

13th March 2023

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Consultation on Inflexible Offers Licence Condition

Thank you for the opportunity to comment on the proposals in this consultation. Brief views in response to the questions and issues raised in the consultation document are contained below.

ABOUT SEMBCORP ENERGY UK

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 over 1.3GW in operation or under development, 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, within the Teesside Freeport, sits amongst 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 energy 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.

Views

As an overarching comment, Sembcorp supports the intent of the proposed licence condition, ie. to address the issue of high balancing costs, which ultimately impact on consumers. It is right that Ofgem should seek to identify the causes of any behaviour that leads to excessive or inefficient costs. Ofgem should then address these causes in a manner that will help facilitate the broader policy aim of delivering the investment and network development in the short, medium and long-term required to achieve NetZero by 2050.

With regards to Q1: ***'Do you agree with our proposal to remove the 'within the operational day' requirement for submission of 0 MW PNs? Please provide reasons for your answer,'*** we believe that other market participants within scope of the proposed licence condition are best placed to provide the input required.

In response to Q2: ***'Do you agree with our proposal to limit the scope of the condition to generators with an MZT greater than 60 mins? Please provide reasons for your answer,'*** we

broadly support the proposed licence condition. In doing so, we would draw Ofgem's attention to two specific points:

- Firstly, it is important to note that scarcity pricing is a key component of any competitive and functioning market. The licence condition as currently framed would appear to recognise this fact by limiting the scope to generation assets with an MZT of over 60 minutes – a welcome position and one that must be retained.
- Secondly, new forms of flexibility will play a vital role in the future energy system. It is, therefore, key that their future development and deployment are not hampered by being inadvertently captured by the proposed licence condition – the current drafting would appear to satisfy that aim.

However, there remain areas that require further thought, clarity and engagement. These are briefly set out below:

Q3: Is the proposed licence condition drafting in Appendix 1 sufficiently clear? Are there any drafting edits or additions that you would encourage us to consider?

It is not immediately clear from the wording if submitting a high offer in and of itself is a signal that a generator is seeking an excessive benefit. Affected market participants may value further Ofgem guidance on this point.

4) Do you agree with our approach to considering excessive benefits, as set out in the draft guidance? Are there any other factors we need to consider for inclusion in the supporting guidance?

The approach to defining 'excessive benefits' leaves it to licensees to demonstrate that they are not in breach of the proposed licence condition - a potentially onerous requirement. With that thought in mind, it would seem reasonable that Ofgem provides further detail on what constitutes excessive benefits for affected market participants.

I trust that you find these comments useful. We would, of course, be happy to meet with you to discuss our views in more detail if that would be helpful.

Regards

Amrik Bal

Head of Regulation and Compliance

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