



Capacity Market 2023: strengthening security of supply and alignment with net zero.

Open Consultation Response from Mercia Power Response

28 February 2023

By email: electricity.security@beis.gov.uk

Mercia Power Response (MPR) welcome the opportunity from BEIS to respond to this consultation on the Capacity Market (CM). As a Capacity Provider (CP) who has participated since inception, we can offer a unique perspective on the changes being considered and hope that this can prove valuable in the evolution of the CM.

The original purpose of the Capacity Market, when it was formed in 2014 was to “ensures security of electricity supply by providing a payment for reliable sources of capacity.” The CM provided the “missing money,” because Return on Investment (ROI) was too low and the market too uncertain to sufficient give investor confidence. The CM was intended to be technology agnostic and non-distortionary to the market. The proposed changes in this consultation seem to be a further move away from this intent, to overly and unnecessarily complicate the CM and additionally risk a significant increase in cost to the end consumer.

Whilst we appreciate the spirit and intent of this consultation, we have some serious concerns about some of the proposed changes, particularly around the Satisfactory Performance Day (SPD) framework, the penalty regime and decarbonisation.

For the SPD framework, we have significant questions as to why the changes are being proposed in the first place, which we go into further detail in our answers below. At a high level, we would question whether there is a need to change and what evidence would support a new framework. It was highlighted that only 10% do not make the end of November deadline, it would be helpful to understand the reasoning behind this and how many CM contracts have been terminated due to failure to meet SPDs. Having this clearly understood before making broad changes to the SPD approach seems more sensible.

For the penalty regime, we again would question the need for change here. What evidence was there that the existing regime was not sufficient to drive the behaviours that BEIS would like in the CM? There are also potential unintended consequences around risk and investments for current and future CM participants.

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Finally, we completely agree with the intent to decarbonise and are fully supportive to achieve Net Zero in the UK. However, we question if this is the right place to make these changes, based on the core purpose of the CM to ensure Security of Supply. Are the changes being proposed being considered in parallel to other current mechanisms? These other mechanisms already driving behaviour in the industry; namely the UK ETS carbon pricing and the LCPD/MCPD – which are mechanism for controlling and disincentivising carbon generation to achieve Net Zero. A whole system approach in regulation should be considered when thinking of how we secure our energy supply in the UK as well as meet our Net Zero targets. If we are to successfully address the “Energy Trilemma,” net zero, security of supply and affordability need to enable each other in the energy transition.

Thank you again for the opportunity to voice our view on this consultation and we look forward to the response.

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Responses to Individual Questions

Questions on Chapter 2

1. *Do you agree with the proposed changes to the SPD process? Are the proposed changes likely to cause any unintended consequences?*

No, we do not agree with the proposed changes. We understand the reasoning for suggesting change to the SPD process is to give early visibility of capacity available going into the winter months, as well as the improved automation of the SPD process allowing for these changes.

However, we would challenge that the proposed changes are overly prescriptive to solve a problem that does not actually present as a significant issue in the CM. There are already other mechanisms in place, such as the current penalty regime, that provide assurances of deliverability. Furthermore, the historic performance of the CM does not warrant such a significant divergence from current working practices. We have considerable concerns about how any risks related to any long duration export limitations outside of the Capacity Provider's control will be managed in this new framework.

There are two key areas of evidence that need to be understood at a deeper level before making potentially unnecessary changes:

- 1) **Performance of the CM:** The contract of the CM is to deliver capacity in a stress event, not necessarily to be available for generation throughout winter. Could a review of the reaction of the market to CM warnings in recent years help to improve understanding about what is needed to improve this process? A stress event has not been experienced in recent years because the CM is working as it was intended. It would also be good to understand the impact to the CM that has been seen from CMUs that have not met their SPDs and the risks associated with this.
- 2) **Evidence from those not meeting SPDs:** As noted in the consultation document, only 10% of CMUs are unable to meet the end of November deadline and our understanding is that these CPs are currently being engaged with to understand the reasonings why. We would encourage that any changes to the SPD process wait until an evidence-based decision can be made from this understanding. Does the CM need this 10% to be ready to delivery at the end of November? A better approach may be to create a mechanism that both ensures the ability of the CMUs to provide electricity when required without potentially losing too many participants from the CM.

Further unintended consequences of changing the process could cause market distorting. By being increasingly prescriptive on telling generators when to run could run counter to the original intention of the CM, which was to be non-market distorting.

2. *Are there any barriers faced by storage CMUs in meeting the CM's performance and duration testing requirements, and if so, can you suggest any potential solutions? Please provide evidence to support your response.*

We are currently in the process of developing Battery Storage sites, so we do not yet have the practical experience to be able to contribute a meaningful response to this question.

3. *Do you agree with the proposed changes to enable Capacity Providers to determine a CMU's connection capacity solely on the basis of TEC, MEC or Average Output? Are there any unintended consequences of taking this approach?*

We agree with this approach, though do not think it is wholly different from the current approach where CP declare their own connection capacity.

4. *Should Capacity Providers be allowed to self-nominate their CMUs' connection capacity, provided the nominated figure is not higher than TEC, MEC or Average Output?*

Yes, this seems like a sensible approach.

5. *Do you agree with the proposed changes to enable mothballed plants which are existing Generating CMUs to return to the CM? Would these changes result in any unintended consequences?*

We have no immediate issue with this but would question the potential behaviour this may encourage. We would suggest it should include the consideration of the demand curve for each auction. How does this fit strategically with the capacity caps set by the Secretary of State and is there a risk of gaming the system?

6. *Do you agree with the proposed changes to the CM's penalty rate? Are any unintended consequences likely to result from this change?*

We do not agree with the proposed changes to the penalty rate, as the current penalty regime already acts as a disincentive for generators participating in the CM. Increasing the penalty by a factor of 6 is a drastic increase and therefore further increases costs and risks for the CPs. We appreciate that the penalty cap remains unchanged, but still would question whether this change was in the best interest of the consumer. Also, further clarification on force majeure provisions is required.

Potential unintended consequences could be realised by a harsher penalty regime that will further disincentivise generators in the CM, which would result in having less capacity bid in tighter auctions that push clearing prices ever higher, with an ultimate impact on increasing costs for the end consumer. Record high auctions prices have already been seen this year, which will increase current costs for consumers.

7. *Do you agree with the proposed changes to the timelines for calculating non-delivery penalties?*

We do not have a strong opinion on the timelines (please see answer to Q6 for position on the penalty) and assume this would allow for any consideration of external factors that may come into play for specific penalty situations.

Questions on Chapter 3

8. Do you agree with our proposal to introduce lower emissions limits for new and Refurbishing CMUs from 2035?

We agree with the sentiment of wanting to ensure Government policy is aligned to the CM. We understand the need for lower emissions targets in order to meet Net Zero. We also support the transition to technologies that promote increased security of supply. However, we would highlight two key challenges that would be worth considering when implementing these changes to the CM:

- 1) **There are existing mechanisms in place that are driving behaviour in the right direction:** Both the UK Emissions Trading Scheme (UK ETS) and the Large & Medium Combustion Plant Directive (LCPD/MCPD) directly impact carbon emitters and left to act as intended will drive the investment signals and incentives need for alternative green technologies to become an attractive investment in the transition. It would be helpful to consider the impact of both of these already on the CM participants and how any targets implemented align with these to provide the right balance of risk and reward.
- 2) **There is currently a lack of viable technologies available:** There is limited confidence in both hydrogen and Carbon Capture and Storage (CCS) technologies being broadly available in the industry in the timescales presented in this consultation. There are many significant challenges that both technologies need to overcome, such as efficiencies, economics, and scale, that do not seem realistically solvable in the near term. Specifically, on the issue of hydrogen, if the goal is emissions reductions, there need to be an alignment with the hydrogen strategy about the production of hydrogen (e.g blue versus green) as well as any end use it may have. We would highlight recent sentiment from industry leaders and organisations, such as Michael Liebreich, Jan Rosenow from the Regulatory Assistance Project, the Fraunhofer Institute, and David Cebon from the Hydrogen Science Coalition on the position that hydrogen plays a key, but limited role in the energy transition. This uncertainty in the maturity of the technologies could lead to difficulty in securing investment as risks could be perceived to be too high.

The original intent of the CM was to ensure security of supply for the UK at the lowest costs, something arguably even more critical today than it was a decade ago. Whilst achieve Net Zero is also an important target, it will be important to consider how to achieve these goals through a whole system view and approach and perhaps look at ways to incorporate and utilise existing mechanisms to ensure clarity, simplicity and cost effectiveness for the end consumer. It might be more productive to progressively decrease the CO2 limit, perhaps every five years, to still achieve the emissions reduction but still allow unabated gas. This would help prevent a cliff-edge type of fall for reaching emissions targets.

9. Do you agree with our proposed changes to the emission limits regime?

Please see also above answer to Q8, but these changes need to consider what is possible with current technology available in the industry.

10. Are there any further required changes to the emissions limits regime which have not been identified?

We have some concerns about the use of Independent Emissions Verifiers (IEVs) and how this would work in practice, as the pre-qualifications for the CM are already challenging and complex. It would

be good to create a plan for the role and availability of these IEVs, to be in place by the time limits are to be enforced.

We also have concerns around the increased costs and time to the proposed regime. For large plant, these make sense, but the increased administrative burden needs to be worth the benefit for smaller businesses or those with large numbers of smaller CMUs. Also, we question why existing frameworks, such as the LCPD/MCPD are not being considered.

11. Do you have any views or evidence on the impact that the emissions limit proposal may have on investment in transitional pathways, such as hydrogen blending or CCUS retrofit?

Setting the emissions limit with a clear target can help to lead the industry to move to new technologies (as seen by the Internal Combustion Engine (ICE) sale ban by 2030, which is pushing the market towards Electric Vehicles (EVs)). Clarity is always welcome, as it helps with investment and business planning. However, there are still significant challenges with replacement technologies before they can provide a like-for-like replacement for current generating technologies. Setting clear targets could encourage investment now to ensure alternative technologies are ready for the deadline.

Hydrogen blending may be a transitional option, but ideally it would be better to move onto hydrogen fully as a fuel, as the CO₂ mitigation benefits are minimal for blending (a 20% blend only achieves a 7% reduction in CO₂ emissions at point of use and this does not consider the CO₂ emissions from the hydrogen production, which could be significant if generated from fossil fuels). If there is a good alignment with technologies, this could also help to support the Hydrogen trials (such as East Coast Hydrogen) that are looking to understand the demand for market creation in this area. With the Hydrogen Strategy not scheduled until 2026, it is difficult to understand the role it will play and what will be possible in these timescales.

12. If you have an unabated gas CMU in the CM, what are your plans for this capacity as the power sector decarbonises? Do you intend to decarbonise your CMU once viable pathways such as the DPA are available?

Currently, there is no credible product or alternative fuel readily available on the market to allow us to decarbonise. If viable options became available, we would intend to decarbonise our plant as soon as is practicable to do so.

13. From the perspective of a Capacity Provider, are there any additional barriers to decarbonisation than those mentioned above? Would it be necessary to terminate your CM agreement in order to decarbonise your CMU?

As stated in our response to Q11 and Q12, there is a key barrier around the delivery timescales of the Hydrogen Strategy and trials and the availability of any viable replacement fuel or technology for our plant. The lack of clarity at this stage about what technologies would need to be installed and the impact that would have on our plant is significant.

A solution that may be helpful, rather than terminating a CM agreement and if the investment signal were to strengthen in the next five years for Battery Storage or Hydrogen, would be some way to transfer a long-term CM agreement to new, decarbonising technologies (and subsequently have the de-rating

realigned) rather than face termination penalties. This would allow for more agility in the CM to change to decarbonising technologies as soon as they became available in the industry.

14. How long would it take to retrofit your plant(s) to either CCUS or Hydrogen and when would it be feasible for your plant(s) to come offline to do so? Please provide a breakdown of this where possible.

As there are currently no viable products or fuels available on the market, we are uncertain as to how long a retrofit may take or the feasibility of bringing our plant offline.

The physical space between our generating plant *might* be able to fit in retrofitted technology to abate CO2 emissions, however, there is a great deal of uncertainty about this technology currently.

15. Do you have any comments on our suggestions of how CMUs could decarbonise or suggestions of your own? If so, please provide details of this.

Currently, there are limited options to decarbonise reciprocating gas engines. While we are aware of some technologies being developed (such as scrubbers), it is hard to say at this stage what options will be available in 5 to 10 years. We are an active member of the East Coast Hydrogen project, which is currently considering demand for Hydrogen, but switching to a significant proportion of Hydrogen could require significant overhaul or replacement of our assets and would be reliant on a clear supply stream, which we do not have confidence in given the current situation.

Hydrogen blending could, in theory, be a transitional solution, however, the benefits in terms of CO2 emissions reduction are minimal. As the Fraunhofer Institute reported in January 2022: *“Hydrogen blending is **not** a no regrets option towards 2030. It is **suboptimal** because it does not specifically target end-uses for which hydrogen is generally agreed to be needed and imposes additional costs for lower greenhouse gas savings compared to using hydrogen directly. Therefore, **H2 usage should be limited to areas where it is needed and cannot be substituted by electricity.**”*

Finally, the next potential option to consider currently is CCS, which is also nascent and needs significant development and scaling.

16. Could secondary trading provide a pathway to the decarbonisation of an existing CMU? Please provide an explanation to your answer.

This seems like a potential workable option; however, the details need to be understood better. The improvements to the secondary trading market would need to be significant to allow for a minimal loss of reserve capacity.

17. Could reactively procuring capacity provide a pathway for CMUs to decarbonise whilst ensuring security of supply? Please provide an explanation for your answer.

The original purpose of the CM was to provide the framework that allowed plant to be incentivised to be built. Reactive purchasing assumes that there is no “missing money” and seems to undermine the core purpose of the CM – the market should fund any reactive requirements.

18. Could over-procurement of replacement capacity via the CM enable CMUs to decarbonise whilst ensuring security of supply? Please provide an explanation to your answer.

This could be a viable solution as it would allow plant that is high emission to re-engineer their technology. However, there are currently a lack of available technologies and options to do this (as discussed in our responses to Q11-14). It is important we also consider the cost to the end consumer and the fact that over procurement will drive consumer bill excessively high at a time of hardship.

Flexibility in the contract is maybe a better option. E.g., If you have a 15yr agreement, with 4yrs notice you could suspend your contract for 12 months. This would give CM change to procure the gap year and no additional cost to the consumer whilst also giving operators the opportunity to decarbonise without losing contract or incurring penalties.

19. Do you agree with the proposal to introduce 3-year agreements for low carbon, low capex CMUs? If not, do you have any suggestions for an alternative approach?

We do not have a position on this.

20. Are there any potential consequences or risks that you think the government should further consider?

We do not have a position on this.

21. Specifically, which low carbon technologies do you expect might benefit from a 3-year agreement with no capex threshold?

We do not have a position on this.

22. Do you agree with the proposed changes to the reference cost levels underpinning the CM's 3-year and 15-year Capex Thresholds?

Yes, we agree that the proposed changes make sense.

23. Do you have any concerns about the assumptions made regarding the calculation of the revised reference cost levels?

No, we have no concerns about the assumptions made for the calculation.

24. Do you foresee any unintended consequences which could result from making this change to the approach for the 3-year and the 15-year Capex Thresholds? Conversely, do you foresee any unintended consequences which could result from not making substantial changes to the level of the 3-year and the 15-year Capex Thresholds?

We do not foresee any unintended consequences from making the change to the 3 year and 15-year Capex thresholds.

25. Do you agree with the proposed introduction of a 9-year Capex Threshold for low carbon CMUs? Do you foresee any unintended consequences?

We have no issues with the proposed introduction of a 9-year Capex Threshold for low carbon CMUs.

26. Do you agree with the proposed reference cost level underpinning the new 9-year Capex Threshold for low-carbon CMUs? If not, do you have further evidence on alternative reference cost levels?

We have no position on the proposed reference cost level underpinning the new 9-year Capex Threshold for low-carbon CMUs.

27. Do you agree with the proposed changes to the definition of Total Project Spend to extend the scope of the existing permitted period for Capex in respect of new build CMUs (i.e. in effect a 77-month period prior to the commencement of their first Delivery Year) to include Refurbishing CMUs? Do you foresee any unintended consequences which could arise from this change?

We have no issues with the proposed changes and do not currently foresee any unintended consequences.

28. The government remains open to considering proposals to address challenges faced by projects with long build times. Please provide further evidence or proposals that you feel would address such challenges.

The biggest impact on time in the build of our sites has been connection times to the Grid, which is an issue that is totally beyond our control. While we appreciate that the network is strained, we believe a few key changes may improve the process for everyone:

- **Queue Position:** it would be helpful to have better visibility of our position in the queue for connections.
- **Transparency around charges:** transparency around charges would be helpful for business planning.

Questions on Chapter 4

29. Do you agree with the proposed clarification to Rule 5.9.7? Does the proposed clarification have any unintended consequences?

We agree with this proposed clarification and do not foresee any unintended consequences.

30. Do you agree with the proposed amendment? Does the proposed amendment have any unintended consequences?

We agree with this proposed clarification and do not foresee any unintended consequences.

31. Do you agree with the proposed change to the CM Regulations to enable Capacity Providers with relevant CMUs to use the CM to CfD transfer route in practice? Do you foresee any unintended consequences of making this change?

We have some concerns that there would be unintended consequences with the proposed changes impacting the core purpose of the CM, which is to provide certainty of capacity to the GB grid at the lowest cost to the end consumer. By allowing transfers to CfDs, this could potentially have a negative effect on that certainty of supply.

32. Do you think that the amended transfer route should continue to be available to new CM agreements in the future, or should it be restricted to existing agreements?

We think that restricting the transfer route only to existing agreements may provide a good balance between allowing CM providers to evolve their offerings while maintaining the core purpose of the CM.

33. Do you agree with the proposed amendment? Does the proposed amendment have any unintended consequences?

The proposed amendment of removing the requirement to provide an explanation of a construction date has moved more than two months earlier and removing the requirement for an ITE assessment both reduce administrative burden, so we are supportive of this.

34. Do you have any comments or concerns regarding our proposed phased implementation of the requirement for Fossil Fuel Emissions Declarations to be independently verified?

We do have some concerns about the use of Independent Verifiers impeding the overall process. Please see our response to Q10 for our concerns on the use of IEVs.

Question on Chapter 5

35. Do you agree with the consideration of impacts in section 5? Are there any additional impacts which the government has not considered? Please provide supporting evidence where possible.

We have summarised our key points from our responses above in the table below.

Impacts Considered	Consultation Key Points	Our Thoughts
SPDs	<ul style="list-style-type: none"> • CM providers currently can continue to hold a CM agreement without risk of suspension or termination until April, which is not helpful for security of supply during winter months. • Shortening the time window for demonstrating capacity may force CM providers to have to choose times that are sub-optimal (e.g. during negative wholesale pricing periods) and may increase costs – however, the pass window is still relatively wide (full month) • The proposed approach will align with payment timelines such that where a CMU fails to meet the SPD in the relevant pass window but is capable of meeting in the extended pass window, there should be minimal impact on security of revenue. • Around 90% of the de-rated capacity already demonstrated their SPDs by the end of November in Delivery Year 2021/22- so the proposal affects a relatively small proportion of providers 	<p><i>Evidence needed to justify changes to SPDs and understand the potential impacts:</i></p> <ul style="list-style-type: none"> • A reflection on the performance of the CM to respond to potential stress events in recent years should be considered to understand of a change is required. Would this potentially impact the number of CM providers? • There needs to be better evidence to understand the 10% who have not met the SPDs by the end of November to know WHY they are not delivering – is it a physical restriction, is it weather dependent, is it because of their business model, e.g they were planning on meeting the SPD by the end of their obligation period, which may have been after November? • Does forcing delivery in the month potentially cause market distortion? • Does having monthly targets increase or decrease the amount that will pass?
Penalty Regime	<ul style="list-style-type: none"> • Strengthens the penalty regime by increasing the penalty rate that determines how much a CMU must pay if it does not deliver contracted capacity. • Intended to ensure compliance and is key part of how the CM meets SoS • Two key parts – Penalty Rate and Penalty Cap – the government is focussing on the Penalty Rate • Proposed changes increases costs of non-delivery of capacity during System Stress Events(SSE) (by factor of 6) 	<p><i>We have concerns that this may not be the right approach for the end consumer in terms of overall costs.</i></p> <ul style="list-style-type: none"> • How many contracts have been terminated and for what reasons? (How many before they are built and operational? How many as a failure to meet SPDs?) • Should there be an exemption from penalties for force majeure events. • Why is there an issue? Careful consideration needed for the impact of changes for the benefit of the market and the consumer.

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	<ul style="list-style-type: none"> • Think that it could lead to providers improving reliability of their capacity- depending on the frequency and depth of SSE. Also, providers in the BM are already incentivised to be ready for SSEs • Changes to the penalty regime may change the financial risk that a Capacity provider takes on, which could have an impact on the cost of obtaining finance. This could in turn increase auction bid prices and increase the overall clearing price of an auction. (Depends on expectations of an SSE and the risk appetite) • Penalty Cap will remain the same 	
<p>Alignment of CM Agreements to Decarb Commitments</p>	<ul style="list-style-type: none"> • Proposal moves the UK closer to meeting a fully decarbonised electricity system by 2035. • Proposal recognises that unabated gas generation remains the ONLY flexible technology to have been deployed at scale in GB to date, it is reasonable to expect it to continue to play a key role in filling any capacity gaps to ensure capacity adequacy whilst low carbon alternatives reach maturity. • It is intended that new build unabated gas peaking plants will not be impacted by proposal as they will be able to comply with the yearly emissions limit. • Proposal is intended to increase investor certainty, but the government anticipates differential impact on unabated non-peaking and peaking gas plants. • The following impacts are expected: <ul style="list-style-type: none"> ○ Continued decrease of new-build unabated non-peaking gas plants (which may reduce auction liquidity and increase total costs of the CM) ○ Potential increase in unabated non-peaking gas plants bidding for shorter agreements, with corresponding increase in exit bids. ○ Increased incentive for these plant to abate from 2035 through commitments made when bidding for a 15-year contract, with corresponding increase in exit bids ○ Some plant may bid for 15-year contracts and commit to reducing expected operating hours post 2035 to comply 	<p><i>Agree with the sentiment to decarbonise, however, take a whole system approach and align with mechanisms already in place in this space to ensure security of supply and value for money for the consumer.</i></p> <ul style="list-style-type: none"> • If the CM is meant to be technology agnostic and with other regulatory mechanisms for controlling emissions, why is it necessary to duplicate existing legislation/mechanisms (UK ETS/LCPD/MCPD)? • Looking to reduce emissions is right – but this is not the right framework to push these changes. • By introducing emission controls in the CM there may be two consequences: <ol style="list-style-type: none"> 1) does not align to other legislation and could restrict the pool that bids for CM and 2) increases the price to consumers and risk to CM providers • Last year, CM needed every MW it could buy (cleared at £75/MW). This year, the T-1 has cleared at a near record £60/MW – in record energy prices that are seriously impacting consumers, there is a need to consider how these changes will impact cost. • Similarly, with system margins dangerously low this winter, requiring bilateral contracts, need to be cautious about moves that reduce plant. • CM clearing price “too low” for renewables – however, this could be seen to be deliberately distorting the market.

	<p>with yearly emissions limits, with corresponding increase in exit bids.</p> <ul style="list-style-type: none"> • Since implementation, the CM has had a limited role bringing forward plant with one 2 new build plants ever receiving agreements (Keadby 2 and Carrington) with a total of 1.6 GW of de-rated capacity. – therefore, think the potential increase in exit bids is unlikely to have an impact on the overall costs of the CM. 	<ul style="list-style-type: none"> • To bring renewables in – need to deal with the issue of being able to deal with SSE. Maybe allow them to be part, but with a more lenient penalty system.
Multi-year agreements for Low Carbon, Low Capex Technologies	<ul style="list-style-type: none"> • Proposal enables technology types with lower Capex costs to access longer agreements, if technology meets the emissions intensity limit. A large majority is expected to be DSR. (Demand Side Response) • Will allow for greater revenue certainty by increasing to multi-year agreements 	<ul style="list-style-type: none"> • Not applicable to MPR, but positive to support. • Bringing cheap capacity in the market works in the right direction for the CM. • Should be more weight given to make plant that is securing a shorter contract than one with a longer contract at the same price. Should always be a preference to take the shorter one in favour of the longer one, to in order to create competition and drive costs down for the consumer. • Might be worth considering splitting the clearing price to achieve target capacity.
Capital Expenditure Thresholds	<ul style="list-style-type: none"> • Proposal adjusts the Capex processes of the CM to broaden the pool of projects of different technology types that can participate in the CM by introducing a new 9-year agreement and associated threshold, in addition to extending the permitted period for Capex for refurbishing plants. • New 9-year agreement would increase revenue certainty for eligible projects. • The numerical value of the 15-year agreement thresholds is not changed in this proposal and the numerical value of the 3-year agreement threshold changes by less than 4% (only the associated reference cost levels are proposed to change). This means that this proposal is not expected to have an impact on the behaviour of CM participants in recent auctions. 	<ul style="list-style-type: none"> • Agree- should be lower levels for lower years.

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