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Our ref: Government response to Capacity Market consultation letter

22 March 2017

To whom it may concern,

Capacity Market: proposals to simplify and improve accessibility in future capacity auctions

We are writing to you as you may be interested in the outcome of our recent consultation on a number of proposals to improve and simplify the Rules and Regulations that govern the operation of the Capacity Market ("CM"). If you would like to know more, please see below for a short summary of the feedback received in relation to the proposals and the Government's decision on which of these will now be implemented. This letter is also published on our website and includes an annex giving further detail on the comments received from stakeholders and the Government's response: https://www.gov.uk/government/consultations/capacity-market-proposals-to-simplify-and-improve-accessibility-in-future-capacity-auctions

Background to the consultation

The CM is designed to promote fair competition in order to discover the lowest sustainable price at which the necessary capacity can be brought forward to ensure security of electricity supply in Great Britain.

On 28 October 2016 the Government published a consultation letter seeking views on a number of essentially technical changes to the CM Rules and Regulations to simplify and improve certain areas, in light of learning from previous auctions.

Changes proposed included the following:

- changing the method for calculating CM **supplier charge** from being based on net demand to being based on gross demand;
- amending deadlines relating to metering assessments and metering tests to help providers to navigate the **metering regime** and simplifying some of the current Demand Side Response ("DSR") Test and Metering Test processes;
- adjusting certain delivery milestones for the **T1 auction** to ensure they work in the context of a one year-ahead (rather than four- year-ahead) auction;
- minor changes on **credit cove**r to clarify the Regulations and ensure they reflect the policy intention;

- clarifying the duration of previous CM agreements which are relevant for the purposes of the **total spend declaration** made in respect of new build plant;
- ensuring that figures for **de-rated capacity for DSR** are used consistently across the CM framework;
- applying **termination fees** in all circumstances where a Capacity Market Unit (CMU) no longer complies with the general eligibility criteria;
- introducing a new termination event with an associated termination fee to ensure all CMUs undertake a **metering assessment** by the relevant deadlines;
- enhancing the **transparency of information that is published about the CM;**
- amending the name - but not the substance - of the current **capacity market warning** to avoid any possible confusion.

The consultation closed on 23 December 2016.

Summary of responses
Twenty-five responses were received from a range of stakeholders. Each of the proposals were supported by a majority of respondents, with the exception of the proposed changes to DSR credit cover requirements, where responses were mixed.

The Government's response
The Government has considered the responses to the consultation and has concluded that all proposals, with the exception of the review of DSR credit cover requirements, are appropriate and proportionate and should be implemented through changes to Capacity Market Rules and Regulations. Where proposals are being taken forward in an amended form, this has been explained within the Annex to this letter. For DSR credit cover requirements, where stakeholder opinion was split, further evidence will be sought before a decision is made.

Next steps

Draft Regulations, implementing the proposals set out in this response, have been laid in Parliament. Amendments to the Capacity Market Rules, required to complete the implementation of these changes, will also be made to ensure that, where necessary, they will be in force ahead of the next prequalification date.

Additionally, draft Regulations completing the implementation of the arrangements to prevent selective overcompensation in the CM will now be laid in Parliament. Further minor amendments to the Capacity Market Rules, required to complete the implementation of these changes, will also be made. Details of these arrangements were set out in the Government's Response of 16th November 2016 (details available on our website: https://www.gov.uk/government/publications/selective-overcompensation-in-the-capacity-market) and a first set of amendments was made to the Capacity Market Rules at that time.

Yours faithfully,

Energy Security Team
BEIS

Capacity Market – improving the framework: consultation responses

1. **Government proposes to amend the regulations so that the capacity market supplier settlement calculations[1] are calculated based on gross, instead of net demand.**

   Summary of responses:

   Of the twenty-two responses to this question, the clear majority were in favour of changing the CM supplier settlement calculations from net to gross. These respondents recognised that current arrangements could provide embedded generators with a 'double payment' giving them a competitive advantage and potentially distorting the outcome of the CM auctions.

   Those not in favour of the proposal raised concerns with impacts on investor confidence, on the viability of those new build projects that secured CM agreements in the 2014 & 2015 auctions and on renewable generators. A number of respondents, particularly those opposed to the proposal, suggested the introduction of grandfathering arrangements or a delay in introducing the changes (e.g. up to 2020/21) as a means of mitigating these impacts.

   However, those in favour tended to see grandfathering as unnecessary given the benefit accrues outside of the CM and were generally of the view that these double payments are a clear distortion and were always likely to be removed by Government once identified. Most also wanted the change to be implemented as soon as possible to avoid distorting the outcome of the 'early' CM auction.

   Several acknowledged the potential for a distortion in competition but put forward alternative solutions that required more fundamental changes to the charging arrangements (e.g. basing the calculations on net demand throughout year, or excluding generators with CM agreements from the net calculation). Several others noted that the proposed solution would not prevent behind-the-meter generation from potentially benefitting from double payments.

   Government response:

   The Government notes the broad support for this proposal and intends to proceed with its implementation to help ensure a level playing field for future CM auctions.

   We are committed to establishing a stable and predictable cycle for running the CM auctions and recognise the importance of avoiding changes that retroactively impact investments. That is why certain aspects of a CM agreement are explicitly grandfathered by the CM Regulations for the duration of the agreement (e.g. the price paid).

   However, there has been no suggestion that the CM settlement calculations would not be subject to change. We note that the benefit arising from the current arrangements has not yet materialised and is not directly governed by the CM Regulations. To the extent that an investor/CM participant assumes a future revenue from this source, they ultimately do so at their own risk; and as such they

[1] This includes the Settlements Costs Levy, the Capacity Market Supplier Charge, Mutualisation Payments and Penalty residual supplier amounts.

should factor in the possibility that this levy could be subject to change and discount it accordingly, as with other variables that an investor needs to consider.

Moreover, whilst implementation challenges are not in-and-of themselves an argument against a particular course of action, we note that the introduction of grandfathering arrangements would introduce significant, enduring complexity to the charging arrangements. This would have corresponding implementation costs, which would ultimately be borne by consumers. Grandfathering would require the development of a new process to identify generators to which the grandfathered revenues applied (and we note here that several responses to the consultation argued this should include renewable generators), and continuing to deduct their output from their supplier's share of the levy whilst otherwise charging suppliers on a gross basis. It would also be necessary to ensure that metering arrangements for each CMU impacted enabled its output to be accurately measured by the Settlement Body (which may not be the case currently).

During the consultation period, we spoke to a large number of investors and developers participating in the CM to gauge the scale of the impact of a change in the CM supplier levy arrangements. Nobody we spoke to had assumed income from this source as they saw it as a clear and unintended distortion which the Government would act to remove once identified. Many also noted that it was outside the grandfathered provisions of the CM.

Whilst we did not speak to renewable generators, we note that many of these generators will not have received any revenues from the CM supplier levy (payments begin in the first CM delivery, 2017/18). Moreover, in addition to the points made above relating to investor expectations of income from the CM supplier levy, renewable generators already receive / have access to subsidy support from Government through, for example, the Renewables Obligation and would have been / can be financed on this basis. The purpose of the CM supplier levy is the fair and equitable recovery of costs from suppliers, not a form of additional subsidy for renewable generation.

We are therefore of the view that, in this instance, the significant complexity associated with developing grandfathering arrangements is critical to few, if any, embedded generators and is not proportionate.

The proposed change to the supplier settlement calculations will be made as soon as possible. Given the lead in time needed to make the necessary changes to the delivery body operational systems, the supplier settlement calculations will be conducted on a gross basis in respect of delivery years and financial years from 2018 onwards.

We considered the alternative solutions put forward but felt they would require more fundamental changes to the charging arrangements. That said, we will consider whether further changes are needed to remove the potential for behind-the-meter generation to unfairly benefit from double payments and, if appropriate, come forward with consultation proposals in due course. We note that the suggestion of charging based on demand throughout the year may have some potential in this regard.

2. Government proposes to amend the delivery milestones relating to the T-1 auctions

Summary of responses:

All fourteen responses to this question were in favour of the proposal to truncate the delivery milestones so that they work in the context of a T-1 auction.

A number of suggestions were made by respondents including:

- Amend the milestones for the cure and appeal periods so they fall ahead of the delivery year itself as this will help the Government make good any shortfall in capacity arising from terminated agreements

- Amend Rule 2.2.2 to reflect the different timelines of pre-qualification for the different auctions.

Extend rules 6.8.2A – 6.8.2D – relating to the milestones for prospective CMUs with one year agreements in relation to New Build Interconnectors – to all New Build projects with one year agreements.

Review the T-4 milestones to improve Government's ability to take informed decisions on the amount to secure in the T-1 auctions.

Government response:

The Government intends to proceed with the proposals as set out in the consultation.

We do not intend to bring forward the timing of the cure and appeal periods. This would not help mitigate security of supply risks arising from termination of agreements as the Government does not have available a mechanism to make good a shortfall in capacity that arises after the T-1 auction. On the contrary, we believe the milestone dates proposed in the consultation maximise the time available and likelihood of CMUs successfully delivering their obligations.

We note that, because the prequalification window for the T-4 and T-1 auctions will run concurrently, but the auctions themselves will not, the scheduling of the prequalification open (T-22 weeks) and close (T-16 weeks) in Rule 2.2.2 cannot be accurate for both auctions. However, we also note that the timings given in Rule 2.2.2 are only approximate and that different dates can be determined by the Delivery Body or the Secretary of State. Consequently we do not intend to amend Rule 2.2.2. We will, however, endeavour to provide as much forewarning of the timing of the milestones ahead of each annual cycle of auctions.

The other issues raised are beyond the scope of this consultation. We will consider whether to include proposals relating to these issues within future consultations.

3. **Government proposes that the derogation, introduced for the early auction, from the requirement for distribution- and transmission-connected generators to hold connection agreements ahead of pre-qualification should <u>not</u> be extended to future T-1 auctions.**

Summary of responses

Of the fifteen respondents, the majority were in favour of this proposal.

However, several respondents flagged that for future T-1 auctions, and in particular the 2017 T-1 auction (for delivery in 2018/19), much of the plant bidding into the auction will be those that were unsuccessful in earlier T-4 auctions, some of which may be partially or fully mothballed. Requiring mothballed plant to hold a connection agreement ahead of prequalification will force operators to take on an overhead without being certain of success in the auction. They felt this could act as a barrier to participation, depending on the level of cost involved, and could impact the liquidity of the T-1 auction. One response suggested, as an alternative, increasing the Termination Fee for failing to have TEC 6 months before the delivery year.

One respondent requested that Government clarify that the provision remains for distribution connected CMUs to provide a copy of an accepted connection offer to the delivery body in lieu of a Distribution Connection Agreement. Another respondent recommended the removal of any connection agreement derogations for the T-4 auctions, for both distribution and transmission connected CMUs.

Several responses requested that Government provide as much visibility as possible regarding the timing of the T-1 milestones and auctions.

Government response:

The Government welcomes the feedback received, particularly the comments drawing attention to the potential impact of not extending the derogation on the ability of some capacity to participate in T-1 auctions.

The Government's long-term approach, to ensure we do not leave ourselves open to unnecessary security of supply risks, remains to require all distribution- and transmission-connected generators to hold connection agreements ahead of pre-qualification.

That said, we have reviewed the security of supply risks associated with extending the early auction derogation from the requirement to hold a connection agreement at prequalification so that it covers the 2017 T-1 auction and we believe these are manageable. Additionally, given we expect the capacity target for this year's T-1 to be particularly challenging, we believe there is benefit in extending the derogation under Rule 3.10A.2 for one further year. This would mean that any Applicant for existing capacity in this year's T-1 auction would have to provide confirmation of the relevant connection agreement 6 months prior to the commencement of the 2018/19 delivery year. We will revisit this position in relation to future T-1 auctions nearer the time, consulting as necessary.

Whilst the Government did not consult on the arrangements for holding connection agreements in relation to the T-4 auctions going forward, we take this opportunity to confirm that, ahead of prequalification:

- New Distribution CMUs do not need to hold a connection agreement or offer if they instead declare or provide evidence that an agreement will be in place 18 months prior to the delivery year, and

- Transmission CMUs, both existing and new, must hold connection agreements that secure TEC for the relevant delivery years.

4. Government proposes to clarify the drafting around total spend declaration.

Summary of responses:

Of the sixteen respondents to this question, all but two supported the proposal to clarify the current drafting on total spend declarations. Four raised issues whilst remaining broadly supportive.

Of those who were not in favour of the proposal, one wished to remove total spend declarations entirely. The second thought that such cases would be scarce and was concerned that these proposals might prevent CMUs which secured multi-year agreements from being able to extensively 'replant', thereby replacing much or all of the original plant equipment in the future and secure a new multi-year agreement. A further respondent, whilst supportive of the proposals, was concerned with this issue. They gave the example of a 40 year old CMU replanting and investing at a level beyond the capital threshold requirement having held a multi-year agreement 25 years prior and wished to be reassured that such plant would be able to secure a further multi-year agreement in the future.

Three stakeholders desired further clarity about how the proposals would catch plant which pre-qualified with the option of a multi-year refurbishment agreement but took (in auction) a one year Pre-Refurbishing CMU Capacity Agreement and the ability of plant to gain future refurbishment agreements under the proposal.

One stakeholder requested that terminated plant should not be retrospectively disqualified from gaining future CM agreements by this proposal.

Government response:

The Government notes the support of the majority of respondents and intends to implement the proposal. The Government continues to believe that the current CM Rules correctly preclude a CMU receiving a further multi-year agreement in the circumstances discussed in the consultation document where the CMU has previously held a new-build agreement of any length. However we are taking the opportunity to clarify the provisions in line with the original policy intent more generally to give further certainty on this issue particularly in relation to refurbishing and terminated plant. We note that these issues were raised by stakeholders and can be seen in the summary of responses above.

The changes will protect the ability of plant to obtain multi-year refurbishment contracts. This applies both in the situation described above where plant pre-qualified with the option of a multi-year refurbishment agreement but took a one year Pre-Refurbishing CMU Capacity Agreement and in ensuring that new-build CMUs can in the future obtain multi-year refurbishment agreements.

Similarly CMUs replanting in the future should not be prevented from securing further multi-year agreements by this proposal because either:

- The works are sufficient to allow the plant to qualify as new build for a second time, with the replanting a separate capital expenditure;
- The works amount to refurbishment projects, which will be protected as mentioned.

Finally the proposal will not disqualify terminated CMUs from gaining future CM agreements. This does not affect the two year disqualification period for terminated CMUs introduced in 2016 amendments (though note that grandfathering provisions mean that this two year disqualification period does not apply where a CM agreement awarded before 2016 is terminated).

5. Government proposes to introduce amendments to clarify the drafting of the regulations and put beyond doubt the requirement to maintain applicant credit cover until CMUs achieve all of their Financial. Commitment Milestones and TEC/connection agreement requirements against which applicant credit cover has been lodged and for which a failure to meet would otherwise trigger a termination event. Also introduce amendments to avoid any unintended double liability on a participant as regards to their applicant credit cover and termination fee exposure.

Summary of responses:

Seventeen responses were received, all of which supported the proposal. Most did so without providing additional comment. One suggested further drafting refinement.

Government response:

The Government notes the support for the proposal and will implement the necessary changes.

6. Government proposes to amend metering provisions in the Capacity Market:

a) <u>Metering assessment deadlines</u>

Summary of responses

Of the fifteen respondents to this question, the majority were in favour of the proposed changes to the metering assessment deadlines.

A few respondents were opposed to the proposed deadline for Unproven DSR. Several alternative deadlines were suggested, ranging from 2–3 months ahead of the delivery year, to maximise opportunities for aggregators to recruit clients and resources. One respondent noted that if a T-1 auction was held less than 8 months ahead of the delivery year, Unproven DSR should be provided with at least 4 months post-auction before the metering assessment deadline.

Others suggested that the metering assessment deadline for Unproven DSR securing agreements in a T-4 auction should be brought forward so that, to the extent possible, the existence or otherwise of the Unproven DSR is crystallised ahead of the T-1 auction for that delivery year.

Several respondents noted the need to mandate that suppliers provide relevant information e.g. as a condition of a supply licence.

Government response

The Government intends to proceed with the proposals as set out in the consultation to reduce the duration of uncertainty relating to the volume of metering tests to be undertaken and enable delivery partners to identify and plan resources better.

The Government understands the need to maximise the time available for aggregators to recruit clients and resources. However, we note that, due to the length of time to complete the DSR test process, aggregators will need to have pinned down the individual components of an Unproven DSR CMU by four months ahead of the delivery year in any event. Pushing the metering assessment deadline back from four months to two or three months would therefore have little practical benefit for aggregators.

The Government notes the suggestion that the metering deadlines for Unproven DSR securing agreements in a T-4 auction should be brought forward. This is beyond the scope of the current consultation. However, we believe there may be merit in reviewing current arrangements and will come forward with proposals for consultation in due course.

We note that suppliers already have a duty to provide metered data as a condition of their electricity supply licence. The electricity supply licence requires that holders are party too and compliant with the Balancing and Settlement Code (BSC), specifically Clause S2.9.1. This requires information be sent via mechanisms set out in BSCP503 to the CM Settlement Service Provider.

b) Metering Test request deadlines

Summary of responses

Of the eleven respondents to this question, the majority were in favour of the proposal to introduce new deadlines by which CMUs must submit to the ESC a request for a metering test.

Several responses suggested that the metering test request deadlines were incompatible with the metering assessment deadlines as time is needed between completion of a metering assessment and the deadline for requesting a metering test. Suggestions ranged from 5 days to 1 month.

The one respondent not in favour suggested the deadline for Unproven DSR CMUs should be pushed back to 2 months ahead of the delivery year (as should the deadline for completing a metering assessment) and thought the 21 month deadline for Existing CMUs and Proven DSR CMUs with T-4 agreements were unnecessary and potentially problematic.

Government response

The Government intends to proceed with the proposals as set out in the consultation to support CMUs to navigate through the metering process and provide delivery partners with the time needed to process the large volume of metering tests.

As indicated in the previous section, the Government understands the need to maximise the time available for aggregators to recruit clients and resources but believes that setting the metering test request deadline for Unproven DSR at 4 months prior to the delivery year is appropriate as aggregators will need to have firmed up on components for CMUs by this point in any event.

The Government acknowledges that, in practice, CMUs will need time to reflect on the outcome of a metering assessment and then, if necessary, submit a metering test request. However, we do not believe it is necessary to stagger the metering assessment and metering test request deadlines. Rather it is better for CMUs to schedule their own workloads to meet these deadlines – if Government were to artificially impose, for example, a 20-day period between the deadlines, this may unnecessarily erode the time available for some CMUs to complete their metering assessments.

The Government does not consider the 21 month deadline for Existing CMUs and Proven DSR CMUs with T-4 agreements to be problematic. This deadline facilitates compliance with the 18 month deadline for submission of a metering certificate whilst still providing these CMUs approximately 2 years to undertake their metering assessments.

c) Metering Test Certificate deadline

Summary of responses

All 7 respondents were in favour of the proposal to push back the Metering Test Certificate submission deadline for Unproven DSR CMUs to 2 weeks prior to the start of a delivery year.

One respondent argued there should be a deadline for the ESC to send metering test certificates to DSR providers (to be set at 2months prior to the delivery year) to ensure CMUs can comply with the deadline for completing the DSR tests (which are required 1 month prior to delivery year), as the metering test certificate is required in advance of the DSR test.

Government response

The Government intends to proceed with the proposals as set out in the consultation to maximise the time available for metering tests and, if necessary, re-testing.

In relation to the concerns raised regarding the interaction between the Meter Test and DSR Test processes, the Government notes that the CM Rules allow for these two processes to run in parallel as long as the applicant provides a metering solution when requesting a DSR test (Rule 13.2.5(b)). However, the standard process is to provide a metering certificate if a metering test is required (Rule 13.2.5(a)).

DSR CMUs must submit a meter test request by 4 months ahead of the delivery year and complete a DSR test by 2 months. It is important that DSR CMUs plan their metering and DSR testing activities to reduce the risk of missing deadlines and triggering termination notices. Support is available from ESC and the delivery body.

d) Extension of sampling approach

Summary of responses:

Of the six respondents to this question, the majority were in favour of the proposal to extend the Meter Test Sampling approach from the TA so that it applies to the early Capacity Auction and enduring regime.

Government response:

The Government intends to implement the proposals as set out in the consultation.

ESC is able to complete metering site audits within the delivery year; this further supports the risk based sampling approach for desktop meter testing.

e) Meter data submission

Summary of responses:

All five respondents were in favour of the proposal to allow, for the early Capacity Auction, capacity providers using Balancing Services and Bespoke Metering Configuration Solutions to submit meter data directly (i.e. manually) to the ESC.

Government response:

The Government intends to implement the proposals as set out in the consultation.

7. Government wishes to review its position on pre-auction credit cover requirements for Unproven DSR

Summary of responses:

Of the eighteen respondents to this question, eleven were in favour of increasing the level of credit cover for Unproven DSR to £10k/MW whereas six were in favour of keeping it at £5k/MW. No respondents argued for a reduction in the level of credit cover and one response advocated a more detailed review. Those arguing for an increase did so on the grounds that it would ensure parity across technology types and because current arrangements potentially distort competition. They also highlighted that significant amounts of Unproven DSR had won agreements in the 2016 T-4 auction, with some expressing concerns that a significant proportion of these agreements may be the result of speculative bids. A number of respondents noted that the loss of this DSR capacity would be equally disruptive and costly to the functioning of the CM relative to the loss of any other type of capacity. Several also noted that an increase to £10k/MW would support the principle that credit cover should be sufficient to meet the majority of Termination Fees.

Those respondents arguing for the level of credit cover to remain at its current level did so on the grounds that doubling it to £10k/MW would increase barriers to DSR participation in the CM and go against wider Government policy for encouraging DSR. They asserted that it is comparatively more expensive for aggregators to secure credit cover from lenders, making £5k/MW a sufficiently strong disincentive against speculative bidding behaviour. Several also noted that DSR still only represents a small proportion of total capacity secured through the CM (despite recent growth) and that failure of DSR capacity is less disruptive due to the typical small size of DSR CMUs.

Government response:

The Government welcomes the information provided in the responses to this question. However, insufficient evidence was submitted to substantiate some of the key arguments and so taking a final decision now would be precipitate.

We intend to continue with our review over the coming months. In particular we plan to speak to DSR lenders to test the assertion made regarding aggregator access to credit cover. We are also mindful that increasing credit cover may have

the potential to push aggregators to recruiting behind-the-meter generation, as a safer and easier option, rather than developing turn-down DSR.

8. Government proposes to amend the definition of DSR Bid, DSR Bidding and De-rated Capacity

Summary of responses

Fourteen respondents to this question were in favour of the proposed definitions. One further respondent commented on the proposal without indicating support or opposition.

Government response:

The Government intends to implement the proposals as set out in the consultation.

9. To amend specific termination provisions in the Capacity Market

Summary of responses

Sixteen stakeholders responded, all of whom supported the proposals to apply a termination fee to Rule 6.10.1(d) and to create a new termination event (with an associated termination fee) for CMUs failing to complete a Metering Assessment. Four stakeholders raised concerns about specific issues, although were still broadly supportive.

Two stakeholders were concerned about retrospective application – they wanted to ensure the updated termination provision for general eligibility meant that CMUs with current CM agreements were not penalised. One also wanted this to apply to the metering test termination provision.

There were two other issues raised: One respondent was concerned that there should be no possible 'double liability' whereby CMUs would be liable for more than one termination fee. Another respondent thought that the metering test regime may need consideration if changes to related termination provisions are made.

Government response:

The Government notes support from all respondents and intends to implement the proposals as set out in the consultation. The proposals ensure that the general eligibility criteria termination event has an associated fee to ensure that CMUs honour their CM commitments and remove the possibility that such termination events could be used by CMUs as a mechanism to cost effectively withdraw from the CM, resulting in a loss of capacity. Previous amendments to the CM Rules removed the incentive for CMUs to complete Metering Assessments by allowing them to defer them until after prequalification. The proposals, by introducing a

termination event and associated fee for CMUs who have failed to complete Metering Assessments, ensure the incentive is replaced.

The Government confirms that the proposed changes:

- do not alter the termination system and interaction between termination fees more generally; and
  only affect capacity agreements awarded in capacity auctions held after the amendments to the CM Rules come into force.

10. Requiring ESC to make available a 6 monthly report of the cumulative amount of aid paid to each beneficiary under the Capacity Market scheme where this has reached or exceeded €500,000.

Summary of responses:

Fifteen stakeholders responded. The majority of respondents supported the proposal, a small minority opposed it and a number of respondents raised queries whilst remaining supportive.

Three respondents questioned the benefit of such a proposal, although all recognised its necessity to meet European Commission State Aid Modernisation (SAM) requirements. One of the three advocated suspending such a process if and when it was no longer required.

Other comments included requests for clarification over the time period to which the proposal applies, clarification on secondary trading and questions as to why Company Number could not be used rather than VAT number.

Government response:

The Government intends to implement the proposals, noting the majority of respondents expressed support.

These proposals will improve general transparency and oversight of the CM as well as meeting SAM requirements. VAT number information will be collected as part of these requirements.

Therefore, the Government will require the Electricity Settlements Company ("ESC") to make available a 6 monthly report of the cumulative amount of aid paid to each beneficiary under the Capacity Market scheme where this has reached or exceeded €500,000. This will apply to all capacity agreements awarded from 1 July 2016 onwards.

The Government intends for the first report to be published 6 months after the first in-scope payments to CMUs are made in December 2017, giving an indicative date of June 2018. ESC will update the cumulative total of aid paid to each beneficiary under the Capacity Market scheme and add any new beneficiaries that have met the €500,000 threshold every 6 months following the first report.