



## **Impact Assessment on National grids proposal CMP 192**

International Power plc (IPR) welcomes the opportunity to respond to Ofgem's impact assessment on National Grid proposal CMP 192.

International Power plc is a leading global independent power generation company with active interests in closely linked businesses such as LNG terminals and water desalination. In total, it has 66 GW gross capacity in operation and committed projects for a further 22 GW gross new capacity.

In the UK, International Power plc has over 7.3 GW of plant made up of a mixed portfolio of conventional plant – coal, gas, CHP, a small diesel plant, and the UK's foremost pumped-storage facility. Several of these assets are owned and operated in partnership with Mitsui & Co. Ltd. IPR's assets represent just under 9% of the UK's installed capacity, making IPR the country's largest independent power producer. The company also has retail and gas I&C supply businesses.

### **General comments**

The consultation is based around the work of the CMP 192 working group and this provides a targeted set of proposal that we believe have been assessed effectively by the working group. Our views on the various options are summarised below as well as our response to the specific consultation questions.

### **User commitment period**

International Power supports the changes proposed in the CMP 192 alternatives that are based on a two year user commitment for post commissioning generators. We believe that marginal generation is increasingly subject to regulatory uncertainty and economic volatility (as indicated by the RIA) such that it is infeasible for this class of generation to give a four year notice period. For pre-commissioning generation we believe that a four year notice period is appropriate as it matches the typical TO development and construction times. The liability for pre-commissioning generation is reduced by various factors (asset reuse, boundary capacity, demand sharing etc) that further reduces the effective liability and we support this approach.

### **Sharing of local liabilities**

We believe that where it is expected that a local connection will be classified as wider works within the time horizon of the seven year statement the liability and security requirement associated with wider works should apply. This will lead to a more stable charging regime.

## Grandfathering

Although we favour grandfathering in this instance, we do not expect a significant take up and then only for generation near to commissioning. An alternative to grandfathering would be to allow a time limit of 2 years to move to the new arrangements, this would have the same practical effect.

## Consultation questions

<b>CHAPTER: Four Summary of Impact</b>	
<b>Question 1:</b> We welcome stakeholders' views on whether we have identified all the relevant impacts of CMP 192.	The impacts have been identified
<b>Question 2:</b> Do stakeholders agree with our assessment of the potential environmental impacts of the proposal?	Yes
<b>Question 3:</b> We seek stakeholders' views on the potential implications of the potential perverse incentives, and views as to how they may be mitigated	These have been identified
<b>CHAPTER: Five Pre-commissioning generation</b>	
<b>Question 4:</b> Do stakeholders agree with our summary of the impact of the CMP 192 original proposal on pre-commissioning generation?	Yes
<b>Question 5:</b> Do stakeholders agree with our current thinking that placing a four-year liability for wider works on pre-commissioning generators is appropriate?	Yes
<b>Question 6:</b> 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?	No we do not agree. We believe that this would have the unintended consequence of limiting the possibility of further islands connection and would lead to an unstable charge.
<b>Question 7:</b> Do stakeholders agree with our view that the proposed credit cover arrangements are appropriate and provide valuable protection to consumers?	Yes
<b>CHAPTER: Six Post-commissioning generation</b>	
<b>Questions 8:</b> We seek stakeholders' views on the extent to which asset health and the associated plant life assessment could hinder generators in providing four-year user commitment notice.	Yes we agree that in general older plant has less ability to forecast its future economic viability and hence its ability to commit to being connected for four years. Older thermal plant in general is more marginal and small changes in forward curves or fixed costs can significantly affect plant economics. We believe that the current two year arrangements are appropriate

<p><b>Question 9:</b> We would be interested to hear stakeholders' views on whether we have appropriately identified all the relevant interactions with other policy developments, and potential impacts on user commitment arrangements in general and more specifically, our consideration of CMP 192 proposal.</p>	<p>Yes the interactions have been identified.</p>
<p><b>Questions 10:</b> Do stakeholders consider that a level of uncertainty associated with policies currently being developed in greater detail could hinder generators in providing four-year user commitment notice?</p>	<p>Yes we believe that there is significant regulatory uncertainty and this hinders generators' ability to commit to longer notice periods.</p>
<p><b>CHAPTER: Seven Transmission Owners</b></p>	
<p><b>Question 11:</b> We welcome stakeholders' views on the analysis presented in this section and, where available, any additional information and/or analysis in relation to the impact of CMP 192 on the efficiency of network investment.</p>	<p>We believe that CMP 192 will better enable the TO to plan and develop the transmission system for new investment. We believe that a two year notice period will enable the TO to take account of generation retirements and is the most appropriate notice period for post commissioning users.</p>
<p><b>Question 12:</b> We seek stakeholders' views on the approach to risk adopted in National Grid's analysis and on the potential alternatives to assessing the risk.</p>	<p>We believe that for southern post commissioning plant there is a possibility that NG will need to construct additional transmission to manage import constraints should southern plant close. This is provided for in the current negative TNUOS charges it is unclear if the effect has been included.</p>
<p><b>Question 13:</b> Taking into account various factors discussed in this document that may have an impact on generators' ability to provide four-year notice and National Grid's analysis presented in this chapter, we seek stakeholders' views on the most appropriate length of the notice period for post-commissioning generators.</p>	<p>We believe that the most appropriate length of time for post commissioning users is the current two year period.</p>

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