

CIRCULAR

TYPE & NUMBER EMR Circular 140

Date 1 November 2017

Purpose For information

Capacity Market updates applied to the EMR Settlement Systems and documents

On behalf of [Electricity Settlement Company](#) (ESC), EMRS would like to inform **Capacity Providers** that the EMR Settlement Systems and EMRS documents have been updated relating to the following changes:

- Introduction of CMVR Registered Participants to Volume Reallocation
- Offset Capacity Penalties against Recovery of Capacity Payments
- Changes to the Penalty Regime

The circular provides a summary of these changes and the EMRS documents that have been updated accordingly.

Introduction of CMVR Registered Participants to Volume Reallocation

The required updates have been made to the EMR Settlement System and processes to reflect the changes to allow Capacity Market Participants who have prequalified CMUs without a Capacity Agreement to participate in Volume Reallocation for that Delivery Year. This creates a Capacity Market Volume Register (CMVR) Registered Participant¹ and allows them to trade volume (either as a transferor that gives volume, or a transferee that receives volume), and where appropriate receive Over-Delivery Payments.

This change has seen the implementation of a new authorised role² 'Trading Contact' and the privilege to be approved to submit Capacity Market Volume Register Notifications (CMVRNs). This privilege will be added to your Primary Party Authority, Finance Authority and Operating Authority.

To setup a 'Trading Contact' please return a completed [WP31/1-EMR Party Details Amendment Form](#) to the [Service Desk](#). Please note that EMRS requires both a **signed** (by authorised contact) **PDF version** and the **Excel version** of the form to be sent back. An authorised contact should be copied into the request email before any changes can be updated.

Offset Capacity Penalties against Recovery of Capacity Payments

Where a CMU fails to demonstrate satisfactory performance by the end of a Delivery Year, they are required to repay any Capacity Payments received for that Delivery Year. To this date, it was unclear how the Capacity Penalties should be handled if this situation rose.

The resolution is as follows: where a Capacity Provider fails to demonstrate satisfactory performance of a CMU by the end of a Delivery Year, an invoice is raised to recover the Capacity Payments received for that Delivery Year. Any Capacity Penalties paid for that CMU for the Delivery Year will be deducted from the invoice raised to the Capacity Provider.

This change only applies where Capacity Providers fail to demonstrate satisfactory performance of the CMU by the end of the Delivery Year, such that all Capacity Payments paid need to be recovered.

¹ [The Capacity Market \(Amendment\) Rules 2016 \(Rule 10.1A\)](#)

² Further details are available in G4-EMR Settlement Authorisations, which is available on the EMRS website: <https://www.emrsettlement.co.uk/publications/guidance/>

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The invoice for Recovery of Capacity Payments with separate invoice lines will be used for:

- Recover Capacity Payments made for [CMU]
- Less Penalty Charges Paid for [CMU]

Changes to the Penalty Regime

EMR Settlement Systems and processes have been updated to reflect the changes³ Capacity Providers will see to the penalty regime⁴. These include changes to **penalty caps, penalty rates, apportionment of penalty charges** and the **monthly penalty charge** (also as a result monthly Capacity Payments).

The penalty regime consists of adequately penalising Capacity Providers for not meeting their Capacity Obligations during a System Stress Event. This is done to dis-incentivise non-performance, whilst ensuring that there remains a continued incentive to meet their future Capacity Obligations over the Delivery Year. At the same time, the risk of gaming needs to be minimised.

Publication of impacted documents

The following [Working Practices](#) and [Guidance](#) documents have been updated and published on the [EMRS website](#) to reflect these changes:

EMRS Document	Change
WP1 - Overview of EMR Settlement	<ul style="list-style-type: none">• Introduction of CMVR Registered Participants to Volume Reallocation
WP22 - Applicant Capacity Provider Registration	<ul style="list-style-type: none">• Introduction of CMVR Registered Participants to Volume Reallocation
WP25- EMR Aggregation Rules	<ul style="list-style-type: none">• Introduction of CMVR Registered Participants to Volume Reallocation
WP48 – Volume Reallocation	<ul style="list-style-type: none">• Introduction of CMVR Registered Participants to Volume Reallocation
G04 – EMR Authorisation	<ul style="list-style-type: none">• Introduction of CMVR Registered Participants to Volume Reallocation
G17 – Capacity Provider Payments	<ul style="list-style-type: none">• Introduction of CMVR Registered Participants to Volume Reallocation• Changes to the Penalty Regime

Where can I get more information?

If you have any questions about this circular, please email contact@emrsettlement.co.uk or call us on 020 7380 4333.

³ [The Capacity \(Amendment\) Regulations 2016](#)

⁴ <https://www.gov.uk/government/consultations/2015-consultation-on-capacity-market-supplementary-design-proposals-and-changes-to-the-rules-and-regulations>