

System Operators, Transmission
and Transportation System
Owners, Generators, Shippers,
Suppliers, Customers, Investors
and other interested parties

Date: 20 December 2013

Dear Colleague,

Consultation on funding National Grid Electricity Transmission plc's (NGET's) preparatory costs for its proposed roles in Electricity Market Reform (EMR)

Summary

- This consultation, which **closes on 23 January 2014**, is on our proposals for funding the costs that NGET incurs as it prepares to deliver its proposed roles in EMR.
- We are of the view that allowing NGET to recover its preparatory costs before formally taking its proposed roles in EMR is appropriate and in the interests of consumers.
- To allow NGET to recover these costs (forecast at £19.3m) we propose amending NGET's licence. The draft licence condition is set out in Annex 1.
- We are taking several steps to protect consumers, including ensuring we can 'claw back' the funded costs if NGET do not get the role or otherwise reconcile the costs that are funded against the actual efficient and economic incremental incurred costs.

Background

The Government is taking powers in the Energy Bill 2013 in connection with reforming the electricity market for the purposes of encouraging low carbon electricity generation and ensuring security of supply. The Energy Bill provides that the Secretary of State may, through secondary legislation, introduce an electricity capacity market (CM) for the purpose of providing capacity to meet the demands of consumers in Great Britain. He may also, for the purpose of encouraging low carbon electricity generation, introduce contracts for difference (CfDs).

The Energy Bill allows the Secretary of State to confer functions on the national system operator (National Grid Electricity Transmission plc (NGET)) in connection with the CM and with CfDs ('EMR delivery functions') through secondary legislation. Should the EMR delivery functions be conferred on NGET, it will take on new and enduring obligations in relation to the electricity market. The Government also intends that we will be responsible for regulating NGET in the performance of its EMR delivery functions, including funding economic and efficient costs, setting outputs and incentives where appropriate, and monitoring performance.

Purpose of this consultation

This consultation is about our proposals for funding NGET's *preparatory costs* to allow it to establish systems and processes in readiness for taking on the EMR delivery functions. It is in response to NGET's request for an amendment to the NGET licence to allow cost recovery

(detailed below). While the EMR delivery functions will not formally be given to NGET until secondary legislation comes into force (anticipated to be Summer 2014, 'EMR Go Live'), We think that allowing NGET to recover its costs before formally taking on the EMR delivery functions is appropriate and in the interests of consumers as:

- The effective and efficient delivery of EMR is in the interests of consumers, and funding NGET to prepare for delivery in the way we set out below is the best way to secure this.
- NGET has already incurred and will continue (until 'EMR Go Live') to incur preparatory costs that have not been included in allowances for the RIIO-T1 period, as set out in the final proposals¹.
- It is important that NGET prepares to deliver EMR before the formal conferral of EMR delivery functions. This is because the performance of those functions (eg assessing if generators qualify to take part in capacity market auctions) is expected to commence immediately on conferral of such functions. If NGET were to wait until the functions are conferred to prepare to deliver, the overall EMR timetable is likely to be delayed.
- By preparing for delivery in advance of conferral of the functions, NGET has the opportunity to take a considered approach to delivery (for example, tendering for third party services). This will allow it to seek to ensure that the costs incurred are efficient and economic.
- Setting an allowance, as set out in detail below, to deal with the unique circumstances of NGET having to prepare to deliver a significant new role is consistent with our RIIO-T1 principles (and we do not think the allowance would represent a reopening of RIIO-T1).

We expect that a separate consultation will be undertaken in due course in relation to proposals for recovering NGET's *enduring costs* of performing the EMR delivery functions from EMR Go Live. It is expected this will take place once there is sufficient certainty about the nature of its roles. We currently expect NGET to come to Ofgem with a RIIO-T1 reopener application. This will include a business plan detailing the outputs and forward-looking costs for the enduring EMR delivery functions. This consultation therefore deals solely with NGET's preparatory costs for preparing to take on the EMR delivery functions.

NGET's request for a licence amendment

NGET came to us in August 2013 to request an amendment to its licence. The change would add a term to the maximum SO internal revenue calculation in the Restriction of SO Internal Revenue licence condition. Following a challenge to NGET's initial forecasts, NGET's August request included an estimate of total preparatory costs of **£19.3m** (*in 2013/14 prices*). This was made up of two months' actual expenditure (1 April to 31 May 2013, £546,123) and 13 months forecast expenditure (1 June 2013 to 30 June 2014, £18,718,340). For these purposes NGET has assumed that the EMR Go Live date will be 1 July 2014, which is consistent with the timeline DECC published in October 2013. The costs are broken down by category below:

- (a) Employment costs: the cost of the staff working on preparing for EMR Go Live. £291,469 actual costs and £2,602,028 forecast, £2,893,497 in total.
- (b) Overheads: estimated at 40% of employment costs to cover the costs of NGET's business support departments in supporting the EMR implementation team eg finance, human resources, property. £116,587 actual costs and £1,040,811 forecast; £1,157,398 in total.

¹ <https://www.ofgem.gov.uk/publications-and-updates/riio-t1-final-proposals-national-grid-electricity-transmission-and-national-grid-gas-%E2%80%93-overview>

- (c) Travel and subsistence (including company car costs): eg travelling to meetings with EMR stakeholders, including DECC. £12,884 actual costs and £148,500 forecast, £161,384 in total.
- (d) Information systems (IS) costs: IS staff and system costs. £54,491 actual costs and £12,600,000 forecast, £12,654,491 in total.
- (e) External legal costs: to support NGET's preparation for EMR Go Live. £53,356 actual costs and £1,625,000 forecast; £1,678,356 in total.
- (f) Professional consultancy costs: to support NGET's preparation for EMR Go Live. £17,336 actual costs and £702,000 forecast; £719,336 in total.

NGET estimates that the £19.3m total consists of £12.6m capital expenditure and £6.7m of operational expenditure. NGET recognises that the precise split will depend on the nature and mix of products and services that are procured. This detail is not yet known.

Annex 2 sets out the high-level deliverables that NGET is expected to deliver in preparation for EMR Go Live. The deliverables include work in relation to: the delivery plan (such as conducting the analysis that underpins the delivery plan); contracts for difference (such as developing systems to deal with applications from generators for CfDs); the capacity market (such as contributing to the development of the detailed CM rules); and, general work across EMR (such as travelling to and participating in various meetings to engage with stakeholders in EMR).

IS costs make up two-thirds of the total preparatory costs. The deliverables will include, but are not limited to: establishing the ability to run the capacity market auction (such as the building, testing and implementing of auction processes and systems, to enable participant testing of the systems and a mock auction); running an actual auction; establishing the systems necessary to deliver CfDs; and moving Delivery Plan analysis to the enduring phase.

Ofgem's proposal

Our opinion, which is subject to this consultation and the decision of the Authority, that allowing NGET to recover its costs before formally taking on the EMR delivery functions is appropriate and in the interests of consumers. We propose that preparatory costs are recovered by virtue of a modification to special licence condition 4A ('Restriction of System Operator Internal Revenue'). A draft of this is in Annex 1. Having reviewed the reported costs and cost estimates provided to us by NGET, we propose setting an allowance based on those estimates (which is covered by the proposed term 'SOEMR').

Under 'economy and efficiency' below, we set out how we will seek to protect consumers and ensure that inefficient or uneconomic costs are not recovered. The licence modification allows for this 'truing up' exercise and also allows for *all* costs paid to be 'clawed back' if the EMR delivery functions are not conferred on NGET, via the proposed 'SOEMRCO' term.

Economy and efficiency

As we are proposing setting an allowance based on actual and forecast costs before the EMR delivery functions are conferred on NGET we are taking several steps to protect consumers:

1. If the EMR delivery functions are not conferred on NGET, Ofgem would have the power to recover all of the funded costs from NGET ('clawback').
2. In the event that EMR delivery functions are conferred on NGET at EMR Go Live, the allowance would be subject to reconciliation against actual efficient and economic incremental incurred costs. This would require Ofgem to determine whether the estimate of preparatory costs which we are consulting on, which would have already been recovered through a revenue adjustment, has resulted in an over or under recovery against the actual efficient costs incurred.

We expect that, as soon after EMR Go Live as reasonable, NGET will provide us with a breakdown of the actual EMR preparatory costs. As part of the breakdown, NGET

would be expected to identify the actual overheads (support costs) that have been incurred in supporting the EMR delivery team that are additional to the NGET System Operator internal costs already funded through the RIIO-T1 allowances. These overheads would replace the notional 40% of employment costs overhead included in the forecast and logged up costs.

In conducting this truing up exercise, where actual costs are assessed for efficiency, Ofgem will also take into account how the nature of the EMR preparation activities and associated deliverables has varied and evolved over time to reflect DECC's design of EMR. This will be reflected in the deliverables which will be revised if appropriate from time to time.

Any under or over recovery would be taken into account when calculating the SOEMRCO term (see the draft licence condition in Annex 1).

3. Once Ofgem has completed the truing up exercise it will consult on the total level of costs proposed for remuneration, allowing stakeholders to provide their comments.
4. Until July 2014, we will monitor NGET's preparatory costs on a monthly basis and compare these with the forecasts. We will also seek to ensure that the activities creating costs are consistent with preparation for delivery and in-line with the deliverables set out at Annex 2. We are of the view that this monthly monitoring, along with the ex-post reconciliation process, will protect consumers from any large unanticipated costs. This monthly monitoring process, and the receipt and consideration of NGET's actual monthly costs, does not represent a commitment by the Authority to make changes to the cost recovery regime. Nor does it undermine the need for an ex post review as set out in point 2 above.

Responses

We welcome views on any of the issues set out in this document, including on these questions:

Q1: Do you agree with the method of cost recovery proposed?

Q2: Do the proposed preparatory costs appear to be reasonable?

Q3: Do the deliverables appear reasonable?

Q4: What are your views on our proposals for protecting consumers and seeking to ensure only relevant, and efficient and economic incremental costs are recovered?

Q5: Does the draft licence condition in Annex 1 achieve these proposals?

The responses to this consultation will inform the proposal we will take to the Authority. Depending on the decision of the Authority, we may then proceed with a statutory consultation under section 11A of the Electricity Act 1989 with a view to modifying NGET's licence.

Responses (clearly marked) should be received by 23 January 2014 and should be sent to: soincentive@ofgem.gov.uk. Unless marked confidential, all responses will be published in Ofgem's library and on our website. Respondents may request that their response is confidential. Ofgem shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004. Respondents who wish to have their responses remain confidential should clearly mark the documents to that effect. Respondents are asked to put any confidential material in the appendices to their responses.

Any questions about this letter should be directed to david.oneill@ofgem.gov.uk.

Yours faithfully

Ian Marlee
Senior Partner
Smarter Grids and Governance

Annex 1: Draft of the proposed licence modification

Special Condition 4A. Restriction of System Operator Internal Revenue

Introduction

4A.1 The purpose of this condition is as follows:

- (a) to establish the charging restrictions that determine the level of allowed revenue that may be recovered by the licensee, associated with its internal costs in relation to balancing services activity and its additional internal costs associated with preparing for the performance of EMR Functions; and
- (b) to set out the obligations of the licensee in respect of those charging restrictions.

Part A: Licensee's obligation

4A.2 The licensee must use its best endeavours to ensure that, in Relevant Year t , the revenue collected by the licensee from the balancing services activity associated with internal costs (i.e. excluding the revenue associated with procuring and using balancing services) does not exceed the amount derived in accordance with the Maximum SO Internal Revenue (SOI) formula set out in Part B below.

Part B: Calculation of Maximum SO Internal Revenue

4A.3 The Maximum SO Internal Revenue is derived in accordance with the following formula (in this condition, the "Principal Formula"):

$$SOI_t = (SOPU_t + SOMOD_t + SOEMR_t + SOERMCO_t + SOTRU_t) \times RPIF_t$$

4A.4 In the Principal Formula:

SOI_t means the amount of Maximum SO Internal Revenue in Relevant Year t .

$SOPU_t$ means the amount set out against the licensee's name in Appendix 1 of this condition and represents the SO Opening Base Revenue Allowance in Relevant Year t determined by the Authority.

$SOMOD_t$ has the value zero in Relevant Year 2013/14 and in each subsequent Relevant Year is the value of the incremental change for Relevant Year t from the licensee's SO Opening Base Revenue Allowance as derived in accordance with the Annual Iteration Process set out in Parts A and B of Special Condition 5B (Annual Iteration Process for the ET1 Price Control Financial Model).

$SOTRU_t$ has the value zero in Relevant Year 2013/14 and in each subsequent Relevant Year means the revenue adjustment made in Relevant Year t in respect of the actual value of the Retail Prices Index in Relevant Year $t-2$ minus the assumed value of the Retail Prices Index in Relevant Year $t-2$, as derived in accordance with paragraph 4A.5 of this condition.

$RPIF_t$ has the value given to it by Part C of Special Condition 3A.

$SOEMR_t$ means the initial amount of allowed revenue for the licensee's internal costs associated with preparing for the performance of EMR Functions in Relevant Year t and has the value as set out in Appendix 2.

SOEMRCO_t means the adjustment to allowed revenue in Relevant Year t and will be determined by the Authority as a result of a calculation which compares SOEMR_t with the licensee's actual incremental and efficiently incurred internal costs associated with preparing for the performance of EMR Functions that are conferred upon the licensee, and. SOEMRCO_t will have the value of zero until such time as the EMR Functions either are or are not conferred on the licensee under the Energy Act 2013, thereafter

- i) where the EMR Functions are not conferred on the licensee then SOEMRCO_t will have a value which is equal and opposite to the value for SOEMR so that the net impact of these two terms on SOI is zero, or
- ii) where the EMR Functions are conferred on the licensee then SOEMRCO_t will be calculated by 31 March 2016 in respect of Relevant Year 2016/17 and will have the value of zero for all other Relevant Years.

Part C: Calculation of SOTRU_t

4A.5 For the purposes of the Principal Formula, SOTRU_t is derived in accordance with the following formula:

$$\text{SOTRU}_t = \left(\frac{\text{RPIA}_{t-2} - \text{RPIF}_{t-2}}{\text{RPIA}_{t-2}} \right) \times \text{SOREV}_{t-2} \times \text{PVF}_{t-2} \times \text{PVF}_{t-1}$$

4A.6 In the above formula for SOTRU_t:

RPIA_{t-2} has the value given to it by Part C of Special Condition 3A.

RPIF_{t-2} has the value given to it by Part C of Special Condition 3A.

SOREV_{t-2} means the amount (in 2009/10 prices), for Relevant Year t-2, of the combined value of all revenue adjustments under the Relevant SO Special Conditions that are indexed by the Retail Prices Index as derived in accordance with the formula in paragraph 4A.7 or 4A.8 of this condition.

PVF_t has the value given to it by Part C of Special Condition 3A.

4A.7 For the purposes of paragraph 4A.6 of this condition, but subject to paragraph 4A.8, SOREV_{t-2} is derived in accordance with the following formula:

$$\text{SOREV}_{t-2} = \text{SOPU}_{t-2} + \text{SOMOD}_{t-2} + \text{SOEMR}_{t-2} + \text{SOEMRCO}_{t-2} + \text{SOTRU}_{t-2}$$

where:

SOPU_{t-2} means an amount set out against the licensee's name in Appendix 1 of this condition and represents the SO Opening Base Revenue Allowance in Relevant Year t-2 determined by the Authority.

SOMOD_{t-2} means the value of the incremental change for Relevant Year t-2 from the licensee's SO Opening Base Revenue Allowance as derived in accordance with the Annual Iteration Process set out in Parts A and B of Special Condition 5B.

SOTRU_{t-2} means the revenue adjustment made in Relevant Year t-2 in respect

of the actual value of the Retail Prices Index in Relevant Year t-2 minus the assumed value of the Retail Prices Index in Relevant Year t-2, as derived in accordance with paragraph 4A.5 of this condition.

SOEMR_{t-2}

means the initial amount of allowed revenue for the licensee's internal costs associated with preparing for the performance of EMR Functions and has the value as set out in Appendix 2 for the Relevant Year t-2

SOERMCO_t

-2

means the adjustment to allowed revenue determined by the Authority as a result of a calculation which compares SOEMR_t with the licensee's actual incremental and efficiently incurred internal costs incurred associated with preparing for the performance of EMR Functions that are conferred upon the licensee.

- 4A.8 For the purposes of paragraph 4A.6 of this condition, in Relevant Year 2014/15 only SOREV_{t-2} is derived in accordance with the following formula:

$$\text{SOREV}_{t-2} = \frac{\text{CSOC}_{t-2} + \text{NC}_{t-2}}{\text{RPIF}_{t-2}}$$

where:

CSOC_{t-2} means, in respect of the Relevant Year commencing 1 April 2012, the Base Transmission Revenues derived in accordance with Part 2 (ii) of Special Condition AA5A (Balancing Services Activity Revenue Restriction) of this licence in the form in which it was in force at 31 March 2013.

NC_{t-2} means, in respect of the Relevant Year commencing 1 April 2012, the non-incentivised costs as derived in accordance with Part 2 (ii) of Special Condition AA5A (Balancing Services Activity Revenue Restriction) of this licence in the form in which it was in force at 31 March 2013.

Part D: Calculation of SOEMRCO_t

- 4A.9 SOEMRCO_t will be determined, using 2009/10 prices, by comparing the actual efficient incremental costs incurred by the licensee in preparing for the performance of EMR Functions with the sum allowed for SOEMR_t. The calculation will be performed by using a workbook agreed between the licensee and the Authority.

- 4A.10 The value of SOEMRCO_t as determined by the Authority in accordance with condition 4A.9, will be directed by the Authority by 31 March 2016.

Part E: Interpretation

For the purposes of this condition 'EMR Functions' has the same meaning as in Chapter 5 of the Energy Act 2013.

Appendix 1

Value of the $SOPU_t$ term (2009/10 prices)

(see paragraph 4A.4 of this condition)

Licensee	SOPU (£m)							
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
National Grid Electricity Transmission plc	113.976	113.533	114.357	116.705	122.833	117.524	124.731	126.191

Appendix 2

Value of the $SOEMR_t$ term (2009/10 prices)

(see paragraph 4A.4 of this condition)

<u>Licensee</u>	<u>SOEMR (£m)</u>							
	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
<u>National Grid Electricity Transmission plc</u>	<u>£0</u>	<u>£16.6m</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Annex 2: NGET’s deliverables during preparation for EMR delivery (April 2013 to June 2014) as at October 2013

1. This appendix sets out NGET’s deliverables during preparation for EMR delivery (April 2013 to June 2014) as at October 2013. Note that these deliverables are kept under review, through the Programme Management Board Sub-Committee (which include DECC, NGET and Ofgem staff) and may be changed to reflect changes in the work necessary to prepare to deliver EMR.

Delivery Plan

2. In relation to the deliverables under this area of work, it is important to recognise that this is a new endeavour for Government as well as for NGET as the delivery body. It should also be borne in mind that the work is planned in a number of stages to reflect its complex nature, to ensure the timescales for the first delivery plan period can be met but also the fact that the nature of the enduring regime is less defined at this stage.

Deliverable	Timescale/interim milestones (as at October 2013)
D1. Draft Analysis Produce analysis to inform the draft Delivery Plan to be published by the end of July 2013.	Interim analysis by mid-April 2013, detailed analysis by end-May 2013, further detailed analysis by end-June. Final report in publishable form by mid-July 2013.
D2. Final Analysis Conduct analysis as required by DECC (following consultation on the draft delivery plan) and produce a final analysis report in time to be published by December 2013 subject to Royal Assent.	Conduct pre-consultation response analysis (pre-emptive) by mid-October 2013 & post-consultation analysis in response to formal commission by mid-November 2013. Produce updated final report in publishable form by end November 2013.
D3. Enduring Capability Establish an enhanced, enduring modelling capability to enable analysis to support the production of annual updates and future delivery plans (including National Grid staff, IT systems, process and contracts).	Establish enhanced capability by March 2014.
D4. Analysis Presentation Present the approach to analysis and results at various stages and to various governance bodies, as required. These bodies include (but are not limited to) the Analytical Steering Group and the Devolved Administrations’ Consultation Group	On-going
D5. Panel of Technical Experts NGET will be expected to provide a range of support to the Panel of Technical Experts (PTE) in carrying out scrutiny of the analytical product and its development. There will be an expectation that NGET, as the delivery body, will respond to queries and requests for further information from PTE members to inform their work.	On-going

<p>D6. Additional Analysis</p> <p>NG may be expected to provide further analysis for example in the form of different iterations of analysis or additional modelling based on new assumptions about future market developments. NGET will therefore require an on-going analytical capacity to respond to such requests.</p>	<p>On-going</p>
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- These tasks will continue after Royal Assent into the 2014 calendar year in respect of the annual update to the Delivery Plan.

Contracts For Difference and Capacity Mechanism

- Across both the Capacity Market and Contracts for Difference (CfD) there are wide ranging deliverables relating to the planning and delivery of processes and systems associated with each of these mechanisms.
- In relation to the CfD, Government has signalled that there will be a first come, first served system initially but that it may be necessary to move to different allocation processes when the availability of CfDs become constrained. NGET will therefore need to develop multiple systems (technology specific and technology neutral) and design multiple processes for allocation under different conditions and to test each delivers as required. NGET will also need to design the processes and systems to be able to switch between allocation processes at the request of Government.

Deliverable	Timescale/interim milestones (as at October 2013)
<p>CfD1. Application & Eligibility</p> <p>NGET will be responsible for developing the physical systems and processes by which generators will apply for CfDs and provide the information required in order to be considered eligible, to be notified that their application has been successful or unsuccessful and to transfer the necessary details of successful applicants to the counterparty who will enter into the contracts once directed by either government or NGET.</p> <p>While the delivery body will not be responsible for setting the policy in respect of CfD eligibility it will be necessary for NGET to advise DECC on the implementation issues associated with developing DECC policy. NGET will then design, build & test any systems, including those relating to reporting capabilities, to ensure that they are ready and fit for purpose and will operate within the framework set out by Government. NGET's role extends to exploring the practical implications of design proposals with relevant Expert Groups and also with Northern Ireland parties.</p>	<p>Provide options and plans as delivery body designate at Expert Groups, industry workshops, industry presentations and Northern Ireland stakeholder on the delivery and implementation of systems. On-going – approx. monthly.</p> <p>To provide comment on the deliverability and implementation of Government's proposals on application and eligibility processes, which will be set out in the August 2013 publication.</p> <p>To review draft policy instructions and draft secondary regulations developed by DECC to provide comment on policy implementation. June – October 2013</p> <p>Development & Testing of Physical systems (Application & Eligibility) - Spring/Summer 2014</p> <p>Delivery of Physical systems (Application & Eligibility) for first use in October 2014.</p>
<p>CfD2. Allocation</p> <p>Government has signalled that there will be a first come, first served system initially but that it may be necessary to move to different allocation</p>	<p>Provide delivery focused advice at Expert Groups, industry workshops, industry presentations and Northern Ireland stakeholder on the delivery and implementation of systems. On-going – approx.</p>

<p>processes when the availability of CfDs become constrained.</p> <p>While the delivery body will not be responsible for setting the policy in respect of CfD allocation, it will be necessary for NGET to advise DECC on the implementation issues associated with developing DECC policy. NGET will then design, build & test any systems and design multiple processes for allocation under different conditions and to test each delivers as required. NGET will also need to design the processes and systems to be able to switch between allocation processes at the request of Government.</p>	<p>monthly.</p> <p>Work with CfD Design Team and Delivery Team to identify processes necessary for budget constraint and potential budget reallocation (post Budget). March-December 2013</p> <p>Work with Government to develop triggers for change between systems March – December 2013</p> <p>To provide comment on the deliverability and implementation of Government’s proposals on allocation processes. These will initially be set out in the August 2013 publication & more fully in the Allocation Methodology Document in 2014.</p> <p>To review draft policy instructions and draft secondary regulations developed by DECC to provide comment on policy implementation. June – October 2013</p> <p>Development & Testing of Physical systems (FCFS and Unconstrained/Constrained Rounds) – Spring/Summer 2014</p> <p>Delivery of Physical systems (FCFS and Unconstrained/Constrained Rounds) for first use in October 2014.</p>
<p>CM1. Capacity Adequacy In advance of secondary legislation, provide the 2014 Capacity Adequacy Report to Government.</p>	<p>Deliver the report by the end of May 2014. National Grid will, if possible, provide indicative advice by the end of April 2014.</p>
<p>CM2. IT Systems Design and procure systems and hire staff necessary to deliver a 2014 capacity auction, whether utilised or not, based on policy proposals to be provided by DECC in the March 2013 blueprint, and any further policy decisions resulting from subsequent discussions with DECC. This includes being able to do the following, including any associated systems and associated documentation:</p> <ol style="list-style-type: none"> i. Running the pre-qualification process; ii. Inputting as necessary to any appeals process; iii. Enabling industry participants to participate in trial auctions/system testing; iv. Publishing auction guidance in advance of the first auction, and alongside the publication of secondary legislation. Timing subject to agreement between NGET and DECC; v. Running an auction. 	<p>Build, test and implement pre-qualification processes and systems, with User access provided in late June 2014 followed by the opening of the pre-qualification process in late July 2014 (immediately following Secondary Legislation in force/Delivery Body powers effective).</p> <p>Implement user support arrangements including communication, training and system connectivity assessment in June 2014.</p> <p>Build, test and implement Auction processes and systems, enabling participant testing/mock auction in October 2014, followed by the running of the full auction in November 2014.</p>
<p>CM3. Other Delivery EMR delivery and implementation, including but not limited to carrying out any necessary work to ensure that the Capacity Market penalty/incentive regime and trading platforms can be implemented in a timely and cost-effective way.</p>	

<p>CM4. Implementation Advice</p> <p>While the delivery body will not be responsible for developing or setting policy, NGET should bring to DECC's attention any requirement to re-visit policy decisions as well as presenting options and plans for implementation of policy for Government consideration and approval, they should indicate where policy changes and/or changes to CM scope will impact on delivery timelines, and promptly identify and notify DECC of any additional requirements or issues which require attention from DECC as a consequence of that implementation work.</p> <p>NGET shall where possible provide expert advice on the nature of any issues and shall proactively using all reasonable endeavours work with DECC to enable DECC to resolve those issues. NGET shall provide analysis of the impact of any options for policy decisions presented by DECC and evaluate the impact on the timely delivery of the systems being implemented. NGET shall take all reasonable steps to ensure that the resolution of policy issues in one area of the implementation programme does not adversely impact the delivery of the overall programme. This shall include the re-prioritisation of work where necessary</p>	
<p>CM5. Market Rules</p> <p>Contribute as necessary to the development of the detailed Capacity Market rules and associated products (e.g. capacity agreements) to ensure they are deliverable and fit for purpose</p>	

General

Deliverable	Timescale/interim milestones (as at October 2013)
<p>G1.In its role as delivery body designate NGET is required to attend numerous relevant meetings and forums which are key to ensure wider industry stakeholder engagement and which are therefore essential deliverables in preparation for readiness to discharge the EMR delivery body role. Such meetings include, but are not limited to, the Capacity Mechanism Project Board, the Capacity Market Expert Group, any new group(s) established to enable the development of detailed rules for the Capacity Market and Contracts for difference, the EMR Programme Management Board, the EMR Policy Forum, the Analytical Steering Group and the Institutions meetings. The role of NGET in attending such meetings is not one of policy development but is, rather, as delivery body designate to present options and plans in respect of policy implementation for approval and assurance by Government.</p>	
<p>G2.Wider industry engagement – NGET, as part of its role to test deliverability of EMR functions, engages with wider industry though, for instance, series of industry events at key stages, such as the introduction of the Energy Bill.</p>	

<p>It also engages with devolved administration colleagues, such as travelling to Northern Ireland to meet industry participants, consider specific nature of implementation in Northern Ireland with DA colleagues</p>	
<p>G3.Institutional/Governance/Programme Management arrangements. Given that EMR requires a strong foundation for each of these in order to deliver effectively – NGET will work with DECC to monitor compliances with confidentiality arrangements, agree and review management arrangements such as, but not limited to the intellectual property agreement and Memorandum of Understanding, develop and monitor programme management and change processes, provide comment on the implementation of DECC’s policy options (such as reviewing draft secondary legislation to provide advice on delivery feasibility), and provide views as to the general workability of EMR and its fit with the existing regime.</p>	
<p>G4.There is an assumption that staff from the delivery body will be required to travel to relevant meetings, including but not limited to those outlined in this document.</p>	<p>On-going</p>