

# Energy UK Feedback on National Grid Delivery Body's Mock Capacity Market Stress Event

8<sup>th</sup> June, 2018

## About Energy UK

Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 27 million homes and every business in Britain. Over 730,000 people in every corner of the country rely on the sector for their jobs, with many of our members providing lifelong employment as well as quality apprenticeships and training for those starting their careers. Annually, the energy industry invests over £11bn, delivers £88bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HMT.

## 1. Executive Summary

- 1.1. We welcome the mock Capacity Market (CM) stress event exercise that took place in April and May 2018; it has given the industry the opportunity to test the CM Rules, systems and procedures as well as internal processes. We also welcome the opportunity to share our experiences and reflections with the EMR Delivery Body and the EMR Settlements Body (EMRS) at the Mock Stress Event workshop on 21st June.
- 1.2. We identified a number of issues during the process that we believe need to be addressed urgently and ideally before the next Delivery Year. If this had been an actual CM stress event, we believe that neither the Delivery Body nor the EMRS would be able to demonstrate that the CM Volume Reallocation Register was accurate. This would leave the EMRS open to a challenge under Regulation 74 and put the application of penalty charges or over-delivery payments in accordance with Regulations 41 and 42 at risk. Furthermore, Ofgem and BEIS would need to have engaged in the process as they would have been contacted by affected Capacity Market participants immediately following a stress event. The process as it stands would lead to an unsatisfactory outcome and would leave participants liable for penalties that they have no control over or ability to trade out of. We also believe that there would be significant adverse reputational impact on all energy market participants, National Grid, Ofgem and the Government. Therefore, it is vital that the industry works together to ensure that we have in place appropriate processes to manage a stress event.
- 1.3. We have set out below our key observations following the mock exercise along with more specific, detailed feedback on aspects of the mock exercise which we hope provides a good basis for discussions at the workshop on 21 June.

## 2. Key Observations

- 2.1. It is essential for there to be an industry-wide agreed process in place so that if an actual stress event were to occur and the Delivery Body and EMRS repeated these errors, affected Capacity Provider participants would have protection against the impact.
- 2.2. It is important that there is another mock exercise which stimulates a stress event occurring to be carried out as soon as practicably possible. This could be achieved by deliberately excluding generation from some CMUs to create a scenario with an apparent shortfall in supply and

ensuring a complete end to end process is undertaken (through to calculating over-delivery payments).

- 2.3. Systems and processes need to be fit for purpose given tight timescales, therefore all delivery partners should undertake vigorous testing of their processes and systems before the next mock exercise.
- 2.4. Capacity Providers participants were able to test internal processes and procedures; some of these are now subject to improvements and another mock exercise would provide the opportunity to test these further.
- 2.5. Capacity Providers participants encountered a number of delivery partner systems issues which hindered our ability to effectively participate in the mock exercise.
- 2.6. Communication from the Delivery Body and EMRS was insufficient; during an actual stress event this would be wholly inadequate and ineffective.

### 3. Communication

- 3.1. The 'webinars' were actually pre-recorded presentations; we expected the webinar to be interactive and give us the ability to receive and discuss information in real-time. The presentations were difficult to navigate, information was incomplete and did not provide us with the opportunity to ask questions.
- 3.2. There are too many guidance documents (Working practice documents, mock exercise presentation, guidance embedded in excel tools and further mock exercise guidance). Much of the information overlapped and navigating these documents was challenging made it often difficult to recall where to find specific details. **We would recommend that the delivery parties co-operate to rationalise the number of guidance documents** so Capacity Provider participants can access all the relevant information easily.
- 3.3. We received no responses to emails from either the Delivery Body or EMRS (other than automatic acknowledgement from EMRS).
- 3.4. The EMRS failed to notify Capacity Providers or Agents that there were issues with its data and that the ALFCO would change on a daily basis.
- 3.5. If there had been a system failure, CM Rule 10.6.2 would require EMRS to 'use all reasonable efforts as soon as practicable to' communicate this to all parties. Based on our experiences, we are uncertain whether the EMRS have the capability to do this.
- 3.6. When issues were raised with EMRS such as incorrect data, the EMRS logged these issues as 'closed' without addressing or resolving the issue at all – were there internal KPIs that needed to be met?
- 3.7. The 'helpline' was principally a messaging service; logging significant issues with the volume reallocation process and data did not appear to lead to these issues being escalated to senior EMRS representatives. Queries and issues were not addressed quickly (i.e. Responses to Volume Reallocation queries need to be prioritised ahead / dealt with separately of other general EMRS queries)

### 4. Stress Event Announcement

- 4.1. The email circulation list for the stress event notification was too limited compared to other CM updates, we would welcome clarity as to whether this reflects real stress event process intent. **We recommend that stress event notifications are issued from a unique email address that is not used for generic CM updates** (i.e. so this email address can then be added to Control Room systems and processes).

## 5. Balancing Services Process

- 5.1. The Delivery Body's aspiration for all CMUs to report (including BMUs even where not providing Relevant Balancing Services) is inconsistent with the CM rules.
- 5.2. The Relevant Balancing Services reporting tool and the associated briefing materials could be significantly improved. When selecting a CMU ID it pulled across the wrong CMU name which cannot be edited by relevant providers. **We recommend that the Delivery Body ensures that the reporting tools are pre-populated with relevant details where possible;** this could include naming conventions and delivery periods as well as limiting the CMU lists to relevant applicant CMUs only.
- 5.3. We are concerned with the capability of the Delivery Body's systems; the system does not issue a response confirmation from [emr@nationalgrid.com](mailto:emr@nationalgrid.com); for one party delivery to server appeared to take at least 16 minutes. We do not have confidence that the Delivery Body's system will be able to manage multiple submissions during a stress event.

## 6. Metering Data Submission

- 6.1. Some participants with bespoke metered CMUs bilaterally agreed the aggregation rules with EMRS and would submit csv files on a weekly basis, so EMRS would have had the meter data for the mock exercise period. However, the data was not picked up for any of these CMUs and E was 0.

## 7. Volume Reallocation Phase

- 7.1. The Volume Reallocation window should be ten working days; the mock exercise did not allow for the bank holiday and effectively therefore the exercise was for only nine working days.
- 7.2. Aggregation rules were not correctly applied to CMUs leading to incorrect "E" figures being generated. Although some of these figures were corrected through the ten day window some CMUs remained incorrect to the end; there were instances where a CMU whose figures were corrected then had that correction undone. **We recommend the delivery partners ensure the correct application of the aggregation rules for BMUs; this should be conducted independently of any mock exercise.** It would also be sensible for EMRS to carry out regular checks of its ability to correctly calculate "E" figures particularly once new aggregation rules are loaded at the start of each Delivery Year. Such checks should include participation by Capacity Providers for their CMUs to provide assurance across industry that the correct methodology is in place.
- 7.3. **We recommend that the EMRS introduces a process to carry out adequate data checks before publication of the Register;** this would include publishing "E" figures to relevant participants for their CMUs only before publication of the Register as a whole to allow for challenge and resolution of issues. This would be in line with approach taken for Tier 1 prequalification disputes. We recognise that the delivery partners would need to review the process timescales defined in the CM rules to ensure that they allow sufficient time to undertake this. Consideration would need to be given to a CM stress event occurring at the end of a calendar month.
- 7.4. EMRS did not communicate as to why they were publishing particular "E" values for CMUs which made assessment of the aggregation issue difficult; participants were unable to effectively close out their positions and it will make trading with 3<sup>rd</sup> parties very difficult. **We recommend the EMRS clarify the circumstance under which and procedures taken if ALFCOs move as often as they did during mock exercise.** Participants were unable to effectively challenge incorrect metered volumes or ALFCOs; it resulted in lack of certainty around published under/over delivery and volume reallocation trades being left until the final day of the

window. Amendments applied to individual CMUs led to all the ALFCOs changing on a daily basis throughout the Volume Reallocation window (in both directions); consequently, all CMU ALFCOs were amended which meant that the basis for trying to undertake trades continually shifted, was difficult to manage and required constant rework. Some of the challenges faced included:

- i. Rejection of CMVRNs because the volume traded appear to exceed maximum allowed for a CMU following ALFCO update although participant doesn't know this until after CMVRN submission.
- ii. Not clear what happens if a CMVRN is accepted one day but a subsequent ALFCO update would then make it invalid.
- iii. Volume reallocation notifications to EMRS on the final day of the window are penalised (i.e. if there is an error, it cannot be resubmitted unlike notifications submitted earlier in the window)
- iv. EMRS should publish a template CSV volume reallocation file (print screen in current guidance is unhelpful).
- v. Could the EMRS publish excel file format allowing CMUs to back solve their ALFCO?
- vi. Volume allocation notifications submitted to EMRS on the final day of the window should be allowed to be resubmitted D+1 if errors are found in the CSV file.

7.5. Following CMVRN submissions; participants were not provided with a message as to which CMVRNs have succeeded and which have failed and in the latter case the reasons for the failures. This makes management of the trading process difficult when trying to balance across a portfolio of many CMUs for many periods. It also makes execution of trades with 3rd parties difficult when it is not clear which file has failed.

7.6. Capacity Providers and Agents had incorrect positions being attributed to CMUs; including:

- i. "E" figures for CMUs without a capacity obligation but which were registered for volume reallocations were in some cases wrongly quoted as 0.

7.7. **We recommend that the Volume Reallocation register is version controlled/time stamped** to ensure transparency of any amendments and that all versions remain available to participants in the market. We believe that updates/changes should be recorded in a similar manner to the CM Register.

7.8. We encountered a number of volume reallocation system issues including:

- i. The system is too sensitive to formatting issues in associated files, it needs to be more robust (failure of external volume reallocation trades).
- ii. Volume reallocation transfers took up to 24hrs to confirm, it needs to be quicker or automated (if not already) to facilitate expediency in correction of errors.
- iii. Where volume reallocation trades were rejected, the reason given were in some cases inaccurate.
- iv. Some trades for Capacity Agreements acquired through Transitional Arrangement auctions were accepted which should not have been permitted under CM Rule 11.3.5c. Whilst this issue only applies for this Delivery Year, it challenges the robustness of the application of the CM Rules to the EMRS process and systems.
- v. Volume reallocation contact details should be published on main registers for all auctions as currently this cannot easily found (only via link in webinar slide).

7.9. Documentation on volume reallocations needs to be made clearer some elements were only in webinar slides such as filename requirements and mailing addresses for CMVRNs.

## 8. Invoices

8.1. The penalty invoices were issued with the incorrect data transposed from the volume reallocation register. The EMRS removed the volume reallocation register from its website and therefore Capacity Providers are no longer unable to check invoices against the register. **We recommend that EMRS retain on its website all the registers** following any stress event.

**8.2.** In an actual stress event, Capacity Providers would receive an over delivery credit notice after the end of the Delivery Year. This mock exercise did not test this process; **we recommend that EMRS ensures that its systems are able to provide an over delivery credit notice in the event of an actual stress event.**

## **9. Other Comments**

- 9.1. Rule 4.4.4 regarding changes to the configuration of units was flagged during the Energy UK workshop.
- 9.2. Rule 6.7.6 isn't clear as to whether output is subject to derating and general guidance on that rule would be helpful.
- 9.3. A confirmation process from EMRDB to the capacity provider saying that the data has been sent to EMRS would be helpful to avoid circumstances whereby participants are not given the relevant balancing services adjustment. If incorrect during a real stress event participants would be facing non-delivery penalties. Currently without the betas we can't validate the calculations are all correct. In a real stress event, this delay would limit developers' ability to trade volume. There may need to be an appeals process to allow for payment of commercial loss should the beta flags not be supplied/are incorrect by the time the secondary trading window opens.
- 9.4. There were volume changes in the ALFCOs after the first report – this does not help with volume transfers. There should be a pause between publishing the capacity volume register and allowing transfers to ensure that errors can be rectified before accepting any volume reallocations. Without this, if the metering is wrong, then it affects the LFCO calculation and the initial under/over delivery so you don't know what you need to trade.
- 9.5. It would be helpful to see the constituent parts of the LFCO calculation under 8.5.3
- 9.6. Stress event tools should be on the portal rather than on a spreadsheet. This would give comfort that submissions had been received and would not rely on enormous spreadsheets.
- 9.7. Some members have flagged that it would be helpful to include the participant ID in the CVR.