



Alastair Lamond
Commercial Manager
InterGen UK
81 George St, Edinburgh
EH2 3ES

David Beaumont,
SO Regulation, Energy Systems
9 Millbank,
London, SW1P 3GE

18 January 2018

Dear David,

[The Electricity System Operator Regulatory and Incentives Framework from April 2018](#)

We welcome the opportunity to provide our views on the consultation on The Electricity System Operator (ESO) Regulatory and Incentives Framework from April 2018. As the role of the ESO evolve it is necessary to review the framework governing its activities to ensure that it is fit for purpose. We believe that increased transparency, availability of information, and access to data is key going forward and to ensure meaningful engagement between the ESO and its stakeholders.

InterGen is generally supportive of Ofgem's proposals outlined in the consultation and we have detailed our responses to the consultation questions in appendix 1, attached below.

[Background](#)

InterGen remains the only genuinely independent generator active in the GB market with a track record of developing, constructing and operating large scale thermal power generation projects. We have been active in the market since the 1990s and therefore bring a unique perspective to issues regarding the GB energy market.

InterGen is owned by two major international investors, representing two key classes of investment which the Government is seeking to attract to UK infrastructure investment, namely, pension funds (Ontario Teachers' Pension Plan) and strategic investors from the People's Republic of China (China Huaneng/Yudean). We are one of the UK's largest independent generators, operating a portfolio of three flexible gas-fired power stations totalling 2,490MW; an investment of some £2.1bn. These stations are located at Rocksavage (Cheshire), Spalding (Lincolnshire) and Coryton (Essex). Additionally, in December 2016, at the Capacity Market T-4 auction, InterGen won a fifteen-year agreement to construct a 300MW OCGT, an expansion of the existing Spalding site. InterGen is also ready to build new CCGT projects at sites in Spalding (Spalding Energy Expansion) and Essex (Gateway Energy). These new CCGT stations, which are shovel-ready, will create around 3,000 jobs over their

three year build programmes. These projects have successfully prequalified for the February 2018 Capacity Market T-4 Auction.

Please do not hesitate to get in touch if you have any questions or would like further discussion on any of the points raised in this response.

Yours sincerely,

A handwritten signature in dark ink, reading 'ALamond'. The 'A' is large and stylized, with a long horizontal stroke that extends to the right. The 'L' is also large and stylized, with a long vertical stroke that extends downwards. The 'a' is smaller and more compact. The 'm' and 'o' are also stylized, with the 'm' having a long horizontal stroke that extends to the right. The 'n' is smaller and more compact. The 'd' is also stylized, with a long vertical stroke that extends downwards.

Alastair Lamond
Commercial Manager
InterGen UK

Appendix 1: Responses to questions in Ofgem's consultation on *The Electricity System Operator Regulatory and Incentives Framework from April 2018*

Q1: Do you agree with our updated roles and principles for the ESO?

Yes, we believe that the updated roles and principles have the potential to support the ESO fulfilling its licence obligations.

Q2: Do you agree with our proposals for the ESO Forward Plan? Do you think our proposed process for reviewing the ESO's Forward plan will create a sufficient incentive on the ESO to develop a plan and performance metrics that are appropriately challenging and comprehensive?

Ofgem note in the consultation document that information asymmetry between the ESO and Ofgem is only likely to grow in the future. This is not only true between the ESO and Ofgem but also between the ESO and other market participants as the ESO's role evolves. This will make it difficult to ensure that the ESO develops a sufficiently challenging and comprehensive Forward Plan and performance matrix. Increasing transparency and meaningful and regular stakeholder participation in the development process will help alleviate these concerns.

Stakeholders and customers should be involved at each stage and the ESO must clearly communicate how stakeholders' views are taken into account and provide feedback on proposals taken forward or not, with clear explanation how the ESO came to that decision.

Q3: Do you agree with our proposals for within-year reporting? Do they appropriately balance the need for transparency with resource burden for the ESO?

We agree that within-year reporting should increase to ensure that stakeholders are able to access timely information about the ESO's performance.

Moreover, in addition to reporting on its performance, we believe that it is also important that the ESO is clear over the actions it takes to achieve a certain level of performance. For example, to increase transparency further, the ESO can make available more detailed information about its decisions on balancing actions and costs incurred.

Q4: Do you agree with the design of our evaluative scorecard incentive? Do you have views on the Panel scoring criteria or payment-penalty methodology?

No comments at this point.

Q5: Do you agree with our proposed scheme cap and floor of $\pm£30\text{m}$?

Whilst we do not dispute the proposed cap and floor, it must be ensured that the assessment is symmetric, that is, that the ESO is penalised at the same rate as it is rewarded.

Q6: Do you agree with our proposal to introduce a new ESO Performance Panel?

Yes, we believe that an independent Performance Panel can help hold the ESO accountable to its stakeholders and licence obligations.

Q7: Who should sit on the ESO Performance Panel? What is its appropriate size?

We believe that a mixture of independents and industry representatives should sit on the panel. It is important that panel members are knowledgeable and have broad-based experience from the electricity market.

Q8: Who should chair the ESO Performance Panel?

We believe that Ofgem is a sensible choice to chair the ESO Performance Panel initially.

Q9: Do you agree with our proposed approach to implementing our new framework?

As it stands we have no objections to Ofgem's proposed implementation approach.

Q10: Do you have any comments on our draft licence changes?

No comments at this point.