

05/05/2015

Wholesale Markets
Ofgem
9 Millbank
London
SW1P 3GE

Dear Mr Downham,

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

UK Power Reserve Ltd (UKPR) is pleased to provide specific views on the statutory consultation on changes to the Capacity Market Rules. As an independent developer and operator of flexible power capacity, we have a strong interest in the issues raised in this document and understand the importance of the impacts on the UK Energy Industry as a whole. We recognize the Capacity Market requires continued review and improvement to better serve the industry, its participants and ultimately the end consumer.

About UK Power Reserve

UK Power Reserve is the leading independent developer and operator of flexible power capacity in the UK. Founded by energy experts and investors in 2010, UK Power Reserve combines a specialist team and a portfolio of flexible energy generation assets. From site purchasing to operations and from plant design to grid connections, UK Power reserve brings a unique expertise to the UK energy market.

With its portfolio of flexible distributed energy assets, UK Power Reserve maintains security of supply and supports a renewable future as a provider of choice to the UK energy market. The pioneers of developing and acquiring flexible power capacity, UK Power Reserve own and operate a rapidly expanding UK portfolio of distributed generation capacity in addition to 3rd party Demand Side Response (DSR) aggregation services. UK Power Reserve has also launched the first UK Smart Grid app iGridUK to

enable users and the end consumer to access energy market information and encourage Demand Side Response (DSR).

UK Power Reserve Response to Questions

Q5. CP46/CP36: 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?

We believe this principle should be introduced however the same principle should also be afforded to all other CMUs to maintain a level playing field and the best overall deal for the end consumer. We also believe that any amendments to any CMUs relating to adding, removing or reallocating should be published to maintain overall transparency of the CMU components.

In addition we note DECCs Capacity Market Rule revisions in relation to 7.5.1(r) as published on 27 March 2015. We would only be supportive of these policy changes if they are consistently applied across all CMUs as is currently the case in the Capacity Market Rules 2014. The STOR/FCDM products allow generation units (back up and embedded) as well as DSR units (Demand reduction/load shifting) to be removed and/or allocated. This principle is non-discriminatory and aligned to National Grids obligations to promote competition through a level playing field. If DECC/Ofgem is looking to replicate best practice principles already adopted in the procurement of Balancing Services by National Grid then it should be progressed on a non-discriminatory basis across all CMUs.

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?

Some CHP capacity will straddle the Capacity Market definition of embedded generation and DSR meaning that dual prequalification eligibility should be beneficial. However prequalification hurdles need to be understood to enable generation to prequalify as generation as opposed to DSR capacity. Any evidence of complexity should be reviewed and simplified if identified through this process. The CM Rules should avoid introducing more complexity and/or encouraging CHP components from splitting

across two CMU categories (Non CMRS generation & DSR) if located on the same site as this would represent more complexity and barriers to entry rather than simplifying the design to enable eligibility under the correct CMU category.

CP50/CP41/CP34/CP25/CP06/CP07 – Generally Supportive

We are supportive of further consideration of the above proposals. Our preference would be to amend Rules area 1.2 (definitions) relating to Qualifying Capital Expenditure in line with proposal **CP50**.

CP30 - Support

We are supportive of Ofgem's decision to include more information relating to a CMUs description. This information should also form part of the Capacity Market prequalification register.

CP38 – Support

We are supportive of this practical change.

CP44 – Oppose

We believe making this amendment to apply to DSR CMUs only seeks to introduce an unfair advantage for DSR CMUs and also mandates alternative metering solutions that will likely become dependent upon non BSC metering solutions. Such metering solutions are likely not administered by Elexon or the BSC and therefore are unregulated. A likely undesired outcome would be to promote National Grid to the role of Elexon to qualify Balancing Services data which is clearly a conflict in the industry roles and responsibilities. National Grid Balancing Services rely on BSC compliant metering and as such Elexon and the BSC should be the regulated entity for all metering requirements.

We would be supportive of this proposal if it was applied on a level playing field to all CMUs and the metering associated falls within the currently defined metering solutions applicable under the Capacity Market Rules and Regulations.

We would also request Ofgem to consider the eligibility of a DSR CMU that cannot prove its ability to provide capacity across an entire settlement period over a historic period given DSR has a de-rating

factor of 89.70% which is higher than Nuclear, CCGT, Coal/Biomass, Hydro and Oil fired steam generation capacity. Should DSR be allowed preferential treatment for determining the historic capacity then all forms of CMU should also benefit from this proposal to maintain a level playing field.

Our view is that any CMU that cannot prove historic capability over 3 x settlement periods should not be eligible capacity for the Capacity Market as the Capacity Market is designed to ensure security of supply and any capacity awarded Capacity Market obligations will be displacing capacity that otherwise could have been eligible.

CP47 – Support

CP80 – Support

CP81 – Support

Further details and a definition is required ahead of the 2015 prequalification on what legally constitutes ‘right to use land on which the CMU is located’ is it a leasehold, freehold, leasehold option etc.? This should be defined in the Capacity Market Rules alongside Relevant Planning Consents.

Further, if submission of actual planning consents is required in proposed CM Rule 3.7.1(b) or 4.7.1(c) then to remain consistent the Applicant should also have to submit evidence of the right to use land on which the CMU is located;

3.7.1 (c) the Right to Land

4.7.1 (d) the Right to Land

Definition required for ‘Right to Land’

CP82 – Support decision to reject

This would inadvertently promote National Grid into the role of Elexon and would present an unintended consequence/conflict of interest.

CP83 – Support

CP85 – Generally Supportive



The principles should be based on BSC or alternative metering as recognized in Capacity Market Rules.

CP86 – Support

Yours sincerely,

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