

Energy UK response to Ofgem consultation on Capacity Market Rule Changes

15 January 2015

About Energy UK

Energy UK is the trade association for the GB energy industry with a membership of over 80 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry – from established FTSE 100 companies' right through to new, growing suppliers and generators, which now makes up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 26 million homes and every business in Britain. Over 619,000 people in every corner of the country rely on the sector for their jobs with many of our members providing lifelong employment as well as quality apprenticeships and training for those starting their careers. The energy industry adds £83bn to the British economy, equivalent to 5% of GDP, and pays over £6bn in tax annually to HMT.

Energy UK welcomes the opportunity to respond to this consultation. We supports Ofgem's focus on simplifying prequalification and also making the Rules clearer. This response includes answers to questions where members agree. In addition we have provided further issues which require further attention from Ofgem and DECC. Proposed Changes to the Rules have been submitted alongside this response

Issues which need to be addressed

- Calculating Auxiliary Load – several Energy UK members have raised concerns about the ambiguity of the Rules relating to calculation of TEC or CEC net of auxiliary load. Individual issues will be highlighted in company responses. We recommend that Ofgem provides clarification of these Rules.
- Relevant Planning Consents - Further guidance for Applicants and the Delivery Body is required regarding Relevant Planning Consents and Connection Capacity. The capacity of a CMU can be expressed on a different basis within these documents and the Rules are currently not clear on how this apparent difference is to be resolved. That is, the CEC within a Connection Agreement represents the maximum capacity a CMU can export onto the Transmission system, assuming adequate TEC is also held. Whereas, the capacity quoted in a Planning Consent is under ISO standards 3977-2 (Ambient Temperature 15oC, Relative Humidity 60 % and Ambient Pressure at Sea Level). The strict interpretation of documents allowable as 'Relevant Planning Consents' does not include any extra documentation that can explain this apparent difference. Further guidance is required on how these two capacities should be compared (e.g. Planning Consent \geq de-rated capacity is acceptable?) or the documentation acceptable with Relevant Planning Consents could be expanded to allow Applicants to better explain this difference to the Delivery Body.
- Prequalification problems and Tier 1 appeal process - the Tier 1 appeal process should be renamed to 'verification process' so that it is more reflective of the fact that there have been challenges with prequalification and does not in most cases suggest failure to prequalify which can be worrisome to investors.

Questions

Q1: Do you agree with our priorities? Are there other priorities which we should consider for this round of Rule changes?

1.1 Energy UK supports Ofgem's priorities to simplify prequalification and make the Rules clearer. In addition, Ofgem, alongside DECC, should also prioritise improving the Capacity Market process for the participation of DSR resources.

Q2: Do you think there are issues with the current methodology for calculating connection capacity? Are there other issues we have not considered?

2.1 There are different views within Energy UK membership so we leave it to individual operators to provide their views.

Q3 – Do you believe that any of the options presented would improve the calculation of connection capacity? Are there other options we have not considered?

3.1 There are different views within Energy UK membership so we leave it to individual operators to provide their views.

Q4: Do you believe that the benefits of allowing DSR CMUs to add, remove and reallocate outweigh the costs of increased testing and prequalification? Does volume reallocation already provide sufficient flexibility for DSR CMUs?

4.1 Energy UK believes that the benefits of allowing DSR CMUs to add, remove and reallocate outweigh the costs of administering the testing needed to allow this. Volume reallocation provides some flexibility but the inability to reallocate satisfactory performance day requirements and DSR tests mean that DSR resources, and also generation, cannot be optimised. Energy UK thinks this should be progressed as a Rule change.

Q5: Do you agree that Emergency Manual Disconnection, as covered in section OC6.7 of the Grid Code, should be included in the definition of System Stress Event, Capacity Market Warning and Involuntary Load Reduction?

5.1 There are different views within Energy UK membership so we leave it to individual operators to provide their views.

Q6: Do you agree with the proposals in Annex 2?

6.1 Energy UK agrees with the proposals.

For further information, please contact:

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