

**Code Administrator Consultation Response Proforma****CMP300 'Cost reflective Response Energy Payment for Generators with low or negative marginal costs'**

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses to [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com) by **5pm on 16 February 2022**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Panel.

If you have any queries on the content of this consultation, please contact Paul Mullen [paul.j.mullen@nationalgrideso.com](mailto:paul.j.mullen@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com)

Respondent details	Please enter your details
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**For reference the Applicable CUSC (non-charging) Objectives are:**

- a) *The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;*
- b) *Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;*
- c) *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*; and*
- d) *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

*\*Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).*

**For reference, (for consultation questions 4 & 5) the Electricity Balancing Regulation (EBR) Article 3 Objectives and regulatory aspects are:**

- a) *fostering effective competition, non-discrimination and transparency in balancing markets;*
- b) *enhancing efficiency of balancing as well as efficiency of national balancing markets;*
- c) *integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;*
- d) *contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;*

- e) *ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;*
- f) *facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;*
- g) *facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.*

#### What is the EBR?

The Electricity Balancing Regulation (EBR) is a European Network Code introduced by the Third Energy Package European legislation in late 2017.

The EBR regulation lays down the rules for the integration of balancing markets in Europe, with the objectives of enhancing Europe's security of supply. The EBR aims to do this through harmonisation of electricity balancing rules and facilitating the exchange of balancing resources between European Transmission System Operators (TSOs). Article 18 of the EBR states that TSOs such as the ESO should have terms and conditions developed for balancing services, which are submitted and approved by Ofgem.

**Please express your views in the right-hand side of the table below, including your rationale.**

#### Standard Workgroup Consultation questions

1	Do you believe that the CMP300 Original solution and/or WACM1 better facilitates the Applicable Objectives?	<p>Yes. The REA supports the CMP300 proposal to see the Response Energy Payments set to £0/MWH for all CfD BM Units, including low carbon fuelled sites.</p> <p>The REA is the UK's largest renewable energy and clean technology trade association, representing over 500 members. This includes our biomass power members forum, Biomass UK, which includes a wide selection of biomass power producers, who range in size and nature of biomass feedstock. The REA also has a Waste to Energy forum, including a subgroup focused on Advanced Conversion Technologies, which also count as fuelled technology within the CfD.</p> <p>The REA are supportive of the CMP300 proposals for the following reasons:</p> <ul style="list-style-type: none"> <li>- The proposals are a better reflection of pricing realities, with the CfD support covering fuelled costs. As opposed to the market index price, which is not reflective. As such, the proposals create a level playing field for all transmission connected low carbon projects in receipt of a CfD.</li> <li>- This creates a simpler pricing structure, ensuring all low carbon generation under the CfD are treated equally.</li> </ul>
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- It simplifies the ESO payment processes, while also reducing costs that ultimately get passed onto the consumer, as the ESO will not need to pay up to generators.
- While the number of parties that this would currently benefit is limited. We believe there are further parties who will likely be helped by this measure in the near term. This includes biomass power and advanced conversion technology projects, or any other renewable technologies, who have already been awarded a CfD but are not yet generating. The LCCC Contract Portfolio Status dataset [1] shows one other project as 'pre-start date', that is fuelled and set to be connected to the transmission system. It is possible that further sites could clear the current CfD allocation round 4, or future rounds which are now expected to take place annually. There are further projects set to commission and connect to the distribution grid, who may also benefit if precedent for this arrangement is set at the transmission level.
- Furthermore, future parties are also very likely to benefit in the medium to long term, if this change is made now. In particular, Ofgem and the CUSC panel should be aware of workstreams within BEIS to support the deployment of Bioenergy Carbon Capture and Storage (BECCS) on a range of existing low carbon fuelled generation sites. This includes existing energy from waste and biomass transmission connected generators. Current proposals for support favour a CfD model, as demonstrated by the Industrial Carbon Capture Contract [2] (which includes Energy from waste) and previous Call for evidence on Green House Gas Removals technologies (including BECCS) [3]. Such contract arrangements would again cover fuelled costs and make the setting of Response Energy Payments to £0/MWH sensible. The Governments Net Zero Strategy [4] envisages significant deployment of mature BECCS technologies by 2030, including retrofit applications in the power and industry sectors. This accords with National Grid ESO analysis of Future Energy Scenarios, demonstrating future sites that will be helped by the CMP300 proposals.

[1] <https://www.lowcarboncontracts.uk/data-portal/dataset/cfd-contract-portfolio-status>

		<p>[2] <a href="https://www.gov.uk/government/publications/carbon-capture-usage-and-storage-ccus-business-models">https://www.gov.uk/government/publications/carbon-capture-usage-and-storage-ccus-business-models</a></p> <p>[3] <a href="https://www.gov.uk/government/consultations/greenhouse-gas-removals-call-for-evidence">https://www.gov.uk/government/consultations/greenhouse-gas-removals-call-for-evidence</a></p> <p>[4] <a href="https://www.gov.uk/government/publications/net-zero-strategy">https://www.gov.uk/government/publications/net-zero-strategy</a></p>
2	Do you support the implementation approach?	Yes, in principle, we are supportive of the proposed implementation approach.
3	Do you have any further comments?	N/a
4	Do you agree with the Workgroup's assessment that CMP300 does impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC?	Yes we agree with the workgroups CMP300 analysis.
5	Do you have any comments on the impact of CMP300 on the EBR Objectives?	None.