



## OFGEM CONSULTATION

### Electricity Market Reform (EMR): Statutory consultation on changes to the Capacity Market Rules pursuant to Regulation 79 of the Capacity Market Regulations 2014

Respondent's details:

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Industry sector: Developer / Owner / Operator of Generation Plants

### Electricity Market Reform (EMR): Statutory consultation on changes to the Capacity Market Rules pursuant to Regulation 79 of the Capacity Market Regulations 2014

Sembcorp Utilities (UK) Limited is the energy and utilities supplier to the Wilton International industrial park in Teesside and we are part of the Singapore-based Sembcorp Industries Group, a global energy and water business. Our customers in the UK include world class chemical and process plants operated by international conglomerates who have invested heavily since coming to the UK in the past decade and have the potential and the desire to invest further. All are massively dependent on Sembcorp's reliable and secure supply of power and heat in order that they can successfully operate chemical, petrochemical and bioenergy assets that play a major part in generating vital export revenues for the UK.

We appreciate the opportunity to comment on Electricity Market Reform (EMR): Statutory consultation on changes to the Capacity Market Rules and we hope our

comments below ensure an ongoing workable legislative framework so we can continue to deliver Combined Heat and Power generation capacity for the UK.

## Response to Consultation Questions

**Q1. CP06, CP25, CP34, CP41 and CP50: Qualifying Capital Expenditure for New Build CMU:** We invite stakeholders to provide us with information, and factors, backed up with evidence as far as possible, that we should take into account in considering: When should the Rules be amended to introduce the period for qualifying expenditure of 77 months prior to the start of the relevant delivery year?

**R1.** As a developer of several recent generation projects we can confirm that a substantial period of Qualifying Capital Expenditure is required to pursue a successful Capacity Agreement.

Our participation in an Energy from Waste Project (currently under construction) will have taken over 6 years from concept development to commercial operation. Further specific information on this project timeline can be provided if required.

**Q2. CP01, CP07, CP25, CP34, CP41 and CP50 Qualifying Capital Expenditure for Refurbishing CMU:** We invite stakeholders to provide us with information, and factors, backed up with evidence as far as possible, that we should take into account in considering: (i) Should the starting point for qualifying refurbishing expenditure be prequalification results day or auction results day? (ii) Should this new starting point apply from 2016?

**R2.** No comment

**Q3. CP69:** Do you have any views on whether and how the Rules should be amended to prevent applicants being able to provide a calculation of connection capacity close to the value of entry capacity in the manner described in CP69?

**R3.** We believe that in certain circumstances the actual operational Derated Capacity that could be reliably delivered by a prospective CMU is constrained by the current Rules. We believe this includes Transmission Connected CHP generation as well as embedded CHP generation. Please see the comments in R7 to cover this point.



**Q4. CP74:** Do you agree that duration bid amendments should only be allowed to reduce during the auction?

**R4.** Yes we agree that duration bid amendments should only be allowed to be reduced during the auction.

**Q5. CP46:** Do you believe that DSR CMUs should be able to add, remove and reallocate CMUs? Please explain your answer. Do you think there are potential downside risks to this, as we describe above? If so, how would you suggest we mitigate these downside risks?

**Q5.** We believe that flexibility should be introduced for DSR CMUs to able to add, remove and reallocate CMUs.

**Q6. CP24:** Do you have any reasons or evidence for why we should not also include OC.6.7 as a form of load reduction in the definition of Involuntary Load Reduction (in addition to our proposal to make the amendment suggested by CP24)?

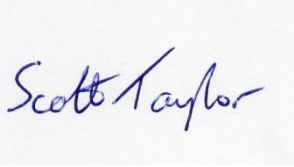
**R6.** We agree these amendments should be incorporated into the Rules.

**Q7. CP49:** Do you have any evidence to show that CHP is failing to prequalify or that there would be benefits to allowing embedded generation to bid as a DSR component?

**R7.** One issue with CHP Generators, as introduced on R3, is that the actual operational Derated Capacity that could be reliably delivered by a prospective CHP CMU is constrained by the current Rules 3.5 - Determining the Connection Capacity of a Generating CMU. As a CHP CMU has a variable power output, depending on the heat load it is supplying, then defining the Connection Capacity within the definitions in Rule 3.5 is not always possible. The Rules should be amended such that a CHPQA register CHP Generator should be able to nominate an achievable Connection Capacity during normal CHP operations. This Connection Capacity is likely to be less than STEC and UCEC as well as lower than the "Average Highest Output" of the Settlement Period performance. A form of Settlement Period performance should be introduced to validate the proposed Connection Capacity of a CHP CMU. This current lack of flexibility may be preventing behind the meter CHP Generators (both distribution and transmission connected) from being able to comply with the current Rules. We would be happy to discuss this point further if required.

If you have any questions with regards to these consultation responses please do not hesitate to contact me.

Yours Faithfully



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