



The voice of the energy industry

Emma Kelso
Office of Gas and Electricity Markets
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Energy UK
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27th January 2017

Dear Emma,

Thank you for the opportunity to respond to this consultation. Energy UK is the trade association for the GB energy industry with a membership of over 90 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry from established FTSE 100 companies' right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 26 million homes and every business in Britain. Over 619,000 people in every corner of the country rely on the sector for their jobs with many of our members providing lifelong employment as well as quality apprenticeships and training for those starting their careers. The energy industry adds £83bn to the British economy, equivalent to 5% of GDP, and pays over £6bn in tax annually to HMT.

We agree with the minded to decision, set out in your letter of 9th January 2017, to issue a direction to remove National Grid's Supplementary Balancing Reserve (SBR) and Demand Side Balancing Reserve (DSBR) cost recovery arrangements and obligations to submit methodologies in respect of procuring, testing and utilising SBR and DSBR for 2017/18.

As you set out in your letter, the reasoning for the initial extension of the SBR and DSBR arrangements to 2017/18 has now fundamentally changed with the introduction of the Capacity Market in 2017/18. Maintaining both the SBR and DSBR arrangements as well as having the Capacity Market in place in 2017/18 would, as you identify, not be appropriate. It is also entirely consistent with the introduction of (and extension to) SBR and DSBR that these SBR and DSBR arrangements come to an end at 31st March 2017 (whilst recognising that it is possible that some SBR and DSBR costs for 2016/17 may only be known after 31st March 2017 and thus would need to be recovered in 2017/18).

Energy UK would also like Ofgem to publish an intended timeline to remove the remaining SBR/DSBR provisions from the licence, once the costs for 2016/17 have been recovered. This will improve certainty on the topic.

If you have any questions please contact me at kate.dooley@energy-uk.org.uk or 0207 747 2942.

Kind regards,

Kate Dooley
Policy Manager