

Dear Mr Hill

Thank you for the opportunity to respond to your proposed changes to the generation licence.

This response is on behalf of Peak Gen Top Co Limited. Peak Gen operate a fleet of embedded generation and storage in Great Britain. We are partners in TINZ who developed and are now building eight synchronous compensators at Blackhillock in Scotland (under a generation licence) and we developed, built and operate a 400 kV shunt reactor at Frodsham in Merseyside under a Transmission Licence.

We are broadly supportive of the proposals made in the consultation. We would like to draw the following points to your attention:

1. The definition refers to "been awarded contract ... by the system operator". We feel that this definition is overly narrow. For example it excludes assets providing services to any of the distribution network operators. It also limits competition by favouring incumbents. Suppose the system operator developed a new daily tender for such services. A new potential provider would not be able to obtain a contract until their facility was built and operational meaning they would not be covered by this definition and not benefit from condition F2. Limiting competition may increase customer costs.
2. The definition also defines network assets as "assets ... that ... do not generate electricity for purposes other than to deliver the contracted network services". This definition appears overly restrictive. For example a synchronous compensator with a brake to slow it down at the end of a service period would be covered by the definition whilst a synchronous compensator with regenerative braking (ie one that converted the stored energy back to electricity and exported it onto the system rather than wasting it as heat) would not be covered.
3. For F2 to apply, a generator has to have a generation capacity above 50 MW or provide network services, with no de minimis level. This asymmetry where a 49 MW generator is not eligible, but a tiny network service provider is eligible is difficult to justify.
4. The above issues could be solved by removing the proposed definitions and making F2 applicable to generation with a capacity of over 50 **MVA** (not 50 MW as currently drafted) where the 50 MVA relates to the combined capacity of alternators and/or inverters. Such a definition would pick up a larger sync comp but exclude a tiny one. We have not considered if 50 MVA is that appropriate size – our suggestion of 50 MVA is simply to continue the status quo.
5. The scope of the generation licence is set out in section 4 of the 1989 electricity act. The act is clear that the generation licence is only applicable where generation takes place; a synchronous compensation is covered by the licence as it generates and exports power onto the system when the system slows down. Hence, we find the first part of paragraph 2.25 of your document of 26 April confusing as it refers to zero megawatt active power output.
6. We welcome your statements in paragraphs 2.25 and 3.4 of the 26 April document, where you state that you will keep the interaction between network service assets and licenced transmission owners under review. We would be concerned if transmission owners were able to participate in activity covered by a generation licence exemption.

This response is non-confidential and may be published. We would be happy to discuss any of the points further if that would be of benefit.

Best regards,

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