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09 August 2016

SmartestEnergy Response to Consultation on further amendments to the Capacity Market Rules

Dear Sirs,

SmartestEnergy welcomes the opportunity to respond to the Consultation on further amendments to the Capacity Market Rules.

SmartestEnergy is an aggregator of embedded generation and a supplier in the non-domestic electricity retail market serving large corporate and group organisations.

Please note that our response **is not** confidential.

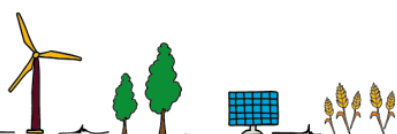
Overview

SmartestEnergy agrees with the proposal to no longer require mandatory CMUs which are ineligible for capacity payments to prequalify. We disagree with Ofgem's preferred option regarding changing the LFCO formula however, as we consider that National Grid's proposal delivers greater benefits without creating biases between generation and demand.

Answers to Specific Questions

Question 1a: Do you agree with the proposal to amend the definition of Mandatory CMUs? Please provide evidence and clear reasoning for your answer.

We agree with the proposal to amend the definition of mandatory CMUs. It makes little sense for any CMU currently defined as mandatory, which is ineligible for the Capacity Market, to have to enter the pre-qualification stage.



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Question 1b: Do you think our proposed drafting accurately reflects the policy intent we have outlined?

Yes.

Question 2: Do you think our proposed drafting accurately reflects the policy intent we have outlined?

Yes.

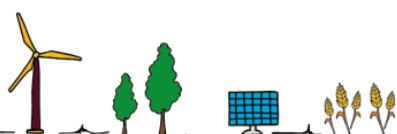
Question 3: Do you agree with our preferred option for amending the LFCO formula? Please provide evidence and/or clear reasoning with your answer.

Our preference is for the second lead option proposed by National Grid on the basis that if peak demand is forecast accurately it should effectively meet the desired aims. We understand that any demand forecasting is open to errors, but this option seems to meet the desired aims of accuracy within the first TA (the tacit purpose of the change). Under Ofgem's current preferred option, there could be an unfair temptation to call upon generation as opposed to DSR which the National Grid option seems to mitigate. Equally the first option uses an average historical demand to approximate system demand – in a rapidly changing demand environment (increased volatility and variation) there is concern that the past may not equate to the future demand scenarios.

Should you wish to discuss any aspect of this matter, please do not hesitate to contact me.

Yours sincerely,

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