Guidance on the Provision of the six monthly progress reports and accompanying Independent Technical Expert Report

27 May 2015
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1) Introduction

<table>
<thead>
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<th>Who this Section Applies to</th>
<th>Any Prospective Generating CMU that has not yet met its Substantial Completion Milestone.</th>
</tr>
</thead>
<tbody>
<tr>
<td>What needs to be done</td>
<td>Provide to the Delivery Body a schedule of the Construction Milestones, an assessment by an Independent Technical Expert and a certificate signed by directors of the Capacity Provider.</td>
</tr>
<tr>
<td>When must it be done by</td>
<td>Every 6 months from the date of the Capacity Auction until such time as the Substantial Completion Milestone is met.</td>
</tr>
</tbody>
</table>

This guidance document is intended to aid Capacity Providers in meeting the requirements of the Rules. We have prepared this document on a non-legal basis, and it should not be taken as legal advice. In the event of any conflict or inconsistency between this document and the Regulations, the Capacity Market Rules (Rules) or the Auction Guidelines those documents take precedence over this one.

Capitalised terms used in this guidance document shall have the same meanings given in the Rules.

If you have any questions on any of the information contained in the guide, please contact us at emr@nationalgrid.com or call 01926 655300.

2) What is required?

Prospective CMU(s) are required, under Rule 12.2 of the Rules, to provide the Delivery Body with a report for each Generating Unit within the CMU specifying:

1) A schedule identifying the earliest and latest dates on which each of the Construction Milestones are then expected to be achieved;
2) An explanation of any material change in such dates since the last report (or since the Construction Plan for the first progress report); and
3) Details of any material changes to the works described in the Construction Plan.

The Construction Milestones are defined in Rule 1.2 and Rule 3.7.2(b) and consist of:

- a) The Financial Commitment Milestone;
- b) Commencement of construction works;
- c) Achievement of the Back-feed Milestone; and
- d) Achievement of the Substantial Completion Milestone.

The progress report should be accompanied by;

4) An assessment from an Independent Technical Expert; and
5) A certificate from two directors (or two officers if the Capacity Provider is not a company) of the Capacity Provider.
The author of the technical assessment must be an Independent Technical Expert as defined in Rule 1.2 and should:

1) declare and justify that they meet the definition of both Independent and Independent Technical Expert as defined in Rule 1.2
2) Prepare the technical assessment to the Required Technical Standard (as defined in Rule 1.2).

The directors’ (or officers’) certificate should state that they believe the progress report gives a fair view of the construction progress and progress against the milestones. The Delivery Body will not be providing a pro-forma for the directors’ certificate as we do not wish to force Capacity Providers to use a specific format.

The Delivery Body will assess the progress reports against the criteria set out in Appendix A. We recommend checking your report against the list in this appendix before submitting to the Delivery Body.

A further explanation of the requirements is set out in Appendix B.

3) When is this required?
These progress reports are required at least every 6 months from the date of the Capacity Auction, meaning the deadline for submission of the first report is 16 June 2015 and each 6 months after that until the Substantial Completion Milestone is achieved or the Capacity Agreement terminates.

4) How to submit the report
To provide the copy of the progress report to the Delivery Body the Capacity Provider should either:

(a) Send a copy of the Progress Report, Directors’ Certificate and Independent Technical Expert’s technical assessment by email to emr@nationalgrid.com. The email should highlight unambiguously to which CMU the submission relates

(b) To send a copy of the Progress Report, Directors’ Certificate and Independent Technical Expert’s technical assessment to the Delivery Body using the secure Egress Switch submission system. The submission should highlight unambiguously to which CMU the submission relates
https://emr.egressforms.com/
Applicants should select “Type of Submission” as “CM Information Submission”

5) What happens next?
The Delivery Body will use the progress report and Independent Technical Expert’s assessment to monitor the construction of Prospective Generating CMUs.
In accordance with Rule 12.2, the Delivery Body may seek further information from a Capacity Provider with respect to any of the matters described in the progress report, in such circumstance the Capacity Provider must provide the information as soon as reasonably practicable. Where it is apparent that the latest expected date for achieving the Substantial Completion Milestone is later than the first day of the Delivery Year, the Delivery Body will request the Capacity Provider provides a remedial plan demonstrating the steps that will be taken to accelerate the construction progress (such that that Substantial Completion Milestone is expected to be reached on or before the first day or the Delivery Year).

The remedial plan should be accompanied by;

1) Commentary from an Independent Technical Expert addressing whether the remedial plan is achievable
2) A certificate from two directors of the Capacity Provider (or two officers if the Capacity Provider is not a company) stating that they believe the remedial plan is fair and achievable.

The remedial plan must be provided as soon as reasonably practicable and in any event within 120 days of the request being made. If a Capacity Provider fails to provide a remedial plan or any of the accompanying documents the Delivery Body must notify the Secretary of State and the Authority.
**6) Appendix A – DB Assessment Criteria**
The Delivery Body will assess Progress Reports against the criteria below.

<table>
<thead>
<tr>
<th>Required</th>
<th>Assessment Criteria</th>
<th>Assessment Outcome (✓/✗)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submitted on or before 16 June 2015</td>
<td>Date ok?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Commitment Milestone</td>
<td>Does this match the construction plan/CM Register?</td>
<td>Early Date</td>
<td>Late Date</td>
</tr>
<tr>
<td>Commencement of Construction Works</td>
<td>Does this match the construction plan/CM Register?</td>
<td>Early Date</td>
<td>Late Date</td>
</tr>
<tr>
<td>Achievement of Back-feed Milestone (N/A for Refurbishing CMUs)</td>
<td>Does this match the construction plan/CM Register?</td>
<td>Early Date</td>
<td>Late Date</td>
</tr>
<tr>
<td>Achievement of Substantial Completion Milestone¹</td>
<td>Does this match the construction plan/CM Register?</td>
<td>Early Date</td>
<td>Late Date</td>
</tr>
<tr>
<td>Explanation of any material change in the dates since the last report</td>
<td>Have any of the above dates changed, does this explain why?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Any Material changes to the works described in the construction plan</td>
<td>Does the report confirm that the works are the same or is there an explanation of any change?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificate signed by two directors / officers confirming report is accurate and a fair view of the matters described</td>
<td>Certificate signed and declarations made?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessment by Independent Technical Expert</td>
<td>See below</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ If this date is later than 30/9/2018 the DB will require a Remedial Plan (accompanied by ITE commentary and Directors Cert) to be completed within 120 days of our request – if the Capacity Provider fails to submit this the DB will inform the Secretary of State and Authority.
<table>
<thead>
<tr>
<th>Independent</th>
<th>Have they confirmed they are Independent as defined in Rule 1.2?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-DB to verify</td>
</tr>
<tr>
<td>Engaged by the capacity provider at its own expense</td>
<td>Has the ITE confirmed this?</td>
</tr>
<tr>
<td>International Experience and Technical Expertise</td>
<td>Demonstration of international experience and expertise provided?</td>
</tr>
<tr>
<td>Has the ITE prepared an assessment of the report provided by the Capacity Provider</td>
<td>Has the necessary assessment been provided?</td>
</tr>
<tr>
<td>Does the ITEs assessment in anyway dispute the validity of the Capacity Providers report of the statements within in?</td>
<td>If yes then the DB may require further information under Rule 12.2.3</td>
</tr>
<tr>
<td>Required Technical Standard; Statement that “To the best of the ITEs knowledge and belief all information provided is accurate, complete and not misleading”</td>
<td>Has the statement been made?</td>
</tr>
<tr>
<td>Required Technical Standard; Statement that “Any opinions or forecasts have been conservatively prepared on assumptions it considers fair and reasonable.”</td>
<td>Has the statement been made?</td>
</tr>
</tbody>
</table>
7) Appendix B – Further Explanation

The following provides further guidance on the contents of the progress report, ITE assessment and directors’ certificate.

The progress report should confirm the earliest and latest dates on which each of the Construction Milestones will be achieved, highlighting where there has been any change since the previous report (or Construction Plan if this is the first progress report).

One possible way of doing so would be to include the previous date and the updated one. An example is included below.

<table>
<thead>
<tr>
<th>Construction Milestone</th>
<th>Earliest date from Previous Report</th>
<th>Latest Date from Previous Report</th>
<th>Updated Earliest Date</th>
<th>Updated Latest Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commencement of Construction Works</td>
<td>Add the earliest date provided in the previous report (or construction plan for the first report)</td>
<td>Add the latest date provided in the previous report (or construction plan for the first report)</td>
<td>Provide an updated date based on any progress or delays over the previous six months, if there is no change state the same date. Be as specific as possible (i.e. 1 September 2015 rather than September 15)</td>
<td>Provide an updated date based on any progress or delays over the previous six months, if there is no change state the same date</td>
<td>Use this column to record the status of the dates – (Achieved, No change, brought forward, delayed)</td>
</tr>
<tr>
<td></td>
<td>August 15</td>
<td>August 16</td>
<td>1 August 2015</td>
<td>1 March 2016</td>
<td>Brought Forward</td>
</tr>
</tbody>
</table>

This level of detail should be completed for each of the Construction Milestones

a) The Financial Commitment Milestone
b) Commencement of construction works
c) Achievement of Back-feed Milestone
d) Achievement of the Substantial Completion Milestone.

The Rules require an explanation of any material change in the dates. The minimum this should include is any change greater than one month or any change which causes the Financial Commitment Milestone or Substantial Completion Milestone to fall after the relevant deadline (2 July 2016 and 1 October 2018 respectively for the 2018 Delivery Year).

The Rules also require an explanation of any material change in the construction works. This may include change to generating units, change in size, change in the amount of capital expenditure and change of connection type. This list is not exhaustive, Capacity Providers should seek to include any other changes which they deem material.

One progress report should be provided per CMU. If a CMU includes multiple components the information above should be provided for each component.
Each progress report should be accompanied by an assessment from an Independent Technical Expert (ITE). Within the assessment the ITE should confirm that they are Independent and provide supporting information to confirm they are an Independent Technical Expert as per the Rules. The ITE should provide an assessment of the Capacity Providers report. The ITE should also make the statements required by Rule 1.2 to confirm that their assessment meets the Required Technical Standard. An ITE assessment should accompany each progress report.

Each report and ITE assessment explained above should be accompanied by a certificate signed by two directors of the Capacity Provider (or two officers if the Capacity Provider is not a company). This certificate should confirm that the directors believe that the report gives a fair view of the matters described above.

In summary, for each CMU, the Capacity Provider is required to provide one progress report, one directors’ certificate and one ITE assessment.