Dear Sir/Madam,

This is a response from RNA Energy Ltd to the statutory consultation on changes to the Capacity Market Rules 2014 (the "Rules") pursuant to Regulation 79 of the Capacity Market Regulations 2014 (the "Regulations"), in particular, the proposed change OF14 that requires 'new prequalification information requirements and ongoing reporting requirements for frequency response providers'.

RNA Energy does not believe that the following text is required: "We propose that for all types of technology, providers of frequency response will provide information during the prequalification process detailing their balancing services obligations, including on the type of service they provide and the key terms of their contract. This will enable the Delivery Body and Settlement Body to verify capacity volumes, testing and output appropriately."

RNA Energy has the following comments:
1) We are not sure what problem (if any) this is trying to address. It would lead to a significant administrative burden (and therefore cost) on frequency providers. Evidence of the problem must be provided so that industry can comment on it before any rule change is made.
2) Frequency contracts are unlikely to completely coincide/overlap with the CM term. This could lead to confusion and again more administrative cost.
3) New Build Storage intending to provide frequency response is likely to take part in the T-4 auction. In most cases these assets will not yet have frequency response contracts in place at the point of pre-qualification for the T-4 auction and it is not clear how this will impact their participation in the capacity auction.
4) If there is a legitimate requirement for a mechanism such as this, then why is it not required for all Relevant Balancing Services? Our view is that applying it just to frequency response but not to other balancing services creates a discrimination against frequency response providers.

Kind regards
Gary Bird
Development Manager
www.rna-energy.com
[redacted]
RNA ENERGY

Dear Sir/Madam,

This is a response from RNA Energy Ltd to the statutory consultation on changes to the Capacity Market Rules 2014 (the "Rules") pursuant to Regulation 79 of the Capacity Market Regulations 2014 (the "Regulations"), in particular, the proposed change CP190 which seeks to amend Rule 3.7.1 to remove the option for Applicants to defer provision of Relevant Planning Consents until after Prequalification.

RNA Energy Ltd has been set up in 2015 to develop battery storage projects to provide balancing and capacity services to the UK electricity market in line with the Government's policy to increase battery storage participation in the GB energy market. The Capacity Market provides one of the few opportunities for battery storage projects to secure long-term revenue streams, and investment decisions are often made far in advance of the intended project completion dates, especially by new market entrants, such as ourselves because of the long project development lead-in times. The proposed rule change to Rule 3.7.1 and the proposed timing of implementation (ahead of the 2017 pre-qualification round for the Capacity Market auction) is set to cause tremendous hardship to new entrants like ourselves and we would therefore object to Ofgem's "minded to" decision based on the following:

A. Lack of sufficient consideration of project "lead-in" times:

The development process for battery storage projects requires a substantial lead in time before a planning application may be filed in respect of the project. This is because once a potential site is identified, a grid connection needs to be applied for and secured. This process can take up to 65 working days' depending on which DNO region the project is located and due to the current state of the distributed grid network, receiving a commercially viable grid connection offer for a battery storage project is not guaranteed (and in most cases unlikely) so it is highly risky to submit a planning application for a site without this connection offer. Once this connection offer is in hand, commercial terms need to be agreed with the landowner and a planning application produced which depending on the nature of the site, can take several months due to the potential for ecology/landscape/flooding and noise studies. It is therefore normal for a planning application to take approximately 6-8 months to be submitted once a site is found, and a further 3 months to be determined. Sites that were identified by RNA in late 2016 could therefore be suitable for bidding into the capacity market based on the current rules, but very unlikely to be with the proposed rule change. RNA Energy has naturally tried to accelerate this process as far as possible considering the proposed rule change but due to the statutory nature of the planning application determination process, there is only so much room to do this and almost certainly not enough to meet the pre-qualification window in 2017.

B. Lack of sufficient notice of rule change:

As referenced earlier, investment decisions in respect of our proposed projects (in excess of 150MW of capacity) were made in 2016 **in reliance upon Ofgem's decision to make permanent, the option to defer Relevant Planning Consents, last year on the basis** that our project pipeline would be able to participate in the 2017 pre-qualification round by offering deferred planning consents. Ofgem's decision last year was therefore a key consideration in our decision to invest in the project pipeline incorporating in excess of 150MW of capacity. The proposed change implementation timeline coupled with the complex and often protracted nature of the planning application process will mean that no more than 50MW of our portfolio is likely to meet the pre-qualification criteria in the 2017 pre-qualification round, which is incredibly frustrating and will cause significant detriment to RNA Energy with substantial cost implications.

C. Affects small providers and new entrants disproportionately:

Keeping in mind, the necessary project development lead-in times, need for early investment decision making and the complex and sometimes protracted nature of the planning application process, the proposed change and unreasonable implementation timeline, is likely to affect new entrants in to the Capacity Market and more specifically those investing in battery storage disproportionately adversely and lead to the market being skewed in favour of the existing generators, which goes against the Government's policy of promoting a competitive market.

Shortening the time available to complete the planning application and legal rights process by approximately 4 months at such short notice is a fundamental change and demands effective consideration of its impact on the industry and especially new entrants to the market. A fundamental change to policy such as this also necessitates that reasonable notice be provided to the industry prior to its implementation. Ensuring that the market remains open to new entrants is key to ensuring low-cost electricity for consumers and transition to a low-carbon future - a key objective of the Capacity Market regime. We would therefore request Ofgem to reconsider its "minded to" decision in terms of the proposed change itself and especially the proposed implementation date on account of the proposed change to 3.7.1 being counter-productive and highly discriminatory in the way it disproportionately affects new entrants.

This decision may also be seen by investors, alongside Ofgem's recent decision to curtail embedded benefits, including for plant that took on agreements in the CM14 and CM15 auctions, as a further perception of regulatory risk. If this increases the cost of capital then it may ultimately prove costly for consumers.

We would welcome the opportunity to look at the supporting evidence considered by Ofgem in arriving at its "minded-to" decision and would propose that failure to provide the necessary planning supporting evidence for participants in the 2016 auction, as stated in the consultation document dated 23rd March, is a symptom of other financial/regulatory factors.

In summary, we suggest that implementation of the proposed rule change CP190 is scrapped, or as a minimum, postponed by a year and not implemented ahead of the 2017 Capacity Market auction.

Gary Bird
Development Manager
www.rna-energy.com
[redacted]
RNA ENERGY