



EMR
SETTLEMENT
LIMITED

Public

Supplier Charges in the Capacity Market

Webinar

7 September 2016

Jo Alexander

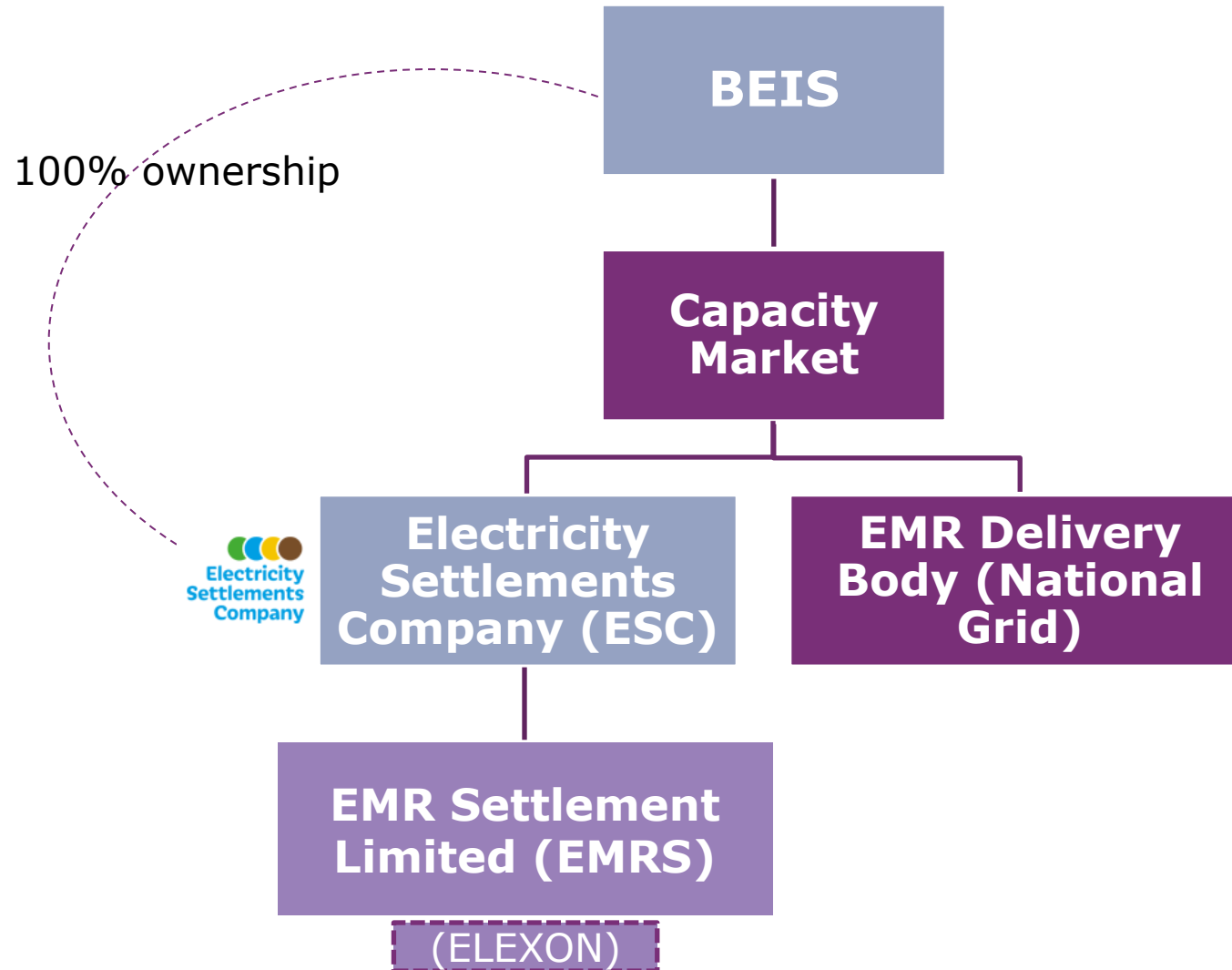


Disclaimer: Please note that whilst these slides have been prepared with due care, EMR Settlement Limited does not make any representation, warranty or undertaking, express or implied, in relation to the completeness and or accuracy of information contained within them, and accordingly EMR Settlement Limited shall not be liable for any damages resulting from the use of this information or action taken in reliance on it. EMR Settlement Limited has used example numbers in the calculations which are based on fictional metered volumes and in some cases fictional amounts as well. The actual EMR charges that EMR parties are liable to pay is as stated in invoices and may be significantly different to the examples shown on these slides due to the nature of the calculations.

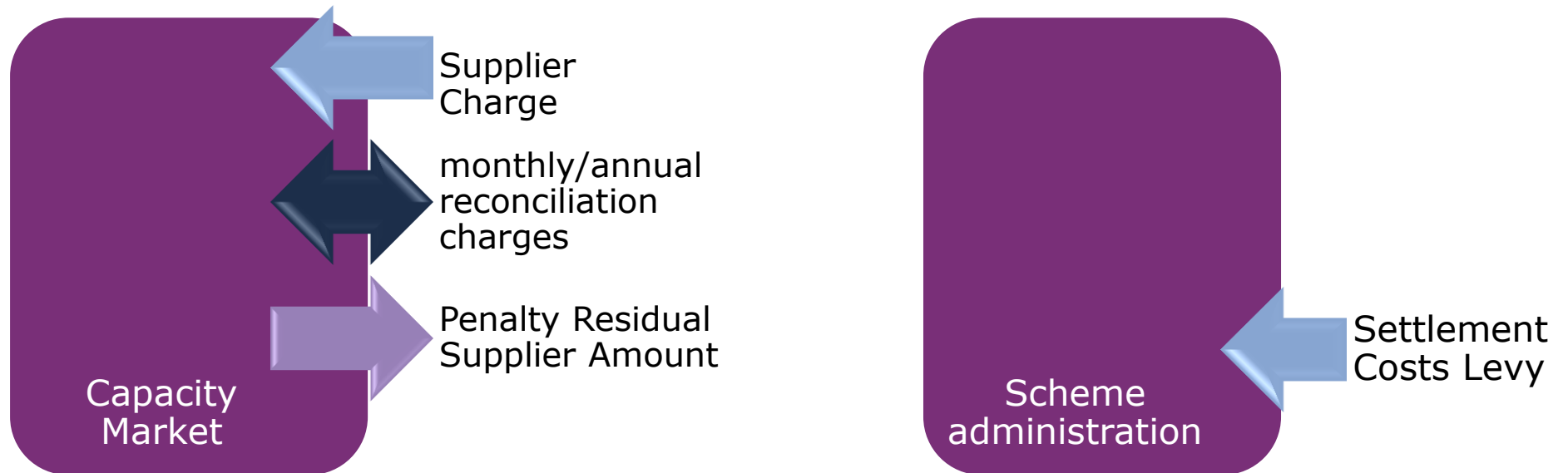
Agenda

- Overview of payments and data
- Credit Cover and Supplier Charge
- 🌐 Break for questions
- Non-compliance
- 🌐 Break for questions
- Penalty Residual Supplier Amount
- Reconciliation
 - Monthly reconciliation
 - Annual reconciliation
- 🌐 Break for questions
- Summary and further information

Where does EMRS fit in?



Capacity Market payments



Protected by:

- Credit cover
- Mutualisation

- All payments are due **3 working days** after billing

Capacity Market metered data

- 16:00-19:00, working days, November – February
- Net demand, therefore **does** include embedded generation
- Distribution losses are applied, but transmission losses are not

Payment types	Metered data
Capacity Market Supplier Charge	Forecast data then SF-R2
monthly/annual reconciliation amount	Forecast data then SF-DF
Settlement Costs Levy	SF settlement run only
Penalty Residual Supplier Amount	N/A. Related to the % of Capacity Market Supplier Charges paid

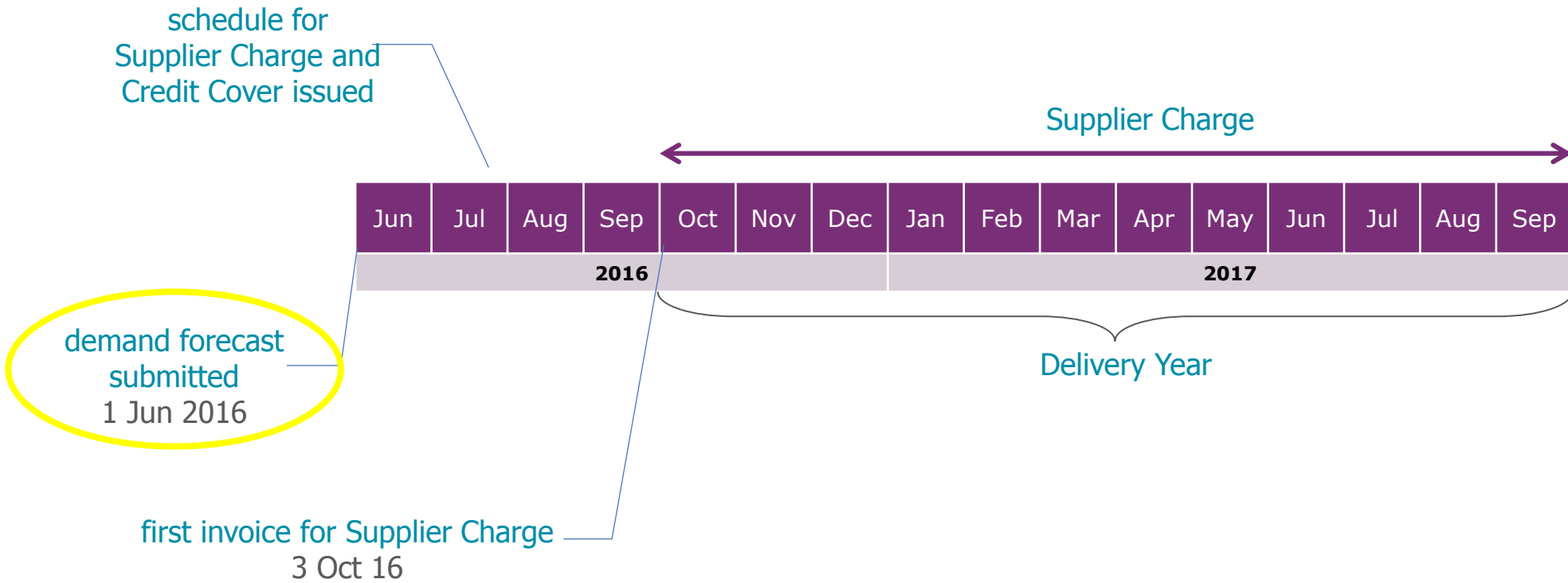


EMR
SETTLEMENT
LIMITED

Credit Cover and Supplier Charge

Supplier Charge payments

Timeline for 2016/2017 Delivery Year



Demand forecast

- Suppliers must provide a demand forecast for the period of high demand
- Needs to be submitted no later than **1 June** prior to the Delivery Year to which the forecasted demand relates
- The demand forecast is used to calculate the Capacity Market Supplier Charges

Party ID:	TEST SUPPLIER		
Peak Month	Forecast Peak Demand 2016/2017 (MWh)	Actual Peak Demand 2015/2016 (MWh)	Actual Peak Demand 2014/2015 (MWh)
November		2800.323	2714.323
December		2945.253	2859.253
January		3156.235	3070.235
February		2869.877	2783.877
Total	-	11,771.688	11,427.688
Year on year % change	-100.0%	3.0%	

Instruction: Please provide a forecast of your Peak Net Demand for the 2016/17 winter period per month (as required by Capacity (Supplier Payment etc.) Regulations 2014) in cells B3 to B6. Please also provide commentary for your forecast. Percentages and totals will update automatically. For further guidance and information please see Working Practice 05 - Supplier Capacity Market Demand Forecast and Guidance Document 12 - Supplier Capacity Market Demand Forecast on the EMRS website.

Year	2016/2017	2015/2016	2014/2015
Total Peak Demand (MWh)	10,937,342.725	10,937,342.725	11,268,404.401
Your share of Total Peak Demand	0.00000%	0.10763%	0.10141%
Change Between Consecutive Years	-0.10763%	0.00621%	

Note: this table is for reference only. For further guidance and information please see Working Practice 05 - Supplier Capacity Market Demand Forecast and Guidance Document 12 - Supplier Capacity Market Demand Forecast on the EMRS website. It is assumed that there are no changes to the Total Peak Demand for 2016/2017 compared to the previous year. This figure is provided only for guidance.

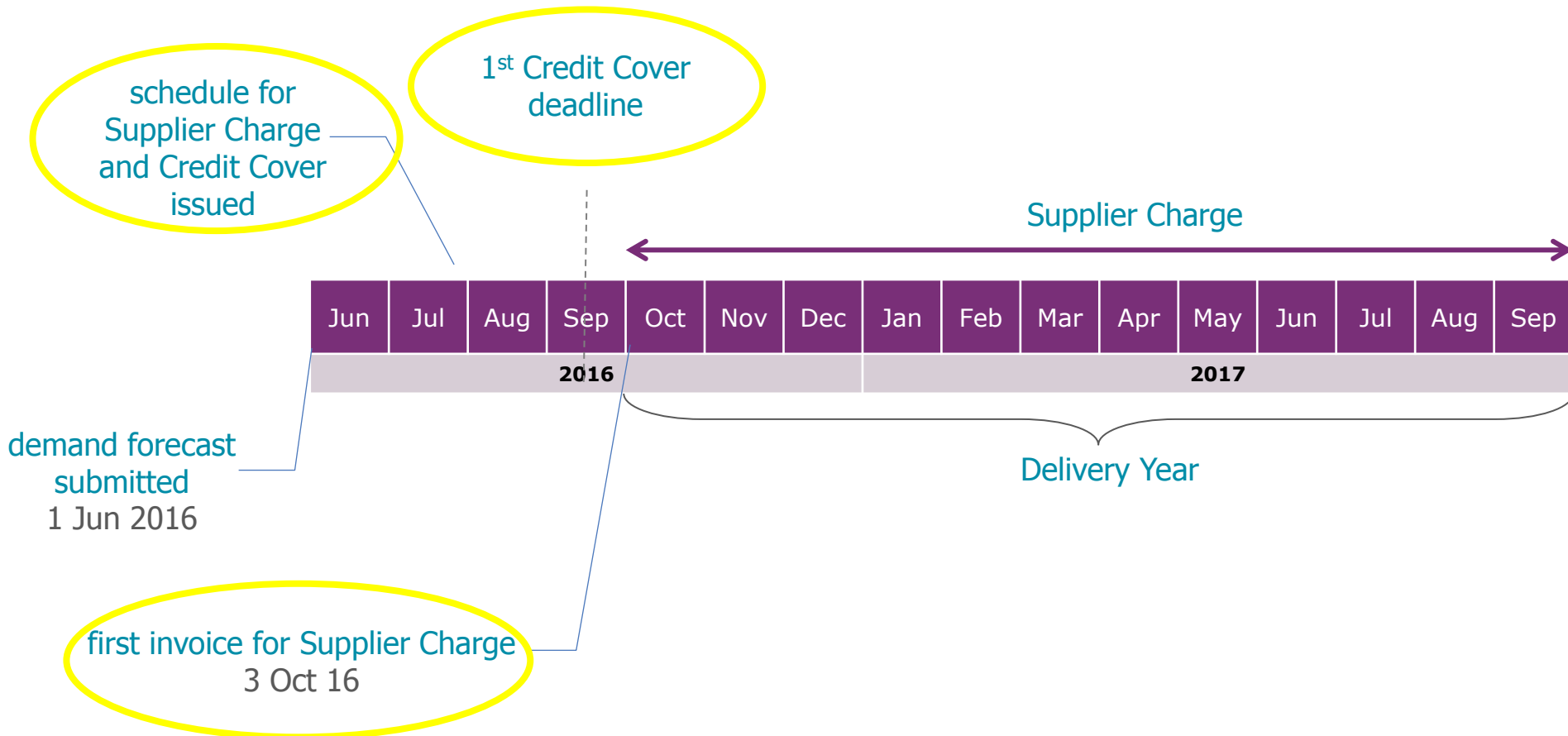
Commentary:

Example forecast form



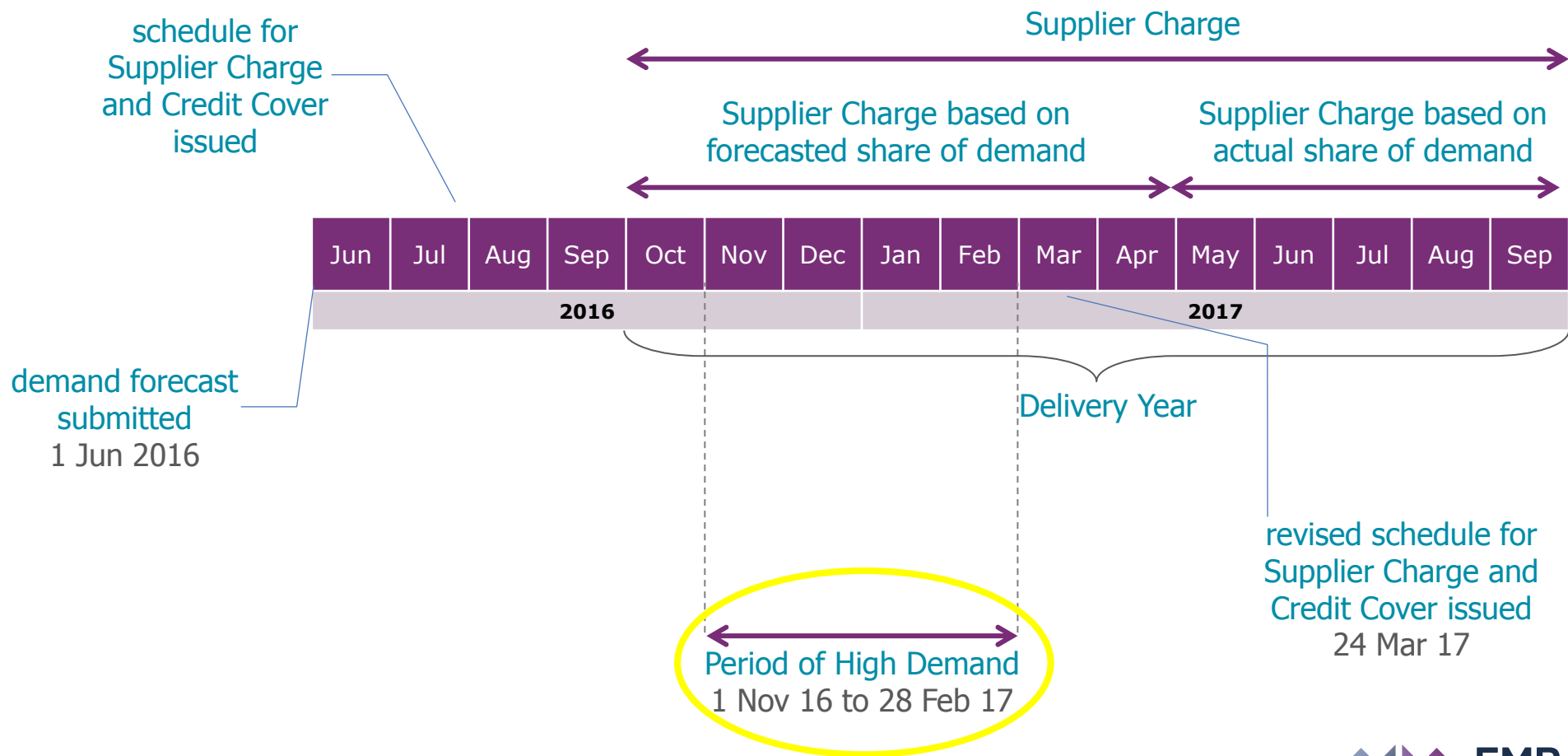
Supplier Charge payments

Timeline for 2016/2017 Delivery Year



Supplier Charge payments

Timeline for 2016/2017 Delivery Year



Supplier Charge calculation

- Payments made to fund Capacity Providers for each month
- The expected monthly costs are apportioned to each Supplier by share of demand (period of high demand), either on forecasted or actual data



- Total annual capacity payments are determined from the Capacity Market auction results
- The monthly weighting factor profiles payment during the year

Supplier Charge example

- Monthly Total Capacity Provider payments for October 2014:
£60 million
- Supplier's Net Demand for 2014/15 Delivery Year:
1.8 million MWh
- All Suppliers Net Demand for 2014/15 Delivery Year:
12 million MWh

Calculation:

$$60 \text{ million} \times (1.8 \text{ million} \div 12 \text{ million}) = \mathbf{\text{£9 million}}$$

Contact Details in case of queries

Contact partner: EMR Settlement Services Helpdesk
 E-Mail: contact@emrsettlement.co.uk
 Telephone: 0207 380 4333

INVOICE

Test Supplier 4th Floor 350 Euston Road London NW1 3AW Great Britain	Bill data (please provide during enquiries) Invoice Number: 905 Invoice Date: 1 October 2014 Due Date: 6 October 2014
---	--

Payment Types

Payment Type	VAT Code	Net Amount (£)
Supplier Charge for October 2014	0	£9,000,000.00
Supplier Charge Mutualisation for October 2014	0	£1,000,000.00

VAT Breakdown				Subtotal (£)	£10,000,000.00
Code	Net Total	Tax Rate	Tax Amount	VAT (£)	£0.00
0	£10,000,000	0%	£ 0.00	Grand Total (£)	£10,000,000.00

The amount due will be collected by Direct Debit on or immediately after the due date stated above.

Bank Name Royal Bank of Scotland Group
 Sort Code 60-70-80
 Account Number 10018522
 Account Name ESC Op Cost Receipt

 Electricity Settlements Company Ltd
 Fleetbank House, 2-6 Salisbury Square, London EC4Y 8JX
 T: +44 (0)20 7211 8881
 www.electricitysettlementscompany.uk

Supplier Charge backing data

/BIC/N1_J1889	/BIC/N1_J1950	/BIC/N1_J1949	/BIC/N1_J1951	/BIC/N1_J1952	/BIC/N1_MP ID
TESTSUPP	905	20141001	20141006	10000000	SUPP

All backing data starts with the same 6 columns and contains:

- EMR Party ID
- EMR Invoice Number
- EMR Invoice Issued Date
- EMR Invoice Payment Date
- EMR Invoice Total
- MPID

Delivery Year Month	Total Monthly Capacity Payments	Supplier Net Demand for Periods of High Demand	Net Demand for Periods of High Demand	Reference Period Start Date	Reference Period end Date	Capacity Market Supplier Charge	Net Payment
/BIC/N1_J1923	/BIC/N1_J2029	/BIC/N1_J2009	/BIC/N1_J2031	/BIC/N1_J1993	/BIC/N1_J1992	/BIC/N1_J1901	/BIC/N1_J1972
201410	60000000	1800000	12000000	20141101	20150228	9000000	9000000

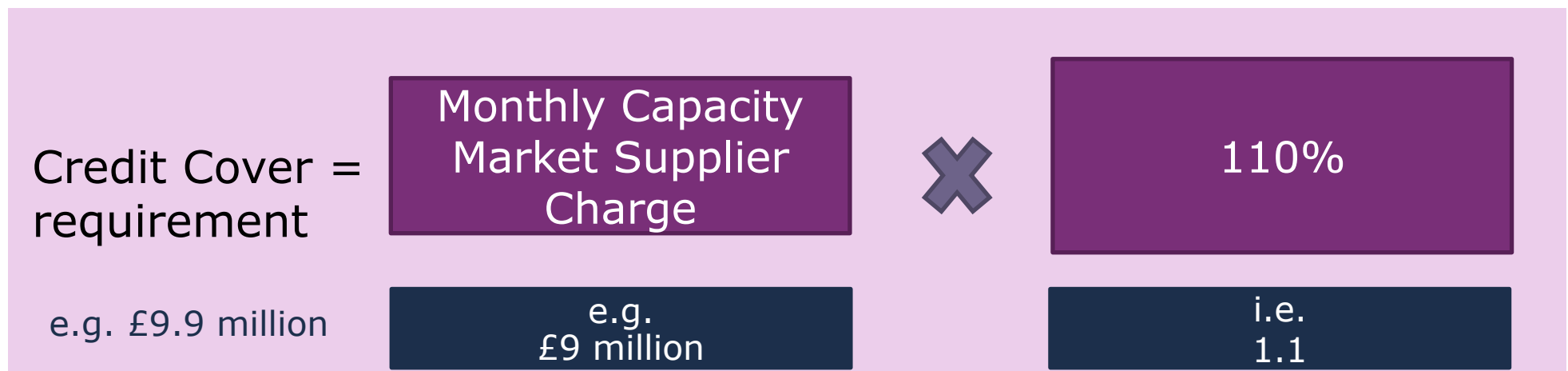
60 million x (1.8 million ÷ 12 million) = **£9 million**

Key resource: <https://dtc.mrasco.com/listdataflows.aspx>



What Credit Cover do I need?

- Your monthly Credit Cover requirements were provided in your schedule (these are not cumulative!)



- You must have lodged at least enough Credit Cover to meet the monthly requirement, 12 working days in advance of the month
- Credit Cover can be provided in cash or Letter of Credit



EMR
SETTLEMENT
LIMITED

Questions



EMR
SETTLEMENT
LIMITED

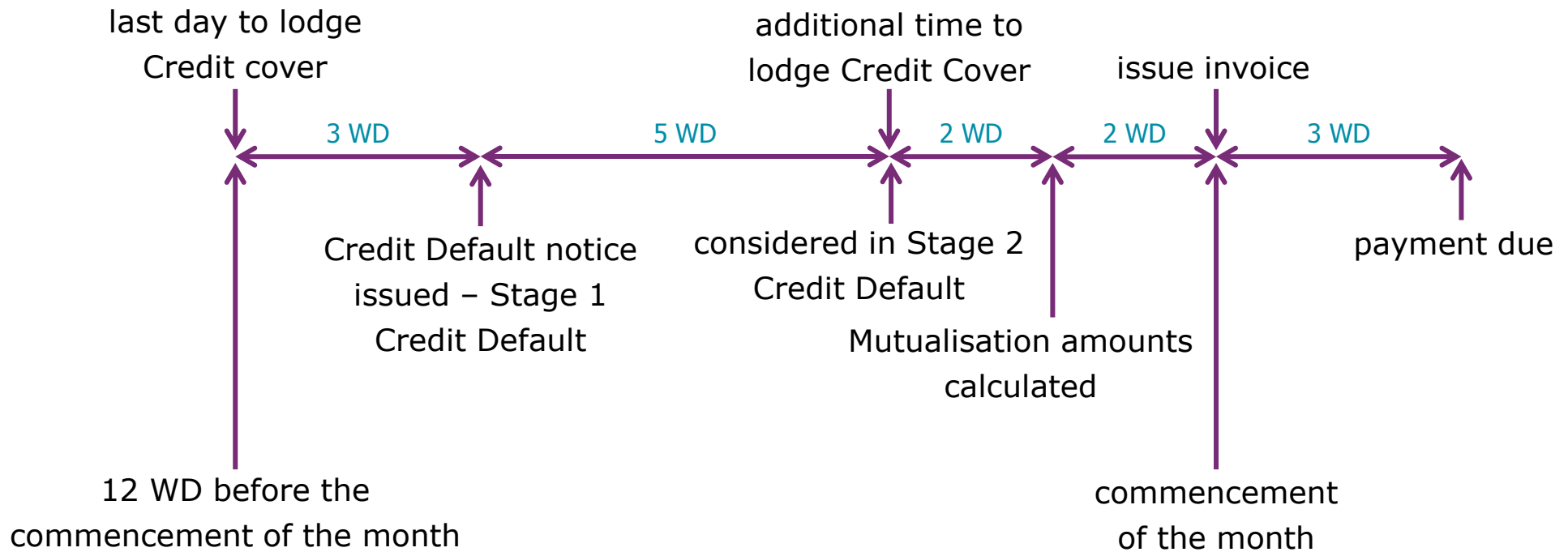
**What happens if a
Supplier doesn't
comply?**

What happens if a Supplier doesn't comply?

- There are processes to ensure that ESC has the required funds in place to make payments to Capacity Providers if a Supplier doesn't meet their obligations.

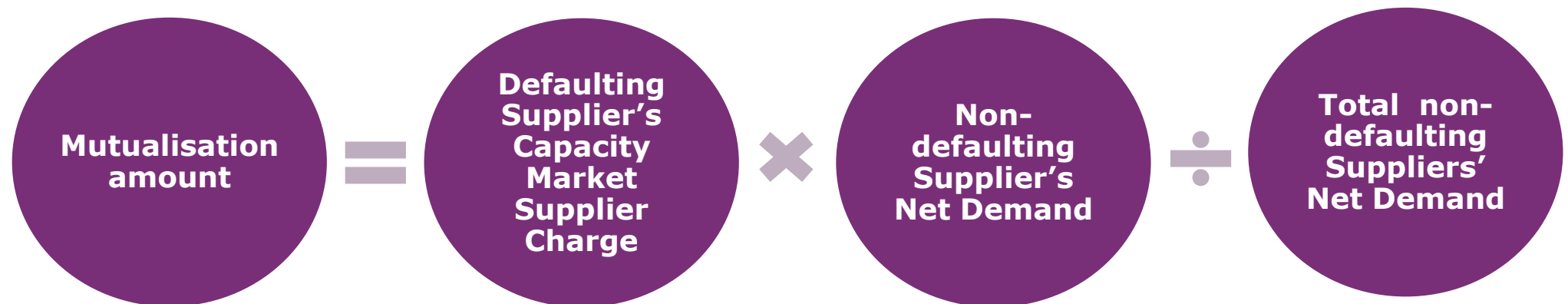


Timeline - Credit Default and Mutualisation



Mutualisation calculation

- If Supplier reaches Stage 2 Credit default then their Supplier Charge will be mutualised amongst non-defaulting suppliers.



- If the defaulting Supplier pays the mutualised amount then the non defaulting Suppliers who made a mutualisation payment will receive a mutualisation credit at the next reconciliation run.

Mutualisation example

- Defaulting Supplier's Capacity Market Supplier Charge:
£6 million
- Non-defaulting Supplier's Net Demand:
1.8 million MWh
- Total non-defaulting Suppliers' Net Demand:
10.8 million MWh
- Calculation: 6 million x (1.8 million ÷ 10.8 million) = **£1 million**

Contact Details in case of queries

Contact partner: EMR Settlement Services Helpdesk
 E-Mail: contact@emrsettlement.co.uk
 Telephone: 0207 380 4333

INVOICE

Test Supplier
 4th Floor
 350 Euston Road
 London
 NW1 3AW
 Great Britain

Bill data (please provide during enquiries)

Invoice Number: 905
 Invoice Date: 1 October 2014
 Due Date: 6 October 2014

Payment Types

Payment Type	VAT Code	Net Amount (£)
Supplier Charge for October 2014	0	£9,000,000.00
Supplier Charge Mutualisation for October 2014	0	£1,000,000.00

VAT Breakdown				Subtotal (£)	£10,000,000.00
Code	Net Total	Tax Rate	Tax Amount	VAT (£)	£0.00
0	£10,000,000	0%	£ 0.00	Grand Total (£)	£10,000,000.00

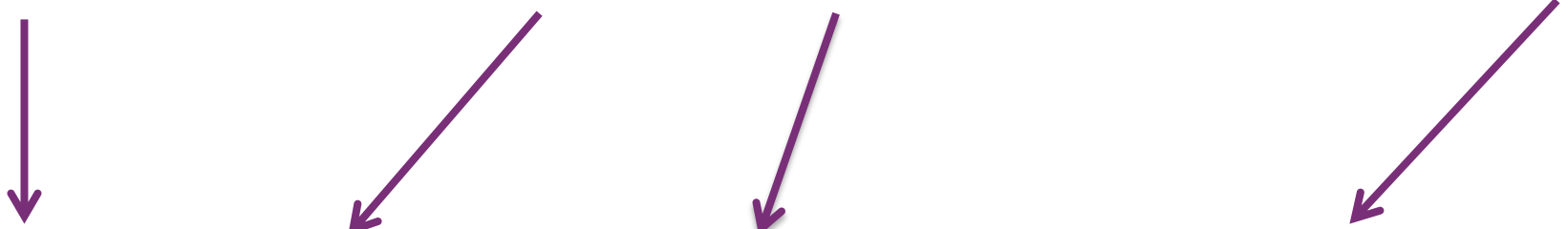
The amount due will be collected by Direct Debit on or immediately after the due date stated above.

Bank Name Royal Bank of Scotland Group
 Sort Code 60-70-80
 Account Number 10018522
 Account Name ESC Op Cost Receipt

Electricity Settlements Company Ltd
 Fleetbank House, 2-6 Salisbury Square, London EC4Y 8JX
 T: +44 (0)20 7211 8881
www.electricitysettlementscompany.uk

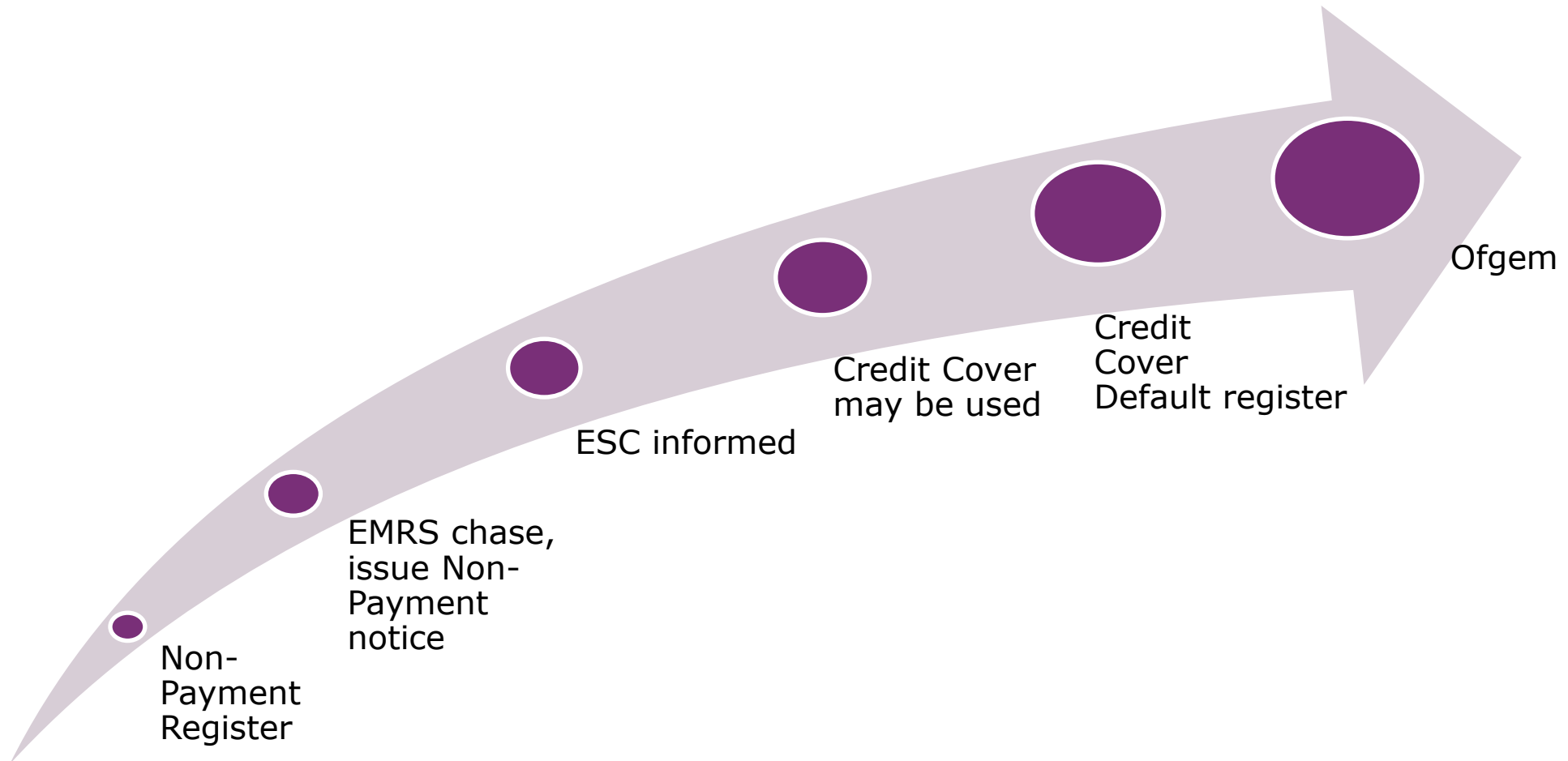
Mutualisation backing data

Amount in Default	Defaulted Amount due date	Reference Period Supplier Net Demand for Periods of High Demand	Reference Period Total Net Demand for Periods of High Demand	Reference Period Start Date	Reference Period end Date	Supplier Mutualisation Amount
/BIC/N1_J1893	/BIC/N1_J1941	/BIC/N1_J1996	/BIC/N1_J1999	/BIC/N1_J1993	/BIC/N1_J1992	/BIC/N1_J2008
6000000	20140925	1800000	10800000	20141101	20150228	1000000



$$6 \text{ million} \times (1.8 \text{ million} \div 10.8 \text{ million}) = \mathbf{\text{£}1 \text{ million}}$$

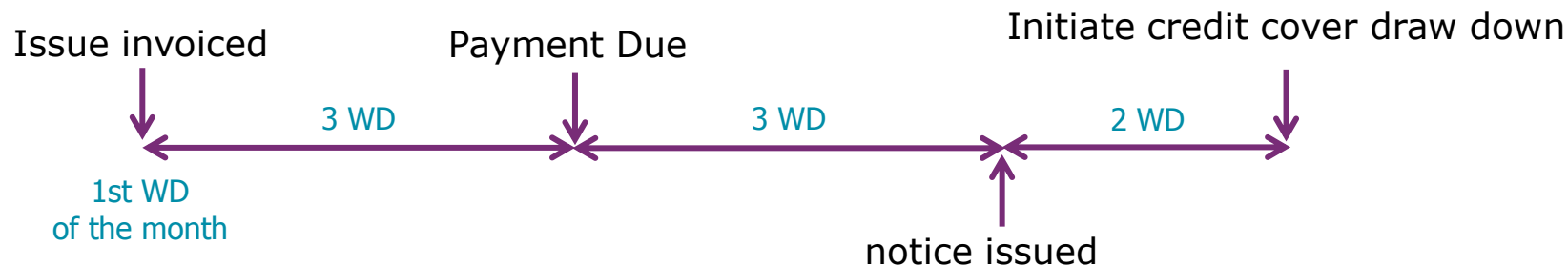
What happens if a Supplier doesn't pay?



- Mutualisation happens in advance of non-payment

Timeline – Non-Payment of Supplier Charge

■ Timeline:



■ If Non-Payment happens there isn't a further Mutualisation charge because:

- If the Supplier isn't in Credit Cover default then there is enough Credit Cover to draw down on to cover the payment.
- If the Supplier is in Credit Cover default then the payment has already been mutualised.

Late payment interest summary

- Interest is applied to late payment amounts for:

Settlement Costs
Levy

Capacity Market
Supplier Charge

Reconciliation
Amounts

- Charged at 5% per annum over the Bank of England (BoE) base rate
 - rate for Jan to Jun uses the BOE rate in force on 31 Dec the previous year
 - rate for Jul to Dec uses the BOE rate in force on 30 Jun that year



**EMR
SETTLEMENT
LIMITED**

Questions



**EMR
SETTLEMENT
LIMITED**

**Penalty Residual
Supplier Amount**

Penalty Residual Supplier Amount

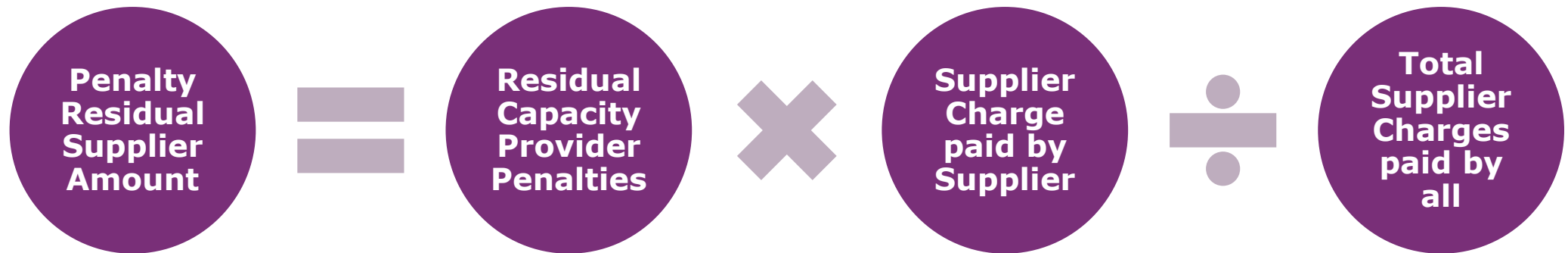
A method of distributing out to Suppliers any Capacity Provider Penalty Payments which remain (after total amount of Over-Delivery Payments are paid).

Applies where:

- One or more stress events have occurred in the Delivery Year, AND
- Net penalties have been collected from Capacity Providers, AND
- The Supplier has paid Supplier Charges in that Delivery Year



Penalty Residual Supplier Amount



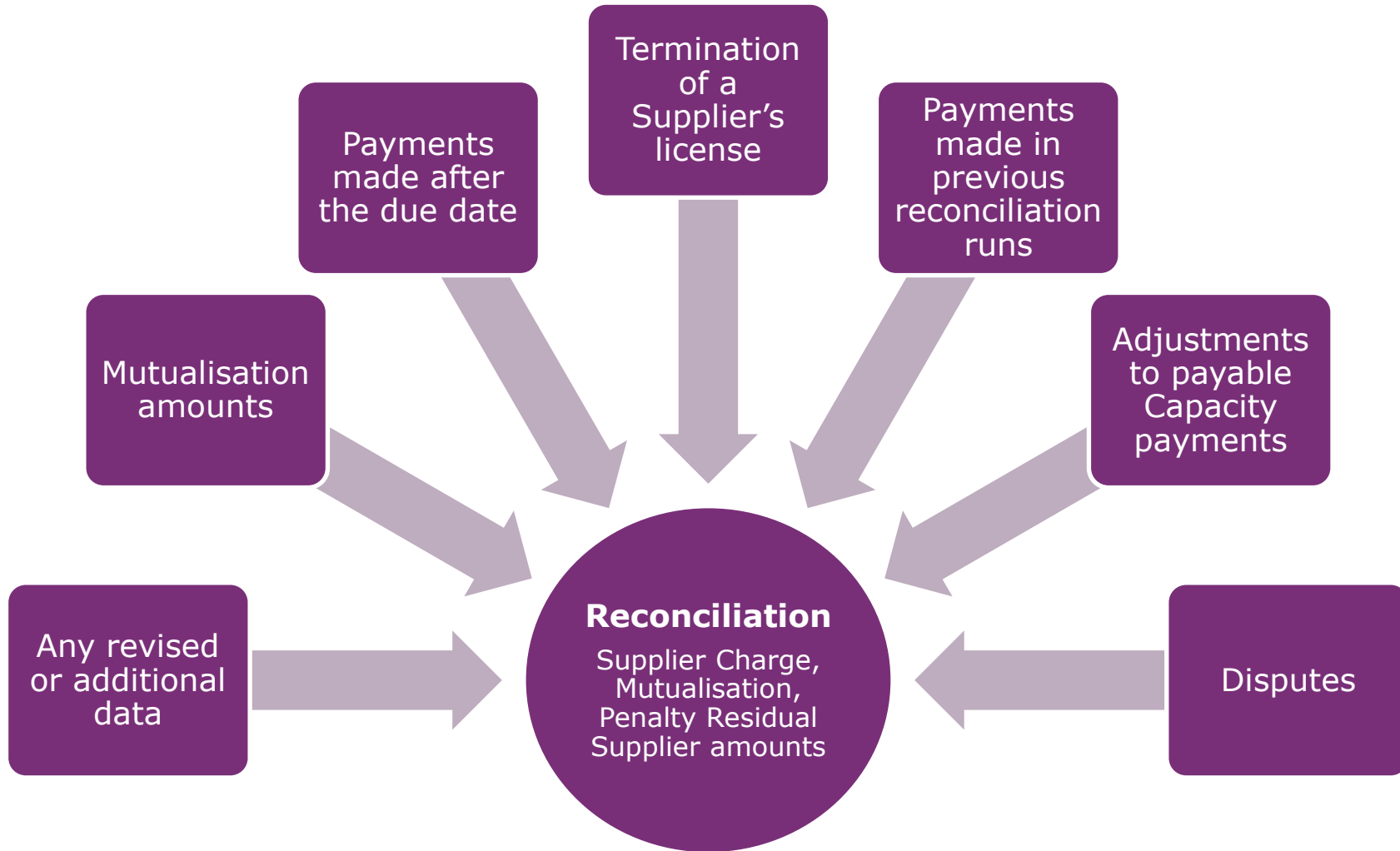
- This calculation will be performed after the end of the Delivery Year (early November).
 - Credit note issued 26WDs after the end of the Delivery Year.



EMR
SETTLEMENT
LIMITED

Reconciliation

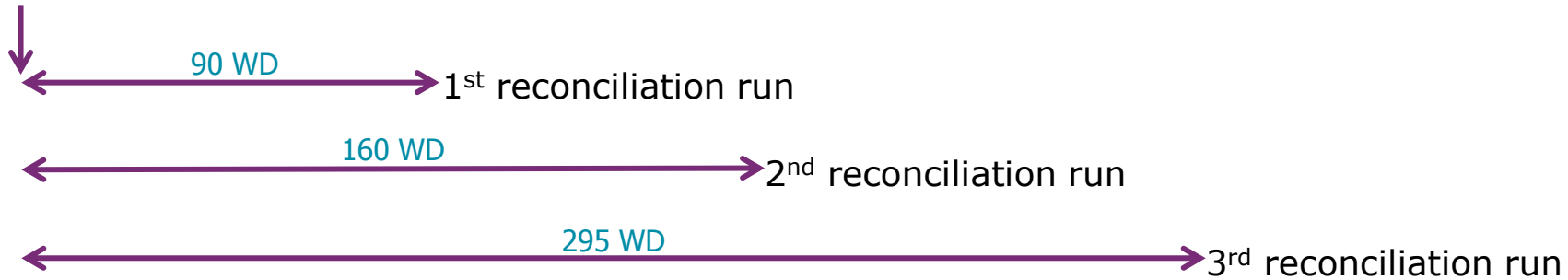
Reconciliation



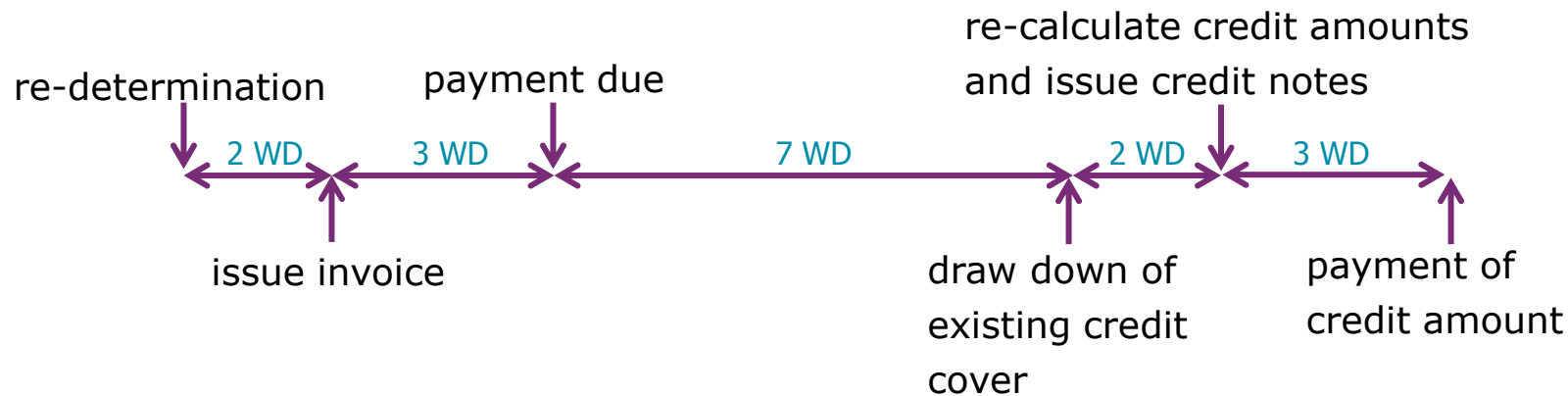
Reconciliation Timeline

- A run needs to be commenced by:

End of relevant month



- Within these timescales, re-determination invoicing and payment activities occur:



Monthly reconciliation

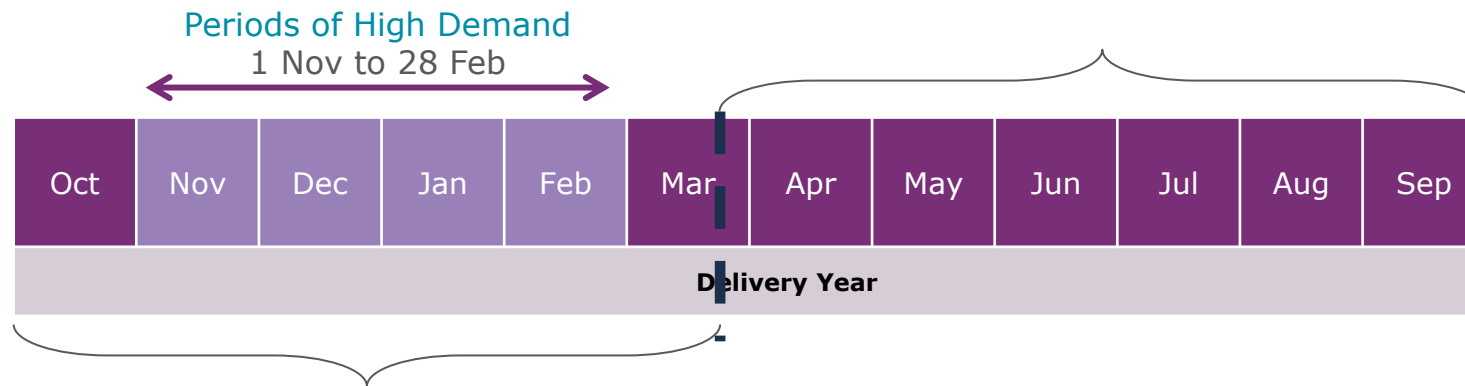
- Monthly reconciliation calculates the difference between the Supplier Charge a Supplier has already paid for a month and re-determined Supplier Charge for that month



- Re- determination of the Supplier Charge takes into account
 - Transition from forecast to meter data
 - Adjustments to Capacity Provider payments payable
 - Mutualisation credit

Reconciliation meter data

Reconciliations runs carried out will **all** use meter data for the period of high demand



Reconciliations runs carried out will use a **mixture** of meter data and forecast data for the period of high demand

- If SF run data is available for the whole of the month then this will be used in reconciliation calculations. If it is not or it is only partially available then forecast data is used.

Monthly reconciliation example

- Re- determination of Supplier Charge:
 - Actual Monthly Total Capacity Provider Payments for October 2014:
£ 49 million
 - Supplier's Net Demand for 2014/15 Delivery Year (including actual data for Nov & Dec):
1.5 million MWh
 - All Suppliers Net Demand for 2014/15 Delivery Year (including actual data for Nov & Dec):
10.5 million MWh
 - 45 million x (1.5 million ÷ 10.5 million) = **£7 million**
 - October 2014 Supplier Charge amount: **£9 million**
- Monthly Reconciliation Payment:
7 million – 9 million = - **£2 million**

Contact Details in case of queries

Contact partner: EMR Settlement Services Helpdesk
 E-Mail: contact@emrsettlement.co.uk
 Telephone: 0207 380 4333

INVOICE

TESTSUPA
 4th Floor
 30 Euston Road
 NW1 3AW

Bill data (please provide during enquiries)

Invoice Number: 1037
 Invoice Date: 12 February 2015
 Due Date: 17 February 2015

Payment Types

Payment Type	VAT Code	Net Amount (£)
Supplier Charge Reconciliation Amount for October 2014	0	- £2,000,000.00

VAT Breakdown				Subtotal (£)	- £2,000,000.00
Code	Net Total	Tax Rate	Tax Amount	VAT (£)	£0.00
0	- £2,000,000.00	0%	£ 0.00	Grand Total (£)	- £2,000,000.00

The amount due will be collected by Direct Debit on or immediately after the due date stated above.

Bank Name Royal Bank of Scotland Group
 Sort Code 60-70-80
 Account Number 10018522
 Account Name ESC Op Cost Receipt

Electricity Settlements Company Ltd
 Fleetbank House, 2-6 Salisbury Square, London EC4Y 8JX
 T: +44 (0)20 7211 8881
www.electricitysettlementscompany.uk

Monthly reconciliation backing data

These columns provide information on
payment amount

/BIC/N1_J1	/BIC/N1_J2	/BIC/N1_J2	/BIC/N1_J2	/BIC/N1_J1	/BIC/N1_J1	/BIC/N1_J1	/BIC/N1_J1	/BIC/N1_J0	/BIC/N1_J0	/BIC/N1_J1	/BIC/N1_J1	/BIC/N1_J0	/BIC/N1_J1	/BIC/N1_J1
923	029	009	031	993	992	901	972	073	146	937	938	074	984	J1985
201410	49000000	1500000	10500000	20141101	20150228	7000000	-2000000							
201410	49000000	1500000	10500000	20141101	20150228	7000000	-2000000	20141103	R1	108.8	132503.9	33	17.7	20437.66
201410	49000000	1500000	10500000	20141101	20150228	7000000	-2000000	20141103	R1	108.8	132503.9	34	17.95	21895.16
201410	49000000	1500000	10500000	20141101	20150228	7000000	-2000000	20141103	R1	108.8	132503.9	35	18.125	22842.01
201410	49000000	1500000	10500000	20141101	20150228	7000000	-2000000	20141103	R1	108.8	132503.9	36	18.25	22788.49
201410	49000000	1500000	10500000	20141101	20150228	7000000	-2000000	20141103	R1	108.8	132503.9	37	18.375	22471.21
201410	49000000	1500000	10500000	20141101	20150228	7000000	-2000000	20141103	R1	108.8	132503.9	38	18.4	22069.38

These columns provide information on
metered volumes

Key resource: <https://dtd.mrasco.com/listdataflows.aspx>



Monthly reconciliation backing data- payment amounts

This amount takes account in any reduction in payments payable to Capacity Providers

These amounts includes metered data for November and December and forecast data for January or February


CM Month Id	Total Monthly Capacity Payments	Supplier Net Demand for Periods of High Demand	Total Net Demand for Periods of High Demand	Reference Period Start Date	Reference Period end Date	Capacity Market Supplier Charge	Net Payment
/BIC/N1_J1923	/BIC/N1_J2029	/BIC/N1_J2009	/BIC/N1_J2031	/BIC/N1_J1993	/BIC/N1_J1992	/BIC/N1_J1901	/BIC/N1_J1972
201410	49000000	1500000	10500000	20141101	20150228	7000000	-2000000

49 million x (1.5 million ÷ 10.5 million) = £7 million

7 million – October Supplier Charge paid (9 million) = **-2 million**

- You will have to look at backing data associated with October Supplier Charge for what the original amounts were

Monthly reconciliation backing data- metered data



Settlement Date	Settlement Code	Daily Supplier Net Demand for Periods of High Demand	Daily Total Net Demand for Periods of High Demand	Settlement Period ID	Period Supplier Net Demand for Periods of High Demand	Period Total Net Demand for Periods of High Demand
/BIC/N1_J0073	/BIC/N1_J0146	/BIC/N1_J1937	/BIC/N1_J1938	/BIC/N1_J0074	/BIC/N1_J1984	/BIC/N1_J1985
20141103	R1	108.8	132503.9	33	17.7	20437.66
20141103	R1	108.8	132503.9	34	17.95	21895.16
20141103	R1	108.8	132503.9	35	18.125	22842.01
20141103	R1	108.8	132503.9	36	18.25	22788.49
20141103	R1	108.8	132503.9	37	18.375	22471.21
20141103	R1	108.8	132503.9	38	18.4	22069.38

One settlement date

Provides net demand detail for a **settlement date**

Provides net demand detail for a **settlement period**

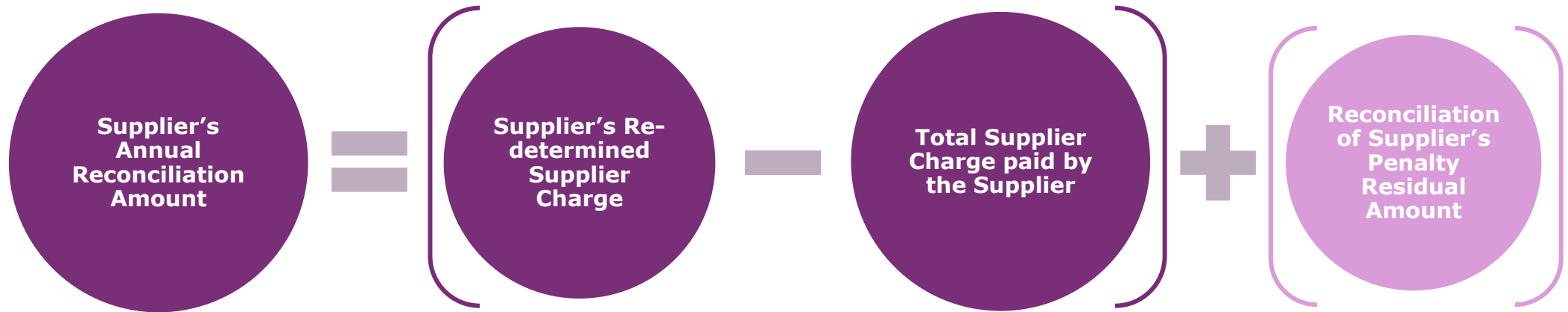




EMR
SETTLEMENT
LIMITED

Annual Reconciliation

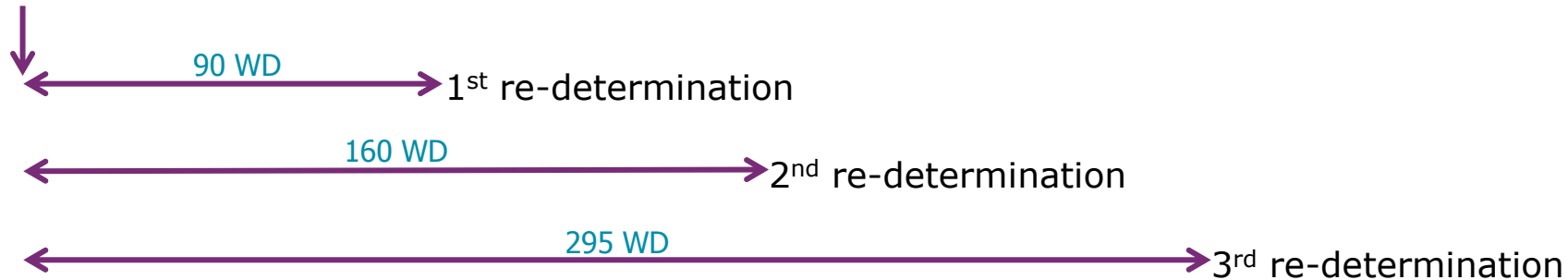
Annual reconciliation



- Three annual reconciliation runs happen for each Delivery Year. This allows for the Penalty Residual Supplier Amount to also be reconciled.
- It follows the same timeline as monthly reconciliations.

Annual reconciliation

End of relevant year

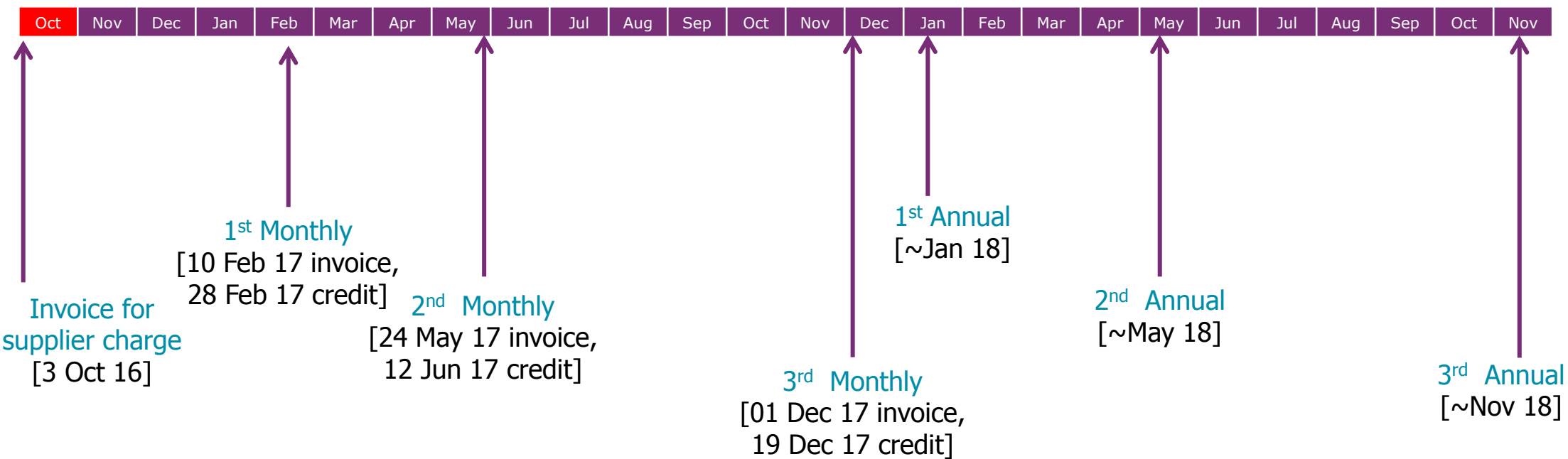


- Three annual reconciliation runs happen for each Delivery Year. This allows for the Penalty Residual Supplier Amount to also be reconciled.
- It follows the same timeline as monthly reconciliations.

Reconciliation timeline

- How Supplier Charge payment for October 16 will be reconciled

BSC calendar released, EMR calendar updated and annual reconciliation dates known



Reconciliation timeline

- Once annual reconciliations start then monthly reconciliations stop so not every month of a Delivery Year will have three monthly reconciliations.

Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
The 1 st monthly reconciliation will take place for these months										No 1 st monthly reconciliation as annual reconciliations have started	
The 2 nd monthly reconciliation will take place								No 2 nd monthly reconciliation as annual reconciliations have started			
The 3 rd monthly reconciliation will take place		No 3 rd monthly reconciliation as annual reconciliations have started									



**EMR
SETTLEMENT
LIMITED**

Questions



EMR
SETTLEMENT
LIMITED

Summary and further information

Supplier Activities linked to a Delivery Year

Demand Forecast

Suppliers need to provide a demand forecast for the periods of high demand by **1 June** before a Delivery Year. This is used to calculate Credit Cover and Supplier Charge payments.

Key Documents

- Working Practice 5
- Guidance Document 12

Reconciliation

Monthly and annual reconciliations take place.

Key Documents

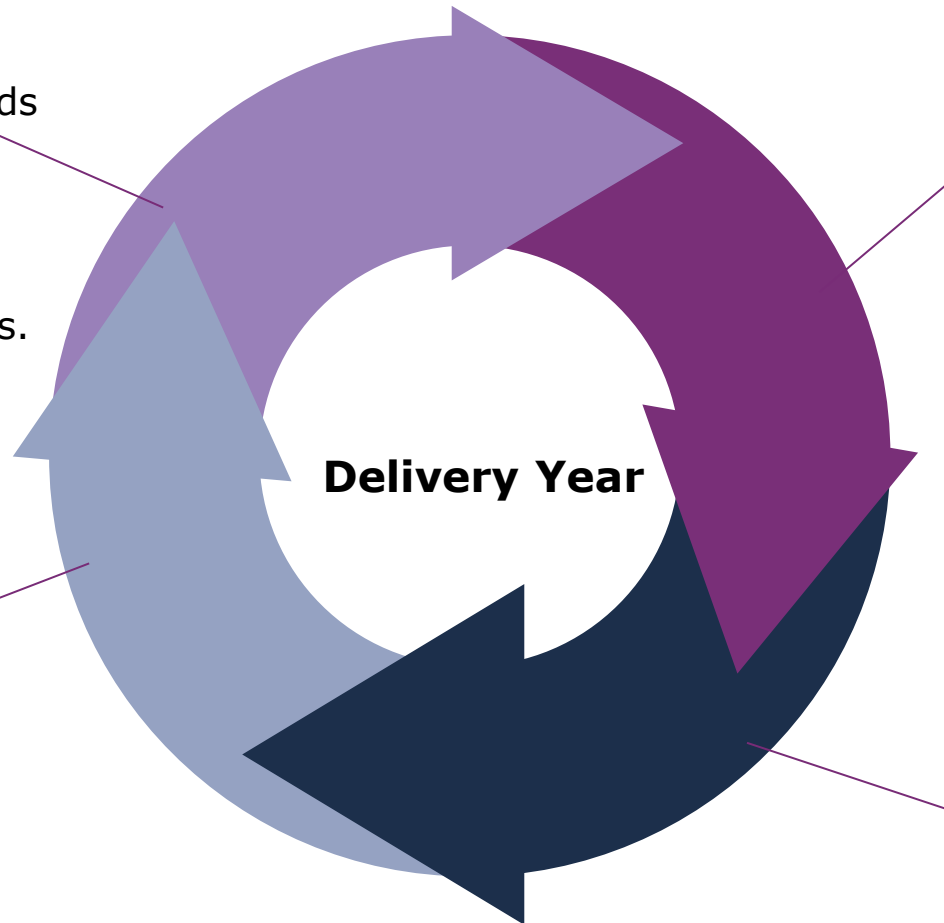
- EMR Settlement Calendar

Exception Processes

If a Supplier doesn't lodge Credit Cover or make a payment then Credit Cover default, mutualisation and non payment processes may be enacted

Key Documents

- Working Practice 41



Credit Cover

Suppliers are required to lodge valid Credit Cover for each month of a Delivery Year, **12 Working Days** before the start of a month.

Key Documents

- Working Practice 45

Supplier Charge

Suppliers are required to make monthly payments to fund Capacity Provider payments for each month. Suppliers are invoiced for these on the **1st Working Day** of a month in Delivery Year.

Key Documents

- Guidance Document 2
- EMR Settlement Calendar

Further information

■ EMRS website

- <http://emrsettlement.co.uk/>
- Sign up to our **EMR circulars**
<https://emrsettlement.co.uk/publications/emrs-circulars-2>

■ Settlement data

- Key figures for Supplier payments in 2016/17
- EMR **Settlement Calendar**
<https://emrsettlement.co.uk/publications/settlement-data/>

■ ESC <https://electricitysettlementscompany.uk>

■ All queries

- contact@emrsettlement.co.uk
- 020 7380 4333

The screenshot shows the EMR Settlement Limited website. At the top left is the logo, a stylized four-pointed star in purple and blue, followed by the text "EMR SETTLEMENT LIMITED". To the right is a "Subscribe here" button with a right-pointing arrow and the text "to receive the latest Circulars". Below the logo is a navigation menu with links: HOME, ABOUT, PUBLICATIONS, CHANGE, STAKEHOLDER SUPPORT, NEWS, CALENDAR, WHO WE ARE, CONTACT US. The main content area has a purple background with white text: "We are the EMR Settlement Services Provider and will deliver settlement for the Contract for Difference (CFD) and the Capacity Market (CM). We have been appointed by DECC, and are acting on behalf of the Low Carbon Contracts Company (the CFD Counterparty) and the Electricity Settlements Company (the CM Settlement Body)." Below this is a search bar with the text "Google Custom Search" and a "SEARCH" button. On the right side, there is a calendar for the month of November, showing days from 1 to 30. Below the main content area, there is a "News" section with a headline "Supplier CFD Credit Cover documents now published" and a "READ MORE" button.

EMR SETTLEMENT LIMITED

Subscribe here
to receive the latest Circulars

HOME ABOUT PUBLICATIONS CHANGE STAKEHOLDER SUPPORT NEWS CALENDAR WHO WE ARE CONTACT US

We are the EMR Settlement Services Provider and will deliver settlement for the Contract for Difference (CFD) and the Capacity Market (CM). We have been appointed by DECC, and are acting on behalf of the Low Carbon Contracts Company (the CFD Counterparty) and the Electricity Settlements Company (the CM Settlement Body).

Google Custom Search SEARCH

News [Supplier CFD Credit Cover documents now published](#)

We've published the Supplier CFD Credit Cover documents on the [publications page](#) of the EMRS website. These documents will provide you with further information on the Credit Cover provisions within the [Contracts for Difference \(Electricity Supplier Obligations\) Regulations 2014](#).

The documents include:

- [WJP42 – Supplier CFD Credit Cover](#)
- [G5 – Supplier CFD Credit Cover](#)

We issued [EMRC66](#) to...

READ MORE

Nov

MON	TUE	WED	THU	FRI	SAT	SUN
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
						30



EMR
SETTLEMENT
LIMITED

**Next event:
9 November, Introduction to EMR**