

Forth Energy’s response to Ofgem’s consultation entitled “Investment in electricity generation: Impact Assessment on National Grid proposal CMP 192: enduring user commitment”

Executive summary

Forth Energy, a joint venture between Forth Ports Limited and SSE plc, plans to develop three high-efficiency, wood-fuelled Combined Heat and Power (CHP) plants in Scotland. The plants will be situated at the ports of Grangemouth, Dundee and Rosyth. Together they will have the capability to deliver 300 MW of reliable, flexible, renewable electricity to the national grid and 260 MW of renewable heat to both existing and new neighbouring industrial and commercial users, and to new local district heating networks. The proposed output can deliver around 30% of Scotland’s 2020 renewable heat target and approximately 6% of the electricity target.

Forth Energy welcomes the opportunity to respond to Ofgem’s consultation on the impacts of CMP192 and is broadly supportive of the proposal. Forth Energy believes that:

- **The proposals represent a positive move towards more rational and enduring user commitment arrangements.**
- **The reduction in the level of security to be provided by a pre-commissioning generator addresses a major barrier to entry for smaller generators.**
- **By facilitating the connection of new, primarily low-carbon generation capacity, the proposals will accelerate the reduction of carbon emissions from electricity generation.**
- **It is appropriate for pre-commissioning generators to take on an escalating liability for both local and wider works during the four years prior to commissioning.**
- **There is merit in considering reduction factors for pre-commissioning generator liabilities where local works are designed to accommodate demand.**

In responding to the specific questions posed by the consultation paper, we have confined our comments to pre-commissioning generators.

Question 2: Do stakeholders agree with our assessment of the potential environmental impacts of the proposal?

Removing the uncertainty arising from the need to replace the current interim user commitment arrangements, and reducing the level of security required from the majority of pre-commissioning generators, should facilitate new connections to the transmission network. As the majority of new generation capacity is anticipated to be low-carbon, the proposals will therefore accelerate the reduction of carbon emissions from electricity generation.

Question 4: Do stakeholders agree with our summary of the impact of the CMP 192 original proposal on pre-commissioning generation?

The main impacts of CMP192 on pre-commissioning generators are the changes to the levels of liability to which the generator is exposed and the security which must be provided.

The CMP192 proposals improve the targeting of potential costs towards those who risk causing them. This is achieved through both a consistent treatment in determining the liabilities of pre-commissioning generators, and by ensuring such generators are exposed to some liability for wider transmission works if they cancel their connection agreement prior to commissioning. It is Forth Energy's view that the proposals better apportion liabilities to a generator cancelling its agreement, and so are a positive move towards more rational and enduring user commitment arrangements.

The level of security that must be provided in respect of liabilities has been a major barrier to entry for small generators, who have limited capacity to provide large amounts of collateral and to absorb the costs of doing so. Reducing the amount of security required during the pre-commissioning period, through reflecting the decreasing probability of a generator cancelling its connection agreement as it progresses towards commissioning, is a welcome approach to improving market access for smaller parties.

Question 5: Do stakeholders agree with our current thinking that placing a four-year liability for wider works on pre-commissioning generators is appropriate?

Based on the work undertaken by National Grid on the notice reasonably required to change investment plans with minimal cost impact, a four-year period of increasing liability for a reasonable share of the costs of wider works is considered appropriate for pre-commissioning generators.

Question 6: Do stakeholders agree with our view that the proposal to halve the liability on generators for local works that are designed to accommodate demand, either existing or in the future is not appropriate for the reasons set out in this chapter?

Forth Energy agrees that the proposal to reduce the local liability by 50% for works designed to accommodate demand is insufficiently developed. However, we believe that there is rationale and merit in the concept of reducing liability to reflect the potential benefits of local works to the demand side. We recommend further investigation into a suitable method of determining general or specific reduction factors for generator liabilities at sites where demand is also being accommodated.

Question 7: Do stakeholders agree with our view that the proposed credit cover arrangements are appropriate and provide valuable protection to consumers?

It is important that consumers are adequately protected against the risk of a generator defaulting on payment of its liabilities in the event that it cancels its connection agreement prior to commissioning. In ensuring such protection, it is appropriate for National Grid to grant a credit allowance, based on a generator's (or, with a suitable guarantee, its parent company's) credit rating and / or payment history, to cover some (or all) of its security requirement.