



First Hydro Company is part of a joint venture between  
International Power plc and Mitsui & Co., Ltd.

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Urszula Kulpinska  
CESP Manager  
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Dear Urszula

### **CESP Generator & Supplier Guidance Consultation**

I am responding on behalf of International Power to your consultation on Generator and Supplier Guidance for CESP. In the UK, through a partnership with Mitsui of Japan, International Power owns a diverse mix of power stations, amounting to around 6% of GB electricity requirements. These include First Hydro Company, Saltend Cogeneration Company Ltd, Rugeley Power Ltd, Deeside Power Development Company Ltd and Indian Queens Power Ltd. The International Power – Mitsui UK partnership (IPM) represents the group, or holding company, for establishing CESP qualification, whilst the asset specific subsidiaries listed above are the companies that hold the generation licences which will attract the CESP obligation.

The principle being adopted by Ofgem in drawing up the CESP administrative procedure is to mirror, as far as possible, existing CERT administrative procedure. As we have no experience of participating CERT or earlier domestic energy efficiency schemes we are not in a position to comment on most of the questions contained in the consultation document and will rely on other, more informed stakeholders to provide constructive feedback. However, we do have a few comments as follows:

### **Trade of Obligation**

In 2.32 Ofgem correctly identifies that because bonuses are only attributed at the licence level, it is important for a group such as IPM that there is a facility to trade all our separate obligations onto one licence. An inability to trade in this way could lead to less cost effective delivery of our CESP obligation. We do not agree with the approach outlined in 2.33. Where obligations are being traded within a group, we do not think Ofgem should be able to veto a trade (on the grounds of scale of licence). In cases of 'internal' trading we

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believe that confirmation that the trade should go ahead from each of the affected licence holders should suffice.

**Determination of Obligation**

As the final level of each of our licence holder's obligations will not be set until March 2012 it is important in the meantime that generators are able to manage this uncertainty. In order to assist in forecasting the ultimate level of obligation it would be useful if Ofgem could make available at each review a list of obligated licence holders and the level of obligation set against each.

**Complete Reconciliation**

Given the byzantine nature of the bonus structure, a complete reconciliation before the end of the scheme is clearly a very sensible idea. It is important that there is sufficient time following the results of the complete reconciliation to request a trade. As the deadline for requesting trades is set in the CESP Order at 30 September 2012, the reconciliation will need to be timed with this deadline in mind.

We hope you find these comments helpful. Please feel free to contact me on 01244 504658 if you wish to discuss any of the points we raise.

Yours sincerely

Emma Williams  
Market Development