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Office of Gas and Electricity Markets
GB markets team
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RE: Consultation Request – Liquidity Proposals for the GB wholesale electricity market

Dear Sir or Madam:

Thank you for the opportunity to provide liquidity proposals for the GB wholesales electricity market. While CPower is not in the business of market making for the supply side of the electricity markets, we believe that greater opportunities for demand side participation will provide a significant benefit to Great Britain's wholesale electricity market.

CPower delivers targeted energy management services and solutions that enable companies to optimize their facilities and operations through strategic energy reduction initiatives, and earn market payments for those reductions. As an industry pioneer that has grown into one of the largest energy management firms, CPower combines an understanding of energy management technologies, energy markets and the daily challenges of facility operators to monetize the value of energy sustainability. Representing hundreds of clients at over 3,000 sites contributing to grid reliability, CPower has been deeply involved in shaping the market for end users in North America.

CPower has established a UK legal entity and is participating with National Grid in the STOR program, contributing to the objective to significantly grow demand side participation in this and other demand side programs. This will help address the reserve margin reductions caused by the planned retirement of obsolete generation and help support intermittent renewable resource development with fast response demand side participation. Further, we seek any and all opportunities to participate in stakeholder groups and contribute to development of market structure and operating rules that will broaden the demand side participation. As North America has been faced with several significant congestion and reserves issues in the past decade, the demand side has become a vitally important part of the market.

CPower believes that Ofgem should treat demand reduction comparably to generating assets. Recently, Federal Energy Regulatory Commission (FERC) issued a Notice of Proposed Rulemaking (NOPR), considering a rule requiring that Demand Response be paid the same as generation in the energy markets.¹ Last year, FERC issued Order 719, which required independent system operations (ISO's) to treat demand response "on a comparable basis" with generators in reserves, capacity and regulation markets.

¹ <http://www.ferc.gov/whats-new/comm-meet/2010/031810/E-1.pdf>



At the wholesale level, FERC recognizes the important role that demand response plays in ensuring the competitiveness of wholesale markets and the reliability of grid operations. FERC continues to assess and monitor the wholesale markets under its jurisdiction to ensure that demand response resources that are technically capable of providing a service are treated comparably to supply resources offering that service.²

On October 17, 2008, FERC issued its Wholesale Competition Final Rule that recognized the importance of demand response in ensuring just and reasonable wholesale prices and reliable grid operations. The Commission, as part of the Final Rule, requires all RTOs and ISOs to:

- (1) accept bids from demand response resources in their markets for certain ancillary services, comparable to other resources, unless the laws or regulations of the relevant electric retail regulatory authority do not permit a retail customer to participate;
- (2) eliminate during a system emergency a charge to a buyer in the energy market for taking less electricity in the real-time market than purchased in the day-ahead market;
- (3) permit aggregators of retail customers to bid demand response on behalf of retail customers directly into the organized energy market, unless the laws or regulations of the relevant electric retail regulatory authority do not permit a retail customer to participate;
- (4) modify their market rules, as necessary, to allow the market-clearing price during periods of operating-reserve shortage to reach a level that rebalances supply and demand so as to maintain reliability while providing sufficient provisions for mitigating market power; and
- (5) study whether further reforms are necessary to eliminate barriers to demand response in organized markets.³

Several responses submitted to FERC adequately described how demand response resources will be comparably treated. For example, FERC concluded that the California ISO's filing provided an adequate explanation, noting that the tariff made explicit that:

- 1) demand response programs that are proposed for inclusion in the base case for the transmission plan or as alternatives to transmission upgrades will be considered in the transmission plan if timely proposed;
- 2) timely proposed demand response programs and generation projects will be subject to the same screening criteria as other projects;
- 3) demand-side management and interruptible loads will be considered as alternatives to transmission upgrades when the California ISO is considering reliability-related projects; and
- 4) the California ISO must consider the costs and benefits of viable alternatives to proposed transmission projects designed to relieve congestion, including demand-side management programs.⁴

² Federal Energy Regulatory Commission, Assessment of Demand Response & Advanced Metering Staff Report, December 2008, page 41. http://www.ferc.gov/legal/staff-reports/12-08-demand-response.pdf#xml=http://search.atomz.com/search/pdfhelper.tk?sp_o=2,100000,0

³ Wholesale Competition in Regions with Organized Electric Markets, Order No. 719, 73 Fed. Reg. 64,100 (Oct. 28, 2008), FERC Stats. & Regs. ¶ 61,071 (2008) (Order No. 719).

⁴ *Cal. Indep. Sys. Operator, Inc.*, 123 FERC ¶ 61,283 at P 106 (2008).



We look forward to the opportunity to provide Ofgem with proposals to improve market mechanisms for demand side participation in Great Britain's electricity markets. Should you have any questions, please do not hesitate to contact me at +1 212 796-7130.

Sincerely,

Marina Hod
Programme Manager
CPower UK Limited