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To whom it may concern,

National Grid Electricity Transmission Plc (NGET) are the Transmission Owner within England and Wales. Thank you for the opportunity to respond to the Five-Year Review of the Capacity Market Rules – First Policy Consultation.

Our response is focused upon Section 5: Secondary trading arrangements. Specifically, the question regarding the timing of trading within the Framework theme:

Consultation question 19: Do you think it is appropriate to extend the defined trading window to the results day of the T-4 Auction for the relevant Delivery Year?

Whilst NGET support a liquid capacity market, the potential negative impacts of extending the defined trading window to the results day of the T-4 Auction need to be assessed. Consideration of how the extension may impact the signals network companies receive from the capacity market should be made.

Extending the trading window to the T-4 Auctions will widen the eligible participants in secondary trading to include new build projects. Following a successful secondary trade a new build transferor would likely seek to terminate its network connection agreement. Whilst the consultation report has considered the transfer risk of termination of a capacity agreement, it doesn't consider the financial implications of the subsequent termination of the network connection agreement.

Network costs could be incurred against reinforcement works required to prepare for the connection of a new build project. There are currently arrangements in place in the CUSC, for developers of new build transmission connected projects to provide a level of financial commitment towards their connection. However, often this doesn't cover all of the cost incurred. Therefore, there is a risk that, if not implemented appropriately, this proposed change could exacerbate the impact on consumers and Transmission Owners as they share the exposure to this cost.

Several parties have already started looking into changing the user commitment arrangements within the CUSC, and the ESO have discussed this at a recent Transmission Charging Methodologies Forum (TCMF). We believe it is vital that signals are put in place to ensure that cancelling parties are given a cost signal that reflects an appropriate level of consequence of terminating CUSC agreements. We would recommend that the need for change in this area is taken into consideration and the impact the

proposed changes to the capacity market could have on the need for this. This will ensure that the changes proposed will deliver optimal benefit to consumers across the wider suite of industry frameworks.

Please do not hesitate to contact me on the details provided below if you have any issues or questions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'W. Mullins', with a horizontal line drawn through the middle of the signature.

Wayne Mullins

Strategic Planning Manager