

Dear Sir/Madam

We are writing pursuant to your current consultation on proposed changes to the Capacity Market Rules 2014. Our response relates solely to proposed change CP190 which seeks to amend Rule 3.7.1 to remove the option for Applicants to defer the provision of Relevant Planning Consents until after Pre-qualification.

We (AXIS) act as planning consultants for a number of developers / operators who will be Applicants in the next Capacity Market Auction. We are actively pursuing several planning applications for CPUs on the basis of the current Rules and on the understanding that securing the Relevant Planning Consents can be deferred until after Pre-qualification; and must be in place 22 Working Days prior to the commencement of the first Bidding Window. The proposed change will reduce the period we now have for securing the Relevant Planning Consents by 3-4 months and thus, as of today's date, effectively **half** the period of time we have to secure the necessary planning positions.

This is a major change to the bidding process and is being proposed **far too late** in the day. It can only result in:

1. Numerous prospective CPU projects not being bid in the next Capacity Market Auction.
2. Extensive abortive project planning work (and its associated cost) being incurred by Applicants.
3. Less competition in the next Capacity Market Auction, particularly in terms of newer storage technology schemes.

The fundamental purpose of the Capacity Market is to provide industry (i.e. capacity providers) with certainty upon which they can base their future investment. Such a major change to the Auction process at this juncture undermines certainty and will hamper investment, particularly from new entrants to the Market.

We can advise that in terms of our Practice alone, proposed rule change CP190 will result in more than 5 active Battery Storage Projects not being able to meet the revised Pre-qualification criteria and thus not being bid within the next Auction. In this context, we note that as recently as January of this year, DBEIS published its Green Paper 'Building Our Industrial Strategy' which highlights the importance of delivering new battery storage capacity and states: *"We need to ensure that we keep costs down for businesses, we coordinate changes to energy infrastructure triggered by new technologies ... and we secure the economic benefits of the transition to a low-carbon and resource-efficient economy by making sure next generation technologies are created and harnessed in the United Kingdom."* The proposed rule change CP190 at this juncture flies in the face of such objectives.

Based on the foregoing we strongly submit that the proposed rule change CP190 is abandoned.

Finally, we note that justification for the proposed rule change is sought on the basis that a number of conditionally pre-qualified Applicants who elected to defer planning consent submissions ultimately failed to submit them. We understand this position and have no concerns should the Rules be changed for subsequent auctions when all prospective Applicants are clear where the goal posts stand well in advance of formulating their bid strategies and programmes. However, this situation provides no justification for making changes to the Rules for the 2017 Auction so late in the day.

Should, following the current consultation, Ofgem still be minded to change the Rules in respect of planning status (which we strongly advise against), then we would suggest that the concerns

identified above could be allayed, with far greater fairness to Applicants, through the need to demonstrate (provide evidence) that a valid planning application has been submitted by the Pre-qualification date and that the Relevant Planning Consent (i.e. the permission notice itself) must be in place 22 Working Days prior to the commencement of the first Bidding Window

We trust that our comments will be given due consideration.

Regards
Nick Roberts
Director



Camellia House, 76 Water Lane, Wilmslow, Cheshire, SK9 5BB



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