

RenewableUK response to Capacity Market Rule Changes Proposals

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RenewableUK is the trade and professional body for the wind, wave and tidal energy industries. It promotes the deployment of clean energy in a smart energy system, by making politicians, the media and the public more aware of the UK's transition from fossil fuels to renewable sources. Formed in 1978, and with more than 400 corporate member companies, RenewableUK is the country's leading trade association working on the future of the electricity system.

We welcome the opportunity to respond to the 2018 Capacity Market Rule Change Proposals. This response has been compiled by RenewableUK with input from our membership. Our members employ a quarter of a million people and will invest more than £18.8bn in UK infrastructure between 2017 and 2021 – over 90% of which will flow to regions outside of London and the South East. In 2017, 28.8% of the UK's electricity was generated from renewable energy sources. 46% of this was generated by onshore and offshore wind, which provided 13.2% of the UK's electricity needs.

The independent Committee on Climate Change advises that the UK power sector will need to be almost completely decarbonised by 2030 to below 100gCO₂/kWh. Increasing the flexibility of the UK energy system will be vital to meeting this aim in the most cost-effective manner; the National Infrastructure Commission estimates that a more dynamic and decentralised system could save consumers £8 billion by 2030. It is now widely accepted that the UK's energy system is moving towards a smart, flexible, low-carbon network, with increasing volume of distributed generation, storage and consumer engagement.

In general our members seek a level playing field across all parts of the energy market and wish to see barriers impeding renewables from competing in markets removed. We agree that the current exclusion of certain technologies in Schedule 3 forms a barrier to entry to the Capacity Market. We welcome Ofgem's recognition of this issue and wider contemplation of how the capacity contribution from "hybrid" sites should be treated. The initial step of completing Schedule 3 so that it includes all renewable technologies, not just biomass and hydro, should be completed in the current round of modifications. This will rectify an error in the Rules and fulfil what existing policy prescribes, which is that onshore wind should be allowed to compete in the Capacity Market. More complex questions would justify a longer timeline.

As such, RenewableUK asks Ofgem to progress E.ON's CP263 as part of the 2018 Rule Changes. The capability of wind to provide capacity to the system is already acknowledged in the way capacity is procured today as it makes a negative contribution to the forecasted peak demand. The methodology for assigning a derating value for Capacity Market eligible wind needs to be fair and reflective of the technology's capacity value to the system. Wind power is a well-established, mature generation technology with decades of proven delivery for electricity generation. The data for assigning derating is available and the methodology can be established

based on existing Capacity Market Rules. Please see the attached working paper on the details of derating for more information.

This proposal will be an important means for projects that are not in receipt of low carbon support to compete in the Capacity Market, thereby justifying life-extension and ongoing O&M investments. It would secure the cheapest possible low carbon capacity for bill payers. It is also a route to market for projects that have no basis for committing to long-term major investments.

We support Ofgem's observation that enabling additional sites to compete can directly benefit consumers by increasing liquidity and competition in the auctions. Overall this could be an important contribution to decarbonising the system at the lowest cost to consumers.

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