had not been verified can re-post collateral for second	31 st October 2014	Applicants	<ul style="list-style-type: none"> • Initial collateral verification results

Activity/Milestone	Description	Date	Owner	Dependencies
	verification			
24 Final collateral verification	Notify applicants and National Grid of results of second round collateral verification process (Process Map 2.2.4)	4 th November 2014	Capacity Market Settlement Body	<ul style="list-style-type: none"> Initial collateral verification results Collateral re-posting National Grid needs this information 25 business days before the auction
25 Tier 2 appeals process complete	Following completion of tier 2 appeals, inform appellants and National Grid of outcome. (Process Map 10.1.3)	14 th November 2014	Ofgem (TBC)	<ul style="list-style-type: none"> Tier 2 appeals assessed and decisions made where possible by 14th November
26 Process successful tier 2 appellants	Provide successful appellants with auction IT systems access Update the Capacity Register (Process Map 2.2.1)	17 th November 2014	National Grid	<ul style="list-style-type: none"> Tier 2 appeals that are completed are notified by Ofgem (TBC) Government told of those that await a decision
27 Publish "Final" auction guidelines and bidder details	Publish final details to reflect outcome of tier 2 appeals process, to include: <ol style="list-style-type: none"> 1. Date and time the auction will start; 2. Identity and status of pre-qualified bidders and their 	18 th November 2014	National Grid	<ul style="list-style-type: none"> Government notification of final auction parameters Completion of tier 2 appeals process and notification Results of collateral verification Must be published 15 business days before the

Activity/Milestone	Description	Date	Owner	Dependencies
	aggregate de-rated capacity: 3. Final demand curve and target volume (Process Map 3.1.1)			auction
28 Run mock auction	Run mock auction with all applicants	25 th November 2014	National Grid	<ul style="list-style-type: none"> • IT systems • Participant testing complete • Successful tier 2 appellants familiar with IT systems
29 Closing date for price maker / taker confirmation	Latest date for applicants to confirm Price Maker status (Process Map: 3.1.2)	2 nd December 2014	Applicants	<ul style="list-style-type: none"> • Publication of final demand curve and target volume • Applicants' board approval
30 Go/ no go decision	All systems preparation tasks completed, assessment of go/ no go	5 th December 2014	National Grid/Government	<ul style="list-style-type: none"> • IT systems • Government confirmation
31 Start auction	Start the first auction round (Process Map: 3.1.3)	9 th December 2014	National Grid	<ul style="list-style-type: none"> • IT systems • Publication of "Final" auction guidelines and bidder details • Go decision • Auction monitor operational
32 Complete Auction	Auction closes (Process Map: 3.1.3)	11 th December 2014	National Grid	<ul style="list-style-type: none"> • Auction clearing

Activity/Milestone	Description	Date	Owner	Dependencies
33 Notification of provisional Auction results	Notify bidders whether, based on provisional results, they have been awarded a capacity agreement (with the details) Notify Government and Ofgem of the provisional results (Process Map 3.1.4)	12 th December 2014	National Grid	<ul style="list-style-type: none"> Auction closing (must be notified within 24 hours of closing)
34 Auction monitor provides report on auction to Government	(Process Map 3.1.4)	18 th December 2014	TBD	<ul style="list-style-type: none"> Auction closing (must be provided within 5 business days of closing)
35 Auction Results Day	Publish results of the auction to bidders, the auction monitor and other administrative parties (Process Map 3.1.4)	24 th December 2014 Note: may be sooner if Government confirms result stands sooner	National Grid	<ul style="list-style-type: none"> Auction closing (must be published within 8 business days of closing)
36 Issue capacity agreements	Issue agreements to successful bidders (Process Map 4.1.1)	No later than 23 January 2015	National Grid	<ul style="list-style-type: none"> Auction results day (must be issued within 20 business days of results day)

Next Steps

In January, National Grid will be holding an “Implementation Co-ordinator Launch Event” as the starting point for a series of monthly forums with Capacity Market participants. These forums will cover implementation preparation activities in detail, develop the process maps to the next level, seek to resolve implementation issues, review progress and assist with industry preparation for pre-qualification in August 2014 and the first auction in December 2014.

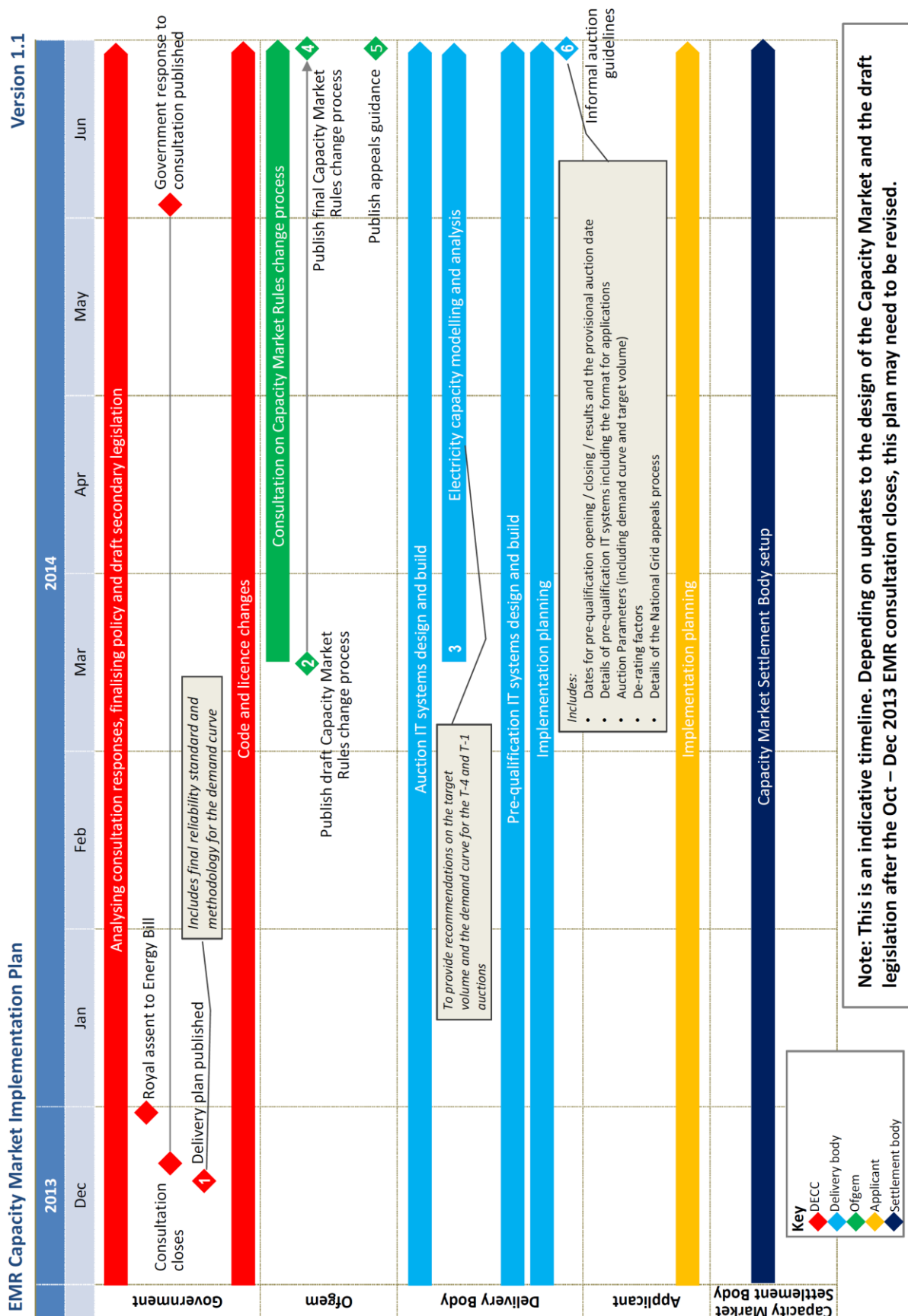
In addition, Government will be holding an EMR Implementation Board every two months, chaired by the Director of EMR, to provide overall programme oversight and provide Capacity Market participants with the opportunity to get updates on progress across the programme.

Government is aiming to publish further detail on the Capacity Market policy design on 2 June as part of a full Government response to the consultation, alongside updated legislation being introduced to Parliament.

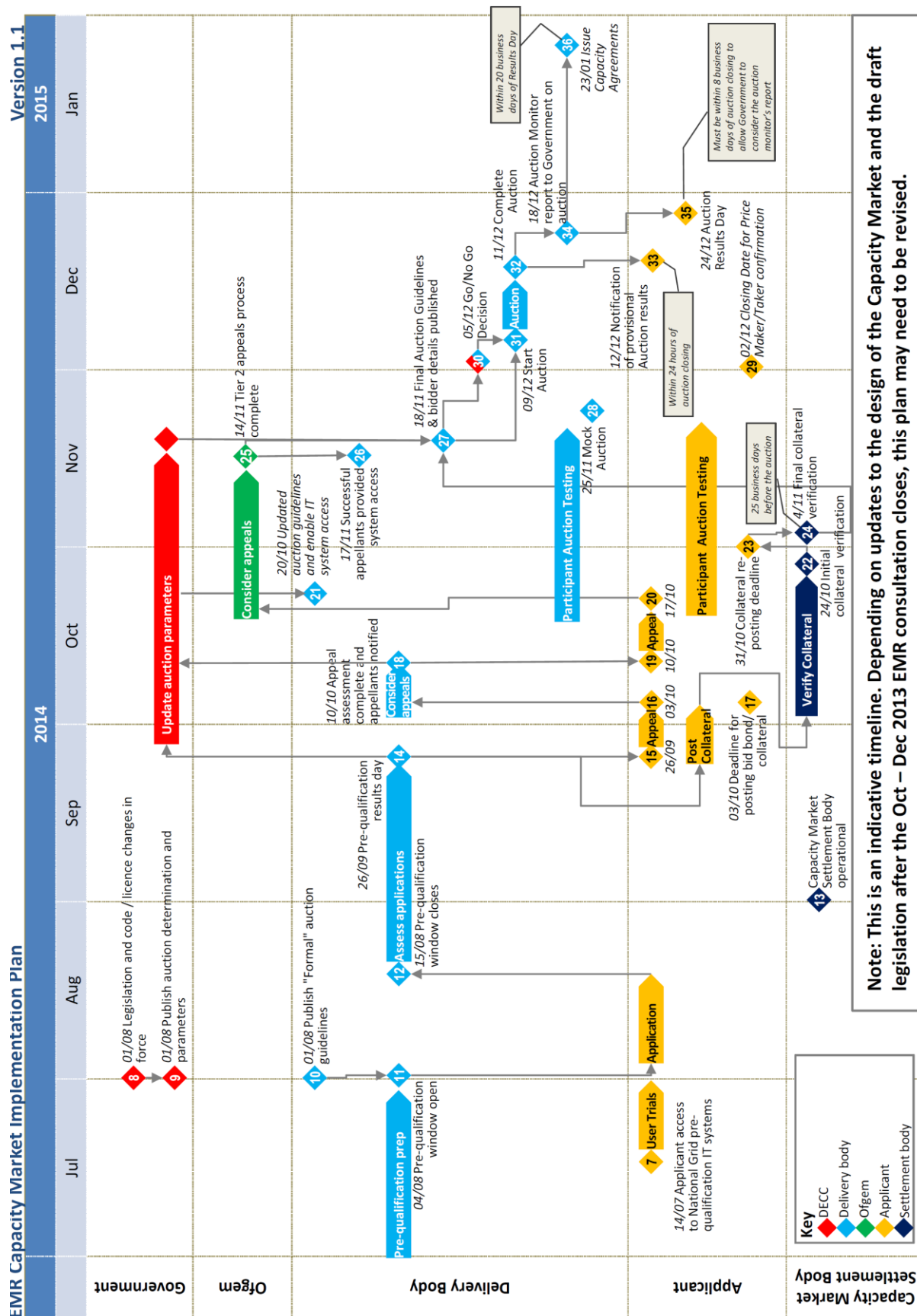
Guidance to enable preparation for pre-qualification is intended to be published on 30 June:

- Informal auction guidance (which will be updated by 1 August once secondary legislation is in force) covering:
 - Dates for pre-qualification opening/closing/results and the provisional auction date
 - Details of pre-qualification IT systems including the format for applications
 - Auction Parameters (including demand curve and target volume)
 - De-rating factors
 - Details of the National Grid Appeals process.
- Appeals guidance covering how Ofgem (TBC) will deal with tier 2 appeals on pre-qualification.

Annex A: EMR Capacity Market Implementation Plan, December 2013 – June 2014



Annex B: EMR Capacity Market Implementation Plan, July 2014 – January 2015



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