

January 14, 2014

Dear Sir,

Impact Assessment on CMP201 – Proposal to Remove Balancing Charges from Generators

Please find Co-Operative Energy's response to the above consultation below.

Chapter 3: Impact of CMP201

Question 1: Do respondents consider that we have identified the relevant impacts of the CMP201 proposal?

We agree with Ofgem's assessment that implementation of the proposal would be likely to be detrimental to consumers, security of supply and competition. If the proposed change were to be implemented, energy suppliers would pass the additional BSUoS costs onto consumers. In addition, a net outflow of energy to the continent would become more likely during peak demand periods as generation prices became more harmonised, thus potentially exacerbating the already considerable security of supply issues currently faced by the GB market. Implementation would also be to the detriment of smaller suppliers as this would place a significantly larger burden upon these companies than is currently the case. In light of these factors we fully support Ofgem's minded to position to reject the proposal.

Question 2: Do respondents have any quantitative or qualitative evidence on the likelihood of additional investment in generation that would offset the relative increase in wholesale prices?

We are unconvinced that the changes resulting to BSUoS, should the proposal be implemented, would be likely to result in any additional investment in generation over and above that already incentivised by the introduction of CfD FiTs and the Capacity Market as part of the EMR proposals.

Question 3: Do respondents have any further evidence on the effect of CMP201 on supplier credit risk?

It seems logical to assume that the additional costs borne by suppliers following implementation would be reflected in a higher degree of credit risk to those parties.

Chapter 4: Initial Assessment

Question 4: Do respondents agree with our initial assessment of the proposal?

Yes.

Question 5: Are there other relevant factors that respondents consider we should take into account?

We are unable to think of any at this time over and above those listed in our answer to Question 1 above. However we consider that these in themselves, being directly related to such key policy areas, constitute sufficient grounds to support Ofgem's intention to reject the proposal.

Please do not hesitate to contact me should you have any questions or require any further information.

Yours faithfully,

Chris Hill

Head of Policy