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Dear Adam,

This response was prepared by Citizens Advice. Citizens Advice has statutory responsibilities to represent the interests of energy consumers in Great Britain and welcomes the opportunity to respond to Ofgem's consultation on changes to the Capacity Market Rules pursuant to Regulation 79 of the Capacity Market Regulations 2014.

Our comments on specific proposed amendments are enumerated below.

**CP80, 81 (Ofgem proposing to accept amendments):** We support the amendments and welcome their acceptance by Ofgem. Spurious or highly speculative bids risk contaminating the auction, distorting the price paid by consumers and the adequacy of security of supply being bought. This appears to be an appropriate intervention to encourage only feasible proposals to be brought forward.

**CP10 and 15 (Ofgem proposing to reject amendments):** We would like to see Ofgem reconsider these proposals.

While we recognise Ofgem's argument that transparency is not an end in itself, we do not agree with it. Transparency, as is beginning to be recognised across government, is vital to ensuring that policy measures are given sufficient scrutiny. It should be the default presumption that unless there are clear grounds for preserving confidentiality, data should be put into the public domain.

Ofgem has argued previously in favour of information publication in other areas, on the grounds that releasing information "increases market transparency, thereby allowing active and potential market participants additional criteria by which to gauge the scope for further competition in the market. It facilitates competition by reducing the advantage of market incumbents and reducing the risks of market entry, which otherwise constitute barriers to

market entry.”<sup>1</sup> We believe the same logic should be applied in this case. Greater visibility of the auction processes could lower barriers to entry, enabling providers who are not participating in the current auction but may consider entering future auctions to observe and understand the auctions. We believe this proposal should be reconsidered as a means of aiding competition for future capacity auctions.

Since the data covered by CP10 are already made available to auction participants, there is no credible risk of additional gaming or market manipulation. The data referred to by CP10 is already made available to auction participants. It is unclear why there would be extra costs created by de-restricting access to that data. If Ofgem believes that this measure would increase the costs of data provision it would be helpful to see how that conclusion has been reached.

**CP65 (Ofgem proposing to accept amendment):**

Ofgem must ensure the opportunity for contract amendment after the conclusion of the auction does not enable market manipulation that is detrimental to consumers to happen. We understand that Ofgem and National Grid have satisfied themselves that the risk of this is minimal, but we would welcome scrutiny of the system as it is introduced to ensure this is not occurring, and to take appropriate remedies if manipulation is observed.

**CP06, 25, 34, 41 and 50 (Ofgem proposing to accept amendments)**

We agree with Ofgem’s motivation for changing the current fixed date for qualifying refurbishment or new build expenditure. Retaining the current provision could see an increasing volume of longer-term contracts in the market, potentially increasing the burden on consumers of the capacity market over time.

Amending the date in time before the 2015 auction will ensure that all auctions proceed under the same terms (i.e. with a 77 month window for preparatory costs to be incurred). A delay to 2016 would leave the 2015 auction as an anomaly where an extra 12 months’ worth of prior expenditure is counted in assessing cost. Consequently, we would prefer to see the amendment passed in time for the 2015 auction.

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<sup>1</sup> Ofgem (2003); *Modification to the Balancing and Settlement Code (“BSC”) - Decision and Direction in relation to Modification Proposal P114*; [elxon.co.uk/wp-content/uploads/2012/02/p114\\_ofgemdecision.pdf](http://elxon.co.uk/wp-content/uploads/2012/02/p114_ofgemdecision.pdf); p. 4

### **CP62, 66, 67 (Ofgem proposing to approve amendments)**

While we are not directly affected by the proposed changes, we welcome any efforts to streamline the pre-qualification process which could improve the efficiency and/or liquidity of the market.

### **CP48 (Ofgem proposing to reject amendment)**

We strongly support a long term role for demand reduction and demand response while the capacity market is operational. However, we are keen to see this develop into a competitive and liquid part of the market, rather than being dominated by a small number of early-established players. Therefore we think targeting a small pot of money to the development of new entrants in the sector is a useful function, and should be retained within the structure of the capacity market. Efforts to better support established DSR should focus on improving their standing within the main capacity market, not dismantling the Transitional Auctions aimed at new entrants. Therefore we support Ofgem's rejection of this proposal, while at the same time looking to Ofgem to continue monitoring whether the capacity market is making best and most cost-effective use of DSR potential to secure supply at a competitive price.

Yours sincerely

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**Patron HRH The Princess Royal      Chief Executive Gillian Guy**

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