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By email only

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**Subject: Ofgem's Statutory Consultation on Capacity Market Rules Change Proposals**

**Introduction**

Shell Energy Europe Limited (Shell) welcomes the opportunity to respond to this Capacity Market Consultation and gives consent for this response to be shared, as necessary.

We respond on behalf of our trading business, Shell Energy Europe, which trades gas, power and environmental products across 19 European markets from the UK and, here in the UK, has supported the development of significant large scale renewables through Power Purchase Agreements, such as securing 20% of the output of the Dogger Bank Wind Farm for 15 years; and on behalf of our energy aggregator, Limejump Ltd, who supported Scotland's first subsidy-free wind farm, Crossdykes, enter National Grid's Balancing Mechanism and has Prequalified circa 50 Capacity Market units in the Capacity Market Prequalification in each of the last 4 years.

In summary, we are supportive of the proposed improvements and enhancements, particularly the proposal to update the Relevant Balancing Services (RBS) and to move its governance outside of the Capacity Market Rules to enable more timely updates. We would like to see the RBS extended to the 4 DSO flexibility products.

We note that some of the more substantial changes (e.g., Evergreen Prequalification) have been deferred until the new National Grid Capacity Market Portal is finalised which we understand is due to go live in Summer 2022. We would be interested to understand what controls OFGEM has to ensure that this deadline is met and that the portal will be suitably flexible to accommodate evolving requirements. We would strongly encourage OFGEM or National Grid ESO to undertake a full review of the Capacity Market processes and requirements in advance of the new portal, as it provides a rare opportunity to ensure that the new platform meets user requirements.

Whilst we support the concept of an Evergreen Prequalification, we believe that by putting the onus on the Applicant to use revised Exhibits where there has been a rule change or a change to their circumstances, is likely to lead to more errors as it will require a detailed knowledge of rule changes. We do however welcome the move to use of electronic signatures again this year and the planned development to include the Exhibit generation within the new portal.

With most of the Capacity Market Register changes being deferred until 2022, we believe there would be value to including the expected/actual date of meeting the Substantial Completion Milestone for new build assets in 2021. This information helps the market understand when new volume will be operational in the market.

We understand that OFGEM intends to consult on the Capacity Market Advisory Board in Q321 which is intended to manage the change process. In the meantime, we ask that OFGEM provides an update on the current process as there has not been a request for proposals from the market over the last couple of years.

We would also welcome an update as to whether OFGEM intend to review the Capacity Market Secondary Trade mechanism as has been suggested in other consultations. Now would be a useful time to review as there is currently a trial of a Secondary Trade Platform by Piclo. We would also welcome OFGEM's view on future plans to review the treatment of Interconnectors in the Capacity Market, especially as the level of connectivity is scheduled to materially increase by 2030.

Below we provide our feedback on each of the questions set out by OFGEM in their Capacity Market rule change proposals.

**Q1: Do you have any comments on the proposed revised governance framework and change process for the Relevant Balancing Services (RBS)?**

We support the proposal to the change process for RBS. We agree that by removing RBS from the Capacity Market Rules and instead introducing a Guidance Document managed by the Delivery Body (DB) with approval and oversight from OFGEM, this will speed up the process to reflect changes in RBS.

We recommend including core principles in the Guidance Document to enable market participants to understand the criteria for products eligibility. We believe that DNO level balancing and flexibility services should be included as this helps to provide clarity around the 'stackability' across DSO and ESO services.

We agree with the proposal to include 'Intertrip' categories 2 and 4 (i.e., where services are required by NGESO rather than elected by an asset owner) and that we do not need to include TERRE until there is certainty around UK participation. We support the inclusion of all three Dynamic Products and recommend that the Quick and Slow Reserve products are also included as they have a launch date in line with Dynamic Moderation and Dynamic Regulation.

**Q2: Do you have any comments on the specific Rule amendments proposed in Annex A?**

We have reviewed the proposed changes shown in Annex A and believe they reflect the intended changes.

**Q3: Do you have any comments on the definitions of 'Declared Availability' and 'Contracted Output' outlined in Table 4?**

We support the definitions presented in Table 4.

**Q4: We believe the process for an Applicant to declare that Relevant Planning Consent (RPC) has been obtained is no different to the existing process where the declaration is made within the Portal via a checkbox. Do stakeholders foresee any further changes required to be made to the existing declaration process to facilitate our proposals?**

We agree that the proposed process for RPC is similar to the existing one. The benefit of the change is that the Applicant does not need to submit the physical RPC which can be technical and carry a risk that the information provided is wrong or incomplete. For Prequalification we agree that where an Applicant confirms they have their RPC then this can be done by ticking an online confirmation tick-box. Where confirmation is deferred until 22 working days prior to the auction, then a Directors Declaration seems a sensible approach to confirm the RPC has been achieved.

We also support the proposal to include the maximum output capacity which will be equal to the lower of the connection capacity and the volume in the RPC. We agree that there is no need to also provide technical evidence to support any difference.

**Q5: In scenarios where capacity is required to be redistributed among components, specifically where RPC has been deferred, do stakeholders believe that deadlines should be prescribed to ensure these changes are enacted before confirmation of entry to the relevant auction?**

When the RPC confirmation has been deferred then we support that this should be confirmed 22 days prior to the auction. We agree that the Delivery Body should then update the Capacity Market Register ahead of the auction and the changes reflected in the Portal prior to the confirmation of entry into the auction.

**Q6: Do you have any comments on the Rule drafting provided in Annex A?**

We have reviewed the proposed changes shown in Annex A and believe they reflect the intended changes.

**Q7: Do you agree with our suggestion to amend the definition of Maximum Obligation Period to allow greater flexibility for Prospective Generating CMUs in selecting a Capacity Agreement length?**

Under the current rules it is possible to qualify for a 15-year deal and then select the deal duration ahead of the auction so Prospective Generating CMUs are already able to change the duration of their contract to between 1-15 years after prequalifying for a 15-year contract.

By changing the Maximum Obligation Period an Applicant is able to choose their duration earlier. Currently Capital £/KW qualifying expenditure needs to equal or exceed the 'fifteen year minimum £/KW threshold' or 'three year minimum £/KW threshold' to qualify for a 15 or 3-year contracts, respectively. We understand that there has been confusion from Prospective generation applying for a 3-year contract when they meet the 15-year thresholds and support the proposed amendment to allow choice in a scenario where they meet both thresholds. That said, as noted above they could also select a duration between 1-15 years ahead of the auction after prequalifying for a 15-year deal.

**Q8: Do you foresee any unintended consequences as a result of implementing this proposal?**

We do not anticipate any unintended consequences, but it may be useful to highlight that a Prospective CMU can change their volume ahead of the auction as described above.

If you have any questions or would like to discuss the response in further detail, then please contact Melanie Ellis at [melanie.ellis@limejump.com](mailto:melanie.ellis@limejump.com) or on 07808 573 888.

Yours sincerely,

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