

Dear all,

Please find below a short summary of the key topics which were discussed at today's EMR Collaborative Development meeting. This summary will be in addition to the more detailed record of discussions which will be made available in due course.

Lesley set out the plan for the next few months with regard to timing of collaborative development for both CM and CfD. A draft plan was shown.

Fergal set out the plan for stakeholder engagement over the coming months. He particularly mentioned the consultation to be published in the week commencing Oct 7 2013. This will be a policy document asking questions of industry for input. At present, the CM chapter will contain around 100 pages and 20-30 questions. He expects that Q1 2014 will be spent settling any outstanding issues with a view to enacting the secondary legislation mid 2014.

The CM rule book with the code and Capacity Agreements will be shared as part of the consultation. The consultation pack will also include an Impact Assessment. DECC are also working on state aid clearance. Finally, the last piece of stakeholder engagement are the collaborative development sessions, expected to continue until the end of the year.

Fergal introduced the topics for the day, setting out the policy framework in regards to DSR. Handle a bid bond and Handle a Pre-qualification are the key processes relevant to DSR stakeholders with regard to the capacity market, however Fergal emphasised that the entire CM process is relevant to DSR stakeholders.

- Single Capacity Market Performance Specification (commencing 2018/19)
 - All resources must meet the same specification
 - Means by which specific resources comply varies
 - DSR variation: de-rating, pre-qualification, baseline, settlement etc.
- Two Stage Demand-Side Transition Arrangements
 - Designed to incubate DSR for participation in the mainstream Capacity Market
 - Stage 1: delivery 2016/17 and 2017/18
 - Non-Licensed; Distribution-connected; Supplier consumption account
 - Time Bounded Resource
 - Specifically Dispatched
 - Lower penalty and cap
 - Stage 2: delivery 2018/19 and 2019/20 (overlaps mainstream)
- Temporary Guaranteed T-1 Quota
- Demand-Side Balancing Services and Transition Arrangements Mutually Exclusive
- Energy Demand Reduction – Separate Pilot in 2014 to meet CM Specification

In the context of "De-rating for transitional arrangements", the discussion touched on:

- That de-rating will be based on the nameplate de-rating.
- For generation, the band will be from the average central historic figure and two standard deviations below this average figure.
- 2MW maximum for individual components of an aggregated CMU
- DSR may need more than a single de-rating methodology depending on DSR type
- Appropriate data sources for comparison against other DSR rollouts globally

In the context of "Prequalification", the discussion touched on:

- The differences between generators and DSR providers
- The point in the prequalification at which a bid bond is paid by and returned to DSR participants under the various possible outcomes

In the context of "Handle a Bid Bond", the discussion centred around:

- The bid bond is paid and signed off by NG once prequalification is complete as part of the last step prior to the auction.
- Bid bond is individual to CMUs alongside a CA. As such, at stress events the DSR is obliged to provide capacity at the required capacity associated with that CA.

A copy of the slides shared at the start of the session is attached for information. Please note that the programme plan is draft and that dates are therefore subject to change. The dates for future planned working sessions with stakeholders will be confirmed and communicated in due course.

Kind regards
Lesley