



The Office of Gas and Electricity Markets
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27th April 2016

Statutory consultation on changes to the Capacity Market Rules (the “Rules”) pursuant to Regulation 79 of the Capacity Market Regulations 2014 (the “Regulations”)

UK Power Reserve is an independent power generator with an extensive smart generation portfolio across England and Wales. Our primary business is to support the security of energy supply in the UK through the reserve services that we provide to National Grid. We are also committed to supporting the government’s objective of decarbonisation through the flexible supply services we offer; unlocking the capacity for a flexible renewable energy infrastructure in the UK. To date, UK Power Reserve is the most successful and largest developer of new build gas-fired distributed generation in the Capacity Market, and continues to play a key role in shaping the future of the UK energy industry.

CP99, Prequalification and Metering of National Grid Balancing Services

UK Power Reserve supports the initiatives taken by Ofgem to simplify the process of proving technical parameters at the prequalification stage, however we would like to highlight concerns that the Capacity Market is introducing metering pathways that potentially allow certain types of capacity to circumvent Elexon and BSC compliance measures, posing a risk to delivery in the capacity market and ultimately consumers.

In particular, we would like to bring to Ofgem’s attention that a particular sub-set of capacity that will be able to participate in all Capacity Market auctions are reliant on meters that are not covered under Meter Operator agreements. Such alternative metering solutions deployed for provision of balancing services are in some cases unregulated and self-certified bilaterally with National Grid.

We believe this poses a risk to the end consumer, as both regulated Elexon and Meter Operators are bypassed and the responsibility lies solely upon National Grid to audit, monitor and regulate metering for Capacity Market prequalification, performance and settlement for providers whom select this proposed option.

Our concerns stem from an understanding there are a number of third party aggregators whom have legitimately installed their own metering solutions, which are non-BSC compliant with no third party regulated meter operator appointed, for purposes of providing balancing services metering data (as National Grid’s requirements for balancing services are typically more detailed than half hourly metering for settlement).

Such custom metering solutions are both unregulated and unaudited, and depending on the processes in place within National Grid, present increased risks on the end consumer than would otherwise be the case if regulated under Elexon and the BSC. This is in part because unregulated metering data is aggregated and self-certified via an unregulated third party aggregator, leaving the process potentially open to abuse and manipulation prior to being submitted to the National Grid for monitoring and settlement.

This same metering process can now be used in all aspects of securing Capacity Market agreements. We believe a real risk has been introduced into the Capacity Market, where a CMU can provide self-certified and unaudited balancing services metering data to satisfy Capacity Market obligations.

Whilst we recognise that a metering test is still required, we believe this does not provide the necessary ongoing relevant checks and balances that are applied to CMRS or SMRS CMUs (both generating or DSR) that are regulated via the BSC and Elexon metering provisions.

Our concern is that inclusion of capacity under such metering arrangements risks providing insufficient protection to the end consumer over the duration of a CMU's Capacity Market agreement. In relation to CP99 our concern is that the removal of a regulated metering check from the Capacity Market places greater risks on the end consumer and security of supply as the role of Elexon and the BSC is further removed.

We would like to acknowledge this is not a reflection of all third party aggregators, however we are concerned that the Capacity Market and provision of Balancing Services removes obligations from Elexon and are placed upon National Grid whom do not have the systems or resources in place to provide the same level of regulation, verification and audit on these CMUs or CMU components.

We believe CP99 presents a change which completes a move away from half-hourly independently verified and regulated metering provisions. If the CP99 proposal is progressed, this will allow in Capacity Market metering to go unchecked against any regulated standard measure and thus creating an unregulated measure in the prequalification process of the Capacity Market.

We therefore invite you to investigate this matter and take such steps as may be considered necessary. If you would like to discuss this further, please contact us at any time. We are more than happy to provide you with more information should you require it.

We look forward to hearing your views on the subject matter of this letter.

UK Power Reserve Ltd