



4 May 2017

Mark Copley  
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Dear Mark

#### **2017 Changes to Capacity Market Rules 2014 – Response to Statutory Consultation**

Alkane Energy Limited (Alkane) wishes to respond to the above consultation, specifically focused on Ofgem's reasoning behind its proposed decision on the two changes requested by Alkane.

#### CP202

Alkane is extremely disappointed that Ofgem is minded to reject CP202 particularly in the context of Ofgem's own legal modus operandi to act in a non-discriminatory way, promote effective competition and benefit consumers.

The existing Rules positively discriminate in favour of DSR for no justifiable reason. Ofgem states: "The Rules allow flexibility for DSR components in recognition of the difficulties faced by aggregators in managing a portfolio of DSR customers." What about the difficulties faced by developers and operators of a portfolio of small geographically dispersed generation sites? Why should these be more restricted in how they can manage delivery of their capacity commitment? How is that assisting the promotion of effective competition? How is this to the benefit of consumers?

Secondary trading in terms of counterparties is extremely restrictive and contract volume reallocation is a post system stress event option only. The point made here by Ofgem in terms of what happens during delivery is irrelevant to the change sought. Alkane is seeking the same flexibility afforded to DSR on how it provides its capacity pre-system stress event/delivery.

Ofgem states: "It is important that prequalified capacity accurately reflects physical assets so that the auction process functions effectively and delivers reliable capacity." The imposition of unjustifiable restrictions on the number and location of units from where that capacity is provided can only inhibit and potentially frustrate delivery of reliable capacity where commitments have been made in good

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faith, but subsequent circumstances prevent or restrict delivery of the original option(s). However a Capacity Provider would be able to provide (an) alternative(s) but for this rule.

Alkane would suggest that the CM Rules should assist generation to come forward or remain connected at minimum cost to the consumer rather than imposing and enforcing rules that limit the delivery of MW or increase cost of those MW for no good reason.

As an example Alkane would question why the replacement of e.g. 2 x 1.5MW engine components within a CMU from potentially two geographic sites by a 3MW single component at a single site should be prevented. Both offer the same MW capacity to the system from the same technology. The latter may reasonably be expected to offer slightly higher thermal efficiency, which should benefit the consumer from incrementally lower wholesale prices as well as the environment and economy from lower emissions. It may reasonably be the case that at prequalification for a T-4 auction the network may not offer the firm capacity needed to allow an evidenced commitment from a single site, but network investment or connection changes may free up network capacity during the subsequent four years prior to delivery and so allow capacity to be delivered from a single site to the benefit of all – capacity provider, consumer and environment. The Rules as drafted prevent this. Ofgem offers no explanation of why it thinks such an outcome under the existing Rules is beneficial.

A number of Alkane sites utilise coal mine methane as fuel. This resource is a potent greenhouse gas if allowed to be released to atmosphere and Alkane's management of it by turning it into useful electricity should surely be welcomed and if not actively supported then certainly not discouraged. Unfortunately its availability fluctuates meaning that some sites deliver more than forecast while others less than forecast one year or more ahead. Whilst across its portfolio Alkane can be statistically confident of firm MW capacity, on a site by site basis this is extremely difficult to predict with accuracy. Artificial restriction of the number of Components that deliver a CMU's Obligation adds to the difficulty of delivery for no good reason that Alkane can see. In Alkane's view the difficulties in managing its generation portfolio are exactly analogous to those of a DSR portfolio and should be afforded the same flexibility.

Alkane would therefore urge Ofgem to reconsider its position on this issue and if it continues with its minded to position to offer substantive evidence as to why the existing Rules benefit the consumer and why the positive discrimination towards DSR in this context can be justified.

#### CP201

Alkane welcomes Ofgem's agreement that NGET as the Delivery Body shall be obligated to provide a reason for a refusal to update the Register, but is disappointed that Ofgem does not go further as Alkane requested and require NGET to work within the Rules and Regulations and state explicitly how it is so doing.


Whilst Alkane notes that an Appeal process exists, this is set out within the Rules and Regulations and proscribes what may be appealed, how and when. Where there is a difference of interpretation it is not obvious to Alkane why NGET's opinion should automatically carry not merely more weight, but always be taken as correct until proven otherwise. In some circumstances this may prevent a Capacity

Provider from pursuing an action it believes to be within the Rules and Regulations (often under severe time pressure), or add to a Capacity Provider's costs in delay and/or proving its case. It appears to Alkane reasonable and an aid to the efficient working of the CM that NGET should be required to reference the specific Rules/Regulations that it is relying upon in terms of the decisions that it makes.

We consider our original proposal facilitates more efficient operation and administration of the CM by giving the earliest possible clarity of the basis of a NGET decision on the rules/regulations.

Alkane therefore continues to believe its original proposal for a rule change should stand in its entirety and requests Ofgem to reconsider its position on allowing NGET to operate arbitrarily outside the Rules and Regulations, or in line with NGET's own interpretation of those Rules and Regulations as NGET alone sees fit, without even having to reference those Rules/Regulations in its communication of a decision.

Yours sincerely

A handwritten signature in black ink, appearing to be 'PJ' or 'Paul Jenkinson', written in a cursive style.

Paul Jenkinson  
CEO