

Electricity Market Review

Capacity Payment Proposals

by

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The Carbon Catalysts Group

- The Carbon Catalysts Group is a network of companies and senior executives who work in the renewable energy and low carbon sectors.
- Carbon Catalysts assist developing companies, projects at all stages and innovators of new technologies
- We aim to invest in enterprises by bringing funds to them or by partnering with them. Alternatively, we can provide a range of advisory and management services for development and investment
- We work with developers, entrepreneurs, lenders and buyers as well as established projects

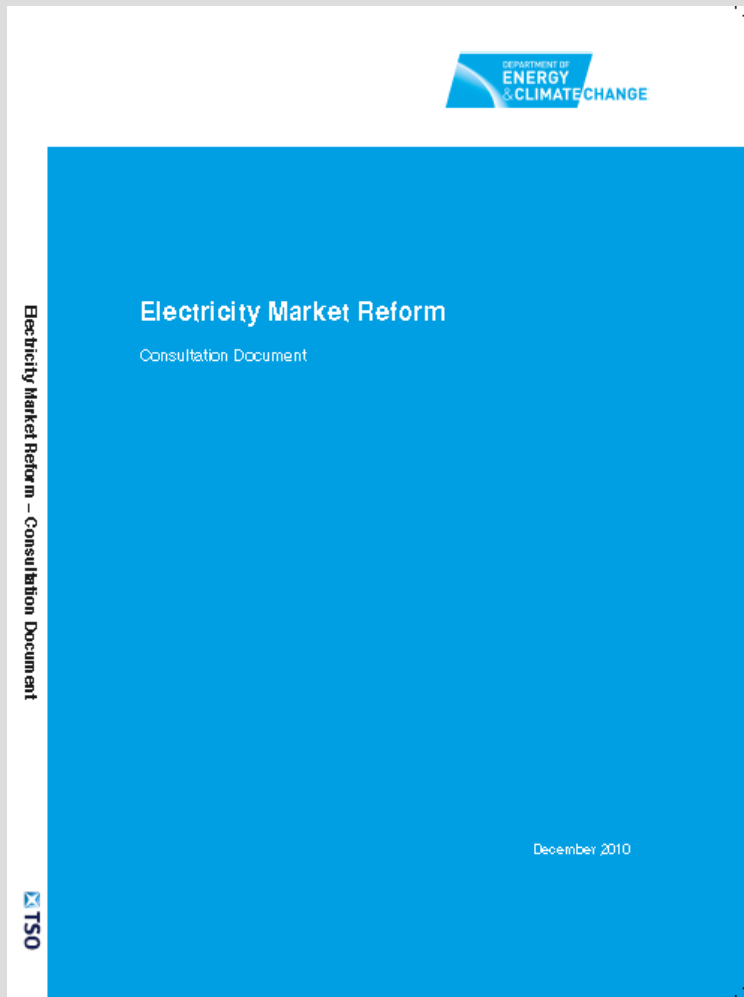
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Electricity Market Review

- Responses due by:
 - March 10th (DECC)
 - February 11th (Treasury)
- 4 Key proposals
 - Targeted Capacity Payments
 - New FIT CFD mechanism to replace RO for low carbon generation
 - Carbon Price Support via revised CCL
 - Emissions Performance Standard

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EMR Documents



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EMR Websites

- DECC Consultation

<http://www.decc.gov.uk/en/content/cms/consultations/emr/emr.aspx>

- Treasury Consultation

http://www.hm-treasury.gov.uk/consult_carbon_price_support.htm

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Capacity Payment Proposal

- Chapter 4 of Report
 - Security of Supply and Market Operation
- Targeted, not universal
- Concern about reducing capacity margin
- Concern about system balancing

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Capacity Mechanism

- Obligation on 'central body'
 - Presumably NGC
- Obligation to preserve a set capacity margin
- Tender mechanism for new capacity
- Demand Side to be included

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Targeted Mechanism

- Why is new capacity different from existing capacity
- Capacity is capacity!
- A lot of old CCGTs out there which may be ideal
- Ironical if new capacity forces off lower cost existing capacity
- Who decides the optimum type of capacity
- OCGTs?
- Not known for reliability!

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Tendering

- How do you run a tender?
- Permitting issues
 - Does bidding capacity have to be fully permitted?
- Non delivery of capacity issues
- Reliability issues
- Location issues
 - Tender will be locational
- How do you compare demand side capacity ('negawatts!') with generation side?

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Market Disruption

- One of the FIT CFD Issues is that of a reference price
- Does this mechanism not take more plant out of the market?
- How does an existing OCGT or CCGT compete?
- How does the balancing mechanism work?
- Consultation recognises these problems Pp94
 - Effect on peak prices
 - Slippery slope effect

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