



Ofgem
10 S Colonnade,
Canary Wharf,
London E14 4PU

25 March 2019

Sent via email to FWP@Ofgem.gov.uk

Dear Sir/ Madam

Re Ofgem's Forward Work Programme 2019-21

ESB appreciates the opportunity to respond to Ofgem's Forward Work Programme and that it is an extended look out to 2021, rather than 2020.

Introduction to ESB

ESB is Ireland's foremost energy company, with around 7,000 employees. Established in 1927 by the Irish government, and remaining 95% state owned, ESB created the first fully integrated electricity system in the world. We have been present in Great Britain since market liberalisation and for 25 years we have been powering homes and businesses across the country, investing around £2 billion. ESB was one of the first IPPs with our investment in Corby Power Station (350 MW). In 2016 we opened Carrington Power Station (880 MW), a combined cycle gas turbine power station on the site of an old coal plant near Manchester. This was the first large scale gas fired station to come on stream in Great Britain since 2013 and is one of the most flexible and efficient plants in the market. We own a 7MW battery and have investments in other projects.

ESB is supporting Britain's transition to a low carbon future by investing in flexible and renewable generation assets, including combined cycle gas turbine, wind and biomass technologies. ESB owns 125 MW of onshore wind generation capacity, with over 400 MW in the development pipeline in Britain and recently invested in the 353 MW Galloper offshore wind project. ESB's 40 MW waste wood-fired plant at Tilbury in Essex became operational in February 2019. ESB is a pioneer in electric mobility and is currently working in partnership with Transport for London to install, operate, maintain and commercialise charging infrastructure for the London taxi fleet. In 2017 ESB entered the GB energy supply market as ESB Energy.

For the sake of system security and operability, ESB believes that the transition to a low carbon future requires the technology to provide supporting flexibility, such as CCGT. These technologies should be valued and incentivised adequately. The current wave of major change in the market is causing a deterioration in investor confidence, undermining business cases for both existing assets and new investments in this area.

ESB response

As an operating generator in GB with projects in development, ESB is particularly interested in Ofgem's work in terms of 'enabling future markets and system arrangements' and 'network preparedness and performance'. However more generally, ESB supports Ofgem's continued focus on supporting consumers; ESB believes that this focus should be proportionate to designing a functioning market for consumers and market participants.

ESB appreciates that there is significant work to be done on enabling future markets to facilitate innovative technologies. ESB is supportive of this work, however we also believe that it is important for security of supply and system operability that the regulator continues to make the most of existing assets in the transition to a low carbon future.

ESB is supportive of Ofgem prioritising certain work streams that will have considerable commercial impact on our business, such as the Targeted Charging Review, the Forward Looking and Access Rights Review, the gas transmission charging review as well as the smart flexibility programme. ESB is cognisant that there are deadlines attached to these reviews but urge Ofgem not to rush decision making and implementation for the sake of meeting these deadlines; understanding the impacts and finding the right solution is more important for investors and industry. The uncertainty that these significant reviews pose to investments and business comes at a cost which industry is shouldering. The high levels of stakeholder engagement requested are also becoming more burdensome, to the extent that it is clear that industry players are being forced to prioritise certain areas of work to the detriment of others. ESB hopes that Ofgem is satisfied that there is a net benefit to the end consumer.

ESB believes that an overall vision for the future market after these reviews is missing. We are concerned that running such seismic workstreams in parallel without understanding where the market might end up could result in unintended consequences. These individual workstreams need to be looked at not in isolation but as a whole. ESB would encourage Ofgem to produce and publish a document that demonstrates Ofgem's joined up thinking and future vision for the market. For example, ESB has not seen evidence that the Open Networks Project and both Significant Code Reviews on electricity charging and access are joined up (nor work between wholesale and retail markets, or between markets and networks). It is not clear which work-stream is leading which and we observe that this could lead to duplication of work.

In addition, there continues to be a distinct lack of whole system thinking across gas and electricity. This is clear from the structure of the work programme document itself.

ESB would like clarification on Ofgem's intentions with regards to the Cap and Floor Regime. Ofgem has not indicated whether or not it will be conducting a review of the Cap and Floor regime. Ofgem said that it would be starting a review in its previous work plan but ESB has not seen any subsequent information on this review. ESB welcomes comment from Ofgem on the prospect of this review taking place prior to approval of more interconnectors, and grounds for the change in intention if it will not happen. We are particularly concerned about the high number of new interconnectors cited in the work programme without reference to any review.

ESB believes that Ofgem should ask industry how Ofgem might prioritise its review of Secure and Promote. It is ESB's understanding that industry would prefer Ofgem to review the Market Maker Obligation, rather than a review of Secure and Promote as a whole. Ofgem should consult with industry on the scope of the review prior to commencing, as efficiencies could be achieved through focus on the area of Secure and Promote that is in most need of revision.

Yours Sincerely

Generation and Trading Regulation, ESB