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Thomas Kenyon-Brown  
10 South Colonnade  
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London  
EP14 4PU

17<sup>th</sup> September 2019

Dear Mr Kenyon-Brown,

### **Adjustments to the Electricity Market Reform Delivery Body Revenues**

As you know, the Flexible Generation Group (FGG) represents the owners of and investors in small scale, flexible generation. These power stations are embedded in distribution networks and provide a variety of vital services to the system operator to help it deliver secure, economic supplies to electricity customers. We also participate in the Capacity Market (CM) and have made significant investment in new capacity on the back of CM agreements.

First of all please accept our apologies for the late response, but the timing of this consultation coincided with the CM pre-qualification window.

FGG represents the group that have delivered more new capacity via the CM than other groups of GB energy companies, and have in depth experience with the Delivery Body (DB).

While we appreciate that the CM IT system (Portal) has been of concern to market participants, and it requires significant investment to improve it, there is overall general agreement that the IT administration system should not be under the domain of DB as the entity is not fit for purpose. As such, allocating more funds to the DB for IT system improvement is not deemed sensible, especially as the DB sits within the ESO who has repeatedly demonstrated a poor track record in delivering IT projects. We therefore continue to believe that the DB function should be contracted out of National Grid.

We note the DB is under-spending its Opex, possibly as a result of the ESO under resourcing the delivery of the key government policy. We recognise the issues created by the nature of the BEIS and Ofgem rule change process sometimes leaving DB with limited time for system changes, but the DB's response does not help parties. In general, we have observed poor practice in management of the Portal within the DB, leading to market participants experiencing frequent system faults, rushed meeting of deadlines and inconsistent advice. Regardless of sufficient funding available to address these among other issues, the DB does not seem to have invested in appropriate resources. An example would be DB not having its own legal resource, with subsequent lengthy rule interpretations. If an in-house legal department was not an option, external resources could have been contracted.

While we welcome the proposals to build a new CM Portal by April 2021, we insist on the need for it to meet user needs and deliver what is required for Contracts for Difference (CfD) and the CM regulatory regimes. The Portal is a core function of the DB, it is how parties enter these markets and how they then manage their agreements. A new Portal needs to be developed by a company with a track record in delivering such systems. Regrettably, the ESO has historically not been able to demonstrate satisfactory performance in delivering IT systems. The scope and characteristic of the new Portal design must be developed with industry involvement to avoid the risk of a Portal unsuitable to its users. For instance, the Portal's level of availability and timing for outages need agreement with the market: an outage on the penultimate day of the pre-qualification window is unacceptable.

We are keen to encourage appropriate spend on the existing portal, where duly justified. This is due to the concern of expected delays associated with a substantial project like the new Portal, following the previous performance and delays experienced with the previous portal. A recommended area of further investment would be hiring the appropriate personnel with the right knowledge to manage the system and provide guidance and advice to users.

The DB's overspend of £17.86m above capex allowances seems high, and not necessarily attributable to any major improvements in the Portal. Ofgem should check that this is not money being spent on a number of IT projects. If additional funding was to enable the DB to excel at its core role, then we would expect to see improvements very quickly. We would also want to know how IT resource is allocated within the ESO as we observe a company wide issue in delivering improvements.

If you have any questions, please contact me.

Yours sincerely,



**Mark Draper**  
**Chairman, FGG**

Flexible Generation Group members:

PeakGen Power

Welsh Power

Infinis

Forsa Energy

Sembcorp

Noriker Power

Plutus Powergen

VPI Distributed Generation

Plutus Powergen

Conrad Energy