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## **Ecotricity Response to Statutory Consultation on Changes to the Capacity Market Rules**

Dear Capacity Market Team

Ecotricity is an independent renewable energy generator and supplier, with around 180,000 gas and electricity customers. At Ecotricity, we have three principal attractions: the greenest energy with the emphasis on investing in new sources of renewable energy; the best customer service as demonstrated by the lowest level of complaints in the industry; and an ethical pricing policy that means every customer gets our best price, regardless of payment method. It is this focus on ethics and principles of excellent customer service that's key to our growth.

Ecotricity is also developing battery storage solutions, which we intend to use for Enhanced Frequency Response and/or to put into the Capacity Market. We have reviewed the proposed amendments to the Capacity Market Rules and below we have commented on those that are relevant to us and responded to relevant questions.

### **Auction Guidelines and De-rating**

**CP94 – seeks to amend Rule 2.3 so that de-rating factors for DSR CMUs would be set to reflect performance in the CM, rather than being based on performance in Short Term Operating Reserve (STOR).**

We believe that this proposal has merit and agree with its aims of making de-rating factors of DSR CMUs more appropriate to the Capacity Market. As there is currently no actual data on the performance of DSR CMUs, using STOR appears to be the next best thing. However, we also agree with Ofgem that the change proposal needs additional analysis and that it is not appropriate to make a decision until there is a clear method for calculating performance.

## **Prequalification Information**

**Of3: amending rule 3.3.3(b) to allow parties to voluntarily opt out of the T-4 auction, but remain operational in the corresponding T-1**

We agree with Ofgem's proposal as this seems like a sensible amendment.

**CP92 - proposal to introduce line loss estimates on the basis of periods of system stress**

We agree with Ofgem's decision not to take this forward due to the lack of evidence with respect to line loss factors in times of system stress events. We also note that the proposal would likely require a much more complex calculation, with less certainty on the inputs. It is therefore more likely to result in errors than simply taking an annual average of line loss factors.

**CP153, would allow wind and solar to be included as Generating Technology Classes, enabling the technologies to participate in the Capacity Market, but also allowing these sites to be taken into account when assessing the connection capacity at shared connections**

We would strongly encourage Ofgem to consider this proposal further. Although we agree that it requires more detail, we believe that this is something that Ofgem could consult on separately and should prioritise the development of.

Grid connections are increasingly difficult to come by and therefore the use of shared grid connections where possible.

Furthermore, a site which is a combination of wind and/or solar and storage could be an effective provider of capacity for the Capacity Market. Given that onshore wind is now the cheapest form of new build but is unlikely to receive any subsidy, it makes sense to facilitate its construction by allowing participation in the capacity market. This could also help reduce the overall carbon footprint of the Capacity Market, which to date has subsidised the most polluting technologies. We believe that this is a renewable intermittent technology and storage is an underexplored option for the capacity market, which Ofgem should look into encouraging.

**CP154 would amend the rules by removing the word 'Anticipated' in all references to the term 'Anticipated De-rated Capacity'. This is intended to enable Applicants to take into account the output from units which are part of a shared Connection Agreement but do not participate in the CM (and therefore do not have anticipated capacity).**

We disagree with Ofgem's decision to reject this proposal as it would remove an unnecessary barrier to market entry for developers that share grid connections.

**CP155 seeks to amend the definition of Distribution Connection Agreement so that Applicants for CMUs with shared connections, where the counterparty to the Distribution Connection Agreement is not responsible for that CMU, can participate in the Prequalification process.**

Again, we believe that this proposal should be brought forward so that developers with shared connections are not disadvantaged. We disagree with Ofgem's proposal to reject it.



## **Obligations on Capacity Market Providers and System Stress Events**

**CP129 would amend Rule 8.3.4 so that DSR aggregators are able to add new components directly to DSR CMUs. CP141 supports making it easier for new DSR capacity to be added to CMUs as long as sufficient checks are in place.**

**Question 2 - CP129: Do you agree there are overall benefits to creating a bespoke process for adding new DSR CMU components?**

Ecotricity agrees with Ofgem that proposals 129 and 141 are sensible as they will add flexibility and reduce risk for DSR providers. Provided that the required level of demand reduction can be ensured, it should not be necessary for this to come from the same unit and location. The first two auctions showed a disappointing lack of success for DSR and storage and we would encourage Ofgem to make the process easier for such generators.

**CP130, which suggests either deleting Rule 8.3.4(d) or amending it so that a component that has been removed from a DSR CMU can be reinstated as part another DSR CMU in a different Delivery Year.**

Ecotricity agrees with Ofgem that this is a sensible proposal. As with CP129 and 141, CP130 will add flexibility for DSR providers. Without this flexibility, components may delay participating in the Capacity Market in any given year for fear that if they are removed from it, they will never have the opportunity to participate again. This change should therefore encourage more DSR to compete.

**CP145 NGET: the proposal that would amend Rule 8.4 so that the definition and determination of a System Stress Event is aligned with the cash-out arrangements (i.e. when the System Buy Price has reached or exceeded the Value of Lost Load (VoLL)).**

We agree with Ofgem that this proposal needs more investigation before it is taken forward to allow industry to evaluate its impact.

## **Testing Regime**

**CP124 - proposal would allow the performance of portfolios of CMUs to be assessed on an aggregate basis during DSR Tests and Satisfactory Performance Days. This would effectively bypass the 50MW size restriction for aggregated CMUs for the purposes of testing.**

We agree with Ofgem that this is a sensible proposal, which will help counter the disadvantage that aggregated DSR capacity providers currently face due to the 50MW size restriction. We agree that this 50MW size restriction is arbitrary for the purposes of testing and that allowing assessments to be performed on an aggregate basis is sensible. We believe that this will help increase DSR participation in the capacity market.

## Schedules & Exhibits

**CP98 & CP148 – ADE & Open Energi** These two proposals seek to ensure that dynamic firm frequency response (FFR) is able to participate in the CM.

**Question 8 - CP98 and CP148: Do you agree with the solution put forward in these proposals to ensure the participation of dynamic FFR in the CM? If not, what changes to the DSR test and volume calculation are necessary to achieve this?**

We agree that these proposals should be considered further and acknowledge that there is a risk of perverse incentives resulting in higher demand, is a legitimate concern and measures would need to be put in place to prevent this. However, the rules for FFR require detailed data collection so there should already be plenty of evidence available to help regulate DSR behaviour for the purposes of the Capacity Market.

## Enhanced Frequency Response

We believe that the exclusion of Enhanced Frequency Response (EFR) providers is not justified. The latest rules for EFR make it almost identical to FFR, with the only major difference being that the former is faster acting. Prohibiting EFR providers from participation only narrows the pool of potential DSR providers, reducing DSR participation and competition. We therefore encourage Ofgem to reconsider this exclusion.

## **Conclusion:**

In summary, we support the proposed changes that will encourage additional flexibility for DSR providers. We believe that Ofgem should take a similar approach to renewable technologies and explore ways in which onshore wind and solar with storage could participate along. It should also increase flexibility with respect to shared grid connections as this would not only decrease unnecessary barriers but also encourage efficient use of connections at a time when they are scarce.

Finally, we strongly encourage Ofgem to amend rules so that Enhanced Frequency Response participants are allowed to participate in the Capacity Market.

Ecotricity welcomes the opportunity to respond and hope you take our comments on board. We also welcome any further contact in response to this submission. Please contact Holly Tomlinson on 01453 769366 or [holly.tomlinson@ecotricity.co.uk](mailto:holly.tomlinson@ecotricity.co.uk).

Yours sincerely,



Alan Chambers  
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