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Rachel Fletcher  
Interim Senior Partner, Markets  
Office of Gas and Electricity Markets  
9 Millbank  
London  
SW1P 3GE

26 July 2013

Dear Rachel,

**Consultation on the potential requirement for new balancing services by NGET to support an uncertain mid-decade electricity security of supply outlook**

Eggborough Power Limited (EPL) is an independent generator which owns and operates Eggborough Power Station (EPS), a 2,000 MW coal-fired power station situated in the Aire Valley in North Yorkshire. EPS was previously owned and operated by British Energy (and latterly EDF) to provide flexible and reliable mid merit support to the “baseload” nuclear portfolio. EPL is now owned by substantial private shareholders and is operating as an essentially merchant power plant in the wholesale market.

**1. Do you agree with our assessment regarding the risk to mid-decade electricity security of supply?**

EPL agrees that electricity capacity margins are likely to fall to low levels in the middle of this decade. There are a number of contributing factors to this, including policies which are encouraging earlier plant closure and hindering investment decisions (eg. carbon price floor and IED). This capacity squeeze appears inevitable given that the timescales involved are too short for any new capacity to be delivered.


**2. If so, do you agree with our view that it is prudent to consider the development by NGET of additional balancing services, which NGET would procure and use if there is a need for them?**

EPL appreciates the security of supply risk presented by low capacity margins in the middle of this decade and the desire to mitigate it. It may therefore be appropriate to consider mechanisms for promoting security of supply which can be delivered through National Grid’s balancing activities. It must be recognised that such interventions could dampen price signals which would otherwise encourage market participants to ensure that existing generation capacity remains available. Any new mechanism must therefore be very carefully designed to avoid distorting market incentives for the majority of plant.

**3. Do you agree with our assessment of the key factors we should have regard to when considering whether to approve any changes to NGET's Balancing Services Procurement Guidelines and associated documents?**

We agree with the key factors. Given the potential market impact of a new balancing service, it is essential that any tender process is entirely transparent and open to all market participants, regardless of plant type, fuel, dynamics or location. There must be complete visibility around which plant is successful and under what terms, as well as clear signalling to the market of when this plant would be tested and run.

Yours sincerely,

A handwritten signature in black ink that reads "Alastair Tolley". The signature is written in a cursive style with a horizontal line underneath the name.

Alastair Tolley  
Head of Policy and Regulation