

Email to: fwp@ofgem.gov.uk

Dear Madam/Sir,

ERG is a green energy company generating electricity from clean, renewable and sustainable sources including wind, solar, hydro and natural gas. We are an Italian organisation, among the top ten largest onshore wind operators in Europe, with an 80-year record of successful operation in the energy sector.

ERG welcomes the opportunity to comment on the Ofgem's Forward Work Programme (FWP) 2020-22 consultation and particularly the focus on the activities to deliver the government's net zero carbon commitments.

Our comments below refer to the deliverables outlined in the Forward Working Programme (FWP) which reflect this ambition.

Enabling competition and innovation

- We appreciate that Ofgem is looking to make data and information about future distribution grid needs more accessible to assist developers in determining where to connect projects;
- We welcome Ofgem's intention to further competition across sectors to encourage the penetration of flexible alternatives on the network;
- We urge Ofgem to consider not only the economic value, but also the environmental value, when reviewing and approving the need for large, strategic network projects.

Protecting consumers

- We welcome Ofgem's decision to continue to work on additional interconnector links which can help the UK power system cope with a higher intermittent renewable penetration and increase security of supply;
- However, achieving carbon emissions reductions through large quantities of imported power is not only unsustainable because this power is only carbon free on paper – the emissions are simply accounted for in another country - but it also risks making the adequacy of the UK power market contingent on the capability of neighbouring countries which have recently announced programmes of phase-out of large capacities over the coming decades;
- We agree that a capacity mechanism can incentivise investments in new, flexible low-carbon capacity as it provides another revenue stream for unsubsidised capacity to access;
- Ofgem should make sure that the rules for the calculation of derating factors for intermittent generation are as factual as possible. The ability of these sources to deliver capacity should be based exclusively on the capacity factors of large modern plants, which are being built on a merchant basis, and which are therefore allowed to participate in the capacity market.

Ofgem's approach to decarbonisation

- We welcome Ofgem's focus on decarbonisation and recognition that decisions taken by Ofgem will significantly influence the possibility of the energy sector to achieve the necessary decreases in carbon emissions to fight the climate crisis;
- We welcome the steps Ofgem has committed to within its Decarbonisation Action Plan, including setting price controls that enable networks to play a full roll in facilitating the energy system transition;
- We point to the fact that wind and solar, the only generation technologies currently cost effective enough to be built without any government support, and which have played a central role in the emissions reductions achieved so far in the power sector, depend on the availability of intermittent natural resources and the possibility to obtain consent. These technologies must therefore be built in rural and often remote areas;
- We encourage Ofgem to incorporate the ambitions to support decarbonisation within the assessments of future planning and reforms;
- One of the barriers of growth for low carbon technologies is the uncertainty surrounding network charging reforms. The potential reforms under both the TCR and Access SCRs are complex and could potentially limit, or even dismantle, the economic sustainability of unsubsidised green energy projects.

Should you have any questions on the above response, please do not hesitate to get in touch.

Yours Sincerely,

Simon Steen Moeller

Institutional Affairs

ERG SpA