

Andreas Flamm  
Wholesale Markets  
Ofgem  
9 Millbank  
London  
SW1P 3GE  
[EBSCR@ofgem.gov.uk](mailto:EBSCR@ofgem.gov.uk)

--- POSTAL ADDRESS:  
Statkraft UK Ltd  
4th Floor, 41 Moorgate  
London EC2R 6PP  
UK

--- VISITING ADDRESS:  
4th Floor  
41 Moorgate  
London EC2R 6PP

--- PHONE:  
+44 (0)20 74488200

--- FAX:  
+44 (0)20 74488241

--- INTERNET:  
[www.statkraft.com](http://www.statkraft.com)

--- E-MAIL:  
[uk-post@statkraft.com](mailto:uk-post@statkraft.com)

--- VAT REG.NO.: UK-922 1630 58

YOUR REF./DATE:  
120/13

OUR REF.:

PLACE/DATE:  
London, 21.10.2013

## EBSCR – Draft Policy Decision – Statkraft

Dear Andreas,

I would like to thank you for the opportunity to comment on OFGEMs Draft Policy Decision for the EBSCR, published in July.

Please find attached a response to the questions raised in the Consultation and Impact Assessment.

Statkraft is developer of both On and Off shore Wind Generation in the UK, one of the leading PPA providers to independent renewable generation in the UK and a trading party in the UK market. As such the proposals under the EBSCR will affect many areas of our business. We are keen to work closely with OFGEM on its proposals and would be happy to meet with OFGEM to discuss our thoughts and our response further.

Our key thoughts on the EBSCR Draft Policy Decision are set out in brief below:

- Statkraft strongly support the move to a single Cash Out price as we believe that this will mitigate a number of current Market In Efficiencies
- We agree that a move to more marginal imbalance pricing will sharpen market signals. However we are concerned that the current proposals are too sharp, and should be more in line with the real cost to balance for the SO. In particular
  - The move to PAR1 seems too great. PAR500 already incentivised 24/7 balancing in the market. A move to between PAR500 & PAR 100 would seem more cost reflective
  - Due to the interactions between Demand Control and the Capacity Market we do not believe that VoLL should be used to set the Cash Out price under these proposals, but that this should be revisited once the CM has been established in the market

- The RSPF should reflect the true cost of the actions taken by the SO and not the value of other avoided actions (such as Demand Control).
- Statkraft are concerned that the interactions with other Market Proposals have not been fully considered in the Draft Policy Decision.
  - Interaction with CfD FiT (DA pricing for intermittent generation but increased imbalance Intra Day)
  - Interactions with the Future Trading Arrangements work Stream
- We do not believe that the true impact of the proposals on Market Participants behaviour and therefore Market Price have been fully considered.
- Extra information will need to be provided to the Market pre and post Gate Closure about potential SO actions to allow them to respond to the sharper pricing mechanism in advance
  - Flagging/Tagging
  - Demand Control Actions
  - General system information such as NIV
  - RSPF actions
  - CM actions
- Statkraft are concerned that the proposals may limit the ability of independent PPA providers to compete with the large Vertically Integrated Utilities, therefore reducing competition in the PPA market.

If you have any questions about the attached, or would like further detail, please do not hesitate to contact Joanna Ellis ([joanna.ellis@statkraft.com](mailto:joanna.ellis@statkraft.com)).

Yours sincerely,  
for Statkraft UK Ltd

Bjorn Drangsholt  
Managing Director