

# Capacity Market credit cover guidance v1.0

October 2020



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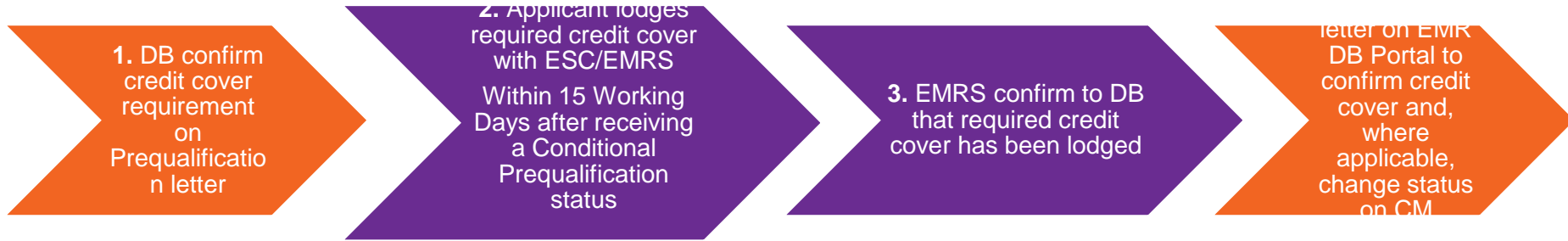
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# End to end process

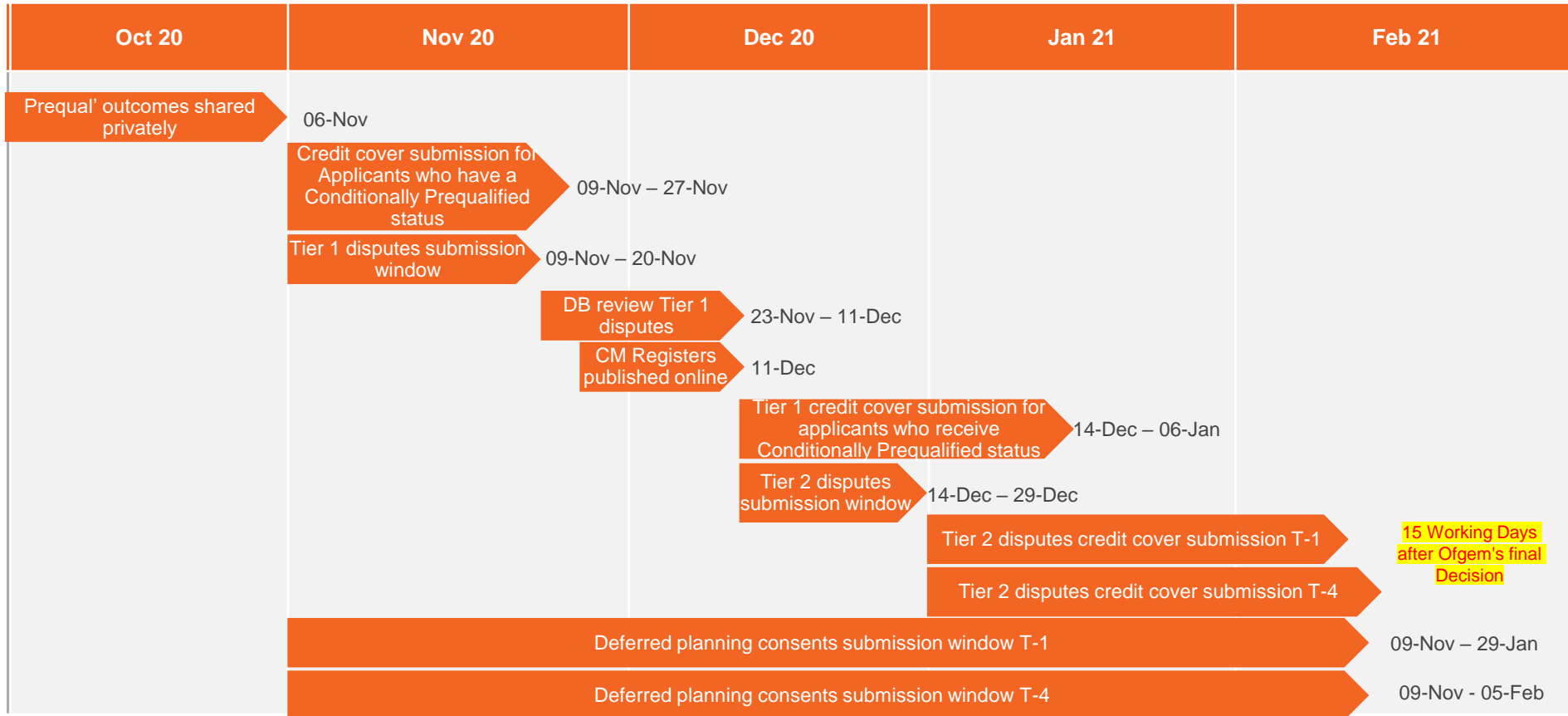
Delivery Body  
(DB) activity

EMRS activity



- Applicants who have Conditionally Prequalified, or who have an Unproven DSR CMU are required to lodge credit cover with EMRS.
- EMRS will then confirm with the Applicant and the Delivery Body (DB) that it has been lodged.
- CMUs will not be eligible for the Auction if they fail to lodge credit cover by the required deadlines (see next page for deadlines).

# Credit cover key dates



# Credit cover information

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)
3. Parent company guarantees are not permitted

## Requirement for credit cover

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**Unproven DSR**  
**£5,000/MW**

Until DSR test is completed there is a requirement for credit cover

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**Unproven DSR applying for Multi-year Agreement but haven't confirmed at least 50% procurement**  
**£10,000/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 completed.

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**New Build Generating CMU**  
**£10,000/MW**

Until the provision of Financial Commitment Milestone (FCM) and/or a deferred distribution Connection Arrangement there is a requirement for credit cover

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**New Build Interconnector CMU**  
**£10,000/MW**

Until provision of FCM there is a requirement for credit cover

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**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

## Credit cover amount

In the Prequalification results letter for each Application (available on the EMR DB Portal), you will find details on the requirement for credit cover including a £s figure, to be lodged with EMRS. The credit cover amount has been calculated as follows:

	<b>DB verified de-rated capacity is lower than previous Applications</b>	<b>DB verified de-rated capacity is the same as previous Applications</b>	<b>DB verified de-rated capacity is higher than previous Applications</b>
<b>The Application submitted for T-1 21/22, or T-4 24/25 is using the same CMU or a clone of the CMU as previous submissions</b>	<p>There is no requirement for any additional credit cover to be lodged</p> <p>There is still a requirement on previous applications for the amount currently being held so there will be no return of credit cover</p>	<p>There is no requirement for any additional credit cover to be lodged</p>	<b>There is a requirement to lodge the difference between previously held credit cover and the new requirement</b>
<b>The CMU is a new CMU or there is no credit cover currently being held for a previous application</b>	Not applicable	<b>There is a requirement to lodge the full amount of credit cover for the application</b>	Not applicable

# Further information

- ✦ Delivery Body is responsible for calculating your credit cover requirements. Please contact them 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.

## EMRS Service Desk

- ✦ Tel: 0207 380 4333
- ✦ Email: [contact@emrsettlement.co.uk](mailto: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 15WDs of receiving the Conditional Prequalification status.
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 5WD of receipt.
5. If credit is not approved it must be resubmitted within 5WDs.
6. If lodging for multiple CMUs send a breakdown of CMUs and amounts to [contact@emrsettlement.co.uk](mailto:contact@emrsettlement.co.uk).



# Credit cover process – Letter of Credit (LoC)

1. Lodge LoC via SWIFT message within 15WDs of receiving the conditional Prequalification 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 5WD 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 5WDs.
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](mailto: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 will only be possible once the CM 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 – 2020 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](mailto:contact@emrsettlement.co.uk).

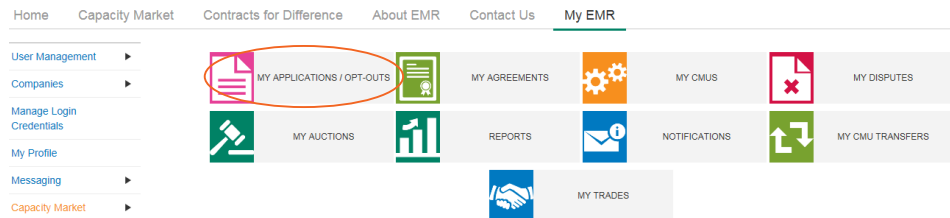
The final deadline to lodge Credit Cover will be the latter of 5 WDs from receipt of a Notice of Unapproved Credit Cover or the 15WD deadline after receiving a conditional Prequalification notice.

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.

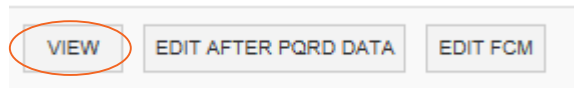
# How do I know my credit cover is in place?

## 1. My EMR > My Applications



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

## 2. Next to your Application, select the 'View' button



## 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 \*

380560 £

### Credit Support Documentation \*

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

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

# Summary

- Lodge credit cover within 15 Working Days of receiving the Conditional Prequalification (CPQ) status
  - If you receive CPQ status on Prequalification Results Day: 09-Nov – 27-Nov
  - If you receive CPQ status after Tier 1 disputes: 14-Dec – 06-Jan
  - If you receive CPQ status after Tier 2 disputes: 15 working days after Ofgem's final Tier 2 Dispute decision
- CMUs will not be eligible for the Auction if they fail to lodge credit cover by the required deadlines
- If a Capacity Provider misses the planning consents deadline, the status will be set to 'Not Prequalified' on the CM Register and the Capacity Provider can contact EMRS for the return of credit cover
- If a Capacity Provider does not confirm entry to the Auction by the deadline(s), the CM Register will be updated 8 Working Days before the Auction, and then the Capacity Provider can claim back the credit cover from EMRS
- 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 WDs from receipt of a Notice of unapproved Credit Cover or the 15WD deadline after receiving a Conditional Prequalification notice.

## Example 1

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

## Example 2

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

# FAQs

Below are the answers to the questions asked during the credit cover webinar:

**Q: Can CPs (Conditionally Prequalified) submit Financial Commitment Milestones before the credit cover deadline?**

Yes but you will still need to post credit cover. If you are Conditionally Prequalified, you must post credit cover within 15WDs from Prequalification Results Day regardless of whether you have or are planning to submit your FCM to the Delivery Body for assessment. If your FCM is approved before the credit cover deadline (and assuming your Connection Arrangements have already been approved), the credit cover can be released after the deadline closes (Monday 25 November).

**Q: Can credit cover be posted in cash on behalf of another company?**

Yes it can, provided it is clear which CMU(s) the cash is being posted for. However, on return of credit cover it must be requested by the registrant of the CMU(s).

**Q: What is the maximum period of time EMRS can take to return the credit cover after a request is sent in?**

Capacity Providers can request return of credit cover when the Delivery Body updates the Capacity Market Register to show a reduction in their credit cover requirement. EMRS have 11WDs to return credit cover following receipt of the request.

**Q: Do I have to post Credit Cover even though FCM is approved within the first 15 Working Days after PQRD and no other Conditional Prequalification reasons are outstanding?**

Yes, If the Financial Commitment Milestone (FCM) was not met or partially met as a result of the Prequalification assessment, the relevant Application shall be Conditionally Prequalified. Applicants must provide credit cover within 15 WDs from PQRD where they are Conditionally Prequalified regardless of whether the FCM is achieved during this period.



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