

RE Ofgem Consultation – Medium Term Changes to the Price Cap Methodology

4th March 2022

Context

Sembcorp Energy UK (SEUK), a wholly owned subsidiary of Sembcorp Industries, is a leading provider of sustainable solutions supporting the UK's transition to Net Zero. With an energy generation and battery storage portfolio of nearly 1GW in operation, our expertise helps major energy users and suppliers improve their efficiency, profitability, and sustainability, while supporting the growth of renewables and strengthening the UK's electricity system.

Our Wilton International site on Teesside sits within a hub of decarbonisation innovation. At the site, we provide energy-intensive industrial businesses with combined heat and power (CHP) via our private wire network that supplies electricity generated by gas and biomass. These services are complemented by our fleet of fast-acting, decentralised power stations and battery storage sites situated throughout England and Wales. Monitored and controlled from our central operations facility in Solihull, these flexible assets deliver electricity to the national grid, helping to balance the UK energy system and ensure reliable power for homes and businesses.

SEUK Response

SEUK are pleased to respond to the Ofgem consultation regarding the proposed Medium - Term Changes to the Price Cap Methodology dated 4th February 2022. Our response is not confidential.

SEUK understand and support the need to review the current Price Cap Methodology under the prevailing circumstances to protect consumers from large increases in energy bills. However, we have some concerns around the preferred option and wish to ensure that the subsequent potential impacts for the wider energy industry, that have not necessarily been the focus of this consultation, are also considered at an early stage to develop an holistic view of moving to a more frequent Price Cap setting methodology.

Ofgem's preferred approach, although the least negatively impacting of all the proposed methodologies is likely to concentrate trading and hedging activities to the shorter, quarterly period, at least initially. With this in mind, there is also a need to ensure that market liquidity continues to be protected across all trading time periods, and that demand remains in place for generators and market participants to continue to be able to hedge effectively. We therefore ask that Ofgem considers the balance between setting an appropriate Price Cap and any potential and unforeseen impacts for the wider industry, before making a final decision to implement.

Please let me know should you require any further information or clarification on any aspect. Thank You.



Regards,

Mark Field
Regulatory Affairs Analyst
Sembcorp Energy UK Ltd
07766 422 807

