

# CIRCULAR

**TYPE & NUMBER** EMR Circular 147

**Date** 1 February 2018

**Purpose** For information

## Introducing gross demand to calculate Suppliers Capacity Market payments from 1 April 2018

EMRS would like to inform **Suppliers** that the [Electricity Capacity \(Amendment\) Regulations 2017](#) replaces **net demand** with **gross demand** in calculating Capacity Market (CM) charges for **Suppliers**. This will apply as follows:

- **Settlement Costs Levy** payments for the Financial Year starting **1 April 2018**
- **Supplier Capacity Market Charge** payments for the Delivery Year starting **1 October 2018**

This circular provides further details on the background of this change, updates to backing data, the documentation to be updated and the timeline of activities going forward.

### What is the background of this change?

In October 2016, [Department of Business, Energy & Industrial Strategy](#) consulted on [Capacity Market Proposals to simplify and improve accessibility in future Capacity Auctions](#). The consultation responses highlighted that in practice using 'net demand' could adversely impact competition by favouring Suppliers with embedded generation. The Amendment Regulations 2017 have replaced **net demand** with **gross demand**. This will bring the CM Supplier charging arrangements in line with those for Contracts for Difference.

Supplier payments in the CM are based on Market Share of Total Net Demand in periods of high demand (16:00-19:00 on working days from November to February). The use of net demand instead of gross demand was intended to encourage Suppliers to generate more during peak periods, much like Capacity Providers themselves do.

### Which Capacity Market charges for Suppliers will be impacted by this change?

This table illustrates the payment types and when gross demand will apply from.

Payment Type	When does this apply from?
<b>Capacity Market Supplier Charge</b> Revised Capacity Market Supplier Charge Capacity Market Supplier Charge – Monthly Reconciliation Capacity Market Supplier Charge – Annual Reconciliation	<b>1 October 2018</b>
<b>Settlement Costs Levy</b> Revised Settlement Costs Levy Settlement Costs Refund	<b>1 April 2018</b>

### Will the current and previous Delivery Years and Financial Years be impacted by this change?

It should be noted that calculations for the above payments for previous Delivery Years and Financial Years will continue to use net demand data. EMRS will hold and maintain two sets of Aggregation Rules to facilitate this change.

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## Will the Backing Data be updated to reflect this change?

[D0364 'CM Supplier Invoice Backing Data'](#) will continue to be populated and any net demand data items ([J2009](#) and [J2031](#) for example) will be replaced with gross demand data until a Data Transfer Change (DTC) change request is raised and implemented. This will be subject to [Master Registration Agent Service Company](#) (MRASCo) governance procedures. These changes could take approximately nine months to progress so therefore, there will be a period when the descriptions to the data items in the backing data are incorrect.

EMRS will communicate to Suppliers once a change request has been raised and with indicative dates for approval and implementation.

## What documents will be updated and when will these be published?

The following documents will be updated to reflect these changes:

- WP1 - Overview of EMR Settlement
- WP5 - Supplier CM Demand Forecast
- G2 - Calculation of Supplier Demand for EMR Charging
- G12 - Supplier Capacity Market Demand Forecast
- G14 - Supplier CM Credit Cover
- G15 - Capacity Market Supplier Payments
- G16 - Supplier Contracts for Difference

These documents are scheduled to be published on **1 March 2018**.

## What is the timeline of activities going forward?

The table below illustrates the timeline of activities related to this change.

Date	Activity
<b>1 March 2018</b>	Confirm to Suppliers the updated documents have been published
<b>End of March 2018</b>	Settlement Costs Levy 2018/19 schedule to be issued based on gross demand
<b>April 2018</b>	Instruction to Suppliers to submit their Supplier Capacity Market Demand Forecast 2018/19 based on gross demand
<b>1 June 2018</b>	Deadline for Suppliers to submit their Supplier Capacity Market Demand Forecast 2018/19 based on gross demand
<b>End of July 2018</b>	Issue Suppliers Capacity Market Supplier Charge and Credit Cover schedule 2018/19 based on gross demand

## Where can I get more information?

If you have any questions, please email [contact@emrsettlement.co.uk](mailto:contact@emrsettlement.co.uk) or call us on 020 7380 4333.