



Capacity Market Credit Cover Guidance

- **Version 2.0**
- **October 2023**

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Version control

#	Changes	Pages	Date
1.0	Initial Version		01/10/2020
1.2	Transferred to new template & deadlines updated		19/08/2021
1.3	Updates to new Credit Cover Process for 2021 PQ		25/08/2021
1.4	Updates to new Credit Cover Process for 2022 PQ		17/10/2022

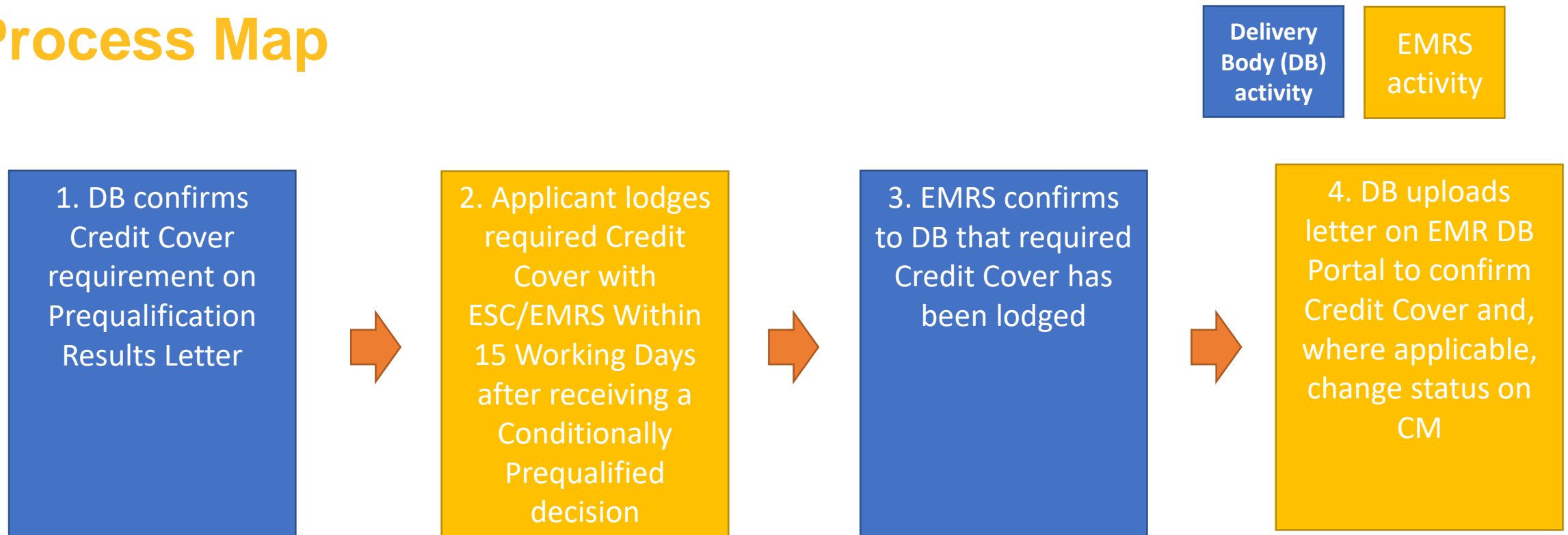
Version control

#	Changes	Pages	Date
1.5	Update to include section on sending of Secure Messages	17, 18 & 19	31/10/2022
1.6	Updated wording of slide 8.	8	07/11/2022
2.0	Update for 2023 Auctions		27/10/2023

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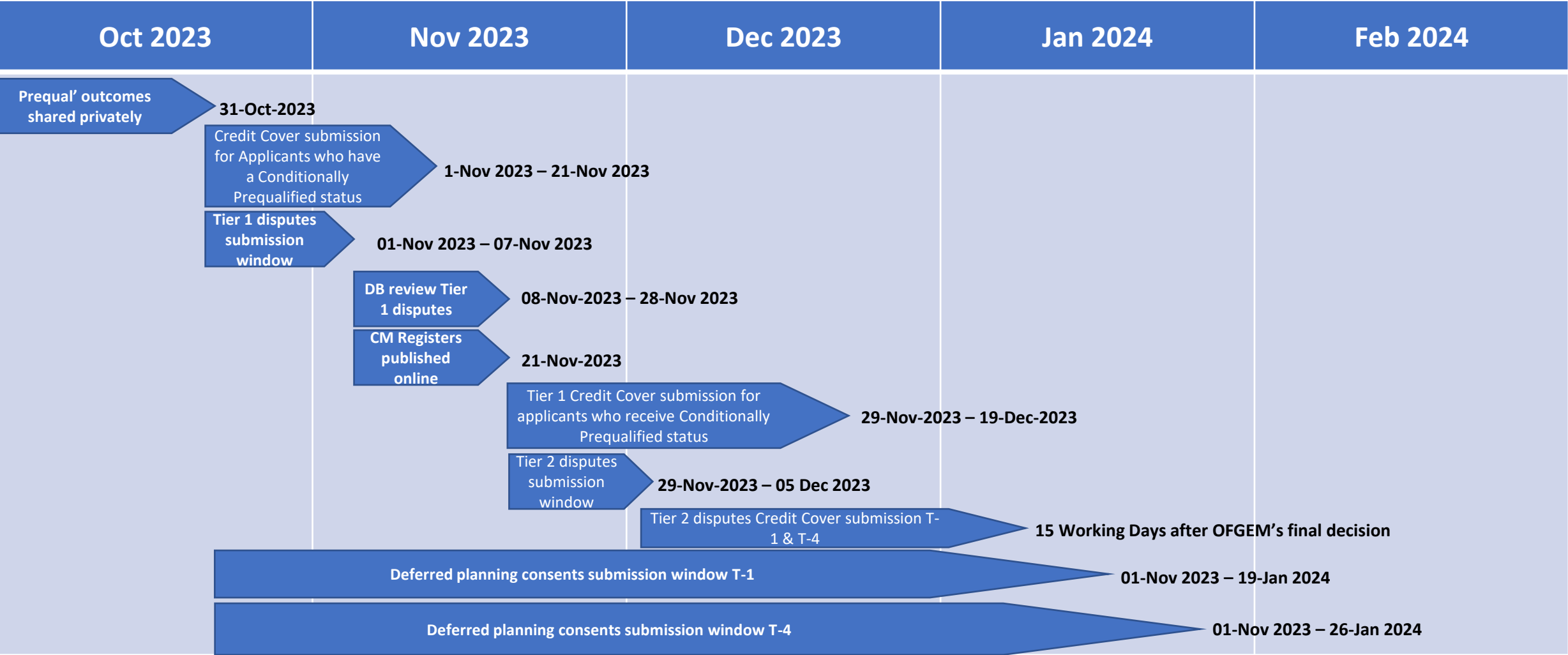
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Process Map



- Applications that are Conditionally Prequalified or Unproven DSR CMUs are required to lodge Credit Cover with EMRS.
- EMRS will then confirm with the Applicant and the Delivery Body (DB) that Credit Cover has been lodged.
- CMUs will not be eligible to enter the CM Auction(s) if they fail to lodge Credit Cover by the required deadline(s) (see next page for deadlines).

Credit Cover Key Dates



Credit Cover Information (1/2)

To enter the Capacity Market Auction, some Applicants need to lodge Credit Cover with EMRS. There are two methods of submission:

1. Cash
2. Letter of Credit (LoC)

NB: Parent company guarantees are not permitted.

	Requirement for Credit Cover
Unproven DSR £5,000/MW x De-Rated Capacity (MW)	Until a DSR test has been completed, Credit Cover is required.
Unproven DSR applying for Multi-year Agreement but haven't confirmed at least 50% procurement £10,000/MW x De-Rated Capacity (MW)	Until the CMU has confirmed at least 50% of capacity has been procured. Once 50% of the Capacity has been procured the amount of Credit Cover Required will be reduced to £5,000/MW until DSR Test is complete.
New Build Generating/Interconnector CMU £10,000/MW x De-Rated Capacity (MW)	Until provision of FCM and deferred Connection Agreement (for T-4 Distribution CMUs only), there is a requirement for Credit Cover.

Note: Credit cover for storage, renewables and interconnector CMUs is applied at the higher de-rated capacity to the T-4 Application if the CMU is entered into multiple Auctions.

Credit Cover Information (2/2)

Credit Cover Amount

The DB has amended the way Credit Cover is applied to each Application for the 2023 Prequalification Applications. Each Application that is Conditionally Prequalified will have an amount of Credit Cover entered on the Application.

	DB verified de-rated capacity is lower than previous Applications	DB verified de-rated capacity is the same as previous Applications	DB verified de-rated capacity is higher than previous Applications
The Application submitted for T-1 24/25, or T-4 27/28 is using the same CMU or a clone of the CMU as previous submissions.	There is no requirement for any additional Credit Cover to be lodged There is still a requirement on previous applications for the amount currently being held so there will be no return of Credit Cover .	There is no requirement for any additional Credit Cover to be lodged.	There is a requirement to lodge the difference between previously held Credit Cover and the new requirement. (An Applicant can query how much Credit Cover they need to lodge with EMRS).
The CMU is a new CMU or there is no Credit Cover currently being held for a previous application	Not applicable.	There is a requirement to lodge the full amount of Credit Cover for the application.	There is a requirement to lodge the full amount of Credit Cover for the application.

If a New Build or Unproven DSR CMU has entered Applications for the T-1 and T-4 Auctions, a Credit Cover amount will now be added to both Applications in the EMR Portal as part of the Delivery Body's assessment during the Prequalification window. However, as in previous years, **you will still only be required to lodge one amount per CMU with EMRS. The Credit Cover required will be the higher amount of the two Applications.**

Further information

The **Delivery Body** is responsible for calculating Credit Cover requirements. Please contact the Delivery Body if you have any queries.

It is not necessary to register with EMRS to post Credit Cover. If successful at Auction, you will need to register then.

EMRS Service Desk

Tel: 0207 380 4333

Email: contact@emrsettlement.co.uk

Working Practice

WP22 -Capacity Provider Registration

WP35 -Capacity Market Applicant/Capacity Provider Credit Cover

<https://www.emrsettlement.co.uk/publications/working-practices/>

Stakeholder Support Capacity Provider webpage

Select '**Credit Cover**'

<https://www.emrsettlement.co.uk/stakeholder-support/stakeholder-support-capacity-providers/>



Credit Cover Process - Cash

1. Lodge Credit Cover within **15 working days** of receiving the **Conditionally Prequalified decision**.
2. **Bank details** can be found in **WP35-CM Applicant/Capacity Provider Credit Cover Process**
<https://emrsettlement.co.uk/publications/working-practices/>
3. Put the **CMU(s)** in the **payment reference**.
4. EMRS will validate received Credit Cover and issue an Acceptance or Rejection Notice to both the Applicant/Capacity Provider and National Grid within 5 working days of receipt.
5. If credit is not approved it must be resubmitted within 5 working days.
6. If lodging for multiple CMUs send a breakdown of CMUs and amounts to: contact@emrsettlement.co.uk

Credit Cover Process – Letter of Credit (LoC)

1. Lodge LoC via SWIFT message within 15 working days of receiving the Conditionally Prequalified Notice.
2. ESC/EMRS recommend to submit your LoC by the end of the second week of the relevant submission period to allow for processing time.
3. EMRS will validate received Credit Cover and issue an Acceptance or Rejection Notice to both the Applicant/Capacity Provider and National Grid within 5 working days of receipt.
4. Only minor wording changes to LoC template are acceptable and authorisation for these must be sought from EMRS before submitting your LoC.
5. If your LoC is not approved it must be resubmitted within 5 working days.
6. Third party LoCs are acceptable. A separate template can be found on the EMRS website.
7. Send a copy of the LoC submitted and include a breakdown of CMU(s) and amounts to contact@emrsettlement.co.uk

Credit Cover Release

Where an Applicant/Capacity Provider is no longer required to have Credit Cover lodged or has seen a reduction in their requirement, they can request EMRS to return it to them. This is only possible once the Capacity Market Register is updated.

1. Applicant receives acknowledgement from EMRS.
2. Applicant notified if request has been verified.
3. EMRS will notify Applicant that the request has been approved.
4. Credit cover is released to the bank account specified during registration.
5. If registration has not yet taken place then a cash Credit Cover return form will need to be completed.
6. Letters of Credit will be cancelled via SWIFT notification to the issuing.

Credit Cover Drawdown

EMRS will look to drawdown on credit if an Applicant has not met certain obligations or has unpaid termination or non completion fees.

1. Applicant fails to meet obligation or has outstanding fees.
2. EMRS determines amount and type of Credit Cover to be drawn down and requests approval from ESC.
3. Applicant receives notification via email that Credit Cover is being drawn down.
4. Depending on drawdown reason, it may be necessary to post more Credit Cover.

Credit Cover Process – 2023 Updates

Applicants/Capacity Providers should note the below process updates for the upcoming collection period:

LoC expiry time and minor wording updates have been made to the approved form of LoC by the Settlement Body (ESC). Templates can be found in Appendix 2 and Appendix 4 in WP35-CM Applicant/Capacity Provider Credit Cover process <https://emrsettlement.co.uk/publications/working-practices>

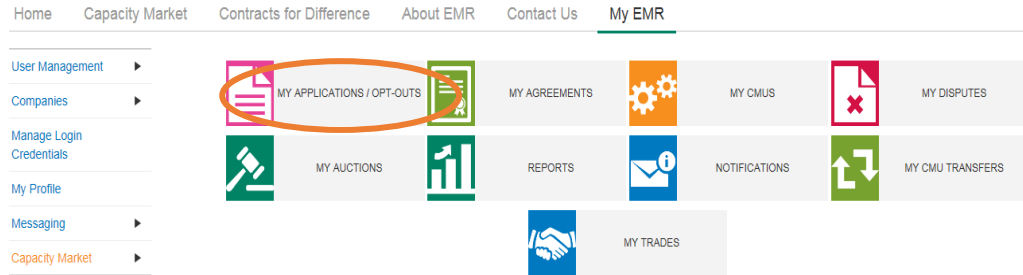
To help manage the impact of COVID-19, ESC and EMRS staff are working remotely until further notice. Any copies of documentation sent to offices should be emailed to contact@emrsettlement.co.uk

The final deadline to lodge Credit Cover will be the latter of 5 working days from receipt of a Notice of Unapproved Credit Cover or the 15 working days deadline after receiving a Conditionally Prequalified decision.

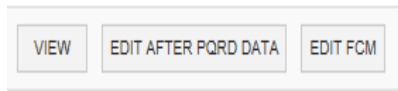
Any Cash Credit Cover should be lodged from the bank account that the Applicant wishes to receive the Credit Cover back. Failure to do so may result in delay in the release of Credit Cover as Electricity Settlements Company may wish to investigate the recipient Bank Account.

How do I know that my Credit Cover is in place?

1. My EMR > My Applications



2. Go to the Application and select 'View'



3. Click on the Credit Cover tab. Check if there is a document from the Delivery Body uploaded under the Credit Support Documentation

Amount of Credit Cover Required *

3999.50 £

Credit Support Documentation *

Please Upload evidence of the appropriate level of Credit Support being provided to the Settlement Body

[Download](#)

You will receive an email from EMRS, copying in the Delivery Body (DB), when Credit Cover has been successfully lodged against a CMU. A Credit Cover notice will be attached. Please read the notice to ensure you have confirmation from EMRS.

On confirmation from EMRS:

- DB will upload a confirmation of Credit Cover onto the EMR DB Portal as per the screen shot
- Applications which have no outstanding planning requirements will have the Prequalification Status on the Capacity Market Register changed from 'Conditionally Prequalified' to 'Prequalified'
- Applications which have outstanding planning consent requirements will remain as 'Conditionally Prequalified' on the Capacity Market Register

Sending of Secure Messages (1/3)

Capacity Market Rule 4.5D places an obligation on the Delivery Body to send a Secure Message from the EMR Portal **within one Working Day** if there is a change in the Prequalification (PQ) Decision of a Conditionally Prequalified Application after Prequalification Results Day (PQRD) but before the relevant CM Auction.

A change to the status of a Conditionally Prequalified Application can only be achieved if both:

- Relevant Planning Consents have been approved by the Delivery Body; and/or
- Credit Cover has been posted within 15 Working Days of the required deadline.

A Secure Message will only be sent when both elements are confirmed. This can be up to 22 Working Days prior to the relevant CM Auction due to the Relevant Planning Consents deadline(s).

All active Main Admins associated with the Company will receive a notification from the EMR DB Portal informing them that they have a Secure Message and that there has been an update to the Prequalification Decision for the CMU. The Applicant should then log in to the EMR DB Portal to view the Secure Message which will provide details of the update.

[Relevant Planning Consents Guidance](#) can be found under the Prequalification Category on the EMR DB website.

Sending of Secure Messages (2/3)

Scenarios	When is a Secure Message sent?
An Application is set to Conditionally Prequalified on PQRD	<p>If Credit Cover is posted within 15 Working Days of PQRD and deferred Relevant Planning Consents have also been approved by the Delivery Body, a Secure Message will be sent within one Working Day of the EMR DB Portal being updated to Prequalified.</p> <p>If Credit Cover is posted within 15 Working Days of PQRD but Relevant Planning Consents have not yet been approved, a Secure Message will only be sent when Relevant Planning Consents are approved by the Delivery Body. This can be up to 22 Working Days prior to the relevant CM Auction.</p>
An Applicant has raised a Tier 1 Dispute and the Delivery Body has upheld the dispute and the Prequalification Decision is Conditionally Prequalified	<p>If Credit Cover is posted within 15 Working Days of Tier 1 Disputes Results Day and deferred Relevant Planning Consents have also been approved by the Delivery Body, a Secure Message will be sent within one Working Day of the EMR DB Portal being updated to Prequalified.</p> <p>If Credit Cover is posted within 15 Working Days of Tier 1 Disputes Results Day but Relevant Planning Consents have not yet been approved, a Secure Message will only be sent when Relevant Planning Consents are approved by the Delivery Body. This can be up to 22 Working Days prior to the relevant CM Auction.</p>
An Applicant has raised a Tier 2 Dispute which is upheld following Ofgem's determination and the Prequalification Decision is Conditionally Prequalified	<p>If Credit Cover is posted within 15 Working Days of Ofgem's determination and deferred Relevant Planning Consents have also been approved by the Delivery Body, a Secure Message will be sent within one Working Day of the EMR DB Portal being updated to Prequalified.</p> <p>If Credit Cover is posted within 15 Working Days of Ofgem's determination but Relevant Planning Consents have not yet been approved, a Secure Message will only be sent when Relevant Planning Consents are approved by the Delivery Body. This can be up to 22 Working Days prior to the relevant CM Auction.</p>

Sending of Secure Messages (3/3)

Scenarios	When is a Secure Message sent?
An Applicant fails to lodge Credit Cover by the required deadline, the Application is set to Not Prequalified and the CMU is therefore not eligible to participate in the CM Auction(s)	If Credit Cover is not posted within 15 Working Days of the required deadline, a Secure Message will be sent within one Working Day of the EMR DB Portal being updated to Not Prequalified .
An Applicant does not provide Relevant Planning Consents by the required deadline, the Application is set to Not Prequalified and the CMU is therefore not eligible to participate in the CM Auction(s)	If an Applicant does not provide Relevant Planning Consents for a CMU before the relevant deadline, a Secure Message will be sent within one Working Day of the EMR DB Portal being updated to Not Prequalified . The Applicant can then contact EMRS for the return of any Credit Cover posted.

Summary

Lodge Credit Cover within 15 Working Days of receiving the Conditionally Prequalified decision:

- If you receive a Conditionally Prequalified status on Prequalification Results Day: 1-Nov - 21-Nov
 - If you receive a Conditionally Prequalified status after Tier 1 disputes: 29-Nov – 19-Dec
 - If you receive a Conditionally Prequalified status after Tier 2 disputes: 15 working days after Ofgem's final Tier 2 Dispute decision
- CMUs will not be eligible to enter the CM Auction(s) if Credit Cover has not been lodged by the required deadline(s).
 - If an Applicant misses the Relevant Planning Consents deadline, the Prequalification Decision will be set to **Not Prequalified** on the CM Register and the Applicant can then contact EMRS to request the return of Credit Cover.
 - If an Applicant does not confirm entry to the Auction by the deadline(s), the CM Register will be updated 8 Working Days before the CM Auction(s), and the Applicant can then contact EMRS to request the return of Credit Cover.
 - Once the CMU has obtained an Agreement, EMRS will look to draw down on Credit if an Applicant has not met certain obligations or has unpaid Termination or non completion fees.
 - The final deadline to lodge Credit Cover will be the latter of 5 working days from receipt of a Notice of Unapproved Credit Cover or the 15 Working Day deadline after receiving a Conditionally Prequalified notice.

Example 1

- If an Applicant posts partial Credit Cover on Working Day 5 and EMRS provides a notice of unapproved Credit Cover on Working Day 7, the Applicant will have until Working Day 15 to post the remaining amount.

Example 2

- If an Applicant posts partial Credit Cover on Working Day 13 and EMRS provides a notice of unapproved Credit Cover on Working Day 15, the Applicant will have 5 Working Days to post the remaining amount.

If you have any questions on the information provided in this document, please contact us at emr@nationgrideso.com or phone 01926 655300

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