



Department  
of Energy &  
Climate Change

# EMR Conflicts of Interest

14 November 2013

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# Question:

How effectively do the proposed licence modifications achieve the business separation measures set out in the April report on EMR Conflicts of Interest?

<https://www.gov.uk/government/consultations/synergies-and-conflicts-of-interest-arising-from-the-system-operator-delivering-electricity-market-reform-emr>



# The road so far...

- December 2011 - Identified that potential conflicts of interest could arise between NG commercial interests and its new EMR role.
- January 2012 – Began project with Ofgem.
- March 2012 – Published open letter asking for views on potential conflicts of interest
- April 2012 – Held first workshop on conflicts.
- May 2012 – Published findings from open letter
- November 2012 – Consultation opens.
- January 2013 – Workshop and consultation closes.
- April 2013 – Final report published.
- October 2013 – Licence modifications published.

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# The April report & licence modifications

- The report concluded that the risk of conflicts of interest arising was small and manageable subject to some mitigation measures.
- Most of these, such as transparency, scrutiny and appeals are being implemented as part of the design of EMR.
- We identified 5 measures that we would need to be implemented through licence modifications.

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# Measure 1

- Creation of a data handling facility within National Grid (NG) to ensure that commercially sensitive data submitted to NG for the delivery plan analysis (which will be used to inform Ministerial decisions on CfD strike prices and the amount of capacity to contract for) is protected.

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## Measure 2

- Business separation of some of the EMR functions within NG and from the rest of NG's businesses to reduce the risk of conflicts of interest arising between the EMR 'administrative' functions and NG's other interests

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## Measure 3

- A duty on the NG Director responsible for the EMR analytical function to ensure that the EMR analysis it supplies for the delivery plan has not been unduly influenced for the benefit of NG's other interests.

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## Measure 4

- Restrictions on EMR information leaving the System Operator – to ensure that information the SO has access to through carrying out the EMR delivery role does not pass to other NG staff or to other NG businesses.

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## Measure 5

- Managerial, information, physical, employee, and legal separation of certain NG ‘competitive businesses’ from NG, that present potential conflicts of interest with the EMR delivery role.

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# The goal

These measures will;

- Ensure EMR data is handled and protected appropriately
- Create ring-fences within and around NG to ensure EMR is delivered efficiently and effectively
- Ensure senior accountability for the impartial delivery of EMR.

This will:

- Give stakeholders confidence.
- Retain the valuable synergies.
- Minimise the risk of conflicts of interest

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