

**From:** Admin [<mailto:admin@coalpro.co.uk>]

**Sent:** 07 December 2011 11:46

**To:** Socrates Mokkalas

**Subject:** Consultation - Electricity Capacity Assessment: Measuring and modelling the risk of supply shortfalls

**Consultation – Electricity Capacity Assessment: Measuring and modelling the risk of supply shortfalls**

The Confederation of UK Coal Producers (CoalPro) represents member companies who produce over 90% of UK coal output. As 80% to 90% of coal produced in the UK is sold to the electricity generating industry, CoalPro has a close interest in future electricity capacity.

CoalPro is disappointed that the electricity capacity assessment exercise is restricted to the next four years. Closures over that period as a result of the LCPD and the end of life of certain nuclear stations have been known for some time. If the capacity problem that these closures will create has not been resolved by now, it is likely to be already too late.

Much the greater problem will arise over the period to 2023 when there are likely to be further significant closures as a result of the Industrial Emissions Directive (including some older gas stations) and further closures of ageing nuclear plant. The capacity assessment exercise would be much more likely to be of value if it were to concentrate on this longer period.

CoalPro is also disappointed that the consultation makes no direct reference to the relationships between capacity and price. Capacity can always be acquired at a price. At the same time, the higher the price, the lower the demand, and the lower the need for new capacity.

There appears to be a consistent failure amongst policy makers to recognise that security of supply and price are two sides of the same coin. If prices are so high that the fuel poor are unable to adequately heat their homes, or businesses are unable to continue or are driven overseas, then, to them, high prices have the same effect as a supply interruption arising from a capacity shortfall.

It is equally disappointing that the document makes no reference to the nature of supply capacity. If, as seems likely, the closure of capacity is replaced by gas plant, then there could be an extremely high dependency on gas at peak periods on cold, still days. Again, it may be that adequate supplies of gas can be sourced, but only at extremely high, and volatile prices with all the consequences that that implies.

CoalPro believes these wider, long-term issues to be much more important than the various methodologies that might be applied to assessing capacity. It is recognised that Ofgem may see these as going beyond the remit given by the Secretary of State but that is no excuse for ignoring them. CoalPro believes that Ofgem's assessment should cover these wider issues and that Ofgem should make representations to the Secretary of State accordingly.

David Brewer  
Director General