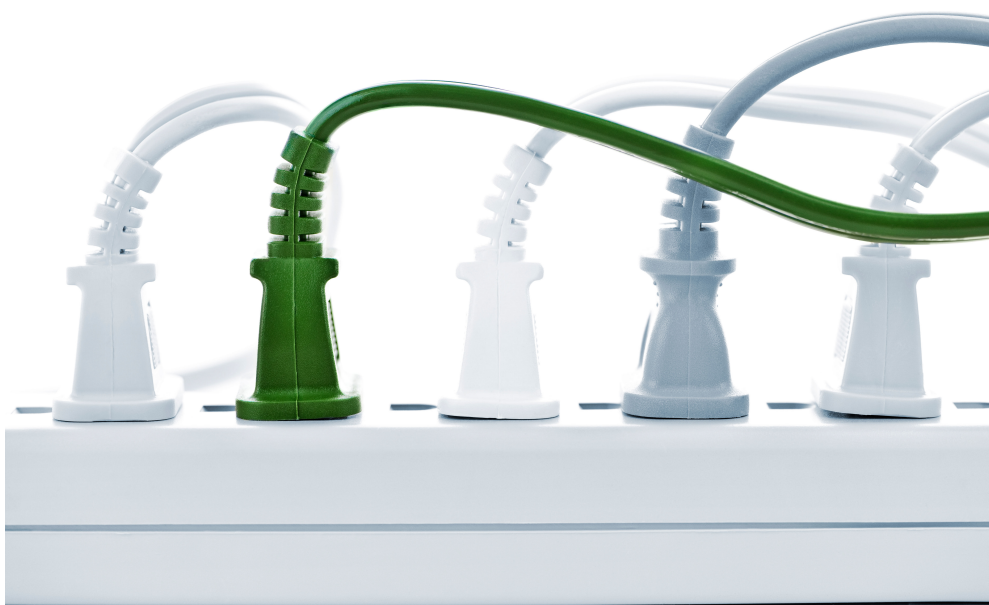


T-4 Capacity Market Auction 2014 Auction Monitor Report

22 December 2014



Contents

1	Assurance Report	1
2	Background and Context	3
3	Report of Observations	5
4	Confirmation of the list of Bidders to be awarded Capacity Agreements	6
	Appendix A – In-scope Capacity Market Rules (Chapter 5)	13
	Appendix B – Outline of Work Performed	14

1 Assurance Report

ISAE 3000 Independent Assurance Report on Compliance of National Grid Electricity Transmission Plc (NGET) (as Electricity Market Reform Delivery Body) with selected requirements of the Capacity Market Rules, Regulations and the Auction Guidelines.

To: The Board of Directors of NGET

1.1 Scope

We have performed assurance work over the extent to which the Delivery Body (“DB”) has complied with the requirements of the Chapter 5 of the Capacity Market Rules, Regulations and the Auction Guidelines (together the “Rules and Guidelines”) as at 15 October 2014. In particular, we have considered the rules included in Chapter 5 of the Capacity Market Rules as listed in Appendix A. The detailed Capacity Market Rules and subsequent amendments are available here: <https://www.gov.uk/government/publications/capacity-market-rules>. In the context of this Report the actions of the DB in performing the T-4 Capacity Market Auction 2014 is the “Subject Matter” and the above sections of the Capacity Market Rules form the “Criteria” against which the Subject Matter has been evaluated.

1.2 Respective Responsibilities

The DB as the Responsible Party is responsible for delivering the process and requirements for a T-4 Capacity Market Auction in accordance with the Capacity Market Rules.

Our responsibility, as agreed with the DB, is to assess the actions performed by the DB in performing the T-4 Capacity Market Auction 2014 against the requirements of the Capacity Market Rules and to independently express a conclusion as to whether the process and actions undertaken by the DB comply with the requirements of the Capacity Market Rules. Other than as defined in our assurance procedures, we did not audit or otherwise test or verify the information given to us in the course of the Services.

1.3 Work Performed

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our work to obtain appropriate evidence about the subject matter of the engagement sufficient to support an opinion providing reasonable assurance.

An outline of the work we performed is included in Appendix B. Except to the extent expressly stated above, we did not subject the information contained in our Report or given to us by the DB to checking or verification procedures. The procedures we performed were not designed to and are not likely to reveal fraud.

1.4 Basis of Opinion

We believe that our work performed and evidence obtained provides a reasonable basis for our opinion. Our assurance report has been produced under our letter of engagement with the Responsible Party dated 17 December 2014.

1.5 Opinion

In our opinion the actions performed by NGET, in its role as the Capacity Market Delivery Body for Electricity Market Reform, has, in all material respects, complied with the relevant sections of the Rules and Guidelines as detailed in section 1.1 above in respect of the T-4 Capacity Market Auction 2014 held between 09:00 on 16 December 2014 and 16:30 on 18 December 2014.

A list of the Bidders and corresponding Capacity Market Units (“CMUs”) to be awarded Capacity Agreements following the T-4 Capacity Market Auction 2014 is included in Section 4.

1.6 Independence

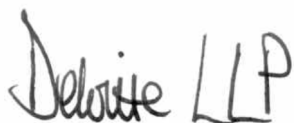
In conducting our engagement, we have complied with the Code of Ethics issued by the Institute of Chartered Accountants in England & Wales.

1.7 Quality Control

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

1.8 Use of Report

Our Report has been prepared for the exclusive use of NGET in accordance with the scope agreed within our engagement letter dated 17 December 2014. Our work has been undertaken solely for the purpose of assessing NGET’s compliance with the Rules and Guidelines outlined in section 1.1 above. Our work was not planned or conducted with any other objective in mind and so cannot be relied upon for any other purposes. Save that a copy of our report may be provided to the Secretary of State for Energy and Climate Change and the Gas and Electricity Market Authority and may be published on the Department of Energy and Climate Change website, our Report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than NGET for this report or for the conclusions we have formed.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, slightly slanted style.

Deloitte LLP
Chartered Accountants
Edinburgh, United Kingdom

22 December 2014

2 Background and Context

2.1 Background

Electricity Market Reform (EMR) is intended, inter alia, to promote investment in low-carbon electricity generation and ensure security of supply. The Capacity Market will support achieving security of electricity supply by providing a payment for reliable sources of capacity. This will supplement generators' electricity revenues, to ensure they deliver energy when needed. This is designed to encourage the investment needed to replace older power stations, provide backup for more intermittent and inflexible low carbon generation sources and support the development of more active demand management in the electricity market.

EMR has been implemented through the Energy Act 2013 and the Electricity Capacity Regulations 2014 (as amended) ("the Regulations"). The Capacity Market Rules 2014 ("the Rules") provide the technical and administrative detail for implementing the operating framework set out in the Regulations. As such, the Capacity Market Rules provide a description and procedures regarding the operation of the Capacity Market.

Unless otherwise specified herein, words and expressions used in this Report have the same meaning as defined in the Regulations and Rules.

2.2 Requirement for the Auction Monitor

In its role as Delivery Body ("DB") for EMR, National Grid Electricity Transmission plc ("NGET"), pursuant to Chapter 5 of the Capacity Market Rules 2014, is required to appoint a third party to monitor the conduct of each Capacity Auction, referred to as the Auction Monitor ("AM").

Under the Rules the Auction Monitor is required to provide a report ("Report") to the Secretary of State for Energy and Climate Change ("the SoS") with a copy to the Gas and Electricity Markets Authority ("the Authority") which:

- Confirms the list of Bidders that should have been awarded a Capacity Agreement;
- Sets out whether or not the AM considers that the Capacity Market DB and/or the Auctioneer has conducted the Capacity Auction in accordance with the Regulations and the Rules;
- If applicable, identifies any actual or potential breach of the Regulations or the Rules or other actual or potential irregularity in the conduct of the Capacity Auction by the Capacity Market DB and/or the Auctioneer; and
- If applicable, includes a review of the calculations made and the AM's assessment as to the likely consequences of such actual or potential breach or irregularity.

Under Rule 5.14.3(a) the Auction Monitor is required to provide the Report to the SoS. This will be achieved through the Auction Monitor providing the Report to the DB who will send it to the SoS and copy the Report to the Authority. We understand the SoS intends to publish this Report.

2.3 Basis on which work performed

Deloitte has been engaged by NGET to perform the Auction Monitor role and report on the performance by NGET (in its role as Delivery Body for the T-4 Capacity Market Auction 2014) by providing a reasonable assurance opinion under the International Standard on Assurance Engagements ("ISAE") 3000 in respect of the requirements for the Auction Monitor.

2.4 Structure of this Report

Our independent opinion has been prepared under the International Standard on Assurance Engagements (“ISAE”) 3000, which provides the structure and internationally recognised framework for undertaking the engagement, leading to a formal assurance opinion which is provided in Section 1 of this Report.

Our Report of Observations has been documented in Section 3 which sets out those matters relating to the DBs compliance with relevant parts of Chapter 5 of the Capacity Market Rules and the Data and Auction sections of the Capacity Market Auction Guidelines (the ‘Auction Guidelines’) dated 25 November 2014 identified during the course of the engagement. They do not represent issues of material non-compliance but we have included this section to provide transparency to readers of the report. Our opinion should be read in conjunction with the Report of Observations but is not qualified in respect of matters contained therein.

3 Report of Observations

The following observations on the independent checks were identified as part of our work with regards to the T-4 Capacity Market Auction 2014.

Observation	Related CM Rules and Regulations	Effect	Recommendation
CMUs on the system compared to the Capacity Market Register			
<p>The auction system included one Bidder that had not pre-qualified for the T-4 Capacity Market Auction 2014.</p> <p>In addition the DB was notified by Ofgem that the status of 11 CMUs had changed to 'Not Prequalified' on the day prior to the Auction commencement; these CMUs were correctly handled in accordance with the Rules.</p>	Rule 5.3.1 (a)	<p>No impact.</p> <p>Prior to the start of Round 1, the DB addressed this issue by removing access to the auction system for the Bidder's Authorised Individual. In line with the Rules, the DB also submitted a bid at the Bidding Round Price Cap for the relevant CMU.</p>	None

4 Confirmation of the list of Bidders to be awarded Capacity Agreements

The T-4 Capacity Market Auction 2014 started at 09:00 on 16 December 2014 and the Clearing Round was round 12, which closed at 16:30 on 18 December 2014.

The Clearing Price of the T-4 Capacity Market Auction 2014 was equal to £19.40, with the aggregate Bidding Capacity of Capacity Agreements of 49,258.938MW.

Based on the outcome of the T-4 Capacity Market Auction 2014 and the Capacity Market Rules 2014 published on 1 August 2014 (and subsequent amendments), we confirm that the following list of bidders and corresponding CMUs to be awarded Capacity Agreements were successful in the T-4 Capacity Market Auction 2014.

Bidding Company / Group	Name of Applicant per CM Register	CM Unit Name per CM Register
Alkane Group	Alkane Energy UK Limited	Bilsthorpe 2
	Alkane Energy UK Limited	Brickershaw 1
	Regent Park Energy Limited	Brodsworth 2 & Askern 2
	Alkane Energy UK Limited	Calverton 2 & Florence 2 & Gedling 2
	Alkane Energy UK Limited	Clipstone 1 & Parkside 1
	Darent Power Limited	Darent 1
	Alkane Energy UK Limited	Goldbourne 1
	Regent Park Energy Limited	Grimethorpe 1
	Regent Park Energy Limited	Hem Heath 1 & Manvers 1
	Regent Park Energy Limited	Hickleton 1
	Regent Park Energy Limited	Houghton Main 1
	Alkane Energy UK Limited	Kirkby 1
	Alkane Energy UK Limited	Markham Main 1
	Rhymney Power Limited	Rhymney 1
	Alkane Energy UK Limited	Shirebrook 1
	Alkane Energy UK Limited	Toray 1 & Markham 1
	Alkane Energy UK Limited	Wheldale 1
	Alkane Energy UK Limited	Wheldale 2
	Alkane Energy UK Limited	Whitwell 2
Aylesford Newsprint Ltd	Aylesford Newsprint Ltd	Aylesford Newsprint DSR - FPP
British Sugar plc	British Sugar plc	Bury St Edmunds CHP
Centrica Group	Centrica Langage Limited	T_LAGA-1
	Centrica SHB Limited	T_SHBA-1
	Centrica SHB Limited	T_SHBA-2
Drax Power Limited	Drax Power Limited	DRAX05
	Drax Power Limited	DRAX6G
E Power Solutions Limited	E Power Solutions Limited	E Power Solutions Limited
E.ON Group	E.ON UK Cogeneration Ltd	BRAD
	E.ON UK Cogeneration Ltd	CAST
	E.ON UK plc	CDCL
	E.ON UK plc	CNQPS1

Bidding Company / Group	Name of Applicant per CM Register	CM Unit Name per CM Register
E.ON Group (cont.)	E.ON UK plc	CNQPS2
	E.ON UK plc	CNQPS3
	E.ON UK plc	CNQPS4
	E.ON UK plc	EECL
	E.ON UK plc	GRAI6
	E.ON UK plc	GRAI7
	E.ON UK plc	GRAI8
	E.ON UK plc	GRGT1
	E.ON UK plc	GRGT4
	E.ON UK plc	RAGT2
	E.ON UK plc	RAGT4
	E.ON UK plc	RATS1
	E.ON UK plc	RATS2
	E.ON UK plc	RATS3
	E.ON UK plc	RATS4
	E.ON UK Cogeneration Ltd	SAND
	E.ON UK plc	TAYL2
	E.ON UK plc	TAYL3
	E.ON UK Cogeneration Ltd	THORN
	EDF Group	EDF Energy plc
EDF Energy plc		Cottam Power Station CMU 2
EDF Energy plc		Cottam Power Station CMU 3
EDF Energy plc		Cottam Power Station CMU 4
EDF Energy Nuclear Generation Limited		Dungeness B Power Station CMU 21
EDF Energy Nuclear Generation Limited		Dungeness B Power Station CMU 22
EDF Energy Nuclear Generation Limited		Hartlepool Power Station CMU 1
EDF Energy Nuclear Generation Limited		Hartlepool Power Station CMU 2
EDF Energy Nuclear Generation Limited		Heysham 1 Power Station CMU 1
EDF Energy Nuclear Generation Limited		Heysham 1 Power Station CMU 2
EDF Energy Nuclear Generation Limited		Heysham 2 Power Station CMU 7
EDF Energy Nuclear Generation Limited		Heysham 2 Power Station CMU 8
EDF Energy Nuclear Generation Limited		Hinkley Point B Power Station CMU 7
EDF Energy Nuclear Generation Limited		Hinkley Point B Power Station CMU 8
EDF Energy Nuclear Generation Limited		Hunterston B Power Station CMU 7
EDF Energy Nuclear Generation Limited		Hunterston B Power Station CMU 8
EDF Energy Nuclear Generation Limited		Sizewell B Power Station CMU 1
EDF Energy Nuclear Generation Limited		Sizewell B Power Station CMU 2
EDF Energy Nuclear Generation Limited		Torness Power Station CMU 1
EDF Energy Nuclear Generation Limited		Torness Power Station CMU 2
EDF Energy plc		West Burton A Power Station CMU 1
EDF Energy plc		West Burton A Power Station CMU 2
EDF Energy plc		West Burton A Power Station CMU 4
EDF Energy plc		West Burton A Power Station Gas Turbine CMU 1
EDF Energy plc		West Burton A Power Station Gas Turbine CMU 4
EDF Energy plc		West Burton B Power Station CMU 1
EDF Energy plc		West Burton B Power Station CMU 2
EDF Energy plc		West Burton B Power Station CMU 3

Bidding Company / Group	Name of Applicant per CM Register	CM Unit Name per CM Register
GDF Suez Group (cont.)	Saltend Cogeneration Company Limited	Saltend Units 1-3
GF Energy Limited	GF Energy Limited GF Energy Limited GF Energy Limited GF Energy Limited	Alcoa Barton Hill Drover Lester Way
GF Power Peaking Limited	GF Power Peaking Limited GF Power Peaking Limited GF Power Peaking Limited GF Power Peaking Limited GF Power Peaking Limited GF Power Peaking Limited GF Power Peaking Limited GF Power Peaking Limited GF Power Peaking Limited GF Power Peaking Limited	Briton Ferry Peak CMU Culham Flatworth Peak CMU Hirwaun and Dowlais Aggregated Peak CMU Hull Peak CMU Plymouth Peak CMU Plymouth Rock 1 Tir John Peak CMU Tregaron Peak CMU Willoughby Peak CMU
GFE 2015 Limited	GFE 2015 Limited GFE 2015 Limited GFE 2015 Limited	Mathern Peny Redfield Road
GFE 2016 Limited	GFE 2016 Limited	Letchworth
GFE 2017 Limited	GFE 2016 Limited GFE 2016 Limited	Haverton Hill Marsh Lane
INEOS Nitriles (UK) Ltd	INEOS Nitriles (UK) Ltd	INEOS Nitriles (UK) Ltd
Intergen Group	Coryton Energy Company Ltd Rocksavage Power Company Ltd Spalding Energy Company Ltd	Coryton Rocksavage Spalding
Keystone Power Limited	Keystone Power Limited	Keystone Power
MPF Operations Limited	MPF Operations Limited MPF Operations Limited MPF Operations Limited MPF Operations Limited MPF Operations Limited	Baglan-1 Baglan-2 Severn Power Unit 10 Severn Power Unit 20 Sutton Bridge
Npower Cogen (Hythe) Limited	Npower Cogen (Hythe) Limited	CMU_HYTHER
Npower Cogen Limited	Npower Cogen Limited Npower Cogen Limited Npower Cogen Limited	CMU_AYLE-3 CMU_BDGW-1 CMU_SEALS-1
Nuclear Decommissioning Authority	Nuclear Decommissioning Authority Nuclear Decommissioning Authority	Fellside CHP Power Station Maentwrog Hydro-electric Power Station
P3P Group	P3P Energy Management Limited P3P Energy Management AE Limited	Europa Energy Centre Woodhouse Energy Centre
Peak Gen Group	Peak Gen Power 11 Limited Peak Gen Power 13 Limited Peak Gen Power 14 Limited Peak Gen Power 2 Limited Peak Gen Power 5 Limited Peak Gen Power 6 Limited W4B (RE) Limited	Peak Gen Power 11 Peak Gen Power 13 Peak Gen Power 14 Peak Gen Power 2 Peak Gen Power 5 Peak Gen Power 6 Peak Gen Power W4B

Bidding Company / Group	Name of Applicant per CM Register	CM Unit Name per CM Register
Power Balancing Services Group	Power Balancing Services (Property 1) Limited	Asher Lane Phase 1
	Power Balancing Services Limited	Garnham Close Phase 1
	Power Balancing Services Limited	Manners Avenue Phase 1
	Power Balancing Services Limited	Taylor Lane Phase 3
	Power Balancing Services Limited	Taylor Lane Phase 4
Prime Energy Limited	Prime Energy Limited	Brampton6MW
Rolls-Royce Power Development Limited	Rolls-Royce Power Development Limited	Bristol Energy
	Rolls-Royce Power Development Limited	Croydon Energy
	Rolls-Royce Power Development Limited	Derby Cogen Ltd
	Rolls-Royce Power Development Limited	Exeter Power
	Rolls-Royce Power Development Limited	Heartlands Power (HEART1)
	Rolls-Royce Power Development Limited	Heartlands Power (HEART2)
	Rolls-Royce Power Development Limited	Viking Power
RWE Generation UK plc	RWE Generation UK plc	CMU_ABTH_MAIN
	RWE Generation UK plc	CMU_COWE1
	RWE Generation UK plc	CMU_COWE2
	RWE Generation UK plc	CMU_DIDC1G
	RWE Generation UK plc	CMU_DIDC2G
	RWE Generation UK plc	CMU_DIDC3G
	RWE Generation UK plc	CMU_DIDC4G
	RWE Generation UK plc	CMU_DIDCB5
	RWE Generation UK plc	CMU_DIDCB6
	RWE Generation UK plc	CMU_GYAR-1
	RWE Generation UK plc	CMU_LBAR-1
	RWE Generation UK plc	CMU_PEMB-11
	RWE Generation UK plc	CMU_PEMB-21
	RWE Generation UK plc	CMU_PEMB-31
	RWE Generation UK plc	CMU_PEMB-41
	RWE Generation UK plc	CMU_PEMB-51
	RWE Generation UK plc	CMU_STAY-1
	RWE Generation UK plc	CMU_STAY-2
	RWE Generation UK plc	CMU_STAY-3
	RWE Generation UK plc	CMU_STAY-4
Sahaviriya Steel Industries UK Ltd	Sahaviriya Steel Industries UK Ltd	SSI UK TA3
	Sahaviriya Steel Industries UK Ltd	SSI UK TA4
ScottishPower Group	ScottishPower Generation Limited	Blackburn Mills CHP
	ScottishPower Generation Limited	Cruachan
	ScottishPower (DCL) Limited	Damhead Creek
	ScottishPower Generation Limited	Glenlee Hydro
	ScottishPower Generation Limited	Kendoon Hydro
	ScottishPower Generation Limited	Rye House
	ScottishPower (SCPL) Limited	Shoreham
ScottishPower Generation Limited	Tongland Hydro	

Bidding Company / Group	Name of Applicant per CM Register	CM Unit Name per CM Register
Seabank Power Limited	Seabank Power Limited	Seabank 1 and 2
Sembcorp Utilities (UK) Limited	Sembcorp Utilities (UK) Limited	Sembcorp Wilton GT1
	Sembcorp Utilities (UK) Limited	Sembcorp Wilton GT2
	Sembcorp Utilities (UK) Limited	Sembcorp Wilton ST11
SSE Group	SSE Generation Ltd.	Burghfield
	SSE Generation Ltd.	Chickerell
	SSE Energy Supply Ltd.	Chippenham
	SSE Generation Ltd.	Clachan 1
	SSE Generation Ltd.	Clunie
	SSE Generation Ltd.	Deanie 1
	SSE Generation Ltd.	Deanie 2
	SSE Generation Ltd.	Errochty 1
	SSE Generation Ltd.	Errochty 2
	SSE Generation Ltd.	Errochty 3
	SSE Generation Ltd.	Fasnakyle 1
	SSE Generation Ltd.	Fasnakyle 2
	SSE Generation Ltd.	Fasnakyle 3
	SSE Generation Ltd.	Fiddler's Ferry 2+5
	SSE Generation Ltd.	Fiddler's Ferry 3+8
	SSE Generation Ltd.	Fiddler's Ferry 4
	SSE Generation Ltd.	Five Oaks
	SSE Generation Ltd.	Foyers 1
	SSE Generation Ltd.	Foyers 2
	SSE Generation Ltd.	Glenmoriston
	SSE Generation Ltd.	Inverawe
	SSE Generation Ltd.	Keadby
	SSE Generation Ltd.	Keadby 3
	SSE Generation Ltd.	Lochay
	SSE Generation Ltd.	Luichart
	SSE Energy Supply Ltd.	Marchwood
	SSE Generation Ltd.	Medway
	SSE Generation Ltd.	Rannoch 1
	SSE Generation Ltd.	Rannoch 2
	SSE Generation Ltd.	Rannoch 3
	SSE Generation Ltd.	Sloy 1
SSE Generation Ltd.	Sloy 2	
SSE Generation Ltd.	Sloy 3	
SSE Generation Ltd.	Sloy 4	
SSE Generation Ltd.	Thatcham	
SSE Generation Ltd.	Tummel 1	
SSE Generation Ltd.	Tummel 2	
Statkraft Markets GmbH	Statkraft Markets GmbH	Rheidol Hydro Electric Power Plant Generator 2
	Statkraft Markets GmbH	Rheidol Hydro Electric Power Plant Generator 3
UK Power Reserve Group	UK Power Reserve Limited	Aberdare Power Station
	UK Capacity Reserve Ltd	Alexandra Power Station
	UK Capacity Reserve Ltd	Bracknell Power Station
	UK Power Reserve Limited	Bridgwater Power Station

Bidding Company / Group	Name of Applicant per CM Register	CM Unit Name per CM Register
UK Power Reserve Group (cont.)	UK Power Reserve Limited	Cantelo Power Station
	UK Capacity Reserve Ltd	Canterbury East Power Station
	UK Capacity Reserve Ltd	Chelmsford Power Station
	UK Capacity Reserve Ltd	Coronation Power Station
	UK Power Reserve Limited	Cowley Hill Power Station
	UK Capacity Reserve Ltd	Cynon Power Station
	UK Capacity Reserve Ltd	Dunkinfield Power Station
	UK Capacity Reserve Ltd	Dunstable Power Station
	UK Capacity Reserve Ltd	Gloucester Canal Power Station
	UK Power Reserve Limited	Greengate Power Station
	UK Power Reserve Limited	Humber Power Station
	UK Capacity Reserve Ltd	Immingham Kings Power Station
	UK Capacity Reserve Ltd	Immingham Queens Power Station
	UK Capacity Reserve Ltd	Leeside Power Station
	UK Capacity Reserve Ltd	Long Barrow Power Station
	UK Capacity Reserve Ltd	Mersey South East Power Station
	UK Capacity Reserve Ltd	Mersey South West Power Station
	UK Capacity Reserve Ltd	Neath Port Power Station
	UK Capacity Reserve Ltd	Nottage Power Station
	UK Capacity Reserve Ltd	Oldham Power Station
	UK Capacity Reserve Ltd	Phoenix Power Station
	UK Power Reserve Limited	Sevington Power Station
	UK Capacity Reserve Ltd	Sheerness Power Station
	UK Power Reserve Limited	Solutia Power Station
	UK Power Reserve Limited	South Cornelly Power Station
	UK Power Reserve Limited	Styal Road Power Station
	UK Capacity Reserve Ltd	Tonypandy Power Station
	UK Capacity Reserve Ltd	Transton Power Station
	UK Power Reserve Limited	Watson Street Power Station
	VEOLIA Group	VEOLIA2
VEOLIA1		Hampshire ERFs
VEOLIA1		Newhaven ERF
VEOLIA1		Shropshire ERF and standby gen
VEOLIA1		Staffordshire ERF & Standby gen
VEOLIA1		Tyseley ERF
Vignis Ltd	Vignis Ltd	Vignis A
Viridor Waste Management Limited	Viridor Waste Management Limited	Ardley EfW
	Viridor Waste Management Limited	Cardiff EfW
	Viridor Waste Management Limited	Exeter EfW
VPI Immingham LLP	VPI Immingham LLP	Immingham CHP
Wainstones Energy Limited	Wainstones Energy Limited	Trafford Power Station Generating Units G1 and G2
	Wainstones Energy Limited	Trafford Power Station Generating Unit G3
Welsh Power Group Limited	Welsh Power Group Limited	Cynon Power
Winnington CHP Limited	Winnington CHP Limited	WINCHP

Appendix A – In-scope Capacity Market Rules (Chapter 5)

The following rules included in Chapter 5 of the Capacity Market Rules were considered in performing the assurance work.

- Rule 5.3 on the ability of qualified parties to participate in the Capacity Auction
- Rule 5.4 on CMUs excluded from the Capacity Auction (not applicable to first auction)
- Rules 5.5.1 to 5.5.4 and 5.11 on the scheduled timing and duration of the Capacity Auction
- Rules 5.5.5 to 5.5.9 on the Capacity Auction format and starting price
- Rule 5.5.10 on the publication of pre-auction information
- Rules 5.5.11 to 5.5.13 on Demand Side Response CMUs and Bidding Capacity
- Rules 5.5.14 to 5.5.17 on the consistency of the register with the pre-qualified parties
- Rules 5.5.18 to 5.5.20 on the information provided in each round by Auctioneer
- Rule 5.5.21 on the use of backup systems during the Capacity Auction
- Rules 5.6 to 5.9 on the calculation of the Capacity Auction results
- Rule 5.10 on the list of bidders to be awarded Capacity Agreements
- Rule 5.14 on the Auction Monitor role

Appendix B – Outline of Work Performed

The specific procedures performed were as follows.

Ref	CM Rule clause	Independent checks
1	n/a	Check that the version of the Auction System used in the Auction is the same version accepted following User Acceptance Testing (UAT).
2	n/a	Confirm that security controls are in place to prevent unauthorised access to the Auction System.
3	5.3	<p>Check that those Bidders and CMUs that were allowed to participate in the Capacity Auction had the correct access and information loaded on to the IT Auction System by:</p> <ul style="list-style-type: none"> • Obtaining a register of qualifying CMUs, with their relevant features, which intend to participate in the Capacity Auction. • Comparing the register to list of CMUs on the Auction System and confirming that there have been neither additions to nor omissions from the list. • Liaising with the Auctioneer throughout the Auction as to whether they have identified any disqualified CMUs and, if so, confirming that these have been treated as required by clause 5.3.3.
4	5.4	<p>Check that excluded CMUs do not have access to the IT Auction System by:</p> <ul style="list-style-type: none"> • Obtaining list of CMUs that have been withdrawn from a Capacity Auction and register of qualifying CMUs. • Comparing the register to list of CMUs on the Auction System and confirming that those CMUs that have been withdrawn are not included in the Auction System, or that their ability to submit an Exit Bid has been withdrawn.
5	5.5.1 – 5.5.4 5.11 (if applicable)	<p>Check on the timing and duration of the Capacity Auction by:</p> <ul style="list-style-type: none"> • Confirming that the Capacity Auction was held on the date specified in the Auction Guidelines, with minimal delays. • If the Auction was not completed within 5 working days of the first Bidding Window, confirming that the Secretary of State was notified by the Auctioneer.

Ref	CM Rule clause	Independent checks
6	5.5.5 – 5.5.9	<p>Check that the Capacity Auction was run in line with Rules 5.5.5 and 5.5.9 by:</p> <ul style="list-style-type: none"> • Confirming that the Capacity Auction was run in a manner aligned with the Rules: on a descending clock basis, with a series of price spread Bidding Rounds of decrements as specified in the Secretary of State's letter on 13 October 2014, concluding only once the Capacity Auction clears. • Confirming that these spreads are expressed as a range from the Bidding Round Price Cap to the Bidding Round Price Floor, and that the Bidding Round Price Cap of the first round is equal to the Price Cap for the Auction. • Confirming that the price cap for round n+1 is equal to price floor to round n for all rounds as per rule 5.5.7. • Reproducing the calculation of Clearing Price and the aggregate Bidding Capacity at the Clearing Price.
7	5.5.10	<p>Check that, at least 15 Working Days before the first Bidding Round, the Delivery Body published the date and time on which the Capacity Auction would start, the identity and De-rated Capacity of all Prequalified CMUs, and the identity of the Auction Monitor.</p>
8	5.5.11 – 5.5.13	<p>Check that, for each Demand Side Response CMU (DSR CMU), Bidding Capacity equals De-rated Capacity unless the DSR CMU nominated a lower capacity at least 10 Working Days before the first Bidding Window.</p>
9	5.5.14 – 5.5.17	<p>Check that the correct information for Prequalified Prospective Generating CMUs, Refurbishing CMUs and DSR CMUs has been correctly uploaded to the IT Auction System by:</p> <ul style="list-style-type: none"> • Confirming that the register provided for Rule 5.3 only includes those Prequalified Prospective Generating CMUs, Refurbishing CMUs and DSR CMUs that confirmed their intention to participate in the Capacity Auction between 15 and 10 Working Days before the first Bidding Window. • Confirming that the features contained in the register include the duration of Capacity Agreements at the Price Cap for Prospective Generating CMUs and Refurbishing CMUs. • Confirming that the system has recorded both the Refurbishing CMU and the Pre-Refurbishment CMU for any Applicant which confirmed that it wanted to participate with its Pre-Refurbishment CMU.
10	5.5.18 – 5.5.20	<p>Check that the running of the Auction was in line with the Rules, namely for each round:</p> <ul style="list-style-type: none"> • The Auctioneer announced the Bidding Round Price Spread, the Clearing Capacity at the Bidding Round Price Floor, and the spare capacity to the nearest 1 GW at the start of the round (except in the first Bidding Round). • Spare capacity at price floor was calculated and displayed correctly on the Auction system for each round in line with 5.5.18. • The Auctioneer specified in advance the time that the Bidding Round would begin and end.

Ref	CM Rule clause	Independent checks
11	5.5.21	<p>Check that backup systems are in place to submit bids and that these include safeguards to ensure that the correct bid is submitted.</p> <p>Observe and confirm with the Auctioneer whether the backup systems have been used to submit bids during the Capacity Auction.</p> <p>Review log of calls made/received by the Auctioneer during the Auction.</p>
12	5.6 – 5.9	<p>Independently reapply the relevant Capacity Market Rules to calculate the Capacity Auction clearing price and confirm the identification of each CMU to be awarded a Capacity Agreement.</p> <ul style="list-style-type: none"> • Obtain full details of Exit Bids and Duration Bid Amendments from Delivery Body. • Independently reapply the auction rules, as detailed within the Capacity Market Rules 2014, and compare the results to those calculated by the Delivery Body. To minimise differences, use the random number generated by the Delivery Body in the case of a tie-break. If differences are identified in the results, review with the Delivery Body and obtain explanations for these differences. • Review Auction System UAT to check the random number process that is applied for an Auction.
13	5.10	<p>Confirm that the DB has notified Bidders and the SoS of the provisional results.</p> <p>Compare the results provided by the DB to the Bidders and the SoS to the results of our independent reapplication of the auction rules from the previous procedure. Obtain explanations for any differences.</p>
14	5.14	<p>Confirm read-only access has been provided to the Auction System for the Auction Monitor throughout the Capacity Auction.</p> <p>Document details of any discussion with Delivery Body of any potential breach identified by the Auction Monitor.</p> <p>Document details of any views expressed by the Auction Monitor following a request by the Delivery Body.</p>

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