

CIRCULAR

TYPE & NUMBER EMR Circular 163

Date 27 July 2018

Purpose For information

Suppliers to receive Capacity Market Credit Cover and Supplier Charge schedule for the upcoming Delivery Year

EMRS, on behalf of [Electricity Settlements Company](#) (ESC), will be issuing to **Suppliers** a schedule of their monthly Capacity Market Credit Cover requirements and Supplier Charge for the upcoming 2018/19 Delivery Year on 27 July 2018.

The schedule contains the following:

- A Supplier's Credit Cover requirements;
- Monthly deadlines for provision of Credit Cover; and
- A Supplier's monthly Supplier Charges.

This circular includes the following:

- How Credit Cover and the Supplier Charge are calculated;
- Key dates you need to be aware of for Credit Cover and the Supplier Charge; and
- What is included in the 2018/19 Delivery Year (the Aggregated Capacity and the Total Capacity Provider payments)?

Who does this impact?

This impacts **Suppliers** who submitted a non-zero Demand Forecast¹ to EMRS between May and June 2018.

How are my Credit Cover requirements and Supplier Charges calculated?

Suppliers are obligated² to pay a monthly Supplier Charge to cover the costs of Capacity Provider payments for a Delivery Year. The total Supplier Charges for a Delivery Year are equal to the total cost of Capacity Provider payments for a Delivery Year. The total cost of Capacity Provider payments are apportioned across Suppliers by their share of the total Gross Demand for the Periods of High Demand³ within a Delivery Year.

Suppliers needed to provide a forecast of their relevant Gross Demand to EMRS by 1 June 2018. These forecasts are used to calculate the Supplier Charge and Credit Cover requirements for the 2018/19 Delivery Year. A Supplier's minimum Credit Cover requirement in respect of a month is 110% of their monthly Supplier Charge.

Payments are initially based on forecasted metered data; these will be revised once actual data is received for the Periods of High Demand. An updated schedule will be sent to all Suppliers in March 2019, with updated amounts applying from May 2019.

[G15 - CM Supplier Payments](#) provides further information on how Supplier Charges are calculated.

Unlike the Settlement Costs Levy, the Supplier Charge and Credit Cover requirements will vary from month to month as a monthly weighting factor is applied. As a result, Supplier Charges and Credit Cover requirements will be higher over winter months compared to the summer months.

¹ For more information please refer to [EMR Circular 156](#).

² The Electricity Capacity (Supplier Payment etc.) Regulations 2014

³ Period of High Demand means 4 p.m. to 7 p.m. on any working day in November, December, January or February. Please see our [Acronyms and Definitions document](#) for more defined terms.

CIRCULAR

The **weighting factors** will be published on the [Settlement Data](#) page of our website following the issue of the Schedule of Supplier's Monthly Supplier Charges and Credit Cover requirements.

How do I lodge Credit Cover?

Credit Cover can be accepted as either cash or Letter of Credit or a combination of the two. Please note, in order for Credit Cover to be considered to be lodged, the cash amount must have been received in the relevant bank account or a valid Letter of Credit must have been received by EMRS. When lodging a Letter of Credit by SWIFT message please email a copy of the message to contact@emrsettlement.co.uk.

[WP45 – Supplier CM Credit Cover](#) details the process for lodging Credit Cover including the Letter of Credit templates and bank details. [G14 – Supplier CM Credit Cover](#) provides further guidance on CM Credit Cover. Should you wish to make changes to the wording of the Letter of Credit then these changes should be authorised by EMRS before submitting to our bankers. Unauthorised changes will be rejected.

What are the key dates I need to be aware of?

Activity	Date
EMRS issues Schedule of Supplier's Monthly Supplier Charges and Credit Cover requirements	27 July 2018
Suppliers' first deadline to lodge Credit Cover ⁴ for October 2018	5pm on 13 September 2018
EMRS invoices Suppliers for October's Supplier Charge	1 October 2018
EMRS issues revised Schedule of Supplier's Monthly Supplier Charges and Credit Cover requirements	31 March 2019
Suppliers' first deadline to lodge Credit Cover based on revised requirements for May 2019	5pm on 11 April 2019
Suppliers to be invoiced for May's Supplier Charge based on the revised schedule	1 May 2019

What is included in 2018/19 Delivery Year?

This upcoming Delivery Year includes the first T-4 Auction and T-1 Auction. The final auction results for these are available on the [Delivery Body](#) website:

- [Final Auction Results - T-4 Capacity Market Auction 2014](#)
- [Final Auction Results - T-1 Capacity Market Auction for 2018/19](#)

⁴ Suppliers are required to lodge Credit Cover by no later than 12 Working Days before the start of a month within a Delivery Year.

CIRCULAR

The Total Capacity Provider payments for 2018/19 Delivery Year are illustrated in the table below:

Auction	Clearing Price ⁵	Adjusted Capacity Cleared Price ⁶	Aggregate Capacity	Total Capacity Provider Payments
T-4	£19,400.00 MW	£20,828.517 MW ⁷	47528.175 MW	£989,941,404
T-1	£6,000.00 MW	N/A	5798.096 MW	£34,788,576
Total				£1,024,729,980

This shows the Clearing Prices awarded at Auction and the T-4 Clearing Price has been adjusted for UK Consumer Prices Index (CPI). The aggregated capacity is taken from the applicable [Capacity Market Register](#) available on the [Delivery Body website](#) and this is something you can monitor to ascertain any changes.

£1,024,729,980 is the total cost of Capacity Provider payments (including both T-4 and T-1 Auctions) for 2018/19 Delivery Year.

More information

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

⁵ As stated in the [Final Auction Results T-4 Capacity Market Auction 2014](#) and the Clearing Price has been converted from £ per kW to £ per MW.

⁶ More information on the Adjusted Capacity Cleared Price please refer to [EMR Circular 162](#) or the [Settlement Data for Capacity Providers](#) webpage.