



Mark Copley,
Ofgem,
10 South Colonnade,
Canary Wharf,
London, E14 4PU

Alastair Lamond
Commercial Manager
InterGen UK
81 George St, Edinburgh
EH2 3ES

03 May 2018

Dear Mark,

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

InterGen welcomes the opportunity to respond to the consultation on proposed changes to the Capacity Market rules. We appreciate Ofgem’s commitment to improving the Rules to simplify participation and increase liquidity. However, whilst some proposed changes, such as CP247, would do just that, we believe that Ofgem is missing an opportunity of increased improvements by rejecting proposals CP254, CP341, and CP341. We also believe that Ofgem should fast-track its assessment and decision on CP350 to be included in this round of changes to the rules. Moreover, we are disappointed that Ofgem is proposing to reject CP315 as allowing more flexibility around the provision of planning consents will aid new build CMUs in managing aspects of an already challenging timeframe which is sometimes at the mercy of local planning authorities.

We discuss a subset of proposed rules changes in more detail, below.

[Background](#)

InterGen remains the only genuinely independent generator active in the GB 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 issues regarding the GB wholesale electricity market.

InterGen is owned by two major international investors, representing two key classes of investment which the Government is seeking to attract to UK infrastructure investment, namely, pension funds (Ontario Teachers’ Pension Plan) and strategic investors from the People’s Republic of China (China Huaneng/Yudean). We are one of the UK’s largest independent generators, operating a portfolio of three flexible gas-fired power stations totalling 2,490MW; an investment of some £2.1bn. These stations are located at Rocksavage (Cheshire), Spalding (Lincolnshire) and Coryton (Essex). Additionally, in December 2016, at the T-4 auction, InterGen won a fifteen-year capacity market agreement to construct a 300MW OCGT, an expansion of the existing Spalding site. InterGen is also ready to build new CCGT projects at sites in Spalding (Spalding Energy Expansion) and Essex (Gateway Energy). These new CCGT stations, which are shovel-ready, will create around 3,000 jobs over their three year build programmes.

Response

We welcome Ofgem's proposed decision on many of the proposed rules to be taken forward, believing that these will simplify the process and increase liquidity, thus ultimately ensure that consumers continue to benefit from a competitive capacity mechanism. However, it is therefore disappointing that Ofgem is minded to reject CP254, CP341, and CP342.

We believe that allowing genuine incremental capacity to enter the auction would further improve liquidity and competition by ensuring that all available capacity is able to prequalify and bid in the auction. It would also encourage existing generators to undertake refurbishment and upgrades to realise increased capacity at costs below new build units. This is of clear benefit to the consumer when considering the cost of procuring capacity for security of supply.

If this capacity is not allowed to participate then the auction will over procure from other capacity providers.

As a developer of new capacity, InterGen are disappointed by Ofgem's minded to decision to reject CP258 and CP315. Even small changes to a planned project will require modifications to the planning consent and allowing the deferral of the provision of the Relevant Planning Consent will provide viable projects flexibility in the process to adapt to technological developments. Meanwhile, if CP315 were to be taken forward, purely speculative applications would still be discouraged as only projects with previous planning consents would be allowed to defer the provision of the Relevant Planning Consents. An alternative compromise could be, at prequalification, to allow new build CMUs to showcase some sort of evidence of having at least commenced or reached a certain point in the timely and costly planning application process.

An inflexible planning process should not prevent the desired form of capacity from coming through prequalification to the auction. Again, the consumer can only benefit from seeing the latest technologies come forwards at the most cost effective locations. This will often mean that sites with existing connection infrastructure will present the most cost effective new capacity for the consumer, however, the RPC can act as a blocker to late variations to a consent. For an expansion to an existing site there is little risk of CMUs being speculative only as they are put forward by operators of existing capacity with ongoing obligations.

Furthermore, whilst we appreciate that Ofgem's already challenging timeline for assessing rules proposals will make it difficult to assess proposals received after date set out in the open letter, we believe that the decision to defer CP350 to 2019 should be reconsidered. CP350 would correct what appears to be an oversight in the rules which currently discriminate against Transmission connected CMUS. The correction appears to be a relatively straight forward process and we would therefore encourage Ofgem to include this proposal when deciding on rules changes ahead of the 2018 prequalification window.

OF15: InterGen supports the enhanced flexibility for demonstrating historical performance and the choice offered for the capacity provider to select the connection capacity to be derated from. InterGen supports Ofgem's conclusions on this matter,

"the most appropriate method of determining connection capacity is allowing applicants a free choice of capacity at prequalification and subsequently testing participants to this level. We confirmed this in our 2017 consultation and set out further details of our proposal including the format and timing of tests and the associated penalties".

If you would like further discussion on any of the points raised above, please do not hesitate to get in touch.

Yours sincerely,

A handwritten signature in cursive script that reads "Alastair Lamond".

Alastair Lamond
Commercial Manager
InterGen (UK) Ltd.