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**Ecotricity Response to Statutory Consultation on
Changes to the Capacity Market Rules 2017**

Dear Capacity Market Team

Ecotricity is an independent renewable energy generator and supplier, with around 195,000 gas and electricity customers. Our commitment to those customers is that the money they pay for their energy bills will contribute towards powering the UK by renewable sources. We have followed this pledge since first generating renewable electricity in 1998, and are now at the forefront of new renewable generation with ongoing research into tidal power, storage and biomethane.

Ecotricity is also developing battery storage solutions, which we intend to use for Frequency Response and/or to put into the Capacity Market (CM). We submitted two proposals for changes to the Capacity Market Rules last November: CP 206 on Grid Connections and CP 207 on a carbon intensity limit. We provide further comment on these and proposals from other parties that we consider most relevant.

In summary we:

- Disagree that an emissions intensity limit would undermine technology neutrality and urge Ofgem to put our change proposal on this forward to BEIS;
- Strongly support Ofgem's decision to enable Enhanced Frequency Response (EFR) to enter the CM and not be penalised for providing balancing services;
- Support the increase in flexibility for storage by allowing reduction in demand to count as a capacity provision and the increase in flexibility for DSR units by enabling components to change throughout the year; and
- Believe Ofgem should allow storage the flexibility to amend its components, even if it does not allow this for standard Generation Capacity Market Units (CMUs).

General Provisions

CP206: Grid Connection Agreements in other Parties Names

We proposed this amendment in order to ensure that where a grid connection is shared but only one user is named on the Grid Connection Agreement, the unnamed party would still be eligible for the CM. We welcome the work by the Delivery Body to address this issue in their prequalification guidance and request that Ofgem ensure that this guidance is clear.

CP207: Introduction of a Carbon Intensity Limit

We acknowledge that setting eligibility goes beyond the scope of Ofgem's powers but we would urge Ofgem to put forward our proposal to BEIS for a change to the Regulations as it is minded to do with CP 165. We do not agree with Ofgem's position that an emissions intensity limit would undermine the CM's technology neutrality. Whilst this limit would clearly prevent certain installations from entering the auction, this proposal does not single out a specific technology to either be promoted or prohibited. In theory there is nothing to stop technological developments, such as carbon capture and storage, bringing down the emissions intensity of a technology that would not currently meet the criteria. Where this is not possible, then yes it would prevent certain technologies from ever entering; however, this is true of existing requirements. For example, the requirement that technologies guarantee availability at certain times effectively prohibits solar and wind from participating, yet this rule has not been found to undermine technology neutrality.

We believe that this proposal would significantly improve the effectiveness and efficiency of Government policy and the "trilemma" of decarbonisation, security of supply and low costs. Currently, decarbonisation and security of supply are addressed separately: the former with the Carbon Floor Price and renewables support and the latter with the CM. The current lack of an emissions limit for the CM means that consumers simultaneously pay for decarbonisation and pay to support high carbon generation. This leads to higher costs for consumers and a slower rate of decarbonisation than would otherwise be the case.

Enhanced Frequency Response (Of14)

We strongly support Ofgem's minded to position to allow parties that participate in Enhanced Frequency Response to also be able to participate in the CM and ensure that EFR resources are not penalised for providing balancing services at times of system stress. We believe that this will increase the number of participants, particularly storage and DSR and will enhance competition in the CM. By enabling storage providers to stack revenue streams, this should increase deployment.

Enable actions that reduce consumption to contribute to capacity provision (Of15)

We welcome Ofgem's plans to amend the formula for calculating the output of a CMU so that, in the case of storage, actions to reduce consumption are identified as contributing to capacity provision. This change will increase the flexibility for storage by enabling it to either be used either as Demand Side Reduction (DSR) or as generation, and will be particularly beneficial for behind the meter storage.

Enable DSR components to be altered during the year (Of12)

We support the proposal to allow DSR components to be altered throughout the year. This complements typical DSR aggregator business models, which work with multiple properties. Enabling this flexibility will help DSR providers continue to bring down costs.

Allowing BSC Compliant Metering to be used (234)

We support the proposal to allow DSR components to use BSC Compliant metering rather than requiring them to use bespoke metering arrangements. We believe that BSC metering should also be available to storage CMUs. Complex metering arrangements have been identified as a barrier to entry into the CM₁ and requiring different metering arrangements to BSC is unnecessary.

Listing Generation Technology Class (213)

We welcome the proposal to include Generating Technology Class and Primary Fuel Type to be listed on the Capacity Market Register. We believe that such a move will enable better transparency.

Proposal to prevent planning deferral (190)

We support the proposal to prevent CM entrants from being able to defer planning permission. It is standard practice for planning permission to be required before a subsidy can be secured: CfD auctions and preliminary accreditation for FITs both require this. Allowing this to be deferred simply risks developers dropping out later if they are unable to secure consent.

Allowing Flexibility for Generation Components (179)

We believe that Ofgem should reconsider its position on CP 179 with respect to storage CMUs specifically. CP 179 proposed allowing generation CMUs the flexibility to change components. Whilst we agree that, with respect to traditional generating units, it is important to identify feasible and reliable generators at the point of prequalification, an exception should be made for storage. There are two reasons for this: firstly, many storage CMUs are similar to DSR in that they rely on multiple small sites which are aggregated. Allowing flexibility in precisely which sites are used will help ensure that the best value can be secured. The second reason that flexibility should be allowed is that the storage market is developing rapidly and enabling CMUs to amend the type of storage or model of storage in response to technological developments will help incentivise such developments.

Conclusion

To conclude, we believe that there are a number of very positive proposals that Ofgem plans to take forward. In particular, allowing EFR participants to enter the CM without being penalised will help ensure increase the participation of storage and improve competition. We welcome the increased transparency that including Generation Technology Class and Primary Fuel Type will bring. We support moves to improve flexibility for DSR and storage providers but we believe that Ofgem could go further by allowing more flexibility with respect to individual components for storage.

¹ Add reference

Ecotricity welcomes the opportunity to respond and hope you take our comments on board. We also welcome any further contact in response to this submission. Please contact the Ecotricity Regulation & Compliance Team on compliance@ecotricity.co.uk or 01453 761380.

Yours sincerely,

Tom Cowling
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