

EMR CM collaborative development 6 December 2013

Notes from afternoon session

Q 222 – Bid Bonds

The group discussed that the bid bond issue was around tenure rather than form. They considered that the least expensive acceptable form of bond would be the most attractive to bidders.

They considered a rolling renewable bond; for example a four year bond, renewable every 6 months. There would need to be an overlap period (perhaps a month) between the renewal of the next bond and the expiry of the old one, to allow time to receive and process the new one. If not replaced, then the bond would be drawn down.

Elxon considered that this would be acceptable so long as the overlap period were sufficient.

Industry noted that they did not know whether an overlapping renewable bond would be cheaper or more expensive than one for the full duration.

Q228 - Reconciliation Timing

The group referred to the Rules. They considered that it easier to annually reconcile than on a monthly basis. There was little clarity around why Treasury cannot undertake this.

Action: DECC took an action away to find out why Treasury will not allow annual reconciliation.

The group also raised the issue where an appellant is successful but the year has ticked over, how they get paid.

Q108 - Balancing Services and Performance

Balancing Services contracts allow for delivery over the winter period. The group considered that this issue can be solved through consequential changes to existing codes.

The key issue debated was whether if a party was under a constraint management contract, should they be deemed to have passed their winter performance requirements even where they were constrained over winter, or do they need to be tested? Clarity needs to be provided particularly where they were also unavailable due to constraints during the testing period.

Q5 – Publication of Data

The group considered that the starting point of the principle regarding data publication should be to publish everything, and then work on exclusion by exception basis. The debate centred on:

- Whether participants should know who are Price Makers
- Whether participants should know when bidders exited the auction

Then, there was a discussion around whether only physical information should be published in advance of the auction, with other information ex-post.

Industry considered that a further session would be required – starting with all pre-qualification data held, and work out whether any specific information should be removed from the register and if so until what time.

Q149 – Market Share

The group considered that the Energy UK position on Market Share was the best place to take this issue forward, as they have recently developed six options for market share determination.

The group considered that option 4 – Energy UK’s current preferred position – which forecasts market share in a rule-based manner with information provided by Elexon on an ongoing monthly basis would be less variable than the existing proposal.

Elexon considered that the tax rules regarding reconciliation would need to be taken into account into any methodology used.