



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

Ofgem
9 Millbank,
Westminster,
London,
SW1P 3GE
5th May 2017

Dear Sirs

Background

InterGen welcomes the opportunity to respond to this important consultation. We are a truly independent generator active in the UK market with a track record of developing, constructing and operating large scale thermal power generation projects. We have been active in the market since the 1990s and therefore bring a unique perspective to this consultation. InterGen is owned by two major international investor classes which the Government is seeking to attract to invest in UK infrastructure namely: pension funds (Ontario Teachers’ Pension Plan); and strategic investors from the People’s Republic of China (China Huaneng/Yudean).

InterGen is one of the UK's largest independent generators, operating a portfolio of three flexible gas-fired power stations totalling 2.5GW; an investment of some £2.1bn. These stations are located at Rocksavage (Cheshire), Spalding (Lincolnshire) and Coryton (Essex).

In December 2016, at the T-4 auction, InterGen won a fifteen-year capacity market agreement to construct a 300MW OCGT at our existing Spalding site. InterGen is also positioned, subject to Capacity Market award, to build new CCGT projects at sites at Spalding (Spalding Energy Expansion) and Essex (Gateway Energy). The new CCGT stations, which are “shovel-ready”, will together cost around £800million to construct and create around 3,000 jobs over their three year build programmes.

InterGen highlights that without the flexibility provided by the existing rules to pre-qualify around August each year and then evidence planning consent around early November that it would not have participated one of its projects in each of the prior T-4 Capacity Market auctions – decreasing competition in the auctions and risking higher costs to the consumer.

The numbers below are a direct reference to the rule change proposal numbers in the consultation document. These are the specific proposals that InterGen believes impact our business most severely and wish to comment on.

Of13 - Storage De-rating

N/A

CP190 - Planning Consent Deferral

InterGen strongly believes this rule change proposal should not go ahead or indeed if it is to be taken forward amendments must be made. As noted above, InterGen highlights that without the flexibility provided by the existing rules to pre-qualify around August each year and then evidence planning consent around early November that it would not have participated one of its projects in each of the prior T-4 Capacity Market auctions – decreasing competition in the auctions and risking higher costs to the consumer.

InterGen acknowledges Ofgem's concerns that parties are deferring the submission of planning consents to a later point whilst never being in a position to ever likely receive the required planning permission. However, this would severely negatively affect new build plant which has every intention of securing planning consent (and has a history from previous of auctions of doing so) but cannot receive the documentation in time for the prequalification window due to approval processes in government and other institutions. Furthermore, InterGen would stress such a significant change cannot be placed upon participants with only a few months' notice before prequalification commences.

We would suggest that an appropriate compromise, which meets the competing interests, is for new build CMUs to showcase some sort of evidence at prequalification (e.g. communication with planning department) which provides a level of certainty to National Grid and Ofgem that the applicant will indeed secure the necessary planning consent. For example, the project having submitted the planning application prior to the pre-qualification window closing and a statement from the Directors of the CMU that the relevant planning authority can reasonably be expected to award consent by early November ahead of the CM auction. In addition, consideration could be given to testing such statements by reference to published timeframes by relevant planning authorities (with any deviations from such timeframes to be supported by non-binding letters of support from the relevant planning authority).

Submitting a planning application is a timely and costly exercise and shows commitment from a participant. This may reduce the risk of speculative bids. We would also add that if this is chosen as the preferred option the change should only be implemented from the 2018 auction as we are now too close to PQ application for 2017 for participants to alter any plans

CP213 – Capacity Market Register

InterGen supports this rule change proposal. Stakeholders invest a lot of time and resource analysing the capacity market register, particularly upon conclusion of prequalification, to help understand the market and form auction bidding strategies. So far, all participants and other stakeholders are left to try to determine unit technology class by working back from the de-rating volumes, leading to inefficient use of time and possible errors. The provision of technology type data will provide a real efficiency gain for all participants in the market.

CP162 (+ others) – Frequency Response Services

InterGen supports this proposal. It provides rule consistency and aligns treatment with other technologies that may play a balancing action role during a system stress event.

Of15 – Connection Capacity

InterGen supports Ofgem's preferred approach for connection capacity testing arrangements of option 1. A lookback at historical metered output data over an appropriate length of time offers a fair representation of a unit's true capability.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Lisa Mackay', written in a cursive style.

Lisa Mackay
Trading and Commercial Director
InterGen UK