



Department
of Energy &
Climate Change

EMR Collaborative Development

Capacity Market



Agenda

Monday 27 th January		
10:00	Welcome and introductions	Fergal McNamara / Lesley Potts
10:15 – 11:00	Review of progress on issues from 6th December	DECC policy leads
11:00 – 12:30	CMU Issues	DECC and participants
12:30 – 13:00	Lunch	
13:00 – 14:00	CMU Issues (cont.)	DECC and participants
14:00 – 14:45	Review of progress and feedback to DECC	Participants
14:45 – 15:00	AOB	All
15:00	Close	



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1. Welcome and Introductions



2. Review of progress on issues from 6 December 2013 session



2.1 Bid Bonds

No.	December output	Dec. policy Status	Further industry input required?
222	The least expensive acceptable form of bond would be the most attractive to bidders. Rolling renewable could be ideal but Elexon would require an overlap period between renewal and expiry (one month?).	Closed	No Commercial consideration by parties Consent from Elexon may be required

2.2 Reconciliation Timing

No.	December output	Dec. policy Status	Further industry input required?
228	<p>The group considered it easier to annually reconcile than on a monthly basis. There was little clarity around why Treasury cannot undertake this.</p> <p>Action: DECC to find out why Treasury will not allow annual reconciliation.</p>	<p>Open</p> <p>The group raised the issue where an appellant is successful but the year has ticked over, how they get paid.</p>	<p>No</p> <p>Fergal to provide update.</p>



2.3 Market Share

No.	December output	Dec. policy Status	Further industry input required?
149 157	<p>Energy UK work taking forward market share options. Group considered option 4 (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.</p> <p>Elexon considered that the tax rules regarding reconciliation would need to be taken into account into any methodology used.</p>	<p>Closed</p> <p>Superseded by PB and Expert Group paper published 24 Jan 2014.</p>	<p>No</p> <p>Summary from Fergal.</p>

2.4 Balancing Services and Performance Tests

No.	December output	Dec. policy Status	Further industry input required?
108	<p>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.</p> <p>The group considered that clarity should be provided particularly where they were also unavailable due to constraints during the testing period.</p>	Closed	NG to provide update



2.5 Publication of Data

No.	December output	Dec. policy Status	Further industry input required?
5	<p>The debate centred on:</p> <ul style="list-style-type: none">• Whether participants should know who are Price Makers• Whether participants should know when bidders exited the auction <p>Then, there was a discussion around whether only physical information should be published in advance of the auction, with other information ex-post.</p>	Open	<p>Yes</p> <p>Industry considered that starting with all pre-qualification data to create an exclusion list</p>



2.5 Publication of data (cont.)

Issue Description: Need to list all possible types of data that could be shared and identify which, if any, should be excluded from publication at various point.

Current proposal for data sharing is as follows:

- *Following prequalification:*
 - *Who's qualified for the auction and at what derating, and whether as existing, new or refurb – but not whether they qualified as price maker or taker)*
 - *How much capacity has opted out and will be deducted from the demand curve*
 - *How much capacity has said it will be retiring / unavailable (and so not deducted from the demand curve)*
- *During the auction*
 - *How much spare capacity there is at each round (rounded to nearest [100]MW)*
- *After the auction*
 - *How much spare capacity there was in each round (unrounded) – but not the price at which individual units exited*
 - *Who received contracts and at what derating/contract length*



2.5 Publication of data (cont.)

Commission to Industry: *to develop a proposal that complies with the CMU definition requirements.*

- *Consider if parties need to know which units have opted out and whether they have said they will be available in that delivery year (and so had their capacity deducted from the demand curve) – or whether it is enough to know the aggregate capacity in the different opt out categories*
- *Consider if there are any other pieces of data that parties have an interest in being shared, or pieces of data that are on the previous slide but which parties would prefer protected?*



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3. CMU Issues

Simon Francis and Participants



3.1 Definition of a CMU

Issue Description

Comment from industry: *“We know what is required but the prescriptive rules may not account for all configurations. Therefore a pragmatic set of arrangements are required so that a CMU can be defined by reference to what would “normally” be expected to be a CMU. This may require some sort of adjudication body”*

Please take all CMU types into account

The CMU is the entity level of participation in the CM. It cannot be subdivided for CM purposes and it is the level for which capacity agreements are awarded and performance is assessed. All capacity within the scope of the CMU therefore has the same participation status (opted in; opted out etc.).

Commission to Industry: *to develop a proposal that complies with the CMU definition requirements.*



3.2 Linking CMUs

Issue Description

Comment from industry: “How are CMUs linked together both for the purpose of definition (e.g. the TEC is defined at a power station level and the CEC at a unit level – how should this be allocated) and for the purpose of allowing linked bids in the capacity auction (without undermining the intent of the CMU related bidding approach)”

Commission to Industry: *to develop a proposal that complies with the CMU definition requirements.*



3.3 CMU Eligibility

Issue Description

Comment from industry: “once a CMU is defined we need to consider how the party responsible for the CMU determines its eligibility in the Capacity Market. This eligibility process should be independent of the CMU definition”

Commission to Industry: to develop a proposal for eligibility that complies with the CMU definition requirements.



3.4 Relevant Questions

1. Should the CM design allow for applicants to choose the scope of their individual CMUs (e.g. aggregation of several BMUs), rather than adopting a prescriptive approach? Or would a default position applying at the Trading Unit level, minus any RO/CfD supported capacity, be more appropriate?
2. Where relevant, should the constituent BMUs that an applicant wishes to aggregate as a CMU have to be physically located at the same site, be of the same fuel type and status (new/refurb/existing) and have a common BSC lead party?
3. Does this provide parity between parties with different sized portfolios of BMUs?
4. What would be the most appropriate measure of capacity for centrally de-rating such an applicant-specified CMU? Registered capacity? Connection Entry Capacity? Transmission Entry Capacity? Generation Capacity? Rated MW?
5. What would be the equivalent level of flexibility for non-BM capacity? Having the ability to aggregate up from the level at which National Grid ancillary service contracts are held?



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3.4 Relevant Questions

5. What would be the equivalent level of flexibility for non-BM capacity? Having the ability to aggregate up from the level at which National Grid ancillary service contracts are held?



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4. Lunch



5. CMU Issues (cont.)



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6. Review and feedback



Summary and feedback

1. Publication of Data
2. CMU Definition (each type)
3. CMU Linkages from definitional perspective and for bidding in auction
4. CMU Eligibility
5. CMU Questions



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7. Any other business?