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Dear Karen & Thomas

Regarding the questions set out in the Consultation Paper on *Capacity Remuneration Mechanism (CRM) State Aid Update, 2019/20 T-1 Capacity Auction Parameters and Enduring Storage De-rating Methodology*, please see below for the answers from Endeco Technologies Limited. (Please note that we are known as GridBeyond Limited in the UK).

Section 3

Do you have any comments on the indicative auction timetable set out in this section?
See above points about DSU

We support the indicative auction timetable set out in Table 1 within this section. However, we are concerned about the changes required by the EC State Aid decision laid out in section 2.4 and the time it will take to successfully implement those changes.

Section 2.4 relates to the decision made in CRM Decision 1 Paper from 16 Dec 2015 (SEM-15-103), section 4.5.20, which was that DSUs holing a Reliability Option (RO):

1. Would not be credited with the energy value of their demand reduction actions;

2. Would be exempt from having to make difference payments in the cases where demand response was delivered
3. Would be liable for making difference payments in cases where both the strike price was exceeded by the market reference price and where demand reduction was not delivered.

We see that this consultation paper highlights that the EC State Aid decision requires that the Energy Trading Arrangements (ETA) are adjusted in time for the October 2020 delivery period so that DSU parties are credited with the energy value of their demand reductions. We welcome this decision and will gladly participate in the consultations relating to such a change.

However, such changes will require large changes to the operation of DSUs in the market and we would like to see that suitable plans are in place to adopt these changes in time for DSU participants to implement them internally.

Section 4

Do you agree with the SEM Committee's minded to position to keep the parameters (excluding capacity requirement and de-rating factors) for the CY2019/20 capacity auction consistent with the CY2018/19 parameters?

Yes we agree with this decision.

Section 6

Do you agree with the proposed modification to the treatment of outages for small and embedded capacity in GB in the interconnector de-rating methodology?

We have no view on this issue.

Do you agree with the use of a least-worst regrets approach to the choice of GB generation scenario used to set EMDF?

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We have no view on this issue.

Do you agree with the approach that the EMDF need only be determined for the GB market for CY2019/20 in the absence of interconnection with other markets?

We have no view on this issue.

Do you have any response to the storage related questions raised by the TSOs in their paper, which are listed in paragraph 6.3.3 above.

Please see our response to Appendix A to this consultation paper.

Do you have any response to the other energy and run-hour limited generation related questions raised by the TSOs in their paper which are listed in paragraph 6.3.5 above.

We do not support the proposed approach to downwardly adjust the De-Rating Factors (DRF) for DSUs.

The SEM Committee has said, in SEM-15-103, that "*Demand Side Participation can lead to the more efficient provision of capacity, where the opportunity cost of reducing consumption is less than the cost of new generation capacity provision.*" Of all the classes of technology permitted to enter the Capacity Market, Demand Side services are clearly the only type for which the provision of energy is not the primary purpose. Demand reductions from DSUs can indeed be cheaper to the system at times of scarcity than building and operating new generation or storage assets, but it must be recognised that demand reductions are not Business-As-Ususal (BAU) activities for the majority of DSU sites. BAU processes are often interrupted in order to deliver demand reductions.

DSR Aggregators are best placed to bid the capabilities of their DSUs into the SEM in a manner best suited to maximise delivered capacity and revenues. If the SEM

Committee are serious about encouraging DSR participation in the ISEM and Capacity Market, then reducing the revenues which encourage businesses to contribute their capability to the stability of the system by downwards adjustments to the DRFs would be a mistake.

The GB Capacity Market recently introduced a new set of de-rating factors for storage assets. However, they did not make any changes to the DRFs for Demand Side units. We suggest that the SEM Committee follows this example.

Section 7

Do you agree with our revised proposals for Long Stop Dates and Substantial Financial Completion dates as set out in this section, and summarised in Table 4?

We agree with the SEM Committee's decision to make changes to the Long Stop Dates for one-year Reliability Obligations.

CMC J.6.1.2 permits a unit to achieve a proportion of only 50% of its intended delivered capacity by 18 months after the start of the delivery year. We agree that it is unreasonable to provide a window of 18 months to deliver 50% of a contract which is expected to deliver only over a 12 month period. A period of one month into the start of the Capacity Year is sufficient.

We also agree that Substantial Financial Completion milestones should be achieved by the start of the delivery. In relation DSUs and to CMC J.2.1.3(a), this change ties in with the requirements of the GB Capacity Market, which requires a successful completion of a Metering Assessment and a DSR Test before go-live. Setting such a milestone at less than 18 months from the point where a contract is won on an auction-by-auction, or case-by-case, basis may be appropriate as well.

Yours sincerely,

Eamonn Bell
Head of Market Strategy, GridBeyond™ Ltd