

Anesco Limited
The Green, Easter Park
Benyon Road, Reading
Berkshire, RG7 2PQ

tel: 0845 894 4444

Security of Supply Team
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

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**RE: STATUTORY CONSULTATION ON AMENDMENTS TO THE CAPACITY MARKET
RULES 2014**

To Whom It May Concern,

In response to the recent Statutory Consultation on Amendments to the Capacity Market Rules 2014, please find enclosed our formal response.

Anesco Ltd are a pioneer in energy storage development with our first utility scale battery energised back in 2014. We are also the first company to successfully accredit hybrid solar and battery sites with Ofgem.

As a key player in the storage market, we would welcome the opportunity to discuss our response further with you.

Yours sincerely,



Steve Shine OBE
Executive Chairman
Anesco Ltd
0845 894 4444
steve.shine@anESCO.co.uk

Anesco Limited

Registered office: The Green, Easter Park, Benyon Road, Reading, Berkshire, RG7 2PQ

Registered in England No. 7443091 • VAT No. 107 4253 40

www.anESCO.co.uk

STATUTORY CONSULTATION ON CHANGES TO THE CAPACITY MARKET RULES 2014

Anesco Ltd appreciate that not all of the proposals put forward are relevant to our business thus we have provided responses to only those proposals that we feel are applicable and where we have concerns over the comments that have been made by Ofgem.

CP252 AND CP285 – RATIONALISATION OF PREQUALIFICATION CERTIFICATES

Anesco agrees that there should be a rationalisation of prequalification certificates submitted as part of the pre-qualification process for CMUs. Anesco believe that this rationalisation needs to stem from a fundamental re-evaluation of the Capacity Market prequalification process. It is an unnecessarily complex process, various members within Ofgem itself have commented on how complicated the Capacity Market Rules are and how difficult it can be to interpret them particularly when it comes to prequalification where in accordance with Regulation 69, no new information can be submitted during the dispute period.

At present, lawyers are required to interpret the Rules for companies such as Anesco and this comes at a heavy cost and acts as a barrier to entry. We would therefore recommend that a simple guidance document in reference to the Capacity Market Rules is introduced so that any user at any company can understand the basic fundamentals necessary to enter the Capacity Market especially where it applies to prequalification. Rationalisation of the prequalification certificates should be set out in this guidance document and it should be noted that where several CMUs are being prequalified, requesting multiple signatures from senior management is time consuming and this requirement needs to be reviewed.

The EMR portal also presents challenges for Capacity Market entry. The portal is often unclear and can be difficult to interpret. In addition, before submission of a prequalification application, the system should be made “smarter” to clearly identify any issues with the application, for example where a certificate has not been uploaded.

CP254, CP341 AND CP342 – ALLOWING THE BIDDING OF INCREMENTAL CAPACITY

Anesco installed its first utility scale energy storage unit in September 2014 and have successfully installed the first co-located solar PV and ESS sites in the UK. Our experience in the energy storage market is significant and we do have a concern that rejecting a proposal to allow incremental capacity to bid into T-1 and T-4 auctions could have a negative impact on the energy storage market which has already been severely hindered by the latest de-rating consultation.

Our concern in rejecting this proposal is that in future years, energy storage technology will have evolved thus there needs to be an allowance for installing further capacity to increase duration. This should be promoted because it will have yet further benefits on the security of supply in the UK. If however, the Capacity Market does not allow for the bidding of incremental capacity, storage assets will only be able to repower (i.e. cells replaced) on older technology and won't be able to take advantage of latest industry advancements. This is not an efficient approach to take.

We recognise that there may be some concerns on measuring incremental capacity where prices have differed between auctions, however we feel that this can be overcome by using an appropriate methodology and cannot therefore be the main grounds as to why this proposal is being rejected.

CP349 – REQUIREMENT FOR A DISTRIBUTION CONNECTION AGREEMENT TO BE FIRM

Connecting an asset to the distribution network is a challenge and it is possible that a DNO may offer a “non-firm” connection with certain restrictions in place under certain network conditions where potential reinforcements may be prohibitively expensive for the project. It should be noted however, that the majority of connection agreements could actually be considered “non-firm” as there are different types of curtailment and restrictions that can be imposed by a DNO. There are also potential restrictions from the Statement of Works (SoW) process that would need to be considered and highly unlikely that a participant will know the outcome of the SoW at prequalification. Placing a further barrier to entry to participants in the Capacity Market for this reason would be inappropriate.

Anesco believe that the CMU capacity that is entered into an auction should be a commercial decision made by the participant and should be based on a variety of characteristics for that particular project. There is no incentive to enter capacity into an auction that a participant would not believe is achievable given the high penalties that are in place.

CP263, CP313 and CP314 – PARTICIPATION OF RENEWABLE TECHNOLOGIES

Anesco strongly support the proposal to enable renewable technologies to participate in the Capacity Market. With the removal of low carbon support schemes, there is little incentive to construct renewable generation projects and there has been sharp decline in the deployment of such projects in the UK as a result of this.

Anesco were the first company in the UK to construct and energise a subsidy free hybrid solar and energy storage site, but this was not without its challenges. We are continually faced with an evolving industry and not having subsidies available in the market means there is a lot of uncertainty for building subsidy free renewable technologies. This is having a significant effect on investor confidence which is detrimental to the uptake of renewable technologies and subsequent consequences on the UK emissions targets and to meet the demand increase from moving to electric heating and battery transport.

The Capacity Market claims to be technology neutral thus holding a separate consultation on allowing renewable technologies to enter the market is anti-competitive and should be prevented. We recognise there may be reservations as to how the technologies can be de-rated, but Anesco believe that the methodology used to de-rate energy storage units is a good starting point thus this should be put into action now ready to implement for the 2018/19 auctions. Anesco also believe that hybrid energy storage adjacent to solar and wind projects that can provide power when needed should be seen as the most valuable asset to National Grid and the de-rating on this should be minimal to incentivise this important flexible renewable energy source. It is unacceptable that we should wait for this to be consulted on in Parliament given that the existing mechanism clearly already allows for this technology to enter, it is simply the de-rating that needs confirming.

Anesco would be willing to discuss these proposals further in direct consultation with Ofgem.