EnerNOC UK II Ltd
360-364 City Road
London EC1V 2PY
United Kingdom

Tel: +44 20 7833 3353
www.enernoc.com
info@enernoc.com

Philippa Pickford
Associate Partner, Wholesale Markets
Ofgem
9 Millbank
London SW1P 3GE

Submitted by email

27 May 2016

Dear Ms Pickford,

Response from EnerNOC to Ofgem's statutory consultation on changes to the Capacity Market Rules

EnerNOC is grateful for the opportunity to respond to this consultation.

EnerNOC provides energy intelligence software and services to commercial, industrial, and institutional energy users. As well as helping users manage their energy usage and costs, we work with them to offer their demand-side flexibility into wholesale capacity, energy, and ancillary services markets and utility programmes. In the UK, we employ 28 people and have commitments to provide demand-side flexibility both to National Grid and in the capacity market.

We have commented below on the questions posed in the consultation paper that are most important to us.

Q2 CP129 (adding DSR components): Do you agree there are overall benefits to creating a bespoke process for adding new DSR CMU components? (Please provide evidence to support your answer)

Yes. We agree that streamlining the process of adding or replacing DSR CMU components will improve competitiveness. Moreover, the proposed process, as described in the draft amendments to Rule 8.3.4, is quite straightforward, so it seems likely that administrative costs for the Delivery Body will be reduced, compared with the alternative of aggregators having to create new CMUs whenever they need to add a component.

Q3 CP95 (reallocating DSR components): Do you agree that the combination of CP124, CP129 and CP130 would be a better solution to the issues that CP95 seeks to address?

While the additional flexibility afforded by the combination of CP95 and CP124 would be welcome, we agree that the combination of CP124, CP129, and CP130 will suffice, and strongly support their implementation.

Registered in England no. 3844883. Registered Office: 360-364 City Road, London, EC1V 2PY.

It is not clear to us whether the rules with these proposed amendments would allow a DSR CMU component to be a member of one aggregator's DSR CMU ("A") for Delivery Year N, and then be a member of another aggregator's DSR CMU ("B") for Delivery Year N+1. As discussed at the workshop on 24 May, it is important that this should be possible, as otherwise it will limit competition between aggregators.

It would be challenging to come up with a robust process for such transfers in the time available in this rule change cycle. However, the process will not need to be used until we approach the transition between the TA Delivery Year and the 2017/18 Delivery Year. We therefore recommend that Ofgem confirm that this is an issue they intend to address, and then carry out further consultation later this year to come up with a detailed design. Participants need to have confidence that the process will be workable before they take on commitments in the T-1 auction in January 2017.

We would suggest the following design criteria:

- Transfers can only take place at the end of a Delivery Year, to remain consistent with the restrictions in draft rules 8.3.4(d) and (e).
- To avoid the frustration of competition, the process should be initiated by the aggregator of CMU B, with no need for action by the aggregator of CMU A.
- The aggregator of CMU A must be notified of the proposed transfer, and there should be a straightforward way for them to cancel it if it is erroneous (e.g. a mistyped MPAN). However, in the event of any dispute, it is the customer's decision which is final: it is not the job of the Delivery Body to enforce a contract between an aggregator and a customer.

We would be happy to work with Ofgem to develop a workable process that fulfils these criteria.

Q5 CP128 (LFCO formula): Do you agree that the LFCO formula will not scale delivery obligations appropriately during the first TA Delivery Year? Is this issue significant enough to require changes before first TA Delivery Year (starting in October 2016)? If so, how should the formula be amended?

Yes. The current LFCO formula will not work during the TA Delivery Year, and this is a serious issue that should be fixed before October 2016. It should, however, be fairly straightforward to fix, and we consider there to be little risk of unintended consequences.

All that is needed is to replace the first term in the numerator of the multiplier with a measure of actual system demand during Settlement Period 'j', and to replace the denominator with a measure of total system capacity for the 2016/17 Delivery Year.

We would be happy to work with Ofgem to develop specific wording.

Q7 CP124 (portfolio testing): Do you agree with our assessment of the benefits and risks with CP124?

Yes. We consider this to be a very important rule change. Without it, the arbitrary 50 MW limit needlessly inflates the costs and risks associated with aggregated CMUs.

The drafting does, however, seem slightly inconsistent. We would suggest the following changes [with added words in italics]:

- In Rule 1.2.1, change the definition of DSR Test Certificate to:

  "means a certificate issued by the Delivery Body in relation to a DSR CMU following a DSR Test pursuant to Rule 13.2.11 *or a Joint DSR Test Certificate, except for the purposes of Rule 13.2B.*"

- In Rules 13.2B.4 and 13.2B.5, use the defined term "Joint DSR *Test* Certificate".

I would be happy to provide further detail on these comments, if that would be helpful.

Yours sincerely,

Dr Paul Troughton
Senior Director of Regulatory Affairs