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17 June 2021

Sent by email to: EMR_CMRules@ofgem.gov.uk

Dear Sohail,

Statutory Consultation on Capacity Market Rules change proposals

We welcome Ofgem's proposals, which we believe in general will reduce burden and make participation simpler in the Capacity Market (CM).

We support the concept of evergreen prequalification. Annual signatures for exhibits at prequalification are very challenging for applicants to obtain, where they are not the legal owner of the asset. We are disappointed that this has been delayed to 2022.

Simplifying the process to include new balancing services (from both the Electricity System Operators and Distribution Network Operators) as 'Relevant Balancing Services' will help investments in flexibility. We support the proposed inclusion of the new frequency response products as 'Relevant Balancing Services'.

We support the proposed changes to Planning Consents requirements. The changes helpfully acknowledge that New Build capacity participants can have a different legal owner to the applicant; this will reduce legal ambiguity for this category of asset prequalifying in the CM.

We continue to believe that the Directors signatures are onerous. Ofgem should accept signatures from people in the company that have delegated authority, rather than requiring it to be a Director's signature.

Ofgem should promptly commence its work on secondary trading, with an update on timings and deliverables. Improving this area of the Capacity Market would greatly improve the operation of the mechanism and should better ensure security of supply.

Yours sincerely,

Jack Presley Abbott
Centrica Regulatory Affairs & Policy

Appendix – responses to consultation questions

We have collated our views below to the different sections addressed in the consultation document.

Evergreen prequalification

Centrica supports the move to Evergreen prequalification as this would reduce burden on participants, especially for parties such as Centrica that enter a large number of small, customer assets into the Capacity Market.

We are disappointed that this is delayed to 2022, we would welcome reassurance from the Deliver Body and Ofgem that the new portal timing will not slip.

We accept the need for additional declarations from the Applicant. While Ofgem are not proposing this, we would like to clarify that there should be no need for additional, regular declarations from customers as this would maintain a high level of administrative burden that this proposal is seeking to reduce.

Relevant Balancing Services

We support the proposed changes to accommodate intertrips, as reflected in our previous consultation response.

We welcome that the new NG ESO frequency products will be included as Relevant Balancing Services from prequalification 2021. This resolves the risk for these assets currently participating in these products (currently only Dynamic Containment).

The proposed calculations and definitions for the new frequency products are accurate.

We support Ofgem's proposals to better accommodate new Electricity System Operator (ESO) Balancing services, as well as new 'Distribution System Operator' (DSO) services, into the CM Relevant Balancing Services definition. It is a sensible approach to introduce a Delivery Body-managed guidance document that is updated by agreement between Ofgem and the Delivery Body (with appropriate consultation and input from market participants).

Planning Consents

We support the reinstatement of planning consent deferral. We welcome Ofgem's pragmatic approach that the applicant must provide a declaration (with Directors' Signatures) that the planning consent has been secured either at prequalification or that it will be secured by the deferral date (with subsequent confirmation that this has been secured).

We are pleased to see that Ofgem has taken on board Centrica's concerns where an applicant for a new build asset is not the legal owner. We would not be legally comfortable to have directors at Centrica signing declarations (as the CM applicant) confirming that we have sought planning permission for customer new builds when this is not the case.

Therefore, it is the right approach for planning consent to be reviewed between the legal owner and the dispatch controller if these parties are different, followed by a declaration by the applicant in the portal that there is appropriate planning consent.

To complement this, we believe that further changes to the CM rules are needed to ensure that the applicant (where it is not the legal owner) is not required to confirm it has itself sought planning permission. At present, Rule 4.7.1(a) appears to state that the Applicant has obtained the planning consent, whereas it may be the legal owner that has the planning consent in place

and not the applicant. Therefore, we suggest this rule could be tweaked to state: “a declaration that the relevant planning consents for the CMU have been obtained...”

We also believe that the wording of the ‘Planning Consents Declaration and Directors Certificate’, published by the Delivery Body under agreement management should be amended accordingly.

Capacity Market Register

We support the proposed changes. We note that improvements to the CM Register will be considered alongside Secondary Trading improvements. Ofgem needs to accelerate their Secondary Trading reform work and provide clarity on timings of deliverables.

Maximum Obligation Period

These changes are acceptable.

Previous Settlement Period Performance

We supported the introduction of an option that applicants could use previous CM delivery year’s Satisfactory Performance Day. This would have provided an additional tool to prove performance

Ofgem should work with BEIS on providing an update to market participants on the planned BEIS consultation on proposals relating to the demonstration of Connection Capacity at Prequalification.