

EMR – Panel Update

Meeting Name	BSC Panel
Meeting Date	10 October 2013
Purpose of paper	For Information
Summary	This paper is the Panel's monthly update on ELEXON's appointment as the Settlement Agent for both Contracts for Difference (CfDs) and for the Capacity Market (CM) for the period from 12 September to 3 October 2013.

1. Grants

- 1.1 Routine monthly invoicing continues under the CfD Grant, with DECC paying promptly.
- 1.2 The Capacity Market Grant has now been signed and by the time of the Panel meeting on 10 October, the first invoice will have been issued covering the period 1 April 2013 to 30 September. The CM grant follows the same text as the CfD Grant, save for the description of activities.
- 1.3 With respect to publication of the Grants, DECC has declined our request to openly publish the Grants on our website, effectively citing reasons of commercial sensitivity. We have pointed out that this is contrary to their previous assurances and our desire for transparency. We continue to discuss this with DECC and will discuss it further, and the implications for the Panel, at next week's meeting.

2. Engagement

- 2.1 At the operational level, engagement with DECC, the Counterparty, National Grid and industry continues. ELEXON is participating in a number of forums including:
 - The Collaborative Development Process (CDP) including the Collaborative Development Implementation Steering Group (established to support the CDP);
 - Institutional Framework Expert Group;
 - Expert Groups including: the Metering sub-group; Capacity Market Expert Group and Capacity Market Project Board; and
 - Secondary Legislation Working Group.
- 2.2 Our understanding is that DECC is on target to publish their consultation document during the early part of October 2013. In parallel with DECC's consultation and in order to provide BSC Parties with visibility of the likely scope of the BSC and BSC System changes, we propose holding a workshop (date to be confirmed but expected to be in November 2013) where we will share this information. We also propose to share our understanding of the CfD and CM Settlement Agent roles and their interaction with the BSC.
- 2.3 We would welcome Panel's views on the likely appetite for such an event and whether November would be appropriate timing.

3. CfD System Procurement

- 3.1 As previously reported to the Panel DECC has introduced an additional review cycle for the procurement documentation and this has resulted in a delay to the issue of the ITT. We have shared the draft ITT and contract schedules with DECC and its advisors and we are in the process of addressing their comments and queries and we hope to be able to issue the ITT shortly.
- 3.2 The delay in the release of the documentation has introduced a risk to the overall delivery programme which has been communicated to DECC.

4. Requirements' certainty

- 4.1 As mentioned above, the desire to consult on secondary legislation in October 2013 and the launch of the Collaborative Development Workshops is having a positive impact in progressing policy decisions in areas where there has been uncertainty. However, it is also flushing-out new and/or changed requirements that will need to be incorporated into requirements

5. Changes to the BSC and BSC Systems and processes

- 5.1 At high-level, the scope of the BSC System changes have been shared with the Panel Committees and Cognizant and CGI (formerly Logica) have undertaken impact assessments.
- 5.2 There are however, a number of policy matters that may impact the BSC System changes that DECC has yet to resolve. It is hoped these matters will be resolved during October 2013 such that the changes can be incorporated within the scope of the June 2014 release.

6. Financial Regulations

- 6.1 We and DECC continue to discuss our respective legal advice as to whether the CfD SA role will be within the scope of the UK Financial Services and Markets Act (FSMA) such that we (and our service provider) would need Financial Conduct Authority (FCA) authorisation to perform the CfD SA role or be granted an exemption for which we would expect DECC to liaise with HM Treasury. We expect to receive further counsel's opinion later this month.
- 6.2 Following the concerns raised by some Panel members at the September meeting we would assure the Panel that the EMR team (and Board) are focused on resolving this issue in the most appropriate manner and will seek to do this in a way that does not jeopardise existing industry exemptions.

7. Resource effort and expenditure

CfD

	Current Month (August) (£k)	Year to Date (£k)
Internal Costs	52	299

	Current Month (August) (£k)	Year to Date (£k)
External Cost	18	209
Total Costs	70	508

7.1 In August 2013 we utilised 89 man-days and year to date 491.

Capacity Market

	Current Month (August) (£k)	Year to Date (£k)
Internal Costs	16	59
External Cost	0	0
Total Costs	16	59

7.2 Man-days in August were 31 and year to date 114. The resource run-rate on the CM is much lower than under CfD largely because the CM Settlement Agent's role will not become fully¹ operational until October 2016.

8. Recommendation

8.1 The Panel is invited to:

a) **Note the EMR update.**

For more information, please contact:

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¹ Some earlier activities may be required e.g. to hold and monitor collateral from October 2014 onwards.