

EMR – Panel Update

Meeting Name	BSC Panel
Meeting Date	14 November 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).

1. Engagement

- 1.1 We continue to engage with DECC, particularly in the review of their policy instructions and in the run-up to the publication of the October 2013 consultation. DECC published their consultation document on 10 October 2013; the consultation closes on 24 December 2013. The consultation is in the order of 700 pages long and we have established a consultation response plan to ensure that resources are appropriately deployed in the review of the document and the drafting of responses.
- 1.2 One significant change is that first CFD payments are not to be made prior to April 2015 (DECC's previous position was January 2015 and although we were aware of a potential delay to April 2015 due to tax and budgetary issues, this is the first public confirmation of the new date).
- 1.3 An Education Day has been organised for 25 November 2013 and we currently have about 35 people signed up for the event. The agenda is yet to be finalised, but we expect it to cover:
 - ELEXON's role¹ as the Settlement Agent for both CfD and CM;
 - BSCCo as Data Provider;
 - Additional Balancing Mechanism (BM) Units;
 - The Governance arrangements; and
 - BSC/EMR Change Process.
- 1.4 This education day is open to BSC Parties and elected Panel and Panel Committee members and has been organised intentionally half-way through DECC's EMR Consultation to assist BSC Parties that will be expecting to respond to the consultation. Since sending out the invitation we have been approached by non-BSC generators that may have a future interaction with the BSC, asking to attend. The invitation has been extended accordingly.
- 1.5 We have shared with DECC our approach on communication with BSC Parties and this has been warmly received (other Code bodies impacted by EMR are being encouraged to follow suit).
- 1.6 Now that DECC have issued their consultation, we will also be publishing on our website an overview of our role, and in particular, what is **not** within the scope of our role or responsibilities.

¹ We will make clear what is within the scope of the Settlement Agent's role and what is not within the scope of the role

2. Governance

- 2.1 As previously reported following discussions with Kenneth MacRitchie of the Counterparty, the Settlement Agent will undertake its role under contract to the Counterparty/Settlement Body rather than directly with DECC. DECC is preparing a draft contract.
- 2.2 It is DECC's intention, as set out in the consultation, that although the Counterparty and Settlement Body will be separate legal entities, their roles will be discharged (where possible) through the same staff.

3. CfD System Procurement

- 3.1 The ITT and draft contract have been reviewed by DECC and their lawyers and their comments and suggestions have been addressed and the documents are ready to be issued. We are awaiting DECC's confirmation that the ITT can be issued.
- 3.2 Significant implementation and operational efficiencies could be achieved if the Capacity Market requirements are included within the scope of the system. DECC is supportive of this approach and we are considering how and when the CM requirements might be introduced within the procurement process and timetable.

4. Requirements' certainty

- 4.1 Publication of DECC's consultation document is having a stabilising (albeit this is likely to be short term) effect on the requirements. However, it seems inevitable that requirements will change as a result of consultation responses or to meet other policy considerations.
- 4.2 Industry continues to engage with DECC for example through the Collaborative Development process, and this is highlighting areas where so far, industry has not fully engaged with DECC on the formulation of its policy and this will inevitably result in policy challenge and change. Any policy changes will need to be carefully assessed such that we fully understand the system/service impact and any knock-on impact on costs and implementation timescales.

5. Changes to the BSC and BSC Systems and processes

- 5.1 Changes to the BSC and to BSC Systems and processes are necessary to enable the CfD Settlement Agent (SA) to fulfil its role, e.g. through the use of metered data from the BSC, and to put in place the appropriate governance structure. At high level, the scope of the system changes have been shared with the Panel Committees.
- 5.2 The scope of the BSC System changes have been assessed by Cognizant and CGI, agreed by DECC on 24 October 2013 and have been ordered. The changes will be implemented in the June 2014 release.
- 5.3 As previously reported to the BSC Panel the costs of amending the BSC Systems is funded under the DECC Grant and not by BSC Parties.
- 5.4 Draft changes to the BSC document have been shared with DECC and some comments have been received and incorporated. In order to aide transparency and to facilitate discussions at the Education Day on 25 November 2013, the draft BSC amendments will be published on the BSC website shortly. DECC is expected to launch the Code and Licence change consultation in January 2014.

6. Financial Regulations

- 6.1 As mentioned previously and following several meetings with DECC it is looking increasingly likely that due to the nature of the payment obligations to generators in the CFD (the terms of which have recently been revised) and the mechanistic role of the Settlement Agent, the SA will not require authorisation.
- 6.2 We have sought further opinion from counsel in order to properly advise the ELEXON Board and anticipate being able to confirm the outcome at the Panel meeting on 14 November 2013.

7. CfD/CM Expenditure

- 7.1 CfD/CM expenditure is contained in Attachment 1 which is confidential.

8. Recommendation

- 8.1 The Panel is invited to:
 - a) **NOTE** the EMR update.

Attachment A – CfD/CM Expenditure - Confidential Update

For more information, please contact:

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