



Department
of Energy &
Climate Change

EMR Collaborative Development Wash-Up Session

10 September 2013

Agenda



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Tuesday 10th September

9 am	Room available Tea and coffee
10:00 – 10:15	1. Introduction and recap of CDP approach
10:15 – 11:30	2. Policy discussion around recently published papers
11:30 – 12:00	3. Question Log review
12:00 – 13:00	Lunch
13:00 – 16:00	4. Discussion of specific items on the question log
16:00 – 17:00	5. Timeline to get to the first auction

1. Introduction and recap of CDP approach – Objectives and Scope



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Objectives

To design and develop an understanding of:

- how EMR processes can be implemented in practice
- the way that participants will be required to act within EMR processes
- Information requirements, flows and hand-offs, compliance [and audit requirements].

Scope of activities and deliverables

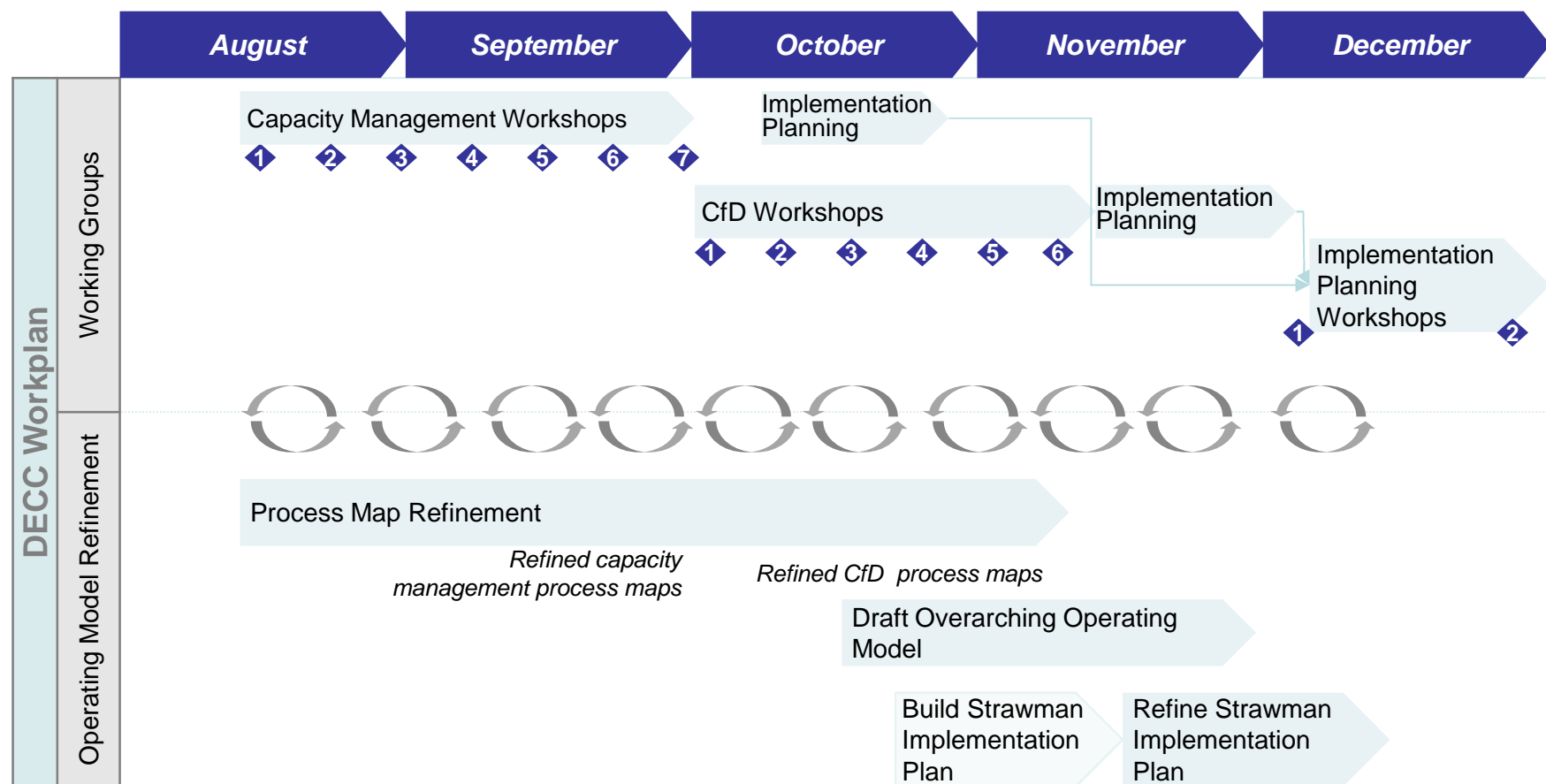
- Reviewing and refining process maps
- Developing an operational model
- Developing an implementation plan.

Attendees – participants and observers

1. Introduction and recap of CDP approach - Workshop context



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2. Policy discussion around recently published papers



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Definition of Capacity Market Unit and Portfolio

Collaborative Development Process
10 September 2013

Simon Francis



Definition of a Capacity Market Unit

- A CMU is a Unit of Electricity Generation Capacity or Electricity Demand Reduction.
- CMUs accredited with owners or contractual operators and assigned obligations and the right to receive capacity payments.
- Two types of CMU i) Generating CMU; ii) Demand Side Response CMU.
- Six classes of Generating CMU.
- Must be minimum 2MW. Limited aggregation permitted.



Definition of a Capacity Market Unit

- A CMU will have a different status at different points of the Capacity Market process:
 - i) Prequalified CMU;
 - ii) Capacity Committed CMU.
- Owners of CMUs will be known as 'Applicants' (pre-qual), then 'Capacity Providers' once successful at auction
- Each application can only relate to one CMU.
- Outlined in section 2.3.1 of Capacity Market Rules.

Generation or DSR CMU



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Generation Unit is/will be:

- Capable of exporting electricity
- Controlled independently from any other generating unit
- Connected to HH meter specific to that generating unit
- Registered capacity in excess of 2MW (*unless aggregation of units)

DSR unit is/will be:

- Secured by one person through
 - Ownership of DSR CMU component
 - Contractual control of the DSR CMU component
 - Ownership of permitted DSR generator
- Connected to one or more HH meters
- Has a baseline against which reduction can be measured
- Exceeds 2MW threshold (*aggregation of units)
- Concept of CMU Components for both types

Treatment of CMUs that are part of a portfolio



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- “Portfolio” in which CMU sits is relevant for the total cap of the cumulative liability of penalties.
- CMU can only belong to one portfolio at any one time.
- “Portfolio Holder” is the person that has a degree of control or decisive influence.
- Therefore necessary to establish a series of tests to determine the scope of the portfolio.
- Five cumulative tests to be conducted in order until the test is met.

Treatment of CMUs that are part of a portfolio

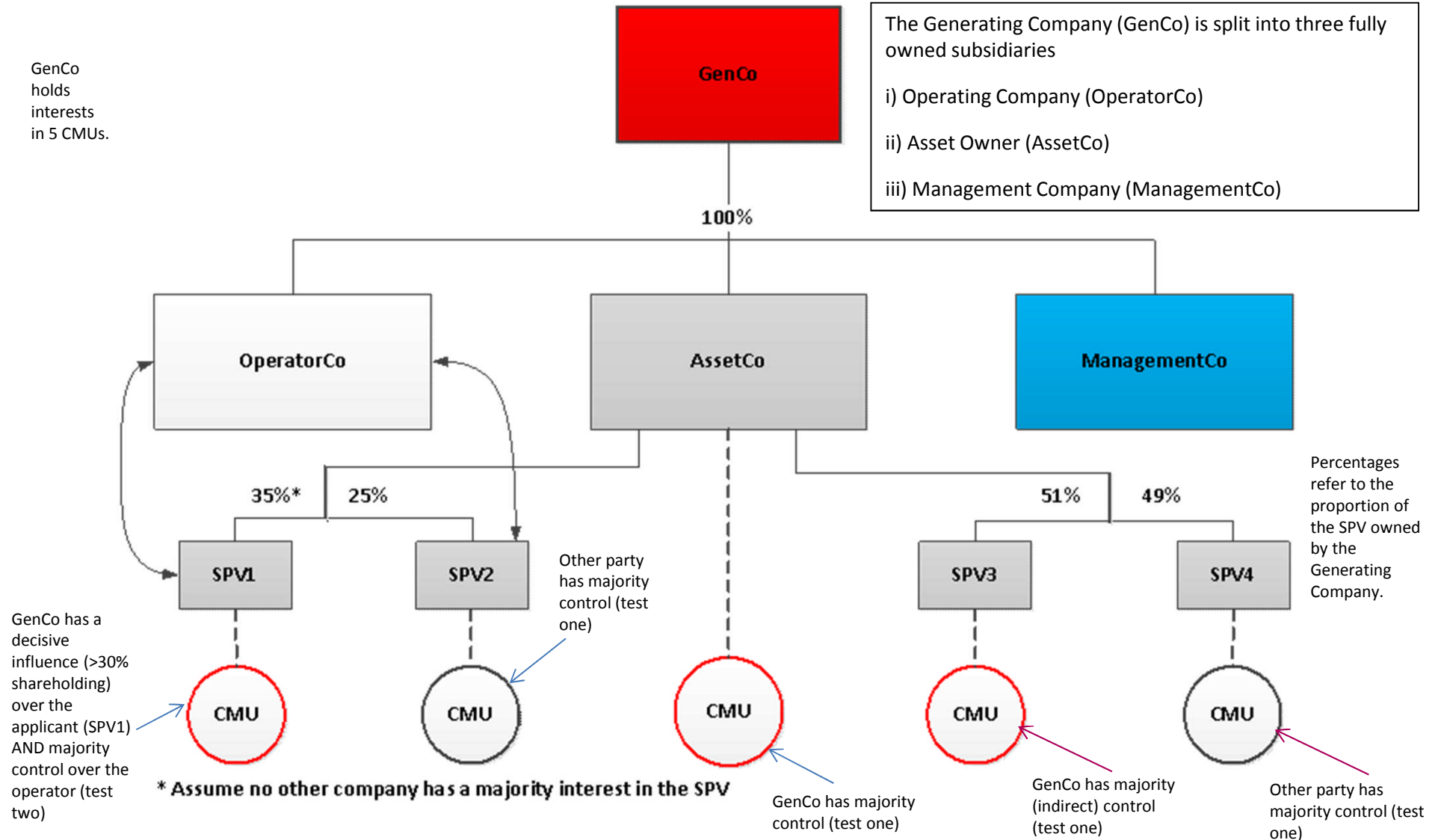


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GenCo
holds
interests
in 5 CMUs.

The Generating Company (GenCo) is split into three fully owned subsidiaries

- i) Operating Company (OperatorCo)
- ii) Asset Owner (AssetCo)
- iii) Management Company (ManagementCo)





Thank you for listening!

Any questions?

3. Question Log review



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- Confirmation that items in Column 1 (“no evidence a concern”) have been correctly allocated
- Recap of the treatment of items of items in Column 2 (“preferred position published)
- Identification of any missing items on the log

4. Discussion of specific items on the Question Log



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In the subsequent slides, we will discuss the following issues:

- 4a) Industry input to the demand curve production
- 4b) DECC and NG data publications
- 4c) De-rating definition
- 4d) Streamlining inputs by parties to physical trading process
- 4e) Portfolio-level trading caps
- 4f) Physical testing requirements

4a. Industry input to the demand curve production



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- Is there scope for greater industry input to the demand curve process (both the NG component and the DECC component)? (**Issue ID 4**)
- This relates to the "handle a demand curve" process.
- The process map shows early industry input, when parties are asked for information to inform NG's analysis. Then the process becomes one of exchange between NG and DECC, without any further industry input. Attendees of the workshops were looking for greater input in the process.

4a. Industry input to the demand curve production



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- (i) Attendees wanted to know whether the process that NG will adopt will be the same as the process Ofgem has adopted (with which participants were broadly comfortable)?
- (ii) Regardless, there was a desire for greater transparency in the way that the capacity assessment is undertaken. People felt that Ofgem's process was still something of a "black box".
- (iii) There is a legislative "glitch". Although responsibility for the assessment should have passed to NG following this year's assessment, the legislation does not allow this. As a consequence, and messily, both Ofgem and NG have a requirement to produce an assessment in 2014. How will this work, and how will we avoid conflicting assessments?
- (iv) How can industry have greater participation in the wider demand curve construction process?

Demand Curve



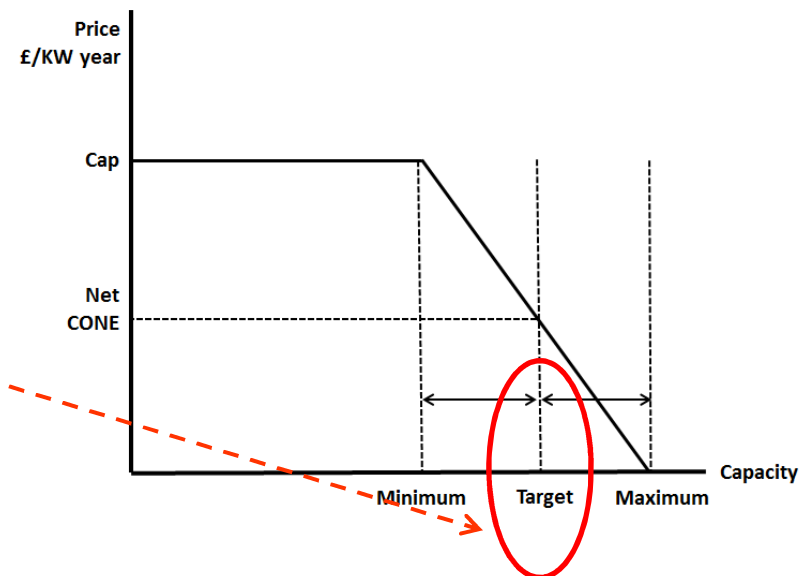
National Grid – 10/09/13

Prepared based on DECC Policy Design Proposal

For discussion at Collaborative Development Wash Up

Demand Curve 'Target'

- DECC will set out a Demand Curve, to enable the trade off between cost and security of supply be made automatically at the auction.
- The key parameters are Target Volume and the Price Cap
- **National Grid** are to support DECC by providing analysis and evidence to inform the decision on the Target Volume; **all subject to scrutiny by Panel of Tech Experts**
- We anticipate preparing a number of alternative scenarios to ascertain how sensitive the results are to changes in demand projections, which will be presented to DECC for information



Illustrative Demand Curve

Industry Input to Demand Scenarios

- Inputs to the 2014 Demand Curve will be as per the work undertaken for Ofgem's existing obligation with regard to Capacity Adequacy Assessment
 - For 2014 we will follow the existing capacity adequacy consultation process to discharge our obligation to Ofgem
- The Future Energy Scenarios (FES) consultation is an annual consultation that initiates National Grid's annual planning process. This process will continue to be used to provide industry an opportunity to provide input into the assumptions and axioms which underpin National Grid's analysis.
- The consultation process consists of workshops and bilateral meetings.
- Following consultation over Autumn/Winter, a Stakeholder Feedback document is published. It provides a summary of the feedback received through our consultation, highlighting the key themes and our next steps.
- The final scenarios are presented at the Annual Future Energy Scenarios Conference (July).
- Further information is available at <http://www.nationalgrid.com/uk/Gas/OperationalInfo/TBE/>

The background of the entire slide is a long-exposure photograph of a tunnel. The lights from the tunnel's interior create a series of bright, colorful streaks (orange, yellow, red, and blue) that radiate from the center, giving a sense of depth and motion.

UK Future
Energy
Scenarios

Stakeholder Workshops

October 2013

nationalgrid

In July we launched our 2013 UK Future Energy Scenarios document and introduced you to the set of underlying assumptions or 'axioms' that we used to create our scenarios. We would like to invite you to attend one of our interactive workshops to enable you to debate and develop the fundamental assumptions that will underpin our 2014 Future Energy Scenarios, to be launched in July 2014.

Your involvement in this process is of great importance to us and we therefore hope that you will be able to join us at one of the following workshops:

Glasgow: Thursday 3rd October at Crowne Plaza Glasgow, Congress Road, Glasgow, Lanarkshire, G3 8QT

London: Monday 14th October at Coin Street Community Builders, 108 Stamford Street, London, Greater London, SE1 9NH

London: Tuesday 15th October at Coin Street Community Builders, 108 Stamford Street, London, Greater London, SE1 9NH

Coffee and registration from 09:30. Workshop 10:00-15:30. Attendance at these events is free.

All workshops will have the same format and content. Further details regarding the workshop will be sent prior to the event.

If you are interested in participating in a workshop, please confirm your attendance (indicating which session you would like to attend) by emailing transmission.ukfes@nationalgrid.com

4b. DECC and NG data publications



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- What information does DECC publish to support the preparation of and publication of the demand curve? (**Issue ID 5,23**).
- There are two points when people were concerned about what will be published:
 - i. At the completion of the pre-qualification process (when DECC want NG to provide information on pre-qualified CMUs, including those that have opted out and signalled an intention to retire); and
 - ii. On completion of each auction.
- Stated concerns here were that publication might send signals of imminent plant closure, with consequential adverse union and HR implications. There is also a concern about the publication of commercially sensitive information.

4c. De-rating definition



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- What is the definition of capacity in the context of the de-rating process and how is derating calculated? (**Issue ID 9,45**)
 - It was noted that de-rating cannot occur outside of a range. However, what rating is used in the auction if the rating figure is subject to dispute?
- To what extent should de-rating take account of TEC? (**Issue ID 60, 101**)
 - Issue 60 relates to what extent should de-rating take account of TEC constraints when NG are monitoring application submission rates during the pre-qualification process.
 - Issue 101 relates to the “Handle a novation” process – to what extent is a generator held whole in the event of being constrained off? How can a consistent treatment be achieved between a new plant with TEC less than CEC, and an existing plant which is constrained as a result of weather-related events (for example).

4d. Streamlining inputs by parties to physical trading process



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- How can the early stages of the novation process be streamlined? (**Issue ID 97, 98, 99**)
 - Should parties be allowed to jointly submit? (The 2 parties can confirm and agree the trade, then jointly submit).
 - Should the notification process (notifying of successful trade) be automated?
 - What happens if a novation is rejected? If a rejection is made incorrectly, there should be an appeals process in place – should this be an industry-led disputes committee?

4e. Portfolio-level trading caps



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- How do trades affect caps at the portfolio level in the “Handle a Novation process”? (**Issue ID 100**)

4f. Physical testing requirements



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- To what extent will payments be reduced if a Capacity Provider does not meet its de-rated level? (**Issue ID 112**)
 - The rule for determining payment is to be defined, for example could it be dependent on how far away the CP were from reaching their de-rating capacity as part of the “Handle a capability test” process?
- To what extent should testing reflect the way that environmental factors (e.g. ambient temperature) affect station output? (**Issue ID 113**)

5. Indicative timeline for pre-qualification and auction process



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A November auction looks feasible, but only under a number of challenging assumptions

Please refer to A3 handout