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Dear Lesley,

BWEA response: CAP 170 impact assessment

BWEA is pleased that Ofgem has undertaken an impact assessment on CAP 170 "Category 5 System-to-Generator Operational Intertripping Scheme." Our comments on the assessment by subject area are as follows:

Quantitative impacts

The consultation asks if there are any additional impacts that should be quantified.

BWEA's fundamental problem with the analysis is that it significantly down-plays the impact of CAP 170 on affected generators. There is no quantitative analysis on who might be affected, their costs and the adequacy of remuneration.

The document assumes that the discussions around CAP 076 remain relevant even though we are in a completely new access arena which allows connection ahead of system reinforcement. BWEA's impression is that Ofgem and National Grid's reliance on CAP 076 is due to time constraints and resources, rather than any evidence-based assessment of whether CAP 076 is transferable to the CAP 170 world.

BWEA considers that at the very least a review of the validity of CAP 076 is a pre-requisite for its application to administered intertrips for derogated boundaries. BWEA would be very surprised if the circumstances around CAP 170 – in particular the number and breadth of generators affected, the likelihood of being tripped, and the duration of any trip – were not significantly different to merit different treatment. It would be very useful to have a better understanding of these parameters.

BWEA would note that generators will be variously impacted, noting that:

- (1) Existing generators will be worse off, since where previously they would have the choice to offer prices into the market, they would under CAP 170 have no choice on either the provision of the service or the cost. Amongst these parties are renewables generators.

- (2) New generators connecting ahead of reinforcement would not normally receive any compensation for an intertrip scheme conditional on advancement. CAP 170 is therefore a potential improvement if it rationalises and optimises the requirement for an intertrip across new and existing generators, and if it results in some (rather than no) compensation for the advanced generators.

BWEA is not convinced that CAP 170 is necessary to achieve the improvements cited in (2) above. We also would question the cost savings attributed to (1) above – Ofgem ignores the costs to generators in the belief that they do not find their way to customers. However, if generators are not remunerated for their costs incurred, they will need to seek to recover these costs elsewhere and these could eventually flow to consumers. We would also question, as alluded to in the impact assessment, to what extent savings from (1) for National Grid would flow through to consumers, even if it were defined as an income adjusting event.

The debate on whether constraint management costs have been unnecessarily high lately is largely based on insinuation. Because of commercial confidentiality it is difficult to ascertain whether there is an issue, whether it has been exaggerated and whether the measures proposed are proportionate or an over-reaction.

BWEA notes that the 2009/10 costs for commercial arming are significantly less than those for 2008/09 and would question therefore whether CAP 170 is a proportionate response.

To summarise, BWEA supports rationalisation and optimisation of the requirement for intertrips. However, we believe that it is essential to ensure that generators are properly remunerated for this service.

Furthermore, costs incurred by renewable and other generators in providing an intertrip service include a financier's assessment of the risk of being tripped. If being tripped were cost-neutral, then the cost associated with the risk is clearly much lower than if there is little to no remuneration for lost output. These issues were debated at National Grid's constraints management workshop on 2 June in Wokingham and we would be happy to continue this discussion.

Impact on competition

BWEA also finds it difficult to understand why the connection of more generation, which has prompted CAP170, doesn't also present the opportunity for more competition on the provision of intertrips. We understand that there are plant willing to negotiate terms and that this avenue has not been thoroughly explored prior to a rather hasty CAP 170.

Procurement guidelines

Ofgem refers to National Grid's procurement guidelines as evidence that this will reduce the uncertainty of who might be selected and the impacts upon them. If this is the case, we would query why Ofgem has not used these guidelines to run some scenarios for the impact assessment.

As noted by Ofgem, the guidelines are rather high level and whilst some worked examples provided by National Grid are helpful, they are far from definitive. We accept

that circumstances change, but some scenario-based analysis would be instructive to help industry to assess the risks.

Environmental impact

The impact assessment concludes that there is no environmental impact associated with CAP 170. BWEA would note that if it changes which plant are actually tripped, then this could have an environmental impact. For example, if the business as usual scenario is that new advancing renewables generators are tripped preferentially to existing thermal plant, then a reversal of this – tripping thermal generators preferentially – would have a positive environmental impact. BWEA does not, however, think that CAP 170 is the only means by which this could be achieved.

Urgency

The consultation asks whether there are any other issues arising that haven't been considered to date because of the truncated timescales. BWEA has previously asked whether CAP 170 could be tightly defined in scope and time, to hard-code its 'interim' intent. This would also give more meaning and clout to any post-implementation review. BWEA understands that the urgent process does not allow for any changes to the original legal text, and for this reason this suggestion could not be taken up. Clearly this is a deficiency in the urgent process which extra time cannot alleviate and we would recommend that this is addressed.

Final comments

BWEA accepts that intertrips are a useful tool in managing the network and welcomes moves to optimise the service across the whole network. We are, however, disappointed that something as prescriptive as CAP 170 has been brought forward before other more market-based measures have been properly aired. Administered solutions should be a last resort, not the first.

I hope you find these comments useful. If you would like to discuss any aspect of this response, please don't hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, consisting of a large, stylized 'G' followed by a series of loops and a long horizontal stroke extending to the right.

Dr Gordon Edge, Director of Economics & Markets, BWEA