
TYPE & NUMBER EMR Circular 37

Date 20 March 2015

To EMR Circular List

From EMR Settlement Limited

Purpose For Information

Update on our approach to calculating supplier demand for EMR charging

This circular provides **licensed electricity suppliers** with an update on our consultation on the proposed approach to calculating the supplier demand for EMR charging. The consultation was issued on Thursday 16 October 2014 and communicated via [EMRC20](#).

We initially provided a response to this consultation which confirmed the approach to calculate the suppliers' demand for **Contracts for Difference** (CFD) charging and this was communicated via [EMRC25](#), on the 15 December 2015.

This response now confirms the approach to be taken to calculate the supplier demand for **Capacity Market** (CM) charging, as not all the issues raised in the consultation had been resolved at that point.

Who does this impact?

This will be of interest to all **licensed electricity suppliers**, as it confirms which BM Units will be used to calculate a supplier's demand for CM charging. This begins with the calculation of monthly settlement costs levy payments for the 2015-16 financial year. We are required to give notice of these amounts to suppliers before 1 April 2015.

UPDATED DEFINITION OF NET DEMAND

The [Electricity Capacity \(Supplier Payment etc.\) Regulations 2014](#) specify the definition of net demand that is to be used in calculating settlement costs levy payments for the 2015-16 financial year:

(3) In these Regulations "net demand", in relation to an electricity supplier ("S"), means the difference (expressed in MWh) between—

(a) the amount of electricity supplied by S to premises in Great Britain, and

(b) the amount of generated electricity for which S is responsible,

except that where that difference is a negative amount the net demand is zero.

(4) For the purposes of paragraph (3), S is responsible for an amount of generated electricity if—

(a) S is responsible for the export of that electricity, for the purposes of Section K of the Balancing and Settlement Code as it was in force on 8th September 2014, by virtue of paragraph 1.2.2(a)(ii) of that Section (Export from Exemptable Generating Plant); and

(b) the electricity so exported is generated by a plant that is not directly connected to the GB transmission system.

CIRCULAR

This definition of net demand differs from that applicable to the 2014-15 financial year, which was specified in the [Electricity Capacity Regulations 2014](#) as follows:

"net demand" means the sum of the demand for active energy for which an electricity supplier is responsible including demand directly connected to the transmission system or a distribution network, less the output of any generation for which an electricity supplier is responsible that is connected to a distribution network, and for the purposes of this paragraph net demand cannot be less than zero;

The approach described in this circular is (we believe) consistent with both definitions.

BM UNITS REGISTERED BY A LEAD PARTY OTHER THAN THE SUPPLIER

Our consultation document (and the update we issued in December) stated that a supplier's charges would only include BM Units for which they were the Lead Party (as defined in the BSC). Since then we have become aware that there are circumstances in which (for EMR purposes) a licensed supplier should be treated as supplying electricity that is included (for BSC purposes) in a BM Unit registered by a different legal entity. Currently we are aware of two such instances:

- Demand at BM Unit T_WILCT-1 will be included in the calculation of EMR charges for Wilton Energy Limited (BSC Party Id 'WEL') although the BSC Lead Party is Sembcorp Utilities (UK) Limited (BSC Party Id 'EAGLE2').
- With effect from Settlement Date 22 December 2014, the fourteen Base BM Units for Supplier ID 'GNRG' will be included in the calculation of EMR charges for Green Energy (UK) plc (BSC Party Id 'GRNUKPLC') although the BSC Lead Party is Green Energy Limited (BSC Party Id 'GREENERGY').

Where other such instances arise in future we will discuss with the parties concerned (but will not necessarily communicate them to suppliers in general, unless they raise issues of broader interest).

TREATMENT OF TRANSMISSION-CONNECTED DEMAND

The definitions of net demand in both of the relevant Regulations quoted above require us to include demand supplied to transmission-connected premises in Great Britain when calculating settlement costs levy payments, but do not allow us to net off generation exported from such premises. In our consultation we proposed to address this by dividing transmission-connected BM Units into demand and generation for purposes of CM charging, based on information supplied by the Lead Party:

- Where the Lead Party had registered a Generation Capacity of zero, we would include the BM Unit in the calculation of net demand; but
- Where the Lead Party had registered a Generation Capacity greater than zero, we would exclude the BM Unit from the calculation of net demand.

One of the responses to our consultation questioned the appropriateness of this response. Having considered this issue, we now agree with the respondent that our proposed approach would not have been consistent with the relevant Regulations, as it would have excluded from the calculation of net demand any electricity supplied to transmission-connected premises with Exemptable Generating Plant.

CIRCULAR

In order to ensure consistency with the relevant Regulations, we will now be taking the following approach:

- We will not exclude any transmission-connected BM Unit from the calculation of net demand based on their Generation Capacity. This means that all the BM Units categorised as 'CFD' in our consultation document¹ will now be included in the calculation of net demand;
- For transmission-connected BM Units, the calculation of net demand will only take into account negative values of BM Unit Metered Volume (which represent electricity supplied to transmission-connected premises). Positive values of BM Unit Metered Volume (which represent electricity generated by transmission-connected generation) will not be taken into account.

The consultation response also questioned our categorisation of BM Unit M_GRTO. Having considered this issue, we now agree that we had wrongly treated this BM Unit as embedded. This issue arose because we used the BM Unit ID rather than the BM Unit Type to identify transmission-connected BM Units. We have amended our processes to ensure that the small number of BM Units affected by this issue are correctly categorised.

SUMMARY OF OUR PROPOSED APPROACH

Taking into account all of the issues described above, our final approach to calculating supplier demand can be summarised as follows. A BM Unit will be included in the calculation of a Supplier's demand (for both CFD and CM purposes) if:

1. The supplier is the Lead Party (except that, in certain exception conditions, and after discussion with the parties concerned, we may also need to charge a supplier for BM Units for which they are not the BSC Lead Party); and
2. The BM Unit is either a Supplier BM Unit, or it meets the following criteria:
 - It is not an Interconnector BM Unit (or Distribution Interconnector with a derogation from the requirement to register Interconnector BM Units); and
 - It is not at premises that are being occupied for the purposes of operating a Licensable Generating Plant.

Subject to meeting the above criteria, the demand values used in the calculation will depend upon the BM Unit Type:

BM Unit Type	Data used in CM Net Demand Calculation	Data used in CFD Gross Demand Calculation
Supplier BM Unit (type 'G' or 'S')	BM Unit Metered Volume (QM_{ij}) Both positive and negative values of QM_{ij} will be used in the calculation, and Transmission Loss Multiplier will not be applied.	Aggregated values for Active Import Consumption Component Classes only (i.e. excluding Active Export), adjusted by GSP Group Correction Factor, Line Loss Factor and Transmission Loss Multiplier.

¹ Our consultation document defined category 'CFD' as meaning "BM Unit Metered Volume is chargeable for CFD purposes, but not CM (because the BM Unit contains transmission-connected Exemptable generation)"

CIRCULAR

BM Unit Type	Data used in CM Net Demand Calculation	Data used in CFD Gross Demand Calculation
Transmission-connected (type 'T')	Negative values of BM Unit Metered Volume (QM_{ij}). Positive values of QM_{ij} will not be used in the calculation, and Transmission Loss Multiplier will not be applied.	Negative values of BM Unit Metered Volume (QM_{ij}), adjusted for Transmission Loss Multiplier.
Embedded (type 'E')	BM Unit Metered Volume (QM_{ij}) Both positive and negative values of QM_{ij} will be used in the calculation, and Transmission Loss Multiplier will not be applied.	Positive values of QM_{ij} will not be used in the calculation.
Interconnector (type 'I')	Not applicable	

What will happen next?

Our next steps include:

- Calculate market shares for the 2015/16 settlement costs levy using the approach described in this circular (and issue a notice to suppliers of their charges before 1 April).
- Publish a guidance document, using content from this circular (and the previous one), which explains how supplier demand is derived for the purposes of EMR charging.

Where can I get more information?

Find out more about our role in EMR on the [EMR Settlement website](#). If you have any further questions about this circular, please email contact@emrsettlement.co.uk.