



Achieving the Substantial Completion Milestone

Version 1.0



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Version Control

Date	Version No.	Page No.	Description
27/06/2018	1.0		First release of guidance document

Prospective CMU Milestone Deadlines







Prospective CMUs are required to meet several key milestones before becoming fully operational.

Certain key milestone documents such as Relevant Planning Consents, Distribution connection arrangements (T-4 Distribution CMUs only, not T-1 or TEC), Financial Commitment Milestone and Metering Assessment can be deferred from Prequalification.

Deferring milestone(s) requires Applicants to submit credit cover* until certain obligations are met.

Capacity Market Deadlines including dates for deferred milestones are available to [view here](#).

Below are key milestone requirements for Prospective CMUs from Prequalification until the Long Stop Date:

 <p>Planning</p> <p>Option to Defer? – Yes</p> <p>Deadline – 22 Working Days before the first Bidding Window</p>	 <p>Connection</p> <p>Option to Defer? – Yes, For T-4</p> <p>Deadline – Distribution CMUs only - 18 months prior to Delivery Year start date</p>	 <p>Reports</p> <p>Option to Defer? – No</p> <p>Deadline – 3/9 months from Capacity Auction (first year only) 6 monthly until SCM achieved</p>	 <p>FCM</p> <p>Option to Defer? – Yes</p> <p>Deadline – T-1, 3 months, and T-4, 18 months, from Auction Results date</p>	 <p>Metering</p> <p>Option to Defer? – Yes</p> <p>Deadline – T-1 and T-4 with single year agreement by Delivery Year T-4 with multiple year Agreement by Long Stop Date</p>	 <p>SCM</p> <p>Option to Defer? – No</p> <p>Deadline – T-1 – by start of Delivery Year T-4 – by Long Stop Date</p>
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*Credit cover must be maintained until ALL credit obligations have been met (CM Regulations - Part 7, Chapter 2, Regulation 60). Please [contact EMRS](#) directly for return of credit facilities once all Credit Obligations have been met.

Achieving the Substantial Completion Milestone

To understand how to **Achieve the Substantial Completion Milestone (SCM) for Prospective CMUs** (including Evidence of Total Project Spend and Extended Years Criteria) and what the obligations are for Capacity Providers, please select from the icons below to access relevant sections of this guidance document. Please ensure that you use this document in conjunction with the relevant sections of the Capacity Market Rules (as amended):

1. Substantial Completion Milestone - Summary	2. When is the SCM Due?	3. Evidence of Total Project Spend
4. Extended Years Criteria	5. How are documents submitted?	6. Appendices – Process Steps

What are the relevant Capacity Market Rules? – 6.7 Achieving the Substantial Completion Milestone, 8.3.6 Evidence of Total Project Spend, 8.3.6A Meeting the Extended Years Criteria, 8.3.6B Definition of Extended Years Criteria, 8.3.6C Definition of Extended Years Criteria: supplementary, 6.8 Sanctions for Delay in Achieving Milestones (Minimum Completion Requirements).

1. Substantial Completion Milestone - Summary

What is the Substantial Completion Milestone (SCM)?

The SCM is used to confirm that a CMU is commissioned, has met metering requirements and is now operational and able to export.

Checklist - What is required?

To achieve SCM, Capacity Providers must upload at least one of the following documents for Delivery Body assessment:

- Distribution Connected - ITE Report** confirming that the CMU has been commissioned (or re-commissioned) and that CMU is capable of exporting MW capacity equivalent to a minimum of 90% of the original Auction Acquired Connection Capacity.
- Transmission Connected – Interim/Final Operational Notification (ION/FON)** letter confirming the CMU is Operational.

In addition to the above the Delivery Body shall check for evidence that:

- Metering Assessment** and if applicable **Metering Test** have been completed for the CMU
- Single Line Diagram(s)** have been supplied

Capacity Payments – Once the SCM is achieved a Capacity Agreement shall come into effect from the start of the first Delivery Year or the date of achievement (whichever is the later) and Capacity Payments shall be made from this point.

Demonstration of Costs Incurred – All Agreements with duration exceeding one Delivery Year must provide Evidence of Total Project Spend. All Agreements with duration exceeding three Delivery Years must provide both evidence that Extended Years Criteria has been met and Evidence of Total Project Spend.

***ITE (Independent Technical Expert) - means an experienced technical expert with international experience and expertise in the construction and operation of Generating Units, Independent of the relevant Capacity Provider, engaged by that Capacity Provider at its expense to prepare the technical assessment, report, certificate or commentary required by Rules 6.6, 6.7, 6.10, 8.3 or 12.2 to the Required Technical Standard.**

2. When is the SCM Due?

Capacity Agreement effective date

Once the SCM is achieved a Capacity Agreement shall **come into effect from the start of the first Delivery Year** or the **date of achievement** (whichever is the later) and Capacity Payments shall be made from this point. Capacity Providers are encouraged to submit SCM documentation in advance of the start of the relevant Delivery Year to ensure that payments can be made accurately and on time. A CMU that is unable to Achieve SCM should inform the Delivery Body of Minimum Completion Requirements.

Minimum Completion Requirements

If a CMUs de-rated capacity is less than 90% but greater than 50% of the De-Rated Auction Acquired Capacity Obligation, then Capacity Payments shall be reduced according to the proportion of the De-rated Capacity of the CMU that has achieved operational status only **effective from the Long Stop Date**. Capacity Providers should ensure that an ITE Report is [submitted to the Delivery Body](#) to confirm the amount of de-rated capacity that the CMU can produce based on its physical output.

Consequences of not demonstrating Minimum Completion Requirements

If the CMU cannot demonstrate Minimum Completion Requirements by the Long Stop Date the Delivery Body shall issue a **Notice of Intention to Terminate** and should a CMU be unable to demonstrate requirements in timescales shall be subsequently issued with a **Termination Notice**.

Increasing Output

During the first Delivery Year a CMU is able to increase physical generating output greater than the value specified in the SCM (but not greater than 100% of the AACO value of the CMU) Changes should be requested from the Delivery Body.

Long Stop Dates – T-1 Long Stop Date is the start of the Delivery Year, T-4 Long Stop Date is one year after the start of the Delivery Year. T-1 and T-4 Refurbishing CMUs must have met Minimum Completion Requirements by the start of the Delivery Year.

3. Evidence of Total Project Spend

What is Evidence of Total Project Spend?

Any Capacity Provider with a Prospective CMU that has been awarded a Capacity Agreement with a duration exceeding one Delivery Year must provide the Delivery Body with Evidence of Total Project Spend demonstrating Qualifying £/kW Capital Expenditure.

What needs to be done?

A Capacity Provider must provide the Delivery Body with a certificate from an Independent Technical Expert confirming that it is satisfied, on the basis of evidence reviewed, that the Total Project Spend incurred divided by the De-Rated Capacity of the CMU is either:

- less than the Three Year Minimum £/kW Threshold; or
- equal to or greater than the Three Year Minimum £/kW Threshold and less than the Fifteen Year Minimum £/kW Threshold; or
- equal to or greater than the Fifteen Year Minimum £/kW Threshold.

Capacity Agreement duration - the duration of a Capacity Agreement shall be amended (or not) based on the declaration provided by the ITE in their report. Minimum £/kW Threshold values can be found in respective **Auction Guidelines** for each Delivery Year.

When does it need to be done by? - No later than three months after the start of the first Delivery Year. Please upload to the EMR Delivery Body Portal under **My Agreements > Milestones > Capital Expenditure** (see Section – [How are documents submitted](#)).

What are the consequences of not doing it - If the relevant Capacity Provider fails to provide the Delivery Body with a certificate from an Independent Technical Expert confirming the Total Project Spend, then the **duration of the Capacity Agreement shall be reduced to one Delivery Year**.

4. Extended Years Criteria

What is the Extended Years Criteria?

Any Capacity Provider with a Prospective CMU that has been awarded a Capacity Agreement with a duration of more than three Delivery Years must demonstrate to the Delivery Body that their CMU has met the Extended Years Criteria.

What needs to be done?

- Before the start of the Delivery Year** - provide the Delivery Body with a certificate from an Independent Technical Expert, confirming that the Independent Technical Expert is satisfied that the CMU meets the Extended Years Criteria (see CM Rule 8.3.6B Definition of Extended Years Criteria) or that they will be met if certain conditions are fulfilled.
- At Delivery Year start** - a certificate confirming that the Independent Technical Expert is satisfied that there have been no material changes since the original certificate was provided.

When does it need to be done by? – Before the start of the first Delivery Year. Please upload to the EMR Delivery Body Portal under **My Agreements > Milestones > Capital Expenditure** (see Section – [How are documents submitted](#)).

Capacity Agreement length

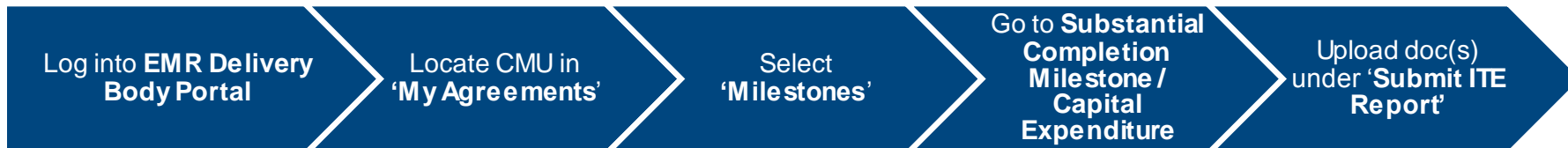
Reduction to Three Delivery Years - If the relevant Capacity Provider fails to provide the Delivery Body with a certificate confirming that the Extended Years Criteria has been met but does provide a certificate confirming that Total Project Spend is in excess of either the Three Year Minimum £/kW Threshold or the Fifteen Year Minimum £/kW Threshold the duration of the Capacity Agreement shall be **reduced to three Delivery Years**.

Reduction to One Delivery Year - If the relevant Capacity Provider is able to confirm that the One Year Minimum £/kW Threshold has been met or fails to provide a certificate the duration of the Capacity Agreement shall be **reduced to one Delivery Year**.

5. How are documents submitted?

Submitting SCM and Capital Expenditure documents for Delivery Body review

All CM documents should be submitted via the [EMR Delivery Body Portal](#) for review:



Applicants **must submit documents in the Milestones section of the Portal** (including ITE Report to demonstrate Minimum Completion Requirements) to notify the Delivery Body that checks can commence.

Note - submissions via email shall not be accepted by the Delivery Body.

The Delivery Body shall **make an assessment within approximately 5 working days** and provide a response in the Portal and via email notification of the outcome of the assessment(s):

- SCM/Capital Expenditure Approved** – notification via email that the SCM has been achieved or Capital Expenditure approved.
- SCM/Capital Expenditure Rejected** – notification via email that the SCM/Capital Expenditure has been rejected (reasons provided in the Portal). Documents can be re-submitted with any amendments up until the relevant deadline.
- SCM Rejected – Minimum Completion Requirements** – ITE Reports and certificates submitted demonstrating that a CMU has met Minimum Completion Requirements only shall be treated as 'SCM Rejected' in the Portal to ensure correct updates to the CM Register.

6. Appendix A – Process Summary (1 of 2)

Summary steps below are applicable for Achieving the Substantial Completion Milestone:



Step 1

ITE Report or ION/FON

Provide an ITE Report confirming that the CMU is commissioned, operational and capacity is >90% of obligation.

or

ION/FON letter (Transmission Connected CMU only)



Step 2

De-rated Capacity Certificate

Complete either the Appendix A1 (Distribution CMU) or Appendix A2 (Transmission CMU) certificate confirming the De-rated capacity of the CMU



Step 3

Metering and Single Line Diagram

Check that a Metering Assessment and Test (if applicable) have been completed and that a Single Line Diagram has been provided for the CMU.



Step 4

Upload to Portal

Upload required documents to the EMR Portal:

My Agreements > Milestones > Substantial Completion Milestone > Upload > SUBMIT



Step 5

DB Assessment

Wait for the DB to confirm outcome of assessment –

Approximately 5 working days

6. Appendix B – Process Summary (2 of 2)

Summary steps below are applicable for Evidence of Total Project Spend and/or Extended Years Criteria:



Step 1

Evidence of Total Project Spend

All Agreements with duration exceeding one Delivery Year -

Provide an ITE certificate (Appendix B1 – Capital Expenditure) confirming the spend per kW (Total Project Spend divided by the De-rated Capacity of the CMU)



Step 2

Extended Years Criteria report

All Agreements with duration exceeding three Delivery Years -

Provide an ITE certificate (Appendix B1 – Capital Expenditure) confirming that the CMU meets the Extended Years Criteria



Step 3

Upload to Portal

Upload required documents to the EMR Portal:

**My Agreements >
Milestones >
Capital Expenditure >
Upload > SUBMIT**



Step 4

DB Assessment

Wait for the DB to confirm outcome of assessment –

Approximately 5 working days