

The material in this paper is work in progress and is not a statement of government policy or policy intent

## ROLES AND RESPONSIBILITIES OF CAPACITY MARKET PARTICIPANTS

This paper is intended for information purposes only.

Please find below a summary of the key responsibilities of the key participants in the Capacity Market. The table summarises the roles for the enduring regime.

However, please note that DECC will own the Capacity Market Rules until after the first auction when this responsibility will pass to Ofgem.

Market Participants	
Market Participant	Roles and Responsibilities under the Capacity Market
<b>Secretary of State</b>	<ul style="list-style-type: none"> <li>• Oversight of policy effectiveness of the Capacity Market</li> <li>• Oversight of the Capacity Market Regulations</li> <li>• Reviews the Capacity Market every five years to consider the current and future roles of the Capacity Market, and whether it is still needed</li> <li>• Designs (if any) Stage 2 transitional arrangements for DSR in 2016</li> <li>• Makes an annual decision about whether a capacity auction is to be held and sets auction parameters and price duration curves</li> <li>• Provides estimates and directions as to the methodology to be used in producing the recommended demand curves and some assumptions to be used in preparing the electricity capacity report</li> <li>• Determines and maintains the Reliability standard</li> <li>• Prepares the de-rating algorithm for Delivery Body</li> <li>• Provides budget for the Capacity Market and approves operational costs of Settlement Body annually</li> <li>• Sole shareholder in Settlement Body</li> <li>• Retains certain powers on capacity agreement management (e.g. the power to revoke a termination notice)</li> </ul>
<b>Delivery Body</b>	<ul style="list-style-type: none"> <li>• Prepares and publishes an annual capacity report containing scenarios, estimates and recommendations.</li> <li>• Conducts analysis of demand and capacity contribution from non-Capacity Market providers to inform the target requirement in the demand curve (included in annual capacity report to support Secretary of State's setting of the target capacity to procure)</li> <li>• Publishes Capacity Auction Guidelines before the prequalification window opens</li> <li>• Runs the pre-qualification process</li> <li>• Monitors progress of new build and unproven DSR and informs Settlement Body in case any milestones are missed</li> </ul>

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	<ul style="list-style-type: none"> <li>• Calculates the range of de-rating factors from which a capacity provider selects their de-rating factor.</li> <li>• Notifies pre-qualification results to Government</li> <li>• [Appoints Auction Monitor]</li> <li>• Conducts Capacity Auction or arranges for an auctioneer to do so</li> <li>• Notifies auction results to the Government</li> <li>• Notifies each bidder in the capacity auction whether or not its bid was successful</li> <li>• Publishes the auction results</li> <li>• Issues a capacity agreement notice to each capacity provider</li> <li>• Maintains a Capacity Market register</li> <li>• Checks and confirms eligibility of physical secondary trades and notifies industry when trading window has opened</li> </ul>
<b>System Operator</b>	<ul style="list-style-type: none"> <li>• Issues Capacity Market warning and Delivery Instructions</li> <li>• Provides necessary data to Settlement Body</li> </ul>
<b>Settlement Body</b>	<ul style="list-style-type: none"> <li>• Retains overall accountability and control of the Capacity Market settlement process</li> <li>• Administers a Government Bank Account used for the purpose of managing the capacity market (holding bid-bonds, making payments, etc.)</li> <li>• Appoints Settlement Service Provider</li> <li>• Contract and performance manages the Settlement Service Provider</li> <li>• Responsible for appeals concerning settlement calculations</li> <li>• Prepares annual budget forecasts and consults on these before seeking Parliamentary approval</li> <li>• Prepares an annual report</li> <li>• Monitors and reviews the regulations relating to settlement functions of the Capacity Market and identifies and reports to the Secretary of State any recommended changes</li> </ul> <p><u>Functions performed by Settlement Service Provider</u></p> <ul style="list-style-type: none"> <li>• Designated settlement service provider for the Capacity Market</li> <li>• Collects metering data and manages settlement of payments on between Capacity Market providers and suppliers</li> <li>• Draws-down on credit cover where participants fail to pay the monthly supplier charge or the monthly settlement costs as required</li> </ul>
<b>Ofgem</b>	<ul style="list-style-type: none"> <li>• Maintenance of Capacity Market Rules</li> <li>• Conducts annual reviews on the effectiveness of the Capacity Market and whether existing Rules are fit for purpose</li> <li>• Prepares comprehensive 5-yearly reviews building on the results of the annual reviews and covering similar topics</li> <li>• Ensures that the Delivery Body and System Operator carries out their EMR duties efficiently, cost effectively and in a timely fashion</li> </ul>

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	<ul style="list-style-type: none"> <li>• May make changes to the Capacity Market Rules following consultation and publish updated Capacity Market Rules</li> <li>• Must consider proposals to change the Rules made by industry</li> <li>• Provides Government with an annual report on the operation of the Capacity Market and the Delivery Body's performance of its functions in relation to the Capacity Market.</li> <li>• Monitors conduct of participants in the Capacity Market to ensure consistency with competition requirements.</li> <li>• [It is proposed that Ofgem will have an appeal function in respect of certain decisions by the Delivery Body in exercising Capacity Market functions – list out the appeal/cross reference the rules]</li> </ul>
<b>Panel of Technical Experts</b>	<ul style="list-style-type: none"> <li>• Reports to Secretary of State</li> <li>• Scrutinises the scenario forecasts prepared by the Delivery Body in parallel to the development of the analysis</li> <li>• May provide comments to Delivery Body but do not need to sign off on its analysis</li> </ul>
<b>Auction Monitor</b>	<ul style="list-style-type: none"> <li>• Monitors each Capacity Auction to ensure that National Grid has followed due process</li> <li>• Reports any breach of Capacity Market Rules to the Secretary of State copying the Authority</li> </ul>
<b>Law Debenture</b>	<ul style="list-style-type: none"> <li>• Holds justification on price maker status on behalf of Capacity Market participants</li> <li>• Releases information to the Authority on request</li> </ul>
<b>Capacity Provider</b>	<ul style="list-style-type: none"> <li>• Responsible for submitting the application to participate in an auction according to the eligibility criteria, requirements and processes as set out in the Rules</li> <li>• Responsible for delivering their capacity obligation and complying with the terms of the capacity agreement.</li> </ul>
<b>Supplier</b>	<ul style="list-style-type: none"> <li>• Provide forecast data of market share to Settlement Body</li> <li>• Meet requirements to provide collateral and pay supplier charges</li> </ul>