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Dear Emma

Future of SBR and DSBR

Welsh Power has always believed that SBR and DSBR are ineffective, uneconomic and distortionary balancing tools. We have long argued that NG buying additional reserve would be a far better solution if it were looking to close a capacity gap. The policy has also allowed coal plant to be supported enough to get through to the capacity auction being held this year. The result is that BEIS is now consulting on a coal closure policy, when the market would have allowed coal to close and the capacity market to signal the need for new, flexible, efficient new build back in 2014.

In our view, especially with the early auction, Ofgem should promptly issue a new direction removing the reference to 2017/18 from the term "Relevant Years" in Special Condition 4K.3. It is important that a clear message is sent to NG and the market that the services are ending. By removing NG's SBR and DSBR cost recovery arrangements for 2017/18 and obligations on them to submit methodologies in respect of procuring, testing and utilising SBR and DSBR for next winter, the market will gain confidence that the measures are ended.

If you wish to discuss this response please do not hesitate to contact me.

Yours sincerely



Matthew Tucker
Finance Director