

Citizens Advice response to the BEIS Capacity Market 2023 consultation



March 2023

Contents

Contents	1
Responses to Questions	3
Questions on Chapter 2 - Strengthening security of supply	3
Questions on Chapter 3 - Aligning the Capacity Market with net zero	4
Questions on Chapter 4 - Additional improvements to the Capacity Market	9
Question on Chapter 5 - Assessment of impacts	10

Responses to Questions

Questions on Chapter 2 - Strengthening security of supply

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

We agree with the proposed changes which should protect consumers from paying for capacity that is unlikely to be operational as the mechanism suspends payments where the provider doesn't prove that the capacity is operational.

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.

No response provided.

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?

No response provided.

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?

No response provided.

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 support the proposed changes which appear to be a reasonable balance to address the risks of unproven plants to provide generation. The amount of cover should be set at a realistic level to cover the costs of replacing the capacity if it does not materialise.

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 support the proposed changes in principle as they should protect consumers through making penalties sufficient to effectively recoup the value of the capacity market payments made which prove to be non-deliverable.

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

No response provided.

Questions on Chapter 3 - Aligning the Capacity Market with net zero

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

We support the proposal in principle and welcome the drive to meet net zero targets. We recognise the significant value to consumers of adequately addressing security of supply concerns whilst pursuing decarbonisation goals. However, we are concerned to see that the proposed emissions limit corresponds to a capture rate of as low as 73%. Research undertaken by the International Energy Agency has underlined that there are no technical barriers to achieving capture rates in excess of 99%, and that the increase in costs to

achieve near-zero CO₂ emissions from gas-fired power stations was modest in comparison with costs of achieving capture rates of 90%. A key recommendation for enabling this innovation is the setting of stricter emissions standards for power stations.¹

A greater focus on arrangements to secure alternative sources of low-carbon capacity might enable stricter emissions limits to be put in place whilst still balancing security of supply concerns. In any case, we would see value in this to avoid an over-reliance on any single future technology to provide security of supply in a decarbonised power system. We hope to see this addressed in the detailed analysis proposed in the consultation.

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

No response provided.

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

No response provided.

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?

No response provided.

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?

No response provided.

¹ International Energy Agency (2021), [Zero-emission carbon capture and storage in power plants using higher capture rates](#)

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?

No response provided.

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.

No response provided.

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.

No response provided.

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

No response provided.

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

No response provided.

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.

No response provided.

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 welcome the development of the capacity market to facilitate higher uptake of DSR and flexible resources which reduce emissions and benefit consumers through cheaper bills. Longer-term agreements would be beneficial for developers to plan their investments and deepen the market.

Clarity is needed on how these proposals sit with potential options for reform as part of REMA.

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

See our response to Question 19.

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

No response provided.

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

No response provided.

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

No response provided.

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?

No response provided.

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

No response provided.

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?

No response provided.

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?

No response provided.

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.

We are disappointed that there has not proved a suitable mechanism to allow for assets with longer build times to be able to readily join the Capacity Market. Longer build assets, such as pumped hydro, may be in Great Britain's long term interests in providing low carbon capacity and should fit well with other renewable generation such as wind and solar. We acknowledge the difficulties pointed out within the consultation in introducing such long term build assets, however, we recommend that the further evidence gathered from this consultation and from the REMA consultation should be used to reconsider this topic if there are sufficient and valuable reasons to do so.

Questions on Chapter 4 - Additional improvements to the Capacity Market

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

No response provided.

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

We agree with the proposal for the government to only publicise when it is not holding an annual CM auction.

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 welcome the proposed impact assessment to understand the impact of any of the proposed changes to the Capacity Market and CfD market, and the potential of further risks to consumers of increased costs or security of supply issues.

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?

See response to Question 31.

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

We are aware that a change request with similar content is progressing via the Capacity Market Advisory Group. We have no objections to the change proposed in this consultation, but would recommend that BEIS and the CMAG work closer together to ensure that the most efficient process is established for making changes to the CM.

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 support the temporary change to the requirements for the FFEDs which is a proportionate response to the introduction of this new requirement and the current capacity issues with assessors. It will be necessary to ensure that this is a temporary situation to ensure that the requirements relating to emissions limits are upheld.

Question on Chapter 5 - Assessment of impacts

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.

No response provided.

Citizens Advice helps people find a way forward.

We provide free, confidential and independent advice to help people overcome their problems. We are a voice for our clients and consumers on the issues that matter to them.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

citizensadvice.org.uk



Published February 2023

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.

Registered charity number 279057.