



Emma Kelso  
Office of Gas and Electricity Markets  
9 Milbank  
London, SW1P 3GE

30 January 2017

Dear Ms Kelso,

**Subject: Minded to decision to remove the Supplemental Balancing Reserve (SBR) and Demand Side Balancing Reserve (DSBR) cost recovery arrangements for 2017/18**

Green Frog Power builds gas-fueled power stations utilizing reciprocating engines. Efficient and flexible, our plant is exactly what the market needs. We have built more capacity that is reliable than any other British company in the past five years. We have 400MW of plant in operation and a construction pipeline of 600MW of gas-fueled plant.

We have always believed that the Supplemental Balancing Reserve (SBR) and the Demand Side Balancing Reserve (DSBR) was poorly designed and unduly and disproportionately distortionary. Its instigation undermined what were otherwise excellent strides that Ofgem has made in recent years in encouraging a healthy and vibrant, liquid market.

Ofgem's cash-out reform (where the full reforms should be brought in a year early, in November 2017), has been undermined by the very existence of these otherwise mothballed plant that ostensibly "outside the market", yet actually very much in the market, in terms of distorted price signals.

Now that the Capacity Market has been brought forward a year to start in October 2017, we unequivocally approve of Ofgem's minded-to decision to bring the two services to an end.

Green Frog Power agrees with Ofgem's proposed approach of eliminating the cost-recovery provisions for 2017/18. Changing the definition of the relevant years in which National Grid can charge is sensible, and far less complicated than a licence change.

Ofgem notes that the next step after this is to remove the licence condition entirely – we fully agree that this is necessary and as a matter of priority. The market must not have even a sniff of a possibility that these market-skewing services could be resurrected. To this end, we suggest that it would be prudent for Ofgem to provide a clearly defined plan and timeline for when the SBR and DSBR cost recovery provisions can be removed from National Grid's licence conditions.

Yours faithfully,

Graz Macdonald  
*Head of Regulatory and Policy Analysis*  
*Green Frog Power Limited*