



Rob Salter-Church
Retailpriceregulation@ofgem.gov.uk

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Re: Capacity Market Allowance in the Price Cap

Green Frog Power builds gas-fuelled power stations utilising reciprocating engines. Efficient and flexible, our plant is exactly what the market needs. We have over 400MW of plant in operation and a construction pipeline exceeding 600MW. The entire fleet can start from cold in less than two minutes.

Green Frog Power have built and financed our business under the backdrop of CM Agreements, which were made in good faith under legislative powers and regulatory authority. To say that we are shocked and disappointed by the harsh and costly realisation of the fragility of these agreements would be an understatement. Unfortunately, our banks and investors feel similarly.

BEIS has realised this and has made every effort to credibly and convincingly signal the government's intent to honour their agreements and their commitment to provide back payments if at all possible. This has made a difference to the sector's and to our investors' confidence.

So why is Ofgem so keen to undermine this critical messaging?

If Ofgem insists on pursuing such a narrow, un-thought-out agenda then Ofgem should be made aware of the impact. The wider market, investors, operators, suppliers and investors will not be aware of the finer nuances of Ofgem internal politics and narrow short-termist agenda

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to protect consumers. In a time of more severe uncertainty than any other in recent memory, these people whose businesses and livelihoods and investments hinge upon the decisions of BEIS and Ofgem shall hear the message that Ofgem knows something they don't. That CM payments shall not be resuming and/or that back payments shall not be made. Why wouldn't people think this? And what decisions might they make in the light of this announcement?

Ofgem would be making an announcement in direct contradiction to the government's stated aim (assuming no announcements are made between the writing of this letter and 7th February). Is the government's stated aim not enough certainty for Ofgem? Should then it not be sufficient certainty for the rest of us waiting on tender hooks for the CM to resume?

Ofgem is rightly required to make decisions that benefit the consumer. But it is a very narrow and short-minded approach to play games with the messaging to the investment community. It is as though Ofgem is unaware that the regulatory cost of doing business (investment uncertainty) in this sector shall not impact consumers' bills. This impact will be wide ranging and in excess of the impact of a quarter of potentially over collected CM payments, which could be refunded if they turn out to not be required.

To add insult to injury Ofgem seem to suggest that even if their judgement is incorrect regarding resumption of supplier payments to the CM, that they do not intend to take account of that in the following (third) price cap. This would result in suppliers out of pocket for the resumption of CM collections for Q219. How is ensuring that it is not only generators in a panic, but also suppliers beneficial for the wider market, the investment climate, or consumers?

Best Regards,

Graz Macdonald
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