**Governance Arrangements – V0.2**

**Note(1):** We assume the rules for the auction will be contained in a yet to be prepared document which we provisionally refer to as “Code” below; we assume there will be another document prepared and maintained by NG which we refer to as “Auction Guidelines” which deal with timing, submitting data and all manner of practical day-by-day auction mechanics.

**Note(2):** We are envisaging that this “Code” will be different in character/nature to the existing “Codes”. It is more akin to a rule book owned by Ofgem (which they can changed – process TBD) This “Code” contains the rules of the scheme and is not just of a technical nature.

**Note(3):** In addition to the above, we have to understand better the relationship between the nature of the capacity instruments (which create legal relations) and this “Code”.

**Note (4):** In the next iteration of this Table we will include the Settlement Agent.

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|  | **Role of the System Operator ‘steady state’** | **Decisions for Government/Ministers in ‘steady state’** | **Decisions for Ofgem to oversee/change in steady state** | **Choice of Legislative Vehicle** |
| **Volume of capacity** | * Annually provides analysis and advice to Government (PTE to scrutinise) and is interpreted by Government who set Demand Curve. * ***NOTE – on-going discussions*** | * Setting of an enduring reliability standard & Demand Curve Methodology * Annually determining a Demand Curve for T-4 and T-1 auctions | * Monitoring * ***NOTE – on-going discussion*** | * Regulation |

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|  | **Role of the System Operator ‘steady state’** | **Decisions for Government/Ministers in ‘steady state’** | **Decisions for Ofgem to oversee/change in steady state** | **Choice of Legislative Vehicle** |
| **Auction and eligibility** (including pre-qualification criteria, running the primary and secondary auctions, and transitional arrangements) | * Administration of auction and eligibility * De-rating plant ***NOTE – on-going discussions*** * Develop and maintain auction IT system * Providing information to capacity providers e.g. “Auction Guidelines” * Notifying successful bidders and issuing instruments * Preparing report(s) on the auction results to relevant parties * Providing data to the SA on auction results | * Decision on whether to move from DSR transitional arrangements to universal arrangements for all capacity providers | * Changes to the type of auction (e.g. pay as clear vs. pay as bid) * Changes to technical details e.g. contract length, lead in time, treatment of new and existing and eligibility criteria * Requirements for Information transparency of auction rules/ announcement * Changes to technical rules e.g. format and process of pre-qualification criteria, transitional arrangements, market power mitigation, price stabilisation and derating plants algorithm * Auction mechanics e.g. number of auction rounds, size of bid decrements and format of bids | * Participation requirements to be set out in regulations **TBC** * Most of these issues to be place in “Code” |
|  | **Role of the System Operator ‘steady state’** | **Decisions for Government/Ministers in ‘steady state’** | **Decisions for Ofgem to oversee/change in steady state** | **Choice of Legislative Vehicle** |
| **Deliver Year** | * Providing data to the SA so that the penalty regime can be administered according to the “Code” * Monitoring plants coming onto the system and whether they have met milestones/criteria to inform decision on penalties * Testing |  | * Changes to the type of regime (e.g. administrative vs reliability options and to take account of cash-out reform) * Changes to technical rules e.g. definition of scarcity events, format of testing regime, criteria for failure to meet milestones resulting in loss of financial bond, obligations on capacity providers and capping penalties * Measures to prevent gaming e.g. changing rules to avoid perverse outcomes and taking enforcement action | * Initial design of penalty regime framework set out in regulations and the administration of penalty regime to be set out in codes to allow Ofgem to approve changes through a non-legislative process |
|  | **Role of the System Operator ‘steady state’** | **Decisions for Government/Ministers in ‘steady state’** | **Decisions for Ofgem to oversee/change in steady state** | **Choice of Legislative Vehicle** |
| **Payment flows** | **NB: This role will be carried out by the settlement body**   * Checks financial information * Recovers payments from suppliers * Makes payments to capacity providers * Holding of performance/financial bonds |  | * Allocation of costs across suppliers * Any changes to the process around the making of payments * Any changes to the process around how collateral held against liabilities * Any changes to the processes that define the collection (from Capacity Market parties) and refund to suppliers of any penalties | * “Code” |