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28th May 2019

Ofgem 5 Year Review of the Capacity Market Rules

Dear Johannes,

Thank you for providing us with the opportunity to comment on the above consultation and for the ongoing engagement with industry on the proposed changes. Please note our response is predicated on the understanding that BEIS will initiate the introduce changes to the Capacity Market to enable unsubsidised renewables (wind and solar) to participate in the Capacity Market.

Please find attached our response to the accompanying consultation questions:

If you have any queries regarding our response, please do not hesitate contact me.

Yours faithfully,

Kate Garth
Innogy Renewables UK Limited

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Section 1 – The objectives of the Rules and CM interactions

Question 1: Do you have any views on the interactions between the CM and other wholesale markets; such as forward markets, the balancing market, and markets for ancillary services?

Whilst we expect (and hope) that the urgent proposals consulted on by BEIS during their April consultation will be delivered, it remains imperative to ensure that unsubsidised renewables are allowed to participate within the capacity market as soon as possible, and that the rules and regulations are changed to enable these technologies to prequalify this summer (summer 2019) in order to participate in the proposed T-3 and T-4 auctions in 2020.

We remain concerned that the ancillary services market is not yet fully accessible to all technologies, and whilst we welcome the steps that National Grid have taken to review and amend their suite of products and services, the changes are not happening fast enough, nor within the proposed timelines. The ongoing inability for all technologies to participate in all available markets (where they could meet the required technological criteria) will lead to inefficiencies in procurement, may result in new developments (particularly renewables) being unable to proceed which will also increase costs to the consumer in the medium to longer term.

It will also be important to ensure that Ofgem, BEIS, NGESO delivery Body and ESC consider the relevant balancing services being procured now and intended by 2022 to ensure that any potential conflicts are addressed and removed. It will also be important to ensure changes resulting from the Targeting Charging Review and Electricity Network Access Project process, particularly in terms of charging for capacity on the networks are consistent (or can be made consistent) with the rules and regulations overseeing the capacity market.

Question 2: Do you have any evidence that design choices in the CM are driving inefficient outcomes in other markets?

We are concerned to date that the design choice (or delays in implementing change) within the CM are driving inefficiencies on a whole system based perspective, given the overarching need to ensure the CM delivers on its core objectives (as set out in the BEIS 5 year review last year):

- Security of Supply: to incentivise sufficient investment in capacity to ensure security of electricity supply;
- Cost-effectiveness: to ensure the most efficient level of capacity is secured at minimum cost to consumers; and
- Avoid unintended consequences: to minimise design risks and complement the decarbonisation agenda

We note the third CM objective above will become increasingly important / relevant following the recent publication by the Commission on Climate Change on net zero carbon emissions by 2050, and also the proposed approach from NG ESO to manage a net zero grid by 2025.

We are remain concerned that broader policy decisions tend to be taken in isolation; based on the modelled costs / benefits of a particular action or proposed change, rather than taking into account the wider costs / benefits to the customer from a whole electricity system perspective, which may be specifically impacted by the assumed costs / benefits of decarbonisation, in particular the growth of renewable generation.

Question 3: Do you have suggestions for how these markets can be better aligned and how any inefficiencies can be mitigated?

It is important for Ofgem and BEIS to ensure their policies and practices are consistent and do not undermine the outcomes in other markets. This 5 year review is particularly important in terms of shaping the next stage of the CM and the period that some (new build CMU 15 year contracts) will develop over this critical period, in terms of the action required (taking into account the need to meet the 4th and 5th carbon budgets and preparation to deliver on obligations under the Paris Agreement including the potential need to incorporate Net Zero Carbon Emissions by 2050.

Section 2 – Ofgem Rules Change Process

Ofgem CM Rule change process – CM Advisory Group

Question 4: Do you have any views on whether the proposed membership of the CM Advisory Group is appropriate, the form of participation from industry, along with any further points regarding meeting frequency and function?

We support the formation of the Capacity market Advisory Group (CMAG) and the core membership as outlined in paras. 2.20.1 – 2.20.4. We would welcome more information as to the number of industry nominated parties (which may include Trade Associations) who would be able to participate, given the wide range of current and future participants who will be involved in the capacity market and therefore should have the opportunity to contribute to the CMAG.

We are concerned that the initial requirements for potential CMAG participants could lead to a "business as usual" approach, whereby representatives of existing capacity market participants comprise the majority of industry representation, by dint of their existing experience of the CM since its first auction in 2015 and therefore be structurally biased against new (or relatively inexperienced participants) who may not consider themselves (or be considered) sufficiently expert to participate on the behalf of and / or represent a wider industry community.

It would be a failing of the CMAG if the industry representation did not include direct representatives from independent suppliers (non vertically integrated energy companies), DSR providers and or aggre-

gators, independent generators and new entrants (such as unsubsidised wind and solar). It will be essential to ensure that whomever is nominated to participate in the CMAG is there to represent their community rather than their individual companies.

Whilst we recognise the intent to consult further on the rules change process later in the summer, we would ask that Ofgem gives consideration and clarification to the likely number of participants in the CMAG and also whether a maximum term for participation (e.g. 24 months) for direct participation to help protect against group-think or existing participant bias.

With regards to the proposals on meeting frequency and function, we agree that a monthly meeting (at least initially) is likely to be appropriate, although we would welcome further options that consider (once the group has been established and is working) whether the frequency may reduce to bimonthly or considering / including teleconference / webex to ensure monthly travel does not create a barrier to participation for smaller companies.

With regards to the initial functions for the CMAG. We agree that the group could perform a valuable role in acting as the first stage of assessment prior to formal submission of proposals - but the efficacy of this will in part depend on the type and number of participants involved and the scale of proposals received each month (which will in turn be influenced by the proposed changes to the proposal form and revised timeline).

We agree that a core function of the CMAG should be to peer review the impact assessments and implementation timescales put forward by the delivery partners (NGESO and ESC), although this may require a different / additional skill set. It would be helpful to understand how (and with what authority) the CMAG would be able to challenge the proposed Impact Assessments / proposed implementation, given that NGESO and ESC are intended to be core members of the group – and would / could therefore be "*marking their own homework*" to a degree in terms of ensuring efficient and necessary changes that better deliver the objectives of the CM are scheduled appropriately, even if they are not the easiest to implement. Will recommendations made by the CMAG be based on a majority vote system – if so, we would welcome assurances that the details of participants and their decisions / views are made available to so that wider market participants can see when and how the proposals is progressing, and if not, why not.

With regards to the proposal outlined in section 2.17:

The CMAG should also impact assess proposed changed through means of publishing proposals for industry comment to gain wide consensus for proposals ahead of submission to the Authority. This should again ensure that smaller entities who may not have the resources to commit to the detailed consultation responses or regular meeting attendance have an equal opportunity for their view point to be heard".

It is not entirely clear from the above how this would work, unless the industry nominated parties are all comprised from a wide range of trade associations (representing the wider current and future CM participant pool. If this is intended to the case, then this should be made explicit – as otherwise we do not understand how an earlier consultation (unless it was very simplistic) would mitigate the resourcing issues facing many smaller entities of responding to detailed consultations.

Question 5: Do you believe the proposed framework and function of the CM Advisory Group is appropriate and would better facilitate the efficient operation of the CM Rules change process?

Yes, we do believe the proposed framework and functions are appropriate and could better facilitate the efficient operation of the CM Rules process, noting however the caveats as expressed in our response to question 4 – ensuring a fair and balanced participation from across the pool of new as well as existing CM participants will be critical.

Ofgem CM Rule change process – Timeline

Question 6: Do you have any feedback on our proposal to move to an 18-month implementation timescale; consulting on rule amendments which would subsequently be implemented the following Delivery Year?

We agree on the premise that the implementation of non-urgent rule changes should be decoupled from the auction deadline, but we note the criteria for classifying urgent versus non-urgent must be clear and have wide industry acceptance, given the impact it could have on allowing a change to proceed or not. We appreciate that IT system changes for ESC and NGESO may often take longer than the current [constrained] period but we would welcome assurances that this longer timeframe will ensure that [if found appropriate] all "non-urgent" proposals that were found to better deliver the objectives of the CM would be implemented, so that there is no risk that implementation is delayed for a further year, because of the number of proposals received.

We would note as a cautionary tale we have sought to have the Capacity Market Rules changed since our failure to qualify a non-subsidised new windfarm in the 2017 prequalification process – that process is still ongoing. It would be interesting to know whether that change would be treated as urgent or non-urgent under the new (to be confirmed) criteria.

We accept that more details of what constitutes urgent or non-urgent will be discussed in the summer consultation and will respond accordingly at that time.

Section 3 - Regulatory Burden – prequalification

Evergreen applications and rolling prequalification

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Question 7: Do you have any views on the proposed process, the implications of the change to the Prequalification procedure and whether it would be a positive change in removing an administrative burden?

We support the proposed objectives of simplifying the prequalification process to reduce administrative burden, reduce the barriers for entry and ensure that the prequalification process can provide certainty (for the delivery body) that those participants who have prequalified meet (and will meet) the criteria to deliver capacity in future delivery years.

With regards to the specific reforms proposed.

We support the proposals, such that a previously prequalified participant's data can be "copied" for the purposes of prequalifying for the following year. It is not clear to us, why this process would not be the automatic default, i.e. NGESO (at a specified time) would create a new prequalification application based on current data and seek confirmation from the participant that a) the relevant data is still correct – accompanied by a Director's declaration and any new year –specific exhibits.

If the process were set up to be automated – then could enable better phasing of applications, reduce the risk of data entry error and would place the requirement on the participant to opt out / update the record within an appropriate time frame, rather than being required to resubmit all the relevant information over the (often) busy summer period.

Question 8: Do you believe the current length of the Prequalification window is appropriate and if allowing Prequalification submissions to take place throughout the year would be beneficial?

We agree that there seems no justification to prevent a rolling prequalification period, so long as there is a clear deadline date, by which applications for the next prequalification period must have been submitted. This could enable better resourcing by NGESO to manage new applicants. Likewise, if the applications were sent out automatically by NGESO, requiring confirmation and submission of new details by the CM participant, this would likely lead to better phasing of work; reduce error and therefore failure rates / appeals.

Regulatory Burden – planning consents

Question 9: Do you have any feedback on the options presented in relation to the submission of planning consents and if there are any alternative options that we have not yet considered?

With regards to the issue highlighted in paragraphs 3.15 to 3.19.3. We strongly welcome the proposal to revoke the decision to implement change CP190, given the ongoing difficulties and delays in getting planning approval. We note; (and are responding on the expectation that unsubsidised wind and solar **WILL** be able to participate in prequalification summer 2019); that at the time of the decision on CP190, unsubsidised renewables remained out of scope for eligibility to participate in the capacity market and therefor the particular issues which face wind farms in terms of the time required to get planning con-

sent, which are often significantly longer than other specified large infrastructure projects may not have been properly considered.

As a significant developer and owner of new [onshore] wind assets, it would be highly unlikely that we would ever submit speculative bids into the capacity market; [sites without planning permission], until we had received planning consent in writing or at least a recommendation to approve from the local planning authority); simply because of the time it can (and in our case) has taken to receive planning permission following submission of the completed planning application. Removing the requirement to have planning permission at the prequalification stage would help provide extra time to ensure that viable sites can have the confidence to both register to prequalify and thereafter bid into the capacity market auction in a timely manner, which would better reflect the timescales to construct and commission a windfarm site following receipt of planning.

Therefore our clear preference is for option 1 (para 3.19.1)– to remove the requirement to provide planning consents at the Prequalification stage but rather submit a declaration that states that the project will have the relevant planning consents by the time of the Financial Commitment Milestone. Furthermore we believe it is important that the same rules apply to sites of all scales; based on the evidence of historical delays associated with planning approvals for many renewable developments.

We agree with Ofgem's observation that aligning the proof of planning consents to the FCM would still provide sufficient assurance that subsequent capacity could be procured at the T-1 auction if the planning consents are not received and therefore the site would face termination.

We do not support options 2 (DCO only) or 3 (status quo).

Regulatory Burden – submission of data items at prequalification

Question 10: Do you have any feedback on the amendments to the Prequalification data items listed in Table 1?

We agree with stated objective of removing data items from the prequalification process that are not required by NGESO to assure the viability and feasibility of prospective new CMUs or existing CMUs to participate.

With regards to the items listed in Table 1 – we agree with the proposals to delay the provision of the 4 stated data items until the Metering Assessment stage and the removal of the 3 stated data from the process entirely.

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Section 4 - Regulatory Burden – reporting requirements

Independent Technical Expert reports

Question 11: Do you believe that removing progress reports and the associated ITE assessments in all cases except those outlined, alleviates the regulatory and administrative burden, while still providing the necessary levels of assurance?

Yes, we welcome the proposal to remove the requirement to submit progress reports no less frequently than every 6 months until the completion of the SCM, and instead replace this with a Director's declaration to inform NGESO of any material changes to the project timeline or to Construction Milestones submitted in prequalification. Our preference is that any reporting (reporting that requires an external ITE to sign off on a report) should only be required as an exception, rather than as the rule.

Further clarity on what constitutes a material change would also be welcome.

Section 5 - Secondary Trading Arrangements

Eligibility

Question 12: Do you have a view on which of the sub paragraphs of Rule 9.2.6(d)(i) – (ix) should only apply to Eligible Secondary Trading Entrants and which to the other categories of Acceptable Transferees?

It is not entirely clear to us which of the subparagraphs of Rule 9.2.6 (d) (i – ix) should only apply to Eligible Secondary Trading Entrants and which to the other categories of Acceptable Transferees; given that the latest BEIS consultation (which closed 4th April) suggested that the subparagraphs shown above were meant to apply to all of the categories of Acceptable Transferees.

That said, on the basis of the Rules as the currently stand, we would expect that the redundant subparagraphs (iv), (vi) would be removed entirely.

Secondary Trading: Acceptable Transferee

Question 13: Is it appropriate to allow all parties who have prequalified for the CM for that year to become prequalified for secondary trading? Are there any unintended consequences?

Yes, although more clarity would be required in terms of providing credit cover arrangements. We prefer this option (where parties which prequalified for the CM for that year become prequalified for secondary trading) rather that the alternative suggestion set out in para 5.12 which would see to allow any party that had previously prequalified be allowed to prequalify (subject to providing the additional information / meet any new standards). We are not aware of any likely unintended consequences that could result from this, so long as the necessary checks are put in place to prevent any unauthorised transfer of personal details.

Question 14: What form should a register of Acceptable Transferees take? How should it be populated? And who should be responsible for maintaining it?

Based on the limited information provided in the call for evidence, we believe (at least initially) the register of Acceptable Transferees would form part of the Capacity Market Register where they meet the criteria currently set out in 9.2.6 (d) and have consented to be included on the register(i.e. are open to receiving offers to transfer capacity obligations). Subsequent CMUs that have qualified as secondary trading participants (as per rule 4.9) should be added to the Capacity Market Register.

NGESO as the delivery body should be responsible for maintaining and updating the CMR.

Barriers to Trading:

Minimum Trading Threshold

Question 15: Do you agree that it would be desirable to allow obligations to be traded between parties in amounts greater than or equal to 0.5MW?

Yes, we agree that it would be desirable to allow obligations to be traded between parties in amounts ≥0.5MW

Secondary Trading: NGESO's Timescales

Question 16: Do you believe the current time period of five Working Days before the date of the trade by which applicants must submit a request to trade is appropriate or should this period be reduced? Do you have any suggestions on a revised length of this period?

As a principle, we believe reducing the current time period before the date of trade should be as short as possible to enable more trades to take place, particularly if the Transferor has a legitimate need for a short term (duration) and at short notice requirement for secondary trading.

We are unsure as to why trades can only be facilitated 5 working days in advance of the date of the trade, given that NGESO delivery body should be available 24/7 in order to be able to respond to any potential or actual system stress events. We do not have visibility of the current system constraints which are preventing more secondary trades from taking place but we would suggest future incentives could focus on providing more short term trading options. On the assumption that both parties would have been prequalified and deemed suitable potential transferees, we agree with the suggestion from the working group that 2 working days prior to the date of the trade should be seen as the maximum time required to agree a secondary trade.

Question 17: Do you believe that the current period of three months in which NGESO have to notify a Secondary Trading Entrant of the Prequalification decision is appropriate or do you feel this should be shortened? Do you have any suggestions on a revised length of this period?

We agree with the conclusions from the working group (para 5.18) that the current 3 month period that NGESO has to notify a secondary trading entrant of the prequalification decision is far too long and should as a maximum reflect the 6 week period used for the broader prequalification process, given that the numbers are likely to be significantly lower and therefore should not cause undue resource / administrative burdens.

Question 18: Do you agree with adding a provision for the time frame over which NGESO must respond to requests for a trade?

Yes, this would likely help provide confidence that shorter term trades will be facilitated; there should be clear frameworks against which NGESO's performance can be judged.

Framework

Secondary Trading: Timing of trading

Question 19: Do you think it is appropriate to extend the defined trading window to the results day of the T-4 Auction for the relevant Delivery Year?

Yes. *(This is currently only temporary the case due to the standstill arrangements and this question suggests it would be amended to become a permanent change*)

Secondary Trading: Requirement to fulfil SCM

Question 20: Does it continue to be appropriate for Transferors to be required to meet their SCM prior to engaging in trading?

We do not believe it would be appropriate for Transferors to be required to meet their SCM prior to engaging in trading as this would reduce the options (and could reduce the subsequent security of supply) if they are facing genuine issues in meeting their SCM that could otherwise result in a termination of the capacity agreement. Implementing the termination penalties rather than enabling secondary trading would be a worse outcome for a competitive capacity market.

Question 21: Does it continue to be appropriate for Transferees to be required to meet their SCM prior to engaging in trading?

Yes, if the Transferee is to be seen as a credible and viable alternative; provider of the traded capacity, we believe it would be correct for the Transferee to have met their SCM prior to engaging in trading.

Secondary Trading: Demonstrate SPDs

Question 22: How should we address the risk of a trade being withdrawn where a Transferor is terminated after a trade has been registered?

We are unclear on the order of magnitude of risk that Ofgem is seeking to avoid this scenario. As per our comments in question 16 by shortening the time frame in which trades can be facilitated, this may help reduce the risk of Transferor being terminated after a trade has been registered. We agree with the potential "greater good" suggested by Ofgem that allowing a Transferor to trade away its obligation as an alternative to termination would be better for security of supply.

Question 23: How should we address the transfer termination risk where a partial or full Capacity Agreement is traded for part of, or the entire duration of a Delivery Year?

In the event of transfer termination risk where a partial or full capacity agreement is traded for part, or the entire duration of a delivery year:

Where the obligation has been traded for part of the delivery year (or if the trade ends at the end of the delivery year) we would suggest that that trade (for the capacity,) remains, but there will need to be a clear contractual framework and governance in place

For short term and short duration trades (whereby post trade period) the capacity obligation would revert back to the Transferor – this is more problematic and should be considered separately in more detail in a future consultation where the contractual relationships and responsibilities can be better explored.

Question 24: Are there any amendments that could be made to the SPD framework following a secondary trade, specifically relating to partial agreement trades? e.g. SPD obligations applying to trading parties in aggregate following a trade, specifically relating to partial agreement trades? e.g. SPD obligations applying to trading parties in aggregate following a trade

No comment.

Section 6

<u>Other changes: Settlement data flows</u>

Question 25: Do you believe the options presented related to SPD data submission are suitable and are there any options we may not have considered in order to help mitigate the impact on capacity providers?

We agree with the options relating to settlement data flow issues and we welcome the initiative from ESC to provide an automated process from delivery year 2020/21 onwards that would allow capacity providers to self-validate their metered data.

Question 26: Which aspects of a CMU configuration do you think should not be able to be amended following Prequalification?

We agree that the primary technology class (and associated derated capacity) should not be amended following prequalification.

Other changes: Data in the CM Register

Question 27: Is there any other data that would be useful to add to the CMR and why?

We agree with the proposals made by Ofgem which would then result in the CMR providing for each CMU component or generating unit the connection capacity, derated capacity and primary fuel type. With regards to the additional data suggested by NGESO we agree with the majority of suggested data items, with the exception of the MPAN details.

Question 28: How should the ALFCO formula be adjusted for Interconnectors when their output is affected by actions by NGESO?

No comment

Other changes: Generator Intertrips

Question 29: Should system to generator intertrips be included as a RBS in Schedule 4 to relieve providers of their obligations when affected by such an intertrip?

Yes, we agree.

Other changes: Continuous improvements to CM Rules

Differentiating between firm and non-firm connection agreements (page 50 /51)

Question 30: How should we differentiate between firm and non-firm connection agreements at the Distribution level?

We agree with Ofgem (Para 6.4) that D connected generators with firm access rights should not be penalised in the event of a network interruption beyond their control and that changes should be made to Rule 8.5.1 (c) to align the protection available to transmission connected generator to generators with a firm distribution connections agreement. This should be done as a priority to ensure consistency.

However, we are unclear (based on the current information available) as to what and how any future derating of capacity for distribution connected generators with non firm or interruptible capacity can be taken forward given the current lack of harmonisation regarding “firmness” between DNOs and licence areas (as noted by Ofgem in para 6.43).

We agree with Ofgem that Distribution connected CMUs with non-firm access rights should not be excluded from participating in the CM. Ofgem say that: “*we believe the most accurate way to account for non-firm distribution-connected capacity in the CM is by de-rating it for the likelihood of interruption*”. As Ofgem have identified though this is not straightforward since there is no definition of non-firm / inter-

ruptible and the magnitude can vary considerably within and between DNO regions. As innogy advocated recently[1] we support Ofgem's intention that access rights should have improved definition for Distribution connected network users, and in particular we consider that the definitions of 'firmness', and by extension, '*unfirmness*' will be crucial to this.

Question 31: How should Distribution-connected generators with non-firm connection agreements be de-rated to accurately account for their contribution in a stress event?

The proposed de-rating factors for renewable generators are already extremely low. If a Distribution connected renewable generator is further de-rated by virtue of having an un-firm connection, then this could result in the generator being unfairly priced out of the market and would be heavily dependent upon the suitability of the methodology used.

Ofgem have previously acknowledged that a lack of availability of 'firm' capacity on the Distribution network leads to distortions. Uncompensated and unlimited constraint risk on the Distribution network is not suitable as a feature of a smart, flexible system. Uncertainty also undermines investor confidence, which will be increasingly important as renewable energy projects look to come forward on a merchant basis. Currently all the risk associated with network unavailability rests with individual generators, even though DNOs influence this risk by enabling further users to connect to increasingly constrained parts of the network. DNOs are far better placed and able to manage these risks. Indeed, investment risk costs with regards to access are higher for Distribution connected projects as compared with Transmission connected projects due to the unspecific nature of access rights. This would only be perpetuated by CM derating methodology which further penalises the generator.

Therefore, given the current lack of clarity on the outcome and timings for the decision and eventual implementation of changes resulting from the ongoing Electricity Networks Access Project, we believe it would be premature to make suggestions for derating based on the firmness of the connection agreement until there is more clarity and an agreed national process to manage this issue.

Secondary trading and the ability of the CMU's to consider their commercial exposure should be the means by which the assumed risk of constraint arising from a non-firm connection agreement is managed – at least until the issues regarding firmness and the changes resulting from ENAP have been implemented and bedded in.

Section 7

NGESO's incentives and CM role

[1] In our response to Ofgem's consultation "*Getting more out of our electricity networks by reforming access and forward-looking charging arrangements*"

Question 32: Do NGESO's current financial incentives on demand forecasting accuracy, dispute resolution, DSR Prequalification, and customer and stakeholder satisfaction drive the intended behaviours by NGESO?

Question 33: Do the financial incentives listed above remain fit for purpose?

Question 34: What behaviours and outcomes should NGESO's financial incentives drive? What form should these incentives take?

With regards to these questions.

We agree it is appropriate that these should be reviewed, particularly in the light that of the recent legal unbundling of NG ESO and developments within the CM since the incentives were set.

On the above questions we are concerned there may be a bit of a "chicken and egg" issue – i.e. if the rules do not currently allow certain actions (i.e. evergreen prequalification) or other issues which have already been raised earlier in the consultation then it would seem reasonable to expect that where there is a known issue, customers and stakeholders satisfaction scores may be lowered than anticipated. On a principles based basis – we believe NGESO (CM Delivery Body)'s financial incentives should drive behaviour and outcomes that deliver the following outcomes:

- Reduce the administrative burden on current and future CMUs
- Support the efficient delivery of the CM auction process (including prequalification)
- Facilitate adequate resourcing of the CM delivery functions (which may be partly delivered through amendments to the change process which may reduce resource phasing issues and reduce the number of prequalification appeals.
- Incentives should also focus on proving a comprehensive and consistent approach to guidance and support to help new entrants navigate CM processes and systems.

Ultimately – the financial incentives should support the functioning of efficiency, technology neutral capacity market which encourages and supports participation from the full range of potential CM participants. This should result in the removal of a specific technology target for encouraging participation (and instead be targeting participation across all potential entrants); particularly if the number of new participants continues to grow year on year.

NGESO's incentives and CM role: Demand Forecasting accuracy

Question 35: Do you agree that a demand forecasting accuracy incentive remains appropriate?

Yes, however it will be important to ensure that where there are synergies between the delivery body role and wider ESO are taken into consideration, so that NGESO doesn't benefit twice from the same improvements made.

We agree it is important that the forecasts should be aligned (and use similar baseline assumptions) to those used in the FES and 10 year plans.

Furthermore, the data used by NGESO and the outcomes should be publically available so that all parties have access to the same information at the same time.

NGESO's incentives and CM role: Dispute Resolution

Question 36: Do you agree that the dispute resolution incentive should be based on a proportion of Prequalification or Reconsidered Decisions overturned by the Authority rather than on the absolute number?

No, we do not agree that the dispute resolution incentive should be based on a proportion of prequalification or reconsidered decisions overturned by the authority rather than the current absolute number approach. The intent (of the incentive) should be to drive ongoing improvements in the prequalification process that leads to reducing numbers of incorrect or bad decisions being taken, all of which would likely have significant impacts on the CMU's involved. If the incentive were amended to a proportional basis, this could encourage a reduction in the focus on delivering improvements and ensuring that the process works as well as possible

NGESO's incentives and CM role: DSR Prequalification

Question 37: Do you agree that the DSR Prequalification incentive should be replaced by an incentive intended to drive NGESO to aid smaller providers, new entrants, and innovators navigate the CM?

Yes, we agree that the incentive that solely focuses on DSR participation (given the maturation of the DSR and aggregator market) should be replaced by an incentive on the NGESO to ensure sufficient support is provided to new market entrants (not all of whom may be "smaller providers") as these participants may not have had the benefit or opportunities of participating in stakeholder events and or bespoke engagement. We would note that the Delivery Body should be considered a neutral service provider as a standard approach but in this regard we believe existing participants (many of whom may have already participated in multiple prequalification processes / auctions etc) and therefore for whom the level of support required is likely to be lower or different to new entrants who are participating for the first time.

.NGESO's incentives and CM role: Stakeholder satisfaction and wider ESO incentives

Question 38: Do you agree that an incentive on NGESO's customer service and stakeholder engagement remains appropriate? What form should this incentive take?

Our preference that NGESO should be seek to deliver good customer service and stakeholder engagement as standard, and so it is not clear whether setting incentives for this is the best way - as we would expect these to be delivered as part of the licenced activities and overseen by Ofgem.

Question 39: Do you agree that the incentives on NGESO for delivering the CM should be aligned with NGESO's incentive framework? Should the CM incentives be incorporated into NGESO's incentive framework in the longer term?

Yes, they should be aligned with the NGESOs incentive framework and in the longer term (2021) these should be incorporated into a single incentive framework. This would be particularly helpful in establishing what is treated as meeting baseline expectations and what is or should be considered exceeding baseline expectations.

NGESO's incentives and CM role: Roles

Question 40: Does the separation of the EMR Delivery Body from NGESO continue to remain appropriate given the separation of NGESO from the rest of NGplc?

This question is hard to answer at this time, given (as stated in para 7.36) that "it may be appropriate to reduce the severity of the conflict of interest mitigations specified above ***once the success of the legal separation of NGESO has been established".***

Given that the legal separation has only been in place for less than two months, we do not believe it is possible yet to make any decisions on amending the current separation between delivery body and wider NGESO. Providing clarity on how the success of the legal unbundling will be assessed (and when) would be helpful.