



Department
of Energy &
Climate Change

Meeting Note

EMR COLLABORATIVE DEVELOPMENT: THIRD IMPLEMENTATION STEERING GROUP

10.30 – 12.30, Thursday 28 November 2013

Location: 10-11 Carlton Terrace, London

The agenda covered the following items:

1. Welcome & Introductions including an overview of the aims of the meeting – Jonathan Mills (Chair)
2. Collaborative Development Stocktake - Stuart Cook, PWC
3. Outputs and plans for publication – Stuart Cook, PWC
4. Role of Implementation Co-ordinators – Hannah Wadcock (DECC) and Angela McIntyre (CfD Counterparty)
5. Milestones for Engagement and Industry Forum Proposals – Hannah Wadcock

1. Welcome & Introductions including an overview of the aims of the meeting – Jonathan Mills (Chair)

- Jonathan Mills welcomed everyone to the meeting and updated on the actions from the last meeting:
 - Action 1: *PwC and DECC to determine a process for resolving issues captured in the questions logs* - On the CM side, there is a meeting on 6 December to take forward remaining open issues relating to implementation. We are still considering how to take forward CfD issues resolution particularly in relation to the plans for publishing the draft Allocation Framework.
 - Action 2: *PwC are producing a document that will clarify what issues raised through CD have already been resolved through the consultation document, and references to the relevant section* - PwC have produced issues logs for both the CM and CfD. Teams are working through the issues. The final CM issues log would be

published on Friday 29 November on the collaborative development website. On the CfD side, the Supplier Obligation and Allocation issues logs were published on the website on 21st and 26th November respectively.

- *Action 3: Operating Models - DECC to clarify what would be available, when, and what the opportunity to comment would be -*
On the CM side, the meeting on 6 December will include a session giving industry sight of the Operating Model. We are considering how to give industry sight of the CfD Operating Model.
 - *Action 4: ISG asked that DECC prioritise between participant journeys and issues relating to the process maps. These were a “nice to have” at this stage given the gaps in the policy and process maps -* The process maps have been prioritised and refined versions will feature in the Operating Models to be published later in December. Issues resolution has also been prioritised – see reference to issues logs and 6 December session above.
- The Chair outlined the key objective for today’s meeting was to clarify how we move from collaborative development into implementation and how to continue dialogue to close down remaining issues.

2. Collaborative Development Stocktake – Stuart Cook, PwC

Summary of presentation

- An extensive programme of industry engagement on Electricity Market Reform has been running since August, including over 20 detailed workshops with industry.
- All issues raised at workshops have been mapped into 4 categories – questions that are closed; questions to be referred to the delivery partners; questions that will be resolved via the October consultation document and questions that could be resolved through Industry Resolutions meetings.
- The planned 6 December Industry Resolution meeting on the capacity market was intended to hear from industry on how outstanding issues in the question log can be resolved and to provide proposals to DECC.

Key points made

- Trade Associations asked for early sight of the questions so that they could research with members, particularly with those who hadn’t been involved in the process to date.
- One participant also suggested trialling open questions ahead of the 6 December event and taking a straw poll to help inform the agenda.

ACTION 1 – DECC to publish the slides and the issues log with the issues categorised as above.

ACTION 2 – ISG asked DECC to confirm what issued will be addressed by which group as there are a few different groups in operation, i.e. ISG, Expert Groups.

3. Outputs and plans for publication – Stuart Cook, PwC

Summary of presentation

- Plans to publish in December:
 - Capacity Market Operating Model
 - Capacity Market Implementation Plan
 - Completed issues log for the Capacity Market
- Currently considering whether to publish at the same time the Contracts for Difference Operating Model. Not confirmed yet as DECC is intending to publish the Allocation Process early in 2014 and there were clear overlaps. The Operating Model is intended to be a “user guide” on the Capacity market and Contracts for Difference for people who haven’t been involved in the process to date. It will provide a common reference point for delivery partners and stakeholders, with the core component of detailed process maps for both mechanisms.
- All process maps for both the capacity market and the contract for difference had now been converted into BPMN, to ensure a common format.
- Implementation Plans provide an industry perspective on key milestones, i.e. when things are happening and when industry needs to be ready by. The Implementation Plans will provide target dates for key milestones, i.e. Royal Assent of Energy Bill, Secondary legislation laid.
- DECC sought views from participants on the key dates for industry representatives with regards to implementation.

Key points made

- Industry asked that the implementation plan give some indication of how “fixed” milestone dates were, and which were still subject to change.
- There were a number of outstanding questions in relation to secondary trading arrangements for the Capacity Market, the penalty regime, and on how de-rating calculations would be made. This would help industry perform their own de-rating calculations.
- It was more difficult to gauge outstanding implementation questions for the CfD given the need for further information on the allocation policy and the draft allocation framework. DECC asked for industry to provide further detail

on the timescales for industry board approval processes, and how such processes would interface with the implementation plans provided.

ACTION 3 – ISG to feed in answers to DECC teams on the earlier questions posed in the slides, i.e.

- **What are the critical aspects of policy that industry needs more clarification on for both CM and CfD to allow them to be ready for go-live?**
- **When does industry need this clarity?**

4. Role of Implementation co-ordinators – Hannah Wadcock (DECC) and Angela McIntyre (CfD Counterparty set up team)

Summary of presentation

- Following publication of the draft Operating Model and draft Implementation Plan in December DECC will be seeking feedback on format, content and how industry will make the best of these documents.
- Within DECC focus is turning to finalising the policy design, making changes to the draft secondary legislation and preparing to respond to the EMR Proposals for Implementation consultation (due to close on 24 December).
- DECC is working closely with delivery partners/Implementation Co-ordinators (National Grid and CfD Counterparty Company).
- National Grid – will be holding a regular forum with CM participants, covering implementation preparation activities, resolving implementation issues, and discussing participant's readiness for CM pre-qualification.
- CfD Counterparty Company set up team – Work is currently underway to establish the Counterparty as a company. The company will be based in London and recruitment for the Chair & Senior Independent Director of the company is currently underway with expected by end FY 2013/14. That will be followed by recruitment of the CEO and key operational staff. It is expected that the Company will be operational by July 2014 and ready to manage any investment contracts transferred by DECC at that point.
- A Counterparty Set Up Team has been established to prepare for CfD implementation as well as establishing a fit for purpose Counterparty. The Counterparty Set Up Team is headed by Kenneth MacRitchie.
- The overarching objective of the CfD Counterparty Company will be to support delivery of an efficient process and system which best meets industry's needs and thus enables efficient, effective implementation of CfDs.
- Following publication of business process maps, focus groups will be put in place to enable industry to feed into the business process. There will also be:
 - a consultation on the Counterparty Business Plan
 - engagement around the system design and development

Key points made

- Settlement Go Live will have a big impact on generators and suppliers. It would be helpful to know what's "coming down the track", i.e. signing of CfD and expectation of when "money will be going out of the door" so suppliers can ensure they are ready
- Most of the complexity will be on the supplier side and generation payments.
- Publication of the full technical specification (which provides detailed information of the systems) published in November, but industry IT teams have indicated that it will take a minimum of 6 months to implement changes so concern that industry may not be able to deliver in time.

ACTION 4 – Angela to feedback industry concerns on time needed for IT system set up and testing.

5. Milestone for Engagement & Industry Forum proposals – Hannah Wadcock (DECC)

Summary of presentation

- Consultation is open until 24 December. During the consultation period DECC has been working closely with stakeholders, including through a series of workshops in London and across the UK. The final workshop will be on 6 December.
- DECC plans to continue Expert Groups on both the CM and CfD until Feb/Mar 2014 and there will be targeted stakeholder engagement on the CfD contract in Spring 2014 and on the allocation framework.
- Government plans to publish the final EMR Delivery Plan and updated terms of the CfD contract in December 2013.
- DECC will also be holding an informal consultation with industry on the consequential code and licence changes required to align the regulatory regime to EMR early in the New Year.
- The draft CfD Allocation Framework will be published in the New Year.
- The final regulations and Government response to the October consultation will be published and laid in Parliament in late-Spring 2014.
- The ISG will transition into a bi-monthly Implementation Forum with the following objectives:
 - For DECC to keep industry updated on the overall implementation of EMR, including progress towards delivery.
 - For industry to escalate implementation issues .
 - For Implementation Co-ordinators (National Grid and CfD Counterparty Company) to report back on their engagement with industry.
- The first meeting of the Implementation Forum will be in January. Although the Implementation Forum will only meet bi-monthly, industry engagement will

continue through the National Grid and CfD Counterparty Company focus groups.

Key points made

- Industry asked about the potential impact of delay to Royal Assent on the planned publication of the final EMR Delivery Plan in December.
- It was suggested that the frequency of the Implementation Forum be kept under review as bi-monthly may not be sufficient.

ACTION 5 – ISG members to confirm with DECC if they would continue to represent their organisation at the Implementation Forum, or if they would field an alternative representative.

ACTION 6 – DECC to provide a paper in advance of the Forum with proposed ways of working for the group.