

# Electricity Market Reform

## Capacity Market Operational Plan

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*This plan identifies the key milestones and activities required to successfully deliver the Capacity Market Auctions, 2016/2017*



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## Introduction

In 2013/14 the Government published the Capacity Market Implementation Plan in order to provide potential participants in the Capacity Market with details of the key Capacity Market implementation activities and milestones from National Grid and other delivery partners.

Following the successful implementation of the Capacity Market in 2014, this “Operational” Plan sets out the activities and milestones required to operate the Capacity Market in 2016.

## Scope and Status

The timeline for operation of the 2016 Capacity Market is based on the Capacity Market Regulations and Rules and covers the T-4, early Capacity Auction, and Demand Side Response (DSR) Transitional Auction (TA). The plan brings together milestones from Government and each of its delivery partners and is intended to provide a high level overview of the steps involved in the operation of the Capacity Market, such that industry participants have the clarity they require to plan and manage their own operational activities.

The operational plan is a summary plan and does not replace or replicate the detailed operational plans that Government, delivery partners and individual industry participants may need to produce to manage their respective activities.

## Operational Approach

Pre-qualification for the T-4 Auction, early Capacity Auction, and DSR Transitional Auction will run in parallel up to the completion of any pre-qualification appeals. The T-4 auction will then be held in December 2016, it will be open to all types of eligible capacity and will award capacity agreements which will come into effect in October 2020. Following publication of the T-4 auction results, the early Capacity Auction will be held in January 2017 and will award Capacity agreements which will come into effect in October 2017. Finally the DSR Transitional Auction (TA) will be held in March 2017 and will award capacity agreements which will come into effect in October 2017.

## Roles and Responsibilities

A number of organisations will work together to operate the Capacity Market, this section focuses on the roles of these organisations during the pre-qualification and auction processes.

### Government

- Overall responsibility for operation of the Capacity Market
- Reporting to Ministers / communication of Ministers’ decisions
- Finalising the design of new legislation and its implementation
- Producing the EMR Delivery Plan and annual updates to it
- Managing any future changes to regulations

### National Grid (Delivery Body)

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- Co-ordinating CM operational activities across delivery partners and potential capacity providers
- Engaging with potential capacity providers on operational issues and their readiness to participate in the Capacity Market
- Producing an annual capacity report for Government, which will advise on capacity requirements to meet the published reliability standard
- Operating core IT systems to support the running of capacity auctions, the pre-qualification process and the Capacity Market Register
- Operating business processes to support capacity auctions and pre-qualification, and producing supporting documentation/guides including the auction guidelines
- Operating business processes to support the management of each delivery year, e.g. contract management
- Appointing the Auction Monitor

## Electricity Settlements Company (Settlement Body)

- Provide accountability, governance and control of the monies collected and disbursed under the Capacity Market (Payment) Regulations.
- Responsible for contracting a settlement agent to carry out the administrative functions associated with the collection and verification of bid bonds and collateral

## Ellexon (including Capacity Market Settlement Services Provider)

- Carrying out verification of bid bonds and collateral on behalf of the settlement body
- Procuring settlement agent services and systems
- Managing changes to Balancing and Settlement Code (BSC) systems and documentation
- Operating payment related processes and systems

## Ofgem

- Operating the process for changes to Capacity Market rules
- Handling disputes which have been escalated following the Delivery Body disputes process

## Activities and Milestones

Please note that these are indicative dates only, and may be subject to change within the framework of the Rules and Regulations.

| T-4 ref | EA ref | TA ref | Deliverable  | Scope  | Date requirement from CM Rules/Regs                                    | T-4 Auction         | Early Auction       | DSR Transitional Auction | Dependencies                 | Owner    |
|---------|--------|--------|--|--|--|---------------------|---------------------|--------------------------|------------------------------|----------|
| 1       |        |        | Submit Electricity Capacity Report to SoS          | Submit report to SoS including a recommendation on the target volume to procure.   | Before the 1 <sup>st</sup> June  | Tuesday 31/05/2016  | Tuesday 31/05/2016  |                          | Input assumptions from DECC. | NG       |
| 2       |        |        | Ofgem provides annual operational report to SoS    |  | No later than 6 months after the T-4 Auction clears, 10/06/16 for 2015 | Monday 06/06/2016   | Monday 06/06/2016   | Monday 06/06/2016        | n/a                          | Ofgem    |
| 3       |        |        | SoS publishes determination on auctions being held | The SoS determines whether a T-4 auction and DSR TA are to be held.  | By the 15 <sup>th</sup> June   | Friday 06/05/2016   | Friday 06/05/2016   | Friday 06/05/2016        | Electricity Capacity Report  | DECC     |
| 5       |        |        | Provide Auction Parameters to NG                   | Provide updated demand curve & target volume based on NG ECR. Also provide Net CONE, Auction Price Cap, Min/Max capacity to procure, Price Duration curves & Price decrement schedule. | As soon as practical after 15 <sup>th</sup> June                       | Thursday 30/06/2016 | Thursday 30/06/2016 | Thursday 30/06/2016      | Electricity Capacity Report  | DECC     |
| 6       |        |        | SoS publishes Auction Parameters                   | SoS publishes the final auction parameters by:   |  | Friday 01/07/2016   | Friday 01/07/2016   | Friday 01/07/2016        | Electricity Capacity Report  | DECC     |
| 7       |        |        | Publish "Formal" Auction Guidelines                | NG publish final guidelines to reflect auction parameters in SoS publication by:   | Prior to the opening of the pre-qual window                            | Friday 01/07/2016   | Friday 01/07/2016   | Friday 01/07/2016        | SoS Parameters               | NG       |
| 9       |        |        | Pre-qualification window opens                     | IT systems "active" and applicants submit formal registration and data submission  | T – 20 weeks   | Monday 01/08/2016   | Monday 01/08/2016   | Monday 01/08/2016        |                              | NG/ Apps |
| 10      |        |        | Pre-qualification window closes                    | Last date for applications to be submitted   | T – 16 weeks   | Friday 26/08/2016   | Friday 26/08/2016   | Friday 26/08/2016        | Window open for 4 weeks      | NG/ App  |

| T-4 ref | EA ref | TA ref | Deliverable   | Scope  | Date requirement from CM Rules/Regs  | T-4 Auction        | Early Auction      | DSR Transitional Auction | Dependencies                  | Owner |
|---------|--------|--------|---|--|--|--------------------|--------------------|--------------------------|-------------------------------|-------|
| 11      |        |        | Assessment Window Opens   |  |  | Tuesday 30/08/2016 | Tuesday 30/08/2016 | Tuesday 30/08/2016       | Window open for 4 w weeks     | NG    |
| 12      |        |        | Pre-qualification Results Day (Results to Applicants only)  | Inform applicants of the outcome of assessment<br>Send copies of completed applicant metering assessments to ESC.  | T – 12 w weeks   | Friday 23/09/2016  | Friday 23/09/2016  | Friday 23/09/2016        | Pre-qualification             | NG    |
| 13      |        |        | Start of NG Appeal / Tier 1 submission window   | Opening date for applicants to raise an appeal with National Grid against the pre-qualification outcome  |  | Monday 26/09/2016  | Monday 26/09/2016  | Monday 26/09/2016        |                               | App   |
| 14      |        |        | NG Appeal / Tier 1 window closed  | Closing date for applicants to raise an appeal with National Grid against the pre-qualification outcome  |  | Friday 30/09/2016  | Friday 30/09/2016  | Friday 30/09/2016        |                               | App   |
| 15      |        |        | NG Appeal / Tier 1 assessment complete  | Applicant notified of appeal outcome.  |  | Friday 14/10/2016  | Friday 14/10/2016  | Friday 14/10/2016        | Any/All NG appeals assessed   | NG    |
| 16      |        |        | Capacity Market Register Publication  | Capacity Market Register updated with all pre-qualification decisions  |  | Friday 14/10/2016  | Friday 14/10/2016  | Friday 14/10/2016        | Pre-qualification results day | NG    |
| 17      |        |        | NG notify SoS of prequalification results   | Provide SoS with aggregate de-rating capacity for each category of applicant (except Interconnectors) & any recommendation for adjusting the demand curve (from plant opting out & still operational). |  | Friday 14/10/2016  | Friday 14/10/2016  | Friday 14/10/2016        | Pre-qualification results day | NG    |
| 18      |        |        | Latest possible date for applicants successful at Prequalification to provide Credit Cover to the ESC | New build participants and DSR providers must provide Credit Cover   | PQ + 15 working days (dependent on amendment to regulations coming into force) | Friday 14/10/2016  | Friday 14/10/2016  | Friday 14/10/2016        | Pre-qualification results day | App   |

| T-4 ref | EA ref | TA ref | Deliverable                              | Scope  | Date requirement from CM Rules/Regs   | T-4 Auction       | Early Auction     | DSR Transitional Auction | Dependencies                                  | Owner      |
|---------|--------|--------|--|--|---|-------------------|-------------------|--------------------------|---|------------|
| 19      |        |        | Start of Tier 2 Appeal submission window | Opening date for applicants to raise an appeal with Ofgem against the pre-qualification outcome  | 15 working days from pre-qualification results day  | Friday 14/10/2016 | Friday 14/10/2016 | Friday 14/10/2016        |   | App        |
| 20      |        |        | Tier 2 Appeal window closed              | Closing date for applicants to raise an appeal with Ofgem against the pre-qualification outcome  | 5 working days from tier 1 appeals process being completed (and applicant receiving notice thereof) | Friday 21/10/2016 | Friday 21/10/2016 | Friday 21/10/2016        |   | App        |
| 21      |        |        | Final Credit Cover verification          | Latest date for ESC to provide a Credit Cover approval notice and provide DB with credit cover approvals   | 5 working days from applicants posting credit cover (subject to rule change)                        | Friday 21/10/2016 | Friday 21/10/2016 | Friday 21/10/2016        | Credit Cover provided                         | ESC        |
| 22      |        |        | Provide updated Auction parameters       | Provide the Delivery Body with an update on target volume / demand curve to reflect plant opting out but remaining operational.                    | PQ2 +10 working days  | Friday 28/10/2016 | Friday 28/10/2016 | Friday 28/10/2016        | NG update to SoS on pre-qualification impacts | DECC       |
| 23      |        |        | Pre-qualification status notice          | Upon receipt of the ESC credit cover notices, NG to notify applicants that they are fully pre-qualified, subject to outstanding planning consents. | 5 working days from receipt of approval notices from ESC  | Friday 28/10/2016 | Friday 28/10/2016 | Friday 28/10/2016        |   | NG         |
| 24      |        |        | Tier 1 Appellants post credit cover      | Latest date for appellants through the Tier 1 dispute process to post credit cover   | 15 working days from tier 1 appeals being complete  | Friday 04/11/2016 | Friday 04/11/2016 | Friday 04/11/2016        |   | Tier 1 App |
| 25      |        |        | Publish Updated Auction Guidelines       | Notification of updated Auction Parameters (as a result of opt outs)   | 5 working days from notification of updated auction parameters                                      | Friday 04/11/2016 | Friday 04/11/2016 | Friday 04/11/2016        | DECC update to NG on parameters               | NG         |

| T-4 ref | EA ref | TA ref | Deliverable  | Scope   | Date requirement from CM Rules/Regs  | T-4 Auction         | Early Auction     | DSR Transitional Auction | Dependencies                 | Owner      |
|---------|--------|--------|--|---|--|---------------------|-------------------|--------------------------|------------------------------|------------|
| A       |        |        | Planning consents deadline, for T-4 Auction only           | Latest date to provide planning consents  | T-22 working days  | Friday 04/11/2016   | Friday 04/11/2016 | Friday 04/11/2016        |                              | App        |
| 26      |        |        | Tier 1 appellants Credit Cover approval Notices            | Latest date for ESC to provide a Credit Cover approval notice for Tier 1 appellants and provide DB with credit cover approvals      | 5 working days from tier 1 appellants posting credit cover                                     | Friday 11/11/2016   | Friday 11/11/2016 | Friday 11/11/2016        |                              | ESC        |
| 27      |        |        | Pre-qualification (Tier 1) status notice                   | NG Notify tier 1 appellants that they are fully prequalified  | No later than 5 working days from receipt of credit cover approval notice from settlement body | Friday 18/11/2016   | Friday 18/11/2016 | Friday 18/11/2016        |                              | NG         |
| B       |        |        | Publish "Final" Auction Guidelines & Bidder details        | Publish final guidelines inc. any update to Auction Parameters & details of Auction Monitor.  | T – 3 weeks  | Tuesday 15/11/2016  |                   |                          | Final T-4 auction parameters | NG         |
| C       |        |        | Auction Status confirmation window open                    | Start date for Applicants to submit confirmations (Existing – Price Maker/Taker; DSR – Size & In/Out; New/Refurb – In/Out & length) | T - 15 working days  | Tuesday 15/11/2016  |                   |                          |                              | App        |
| D       |        |        | Closing date for Auction Status confirmations              | Last date for applicants to submit confirmations  | T – 10 working days  | Tuesday 22/11/2016  |                   |                          |                              | App        |
| E       |        |        | Run Mock Auction   | Run Mock Auction with all applicants  |  | Thursday 24/11/2016 |                   |                          |                              | NG         |
| F       |        |        | NG provides results of Auction Status confirmations to SoS | NG to collate Auction status confirmations and provide results to SoS   | T – 8 working days   | Thursday 24/11/2016 |                   |                          |                              | NG         |
| G       |        |        | Auction Go/No Go decision                                  | DECC/NG agree Go/No Go  |  | Friday 02/12/2016   |                   |                          | Auction Status Confirmations | DECC/NG    |
| 28      |        |        | Tier 2 Appellants post credit cover                        | Latest date for appellants through the Tier 2 dispute process to post credit cover  | 15 working days from tier 2 appeals being complete   | Friday 16/12/2016   | Friday 16/12/2016 | Friday 16/12/2016        |                              | Tier 1 App |



| T-4 ref | EA ref | TA ref | Deliverable   | Scope  | Date requirement from CM Rules/Regs  | T-4 Auction                            | Early Auction       | DSR Transitional Auction | Dependencies                   | Owner           |
|---------|--------|--------|---|--|--|--|---------------------|--------------------------|--------------------------------|-----------------|
| 29      |        |        | Tier 2 appellants Credit Cover approval Notices     | Latest date for ESC to provide a Credit Cover approval notice for Tier 2 appellants and provide DB with credit cover approvals | 5 working days from tier 1 appellants posting credit cover                                     | Friday 23/12/2016                      | Friday 23/12/2016   | Friday 23/12/2016        |                                |                 |
| 30      |        |        | Pre-qualification (Tier 2) status notice            | NG Notify tier 2 appellants that they are fully prequalified   | No later than 3 working days from receipt of credit cover approval notice from settlement body | Thursday 29/12/2016                    | Thursday 29/12/2016 | Thursday 29/12/2016      |                                | NG              |
| H       |        |        | Start Auction                                       | Start First Round of Auction   | T  | Tuesday 06/12/2016                     |                     |                          |                                | NG              |
| I       |        |        | Complete Auction                                    | Auction closes   | C  | Friday 09/12/2016                      |                     |                          | Based on a 4 days auction      | NG              |
| J       |        |        | Notification of provisional Auction results         | Notify bidders whether they've been provisionally awarded a Capacity Agreement   | C 20:00 or C+1 07:00   | Friday 09/12/2016 or Monday 12/12/2016 |                     |                          | Auction completing             | NG              |
| K       |        |        | Auction monitor sends report to DECC                | Auction Monitor prepares report on Auction process and submits to SoS  | C + 2 working days   | Tuesday 13/12/2016                     |                     |                          | Auction completing             | Auction Monitor |
| L       |        |        | Auction Results Day                                 | Publish results of the auction to Bidders, the Auction Monitor & other administrative parties                                  | C + 8 working days   | Wednesday 21/12/2016                   |                     |                          | Auction completing             | NG              |
|         | A      |        | Planning consents deadline                          | Latest date to provide planning consents   | T-22 working days  |  | Tuesday 29/12/2016  |                          |                                | App             |
|         | B      |        | Publish "Final" Auction Guidelines & Bidder details | Publish final guidelines inc. any update to Auction Parameters & details of Auction Monitor.                                   | T – 3 weeks  |  | Tuesday 10/01/2017  |                          | Final early auction parameters | NG              |

| T-4 ref | EA ref | TA ref | Deliverable  | Scope   | Date requirement from CM Rules/Regs | T-4 Auction       | Early Auction                          | DSR Transitional Auction | Dependencies                 | Owner           |
|---------|--------|--------|--|---|-------------------------------------|-------------------|--|--------------------------|------------------------------|-----------------|
|         | C      |        | Auction Status confirmation window open                    | Start date for Applicants to submit confirmations (Existing – Price Maker/Taker; DSR – Size & In/Out; New/Refurb – In/Out & length) | T - 15 working days                 |                   | Tuesday 10/01/2017                     |                          |                              | App             |
|         | D      |        | Closing date for Auction Status confirmations              | Last date for applicants to submit confirmations  | T – 10 working days                 |                   | Tuesday 17/01/2017                     |                          |                              | App             |
|         | E      |        | Run Mock Auction   | Run Mock Auction with all applicants  |                                     |                   | Thursday 19/01/2017                    |                          |                              | NG              |
|         | F      |        | NG provides results of Auction Status confirmations to SoS | NG to collate Auction status confirmations and provide results to SoS   | T – 8 working days                  |                   | Thursday 19/01/2017                    |                          |                              | NG              |
| M       |        |        | Issue Capacity Agreements                                  | Issue agreements to successful bidders  | C+ 20 working days                  | Monday 23/01/2017 |  |                          | Auction completing           | NG              |
|         | G      |        | Auction Go/No Go decision                                  | DECC/NG agree Go/No Go  |                                     |                   | Friday 27/01/2017                      |                          | Auction Status Confirmations | DECC/NG         |
|         | H      |        | Start Auction  | Start First Round of Auction  | T                                   |                   | Tuesday 31/01/2017                     |                          |                              | NG              |
|         | I      |        | Complete Auction   | Auction closes  | C                                   |                   | February 03/02/2017                    |                          | Based on a 4 days auction    | NG              |
|         | J      |        | Notification of provisional Auction results                | Notify bidders whether they've been provisionally awarded a Capacity Agreement  | C 20:00 or C+1 07:00                |                   | Friday 03/02/2017 or Monday 06/02/2017 |                          | Auction completing           | NG              |
|         | K      |        | Auction monitor sends report to DECC                       | Auction Monitor prepares report on Auction process and submits to SoS   | C + 2 working days                  |                   | Tuesday 07/02/2017                     |                          | Auction completing           | Auction Monitor |
|         | L      |        | Auction Results Day  | Publish results of the auction to Bidders, the Auction Monitor & other administrative parties                                       | C + 8 working days                  |                   | Wednesday 15/02/2017                   |                          | Auction completing           | NG              |
|         | A.0    |        | SoS Updates TA parameters                                  | Following outcomes of T-4 and early SoS updates Auction Parameters  |                                     |                   |  | Wednesday 22/02/2017     |                              |                 |

| T-4 ref | EA ref | TA ref | Deliverable  | Scope   | Date requirement from CM Rules/Regs | T-4 Auction | Early Auction        | DSR Transitional Auction                | Dependencies                 | Owner           |
|---------|--------|--------|--|---|-------------------------------------|-------------|----------------------|---|------------------------------|-----------------|
|         |        | B      | Publish "Final" Auction Guidelines & Bidder details        | Publish final guidelines inc. any update to Auction Parameters & details of Auction Monitor.  | T – 3 weeks                         |             |                      | Wednesday 01/03/2017                    | Final TA auction parameters  | NG              |
|         |        | C      | Auction Status confirmation window open                    | Start date for Applicants to submit confirmations (Existing – Price Maker/Taker; DSR – Size & In/Out; New/Refurb – In/Out & length) | T - 15 working days                 |             |                      | Wednesday 01/03/2017                    |                              | App             |
|         |        | D      | Closing date for Auction Status confirmations              | Last date for applicants to submit confirmations  | T – 10 working days                 |             |                      | Wednesday 08/03/2017                    |                              | App             |
|         |        | E      | Run Mock Auction   | Run Mock Auction with all applicants  |                                     |             |                      | Thursday 09/03/2017                     |                              | NG              |
|         |        | F      | NG provides results of Auction Status confirmations to SoS | NG to collate Auction status confirmations and provide results to SoS   | T – 8 working days                  |             |                      | Friday 10/03/2017                       |                              | NG              |
|         | M      |        | Issue Capacity Agreements                                  | Issue agreements to successful bidders  | C+ 20 working days                  |             | Wednesday 15/03/2017 |   | Auction completing           | NG              |
|         |        | G      | Auction Go/No Go decision                                  | DECC/NG agree Go/No Go  |                                     |             |                      | Friday 17/03/2017                       | Auction Status Confirmations | DECC/NG         |
|         |        | H      | Start Auction  | Start First Round of Auction  | T                                   |             |                      | Wednesday 22/03/2017                    |                              | NG              |
|         |        | I      | Complete Auction   | Auction closes  | C                                   |             |                      | Monday 27/03/2017                       | Based on a 4 days auction    | NG              |
|         |        | J      | Notification of provisional Auction results                | Notify bidders whether they've been provisionally awarded a Capacity Agreement  | C 20:00 or C+1 07:00                |             |                      | Monday 27/03/2017 or Tuesday 28/03/2017 | Auction completing           | NG              |
|         |        | K      | Auction monitor sends report to DECC                       | Auction Monitor prepares report on Auction process and submits to SoS   | C + 2 working days                  |             |                      | Wednesday 29/03/2017                    | Auction completing           | Auction Monitor |

| T-4 ref | EA ref | TA ref | Deliverable               | Scope   | Date requirement from CM Rules/Regs | T-4 Auction | Early Auction | DSR Transitional Auction | Dependencies       | Owner |
|---------|--------|--------|---------------------------|---|-------------------------------------|-------------|---------------|--------------------------|--------------------|-------|
|         |        | L      | Auction Results Day       | Publish results of the auction to Bidders, the Auction Monitor & other administrative parties | C + 8 working days                  |             |               | Thursday 06/04/2017      | Auction completing | NG    |
|         |        | M      | Issue Capacity Agreements | Issue agreements to successful bidders  | C+ 20 working days                  |             |               | Tuesday 09/05/2017       | Auction completing | NG    |