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Dear Ian

### **Transmission Constraint License Condition**

The Renewable Energy Association gives below its views on the proposed guidance associated with the draft Transmission Constraint License Condition. Our members work on all types of renewable power and heat projects including all types of renewable electricity generation projects. These range from the smallest domestic systems to transmission connected projects of several hundred MW. Some of our members' projects are therefore license exempt whilst others are obliged to have a generation license and because of the wide range of technologies their projects cover diverse geographic locations ranging from those that are predominantly importing areas for electricity to those that are predominantly in exporting areas.

You have been copied into our response to DECC on the license conditions themselves so you should read the comments below in combination with that.

We will not repeat the high level comments on the draft conditions themselves that we have made to DECC. The key issues in your draft guidelines appear to relate to what constitutes uneconomic despatch and what constitutes excessively low or high prices. These can also be looked at as to whether despatch decisions and offer and bid prices can be objectively justified. We think that the best way to address these issues is by answering the specific questions you have asked.

### **Question 1: Do you agree with our interpretation of uneconomic dispatch?**

There are a number of possible reasons why dispatch may not be in accordance with only the parameters you have listed. For example fuel supply contracts may be of a type where spot market values of fuels are not relevant because of a long term arrangement to take a fixed amount of fuel at a fixed price with restrictions on remarketing it.

There is also the issue described in our submission to DECC as to whether it is not in fact acceptable to withhold at gate closure dispatch of a generator in an import constrained area if one considers one can obtain a higher (reasonable) price for it in the balancing mechanism.

Finally there is the issue of who determines the dispatch of a generator and / or its offer or bid prices. If these are under the control of a counterparty to a contract then the generator cannot be held accountable for decisions that it is not taking.

### **Question 2: Is the use of „within-day“ fuel and electricity prices to calculate generation profitability the most realistic approach?**

See above. Whether they are or are not will depend on the particular circumstances faced by the generator for example its fuel supply contracts and what price (including ROCs and similar) it would actually receive for its generation.

### **Question 3: What other costs, if any, should be included in our initial analysis of dispatch decisions?**

Dispatch decisions are often extremely complex and for example the relevant fuel cost may depend not only on the specific contractual arrangements for fuel

purchase but also the generator's assessment of the likely availability and price of that fuel in the future. In terms of price received for electricity generated bilateral contractual arrangements may contain all sorts of terms that may influence despatch for example penalties and bonuses for exceeding specific energy outputs in various timeframes. There may also be technical reasons why generators wish to avoid changing load for example perhaps on a temporary basis. There may also be maintenance related costs that relate to running hours / load changes / start ups and shut downs, some of which may be defined in maintenance contracts.

Clearly you cannot be aware of any bilateral arrangements for the purpose of any initial analysis.

**Question 4: Are there any further important arguments that provide objective justification for uneconomic despatch?**

In the current market it is important to consider what is economic for each despatch decision maker separately. For example a company that owns some generation and has contractual arrangements with other generation that includes despatch rights would be expected to optimise the despatch of its total "portfolio of plant over which it has despatch authority". Such portfolios may not coincide with the portfolios of generators owned by individual companies.

**Question 5: Are there any objective justifications cited above which should not be considered in our assessment?**

No.

**Question 6: Do you agree that the indicators outlined above are useful for Ofgem to consider when determining whether the bids are excessive or not?**

The parameters given are useful starting points.

**Question 7: Are there other factors or indicators that Ofgem should consider in interpreting this circumstance?**

There may be several other parameters for example the need to send somebody out to site to restart generation or even the risk that that will be necessary, with associated lost opportunity costs by not being able to pick up generation again at the end of the period for which the bid has been accepted.

**Question 8: Are there any further important arguments that provide objective justification for seemingly high bids?**

We assume that seemingly low (or high negative) bids are meant. See the answer to question 7 above.

**Question 9: Are there any objective justifications cited above which should not be considered in our assessment?**

No

**Question 10: Do you agree with our definition of arming fees, and that this is the relevant price to capture under this circumstance?**

As you are aware we do not consider it appropriate to include any provision relating to intertripping in this license condition and as such, whilst we welcome the proposal to exclude from consideration of any fees other than arming fees we do not think that these should be considered either. If they were to be considered then we believe that your definition is adequate.

**Question 11: Do you agree that the indicators outlined above are useful for Ofgem to consider when determining whether inter-trip arming fees are excessive or not?**

They would be a useful starting point to be used with no specific knowledge of the circumstances of the generator.

**Question 12: Are there other factors or indicators that Ofgem should consider in interpreting this circumstance?**

Almost definitely but what these are will depend on individual generator circumstances. It may be for example that if an intertrip is armed somebody (or an extra person) is sent to man the site or paid a standby retainer to minimise actual or lost opportunity costs should the intertrip be activated.

We hope that you find these comments useful. Please let me know if you would like to discuss them further.

Yours sincerely

Gaynor Hartnell

Chief Executive, Renewable Energy Association