



## Consultation on changes to the Capacity Market Rules

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**Ofgem,  
9 Millbank,  
London,  
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InterGen welcomes the opportunity to respond to this consultation. We remain the only genuinely independent generator active in the UK market with a track record of developing, constructing and operating large scale thermal power generation projects. We have been active in the market since the 1990s and therefore bring a unique perspective to this consultation. InterGen is owned by two major international investors, representing two key classes of investment which the Government is seeking to attract to UK infrastructure investment, namely, pension funds (Ontario Teachers' Pension Plan) and strategic investors from the People's Republic of China (China Huaneng/Yuedean).

InterGen is one of the UK's largest independent generators, operating a portfolio of three high efficiency, low emissions producing, flexible gas-fired power stations totalling 2,490MW; an investment of some £2.1bn. These stations are located at Rocksavage (Cheshire), Spalding (Lincolnshire) and Coryton (Essex).

InterGen is also ready to build new CCGT projects at two sites in Spalding (Spalding Energy Expansion) and Essex (Gateway Energy). The new stations, which are "shovel-ready", will cost around £1billion to construct over their three year build programmes and create around 3,000 jobs. The Capacity Market is a significant enabler for new CCGT plant being built and therefore, in conjunction with our views shared as part of DECC's consultation on change to the Capacity Market design, we think there are some important changes that can be made to the current set of rules that will make this process more effective.

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

We agree with the priorities of simplifying prequalification arrangements and making the Rules clearer. We do not believe there is the need for any other priorities to be considered.

**Q2: Do you think there are issues with the current methodology for calculating connection capacity, as described in Annex 1? Are there other issues we have not considered?**

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We do not believe there is a particularly strong rationale for changing the current methodology for calculating the connection capacity of a CMU; however, we understand that different units utilising different options for calculating connection capacity leads to inconsistency and can lead to a false representation of maximum plant output.

We would suggest that Option F still provides generates with the autonomy to decide which connection capacity calculation is most appropriate for them but provides certainty that this process will not change across CMUs. Selecting option F, and in our opinion selecting option 1 within that, offers the most simple and efficient approach to solving this issue.

**Q3: Do you believe that any of the options presented in Annex 1 would improve the calculation of connection capacity? Are there other options we have not considered?**

We believe the calculation of connection capacity does not pose a significant issue; however option 1 of Option F enables some familiarity from the existing connection capacity calculation options to remain whilst removing the ability for CMUs to select multiple ways of determining their connection capacity.

**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?**

N/A

**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?**

We agree with this proposal. As per the description of an Emergency Manual Disconnection (EMD) in OC6.7.1 it suggests that a significant amount of capacity has been lost from the system and that demand needs to be substantially reduced. As per rule 8.4.1 a System Stress Event means a settlement period in which a *System Operator Instigated Demand Control Event* occurs. These definitions have strong synergies and therefore it would seem appropriate to include EMD in the definition of a System Stress Event, Capacity Market Warning and Involuntary Load Reduction.

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

We agree with all proposals detailed in Annex 2.

We would ask for further clarification on Ofgem's proposal that 'New Build Generators must have planning permission for the duration of their capacity agreement.' We would suggest that further detail is required as to how this would be demonstrated by the participant. We would recommend a declaration from company director(s) is the most appropriate form of evidencing this. Planning permission is not time stamped and asking participants to provide further detail behind their

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declaration would contravene the objective to make prequalification a more simple process. It would also add little additional value.

### **Further proposals**

Keeping in mind the objectives to simplify arrangements for prequalification and make rules of the Capacity Market clearer, we would propose to remove the need for participants to provide a declaration of solvency in Exhibit A: Form of Prequalification Certificate. Rule 3.4.6 'Declaration of Solvency' was removed from the rules for the 2015 auction and therefore it would serve to make the rules more consistent and clearer if this requirement was also removed from Exhibit A. In addition, the value it holds in the case of a CMU declaring insolvency is negligible.



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