

RE: Sandbag's response to Ofgem consultation

"Embedded Benefits: Consultation on CMP264 and CMP265 minded to decision"

Dear Andrew Self,

Sandbag is concerned over the impact of Ofgem's plan to massively reduce embedded benefits, on the future of zero carbon investment. Sandbag is a London-based environmental think-tank.

We recognise that it is notoriously subjective to value embedded benefits. We also recognise that they are costly and need to be substantially reduced.

The focus of embedded generation payments has changed rapidly. Initially urgency was to reduce the influx of diesel plants, but the influx of diesel thankfully never happened (we wrote up the reasons in [this document](#)), not least because it came clear that Ofgem would reduce the embedded benefits. BEIS reported that no more than 20MW of diesel plants were accepted in last December's auction, where up to 4GW had bid into the initial prequalification process (see [here](#)).

The focus of investors has now moved to battery. 500MW was accepted in last December's auction, and it is clear that batteries will form a core part of future capacity investments, as coal is retired.

Frontier's modelling looks at diesel, but it does not look at battery. Battery storage provides more benefit than diesel, and these need to be more fully valued.

Finally, embedded generation – as a vision - is so appealing because it involves innovation and competition as never before, which is of great value. The only two new capacity contracts over 100MW that have been signed so far are for outdated fossil technology, by incumbents: 330MW by Centrica to refurbish the old King's Lynn CCGT, and 299MW open cycle gas turbine at Spalding by Intergen. Compare that to the number of technologies and number of companies bidding to build embedded generation.

We hope that the cuts to embedded benefits are not as drastic as Ofgem is currently minded to make.

Kind regards,



Dave Jones, Electricity analyst at Sandbag