Contracts for Difference (CFD): Proposed Amendments to the Scheme 2020

Response from Regen and the Electricity Storage Network

Thank you for the opportunity to respond to this consultation. We have set out our key recommendations below and more detail can be found in our responses to the specific questions in the consultation.

Regen

Regen is an independent, not-for-profit centre of expertise in sustainable energy with over 15 years' experience in transforming the energy system and we have extensive experience delivering independent expert advice and market insight on all aspects of sustainable energy delivery. Regen was commissioned by DECC in 2014 to produce the best practice guidance on community engagement for onshore wind farms referred to in the consultation.

Regen is also a membership organisation and manages the Electricity Storage Network (ESN) - the UK industry group formed in 2008 dedicated to electricity storage. Regen and the ESN have 150 members from business, local authority, community energy, clean energy developers, academic institutions, and research organisations across the energy sector.

Our response is based on our extensive practical experience and input from our members.

The Importance of this Consultation

Climate change is acknowledged as the most significant challenge that humanity is facing. In recognition of this, the UK has led the world by putting in place a legal obligation to achieve net zero by 2050. In addition, over 265 districts, county, unitary and metropolitan councils in the UK that have declared climate emergencies.

The CFD scheme has played a significant role in helping the UK to decarbonise electricity supply, especially through the support that has been given to offshore wind. The development of offshore wind demonstrates what we can achieve when the government works in partnership with the private sector to develop a strategy to create highly skilled jobs and deploy megawatts of renewable energy. Other renewable technologies, including onshore wind, solar and less established technologies such as wave and tidal energy have not benefited from the scheme owing to the way the scheme and its budget allocations have been managed. The importance of an effective CFD scheme, offering a clear support framework for future investment has been underlined by the recent EY's Renewable Energy Country Attractiveness Index (RECAI) which shows the UK has climbed back up the index to 6th place in in the most recent biannual survey of global investors.[1]

Our response focuses on how the success enjoyed by offshore wind could be extended to other technologies and help to create a pipeline of investment as part of an overall net zero industrial strategy. An effective CFD scheme could act as a cornerstone to a green economic recovery from the devastating effects of Covid-19. Oxford

[1] https://www.ey.com/en_uk/recai EY highlights include "a milestone proposal to re-include onshore wind and solar projects in the next contracts-for difference auction, encouraging greater and more diverse renewable energy development."

University has recently published research which demonstrates that introducing climate conscious recovery packages would deliver a better economic result than traditional fiscal stimulus, with "evidence suggesting that green projects create more jobs, deliver higher short-term returns per dollar spend and lead to increased long-term cost savings."[2]

To increase and accelerate investment in green technologies we need to demonstrate long term government support for a pipeline of renewable energy projects to instil investor confidence which will, in turn, increase geographically diverse job opportunities throughout the supply chain (upon which we can capitalise in the global export market) and enable us to meet our net zero goals. Committing to an annual programme of CFD auctions and setting clear and transparent capacity and budget caps for each allocation round that align with net zero and the Committee for Climate Change's 4th and 5th carbon budgets will send a clear positive signal to investors.

As such, our key recommendations in response to this consultation are:

- The CFD scheme could become a mechanism to grow the green energy industry and support regional and national economic recovery. We urge the government to commit to an annual programme of CFD auctions with transparent capacity and budget caps which align with net zero.
- Set ambitious targets for England to have a percentage of renewable energy generation that is either locally or community owned, in the same way as Scotland and Wales. The Shared Ownership Protocol should be reviewed and launched to provide best practice guidance to increase community engagement by offering shared ownership models.
- We support the introduction of offshore wind into Pot 3, but must ensure that the capacity and budget caps are set appropriately for all pots to acknowledge the accelerated and increased deployment of the technologies that we will need to reach net zero.
- The interpretation of footnote 49 in clause 154 part b in the National Planning Policy Framework is hindering the deployment of onshore wind and should be removed.
- We support floating offshore wind being introduced as a separate eligible technology within Pot 2 and agree that we will need to deploy this technology at scale within the next decade. However, this technology should be defined only in terms of its structure and must not be defined by water depth to encourage innovation.
- The CFD scheme should support smart, flexible operation of the electricity system, including ensuring electricity storage can be installed alongside generation assets and operate effectively and dynamically to support the grid.
- Incentives need to be given to encourage generation at the right time and the use of energy storage. However, we do not support the extension of the negative pricing rule as it is currently proposed. With the likelihood of negative pricing becoming more commonplace as more renewable technology connects to the grid the proposals will discourage investors. The negative pricing rule will create a major market distortion between those CFD holders that are subject to the rule and those that are not.

[2] http://www.ox.ac.uk/news/2020-05-05-building-back-better-green-covid-19-recovery-packages-will-boost-economic-growth-and

Consultation Questions

Please note that we have answered those questions where we have particular expertise or insight from our members.

Community Support

Q1. How can the government better ensure that the local impacts and benefits of renewable energy developments are taken into account across the whole of GB?

To fully recognise the wider social benefits that renewable energy projects bring to local communities we need to develop and employ robust policy to promote shared ownership with local communities. As our energy system becomes increasingly decentralised with an accelerated proportion of renewable energy technology the support of local communities for new projects will be vital to enable us to achieve net zero. Regen has extensive experience in engaging communities both regionally and nationally over the last 15 years and have seen a strong link between community support and the success of renewable developments.

The Welsh government have made significant steps towards achieving genuine local benefit from energy generated in Wales, including a target for 1GW of renewable electricity capacity in Wales to be locally owned by 2030.[3] Scotland have set similar targets with an ambition to have a total of 2GW of locally owned renewable energy by 2030.[4] We believe England should adopt a similar approach and adopt ambitious targets which reflect net zero. Shared ownership is a key way of getting communities engaged in renewables at scale and therefore we would also suggest reviewing, revising and actively supporting the Shared Ownership Framework[5] developed by the Shared Ownership Taskforce (of which Regen was a member). This will stimulate developers, generators and communities to work effectively together to collectively reach our net zero ambitions.

Communities are often at a disadvantage compared to commercial investors working at scale with merchant risk investment. Community projects usually have higher upfront costs of raising finance because their financing is based on a 20 year asset lifespan whereas commercial investors are increasingly basing their models on a duration of 40 years. The Return on Investment (ROI) for community energy projects can be similar to commercial projects at around 5.5% to 6.3%, but because of the shorter timescales they actually need to achieve higher ROI's in practice to be considered viable (usually closer to 7% over 20 years). Community projects also usually have higher company management costs due to their still novel structure, require external technical support and because their projects are usually significantly smaller in scale than commercial developers their legal fees are a much higher percentage of the project cost. To maximise the local benefits that renewable energy can bring to the UK we recommend reserving grid capacity for locally owned projects and employing financial incentives (either PPA's or another financial mechanism). We also recommend that targets should be set for government and public bodies to buy energy from community and locally owned renewable generation.

[3] https://www.regen.co.uk/publications/how-to-protect-promote-and-achieve-scale-in-community-and-local-ownership-of-renewable-energy-in-wales/

[4] https://www.gov.scot/policies/renewable-and-low-carbon-energy/local-and-small-scale-renewables/

[5] https://cdn.ymaws.com/www.renewableuk.com/resource/resmgr/Docs/shared_ownership_taskforce_r.pdf

Recommendation: The government should set ambitious targets for England to have a percentage of renewable energy generation that is either locally or community owned and ensure grid capacity is reserved for such projects.

Recommendation: Financial incentives (such as public body PPAs) should be employed to support a new business model for community energy projects which will maximise local socio-economic benefits and encourage shared ownership.

Recommendation: Review and launch the Shared Ownership Framework to provide best practice guidance to increase community engagement by offering shared ownership models.

Q2. What exemplifies 'best practice' when it comes to engaging with and supporting local communities on renewable energy developments? Examples of specific projects and/or developers would be welcomed.

Best practice is often demonstrated when local community led organisations initiate, manage, and support the engagement with their wider communities for renewable energy developments. We therefore recommend that all renewable energy developers work closely with community organisations.

Communities for Renewables CIC[6] is a community developer who have exemplified best practice in their work to help deliver local energy projects that will generate over £17 million of surplus income for community initiatives in their localities. Plymouth Energy Community[7] is another great example of a local organisation successfully engaging with the wider community to support renewable energy developments.

The Vattenfall Pen y Cymoedd[8] onshore wind farm in south Wales demonstrated very effective community engagement with a large programme to encourage local participation and employment and is an excellent example of privately owned developments working closely with communities. The comparison we have included below (written by Regen) compares the scale of community benefits delivered by a community owned development and a best practice commercial development like Pen Y Cymoedd and shows that community owned developments deliver a variety of improved socio-economic benefits.

[6] http://www.cfrcic.co.uk/
[7] https://plymouthenergycommunity.com/
[8] https://penycymoeddcic.cymru/home/

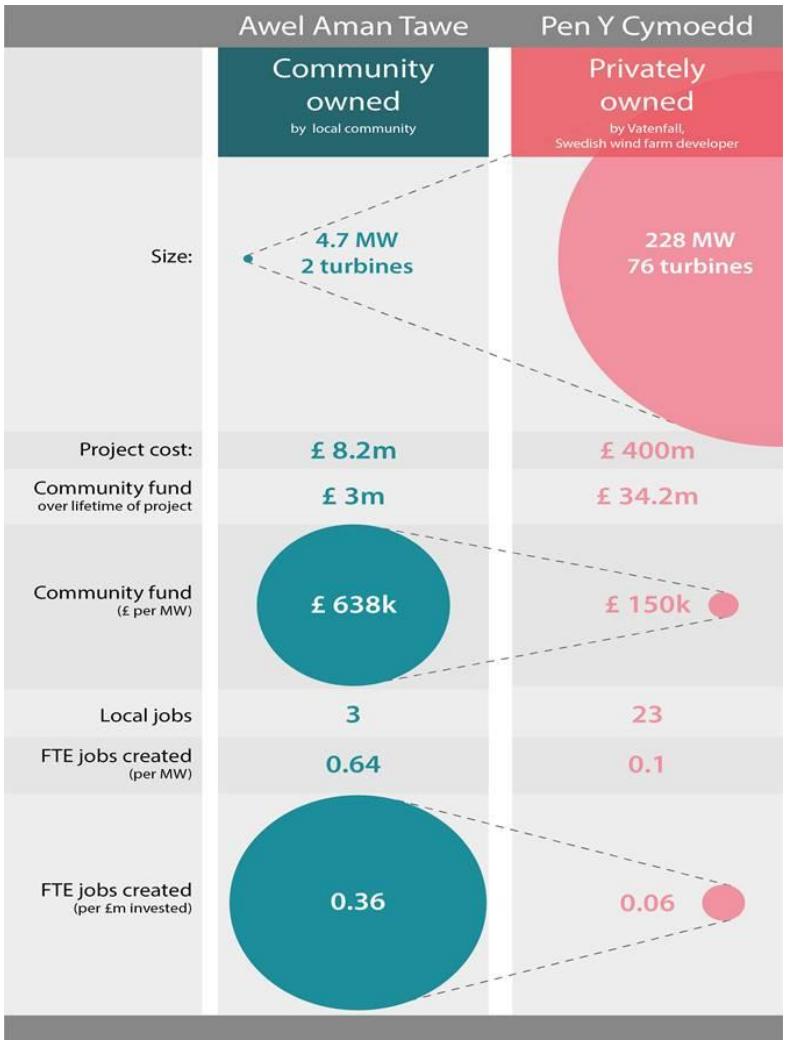

Figure 1 A Regen comparison of the community benefits delivered by a community owned and privately owned wind farm.

Recommendation: All developers should work closely with community organisations to maximise the delivery of community benefits and increase the chance of success for renewable energy projects.

Q3. How should the government update the existing community benefits and engagement guidance for onshore wind to reflect developments in best practice for engagement between developers and local communities?

Regen authored the 2014 publication 'Community Engagement for Onshore Wind Developments: Best Practice Guide for England'[9] for DECC and whilst we believe the key principles are still relevant, there is an opportunity for this document to be updated, expanded beyond onshore wind as a single technology and to encompass the whole lifecycle of the technology (rather than engagement in the planning stage only).

To support best practice the planning regime for onshore wind should be re-evaluated to support this technology in light of our commitment to net zero. Onshore wind is one of the cheapest forms of low carbon electricity

9 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/364244/FINAL_-_Community_engagement_guidance_-06-10-14.pdf

generation but onshore deployment has rapidly declined in England since 2016, just three onshore wind farms (over 1MW) were completed in 2019.[10]

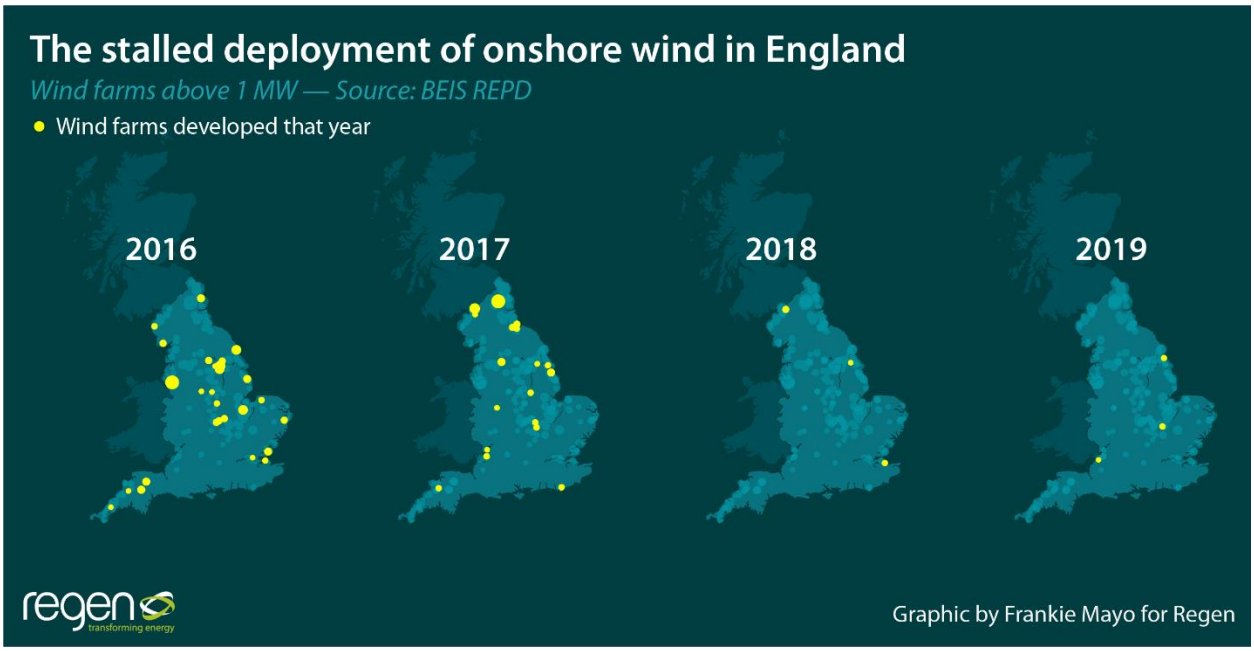

Figure 2 A Regen graphic demonstrated the fall in onshore wind deployment since 2016.

Recommendation: Onshore wind should be supported by removing footnote 49 from clause 154 part b of the National Planning Policy Framework.

Recommendation: The engagement guidance for onshore wind should be updated to encompass other key renewable technologies and expanded to offer best practice guidance that covers the whole operational lifecycle of the asset.

Q4. Should the government consider creating a register of renewable energy developments in England that list available projects and associated community benefits?

Publicly accessible information would help local communities understand the variety of benefits that a renewable energy development could deliver and share best practice examples.

Recommendation: We would support the creation of a national register for renewable energy developments and see this as a valuable way to share and continually update best practice for community benefits and engagement.

Pot Structure

Q5. The government welcomes views on whether, compared to maintaining the existing two pot structure, the proposed option of introducing a new Pot 3 for offshore wind is an effective means of ensuring value for money

[10] https://www.regen.co.uk/graphic-of-the-month-onshore-wind-deployment/

and achieving our decarbonisation and other objectives in the long term. We welcome the submission of supplementary evidence to support views on this.

Offshore wind has been a success story in the UK both in terms of decarbonisation and cost reduction, and the Contracts for Difference scheme has played a large part in enabling this. It is now at the stage where it has matured technically and commercially beyond the other technologies in Pot 2 but it has not yet achieved parity with those in Pot 1. We know the UK will need to deliver offshore wind at scale over the next decade to meet our net zero ambitions and we need to recognise that this strategic technology can still have long development timelines and high upfront capital expenditure costs.

Therefore, we think introducing offshore wind into a new Pot 3 is a good way of ensuring it's continued success, driving value for money whilst also providing a more level playing field for the other technologies in Pot 2 in which to compete.

Recommendation: Offshore wind should be introduced into a new Pot 3.

Q6. The government welcomes views on whether the proposed options are an effective means of bringing forward a greater diversity of low carbon electricity generation.

We believe that introducing a new Pot 3 for offshore wind will provide a more level playing field for the technologies remaining in Pot 2. Offshore wind has a very different cost base and implementation timeframe to the other, more nascent, technologies in Pot 2 which is evidenced by the fact it won 6 of the 11 contracts in the third allocation round. Enabling the Pot 2 technologies to compete more fairly at auction will provide greater technology diversity in the UK low carbon electricity landscape.

This could potentially enable the introduction of other mechanisms designed to encourage the development and deployment of the remaining Pot 2 technologies to further increase our technology diversity. However, experience shows that the technologies in Pot 2 will need bespoke and tailored support to suit the technology readiness level and deployment timescales.

We would therefore recommend additional measures to support new technologies which could include:

- Ensuring that Pot 2 has an adequate budget allocation and is always "open for innovation" with no arbitrary or cliff-edge budget cuts,
- Potentially setting Administrative Strike Prices for early technology without the need for an auction process,
- Setting "minima" capacity levels for technology groups that are ready for pre-commercial scale deployment,
- Allowing more flexibility in delivery windows and auction timetables, for example, why not have complete delivery window flexibility within a back-stop date?
- Aligning the CFD scheme to support test and demonstration areas (Wave Hub, Pembrokeshire Demonstration Zone and EMEC for example) by having pre-assigned CFDs awarded for these projects.
- Allowing the use of grant funding and other capital support measures alongside the CFD.

Recommendation: Removing offshore wind from Pot 2 will help less established technologies to develop however a more proactive and tailored approach is still needed to nurture new technology.

Q7. The government welcomes views on whether there are alternative approaches to be considered in light of net zero.

The CFD scheme has enabled investment in renewable technologies and grown the industry. However, we need to accelerate the growth of renewable energy technologies even further to achieve our net zero ambitions and we must ensure that the budget and capacity caps are sufficient to support the scale of deployment required. The transparency and visibility of both the available budget and capacity caps are key. We recommend that budget, and any capacity caps, are applied for individual pots rather than across the auction as a whole to allow a fairer playing field and encourage technology diversity.

It should also be noted that due to the cost reduction achieved by renewable energy technologies it is very likely that CFD strike prices will be set at, or even below, the current wholesale price. Therefore, CFD allocations will become less of a budget burden and could even represent an effective measure to hedge against future wholesale price rises. The imperative should be to use the CFD scheme to accelerate decarbonisation and create nationwide jobs and investment opportunities.

Recommendation: Net Zero and Covid-19 recovery will require the UK to accelerate the development and deployment of renewable energy technology. This must be reflected when setting transparent capacity and budget caps for this, and future, CFD allocation rounds.

Floating Offshore Wind

Q8. The government welcomes views on whether the proposed approach is an effective means of supporting floating offshore wind.

We support introducing floating offshore wind as a separate eligible technology into Pot 2.

The cost reduction in fixed offshore wind over the last decade has been one of the key success stories of the CFD scheme and introducing floating offshore wind will encourage the development of this pre-commercial technology and is likely to pave the way for a similar cost trajectory. Specific support for smaller scale projects (≤ 100 MW) and clear maxima and minima for this technology would be welcomed.

Recommendation: Floating offshore wind should be introduced as a separate eligible technology within Pot 2.

Q9. The government welcomes views on whether the proposed definition is a suitable definition of floating offshore wind projects, which should be distinguished from fixed bottom offshore wind, and what evidence prospective generators should be asked to supply in order to demonstrate that they have the required characteristics.

We strongly suggest that any definition of floating offshore wind is not dependent upon water depth. There is a huge opportunity for innovation for floating offshore wind technology and we should not limit the development of this technology by tying it's eligibility for the CFD scheme to water depth. There are particular opportunities in the Celtic and Irish Sea regions around south west England and Wales which are in the water depth from 40 to 60m, including parts of the Pembrokeshire Demonstration Zone and the Wave Hub test site off Cornwall.

Instead, we recommend removing part a from the proposed definition and using the following:

"A floating offshore wind CFD Unit means a CFD Unit which generates electricity by the use of wind and which is a floating structure. It may be electrically connected to an offshore substation irrespective of whether floating or not. To qualify for support as a floating offshore wind CFD unit, all the turbines which form part of the eligible generating station would need to meet the definition of a floating offshore wind CFD Unit."

Recommendation: The definition of floating offshore wind should not be dependent upon water depth.

Q10. The government welcomes views and evidence on any potential wider benefits or disadvantages that floating offshore wind may bring to the UK, in particular in respect of wider system impacts.

Floating offshore wind offers a number of key opportunities for the UK:

- **Opening up new areas of resource**
  We believe that floating wind technology is key to unlocking the potential of deeper water sites around the UK which will become increasingly important as the shallow north sea basin becomes more crowded with wind farms and begins to be restricted by the cumulative impacts on fishing, wildlife, shipping and other marine users. The National Renewable Energy Laboratory (NREL) have estimated that 80% of offshore wind resource in the EU was over water deeper than 60m and floating offshore wind is key to harnessing this. Unlike fixed offshore wind, it is not dependent upon sea bed conditions and could, therefore, be constructed onshore and towed into position which may prove more economic than installing fixed offshore wind. Facilitating and supporting floating offshore wind also offers opportunities for innovation in a variety of new technologies such as mooring.
- **Improving energy system balancing**
  The increased concentration of fixed wind farms located in the southern north sea has increased the risk of price volatility and security of supply issues owing to weather patterns. This risk is heightened because many other countries in north west Europe are building wind farms here which could undermine the UK's ability to export and import electricity via its interconnector capacity. Therefore, a geographically diverse portfolio of wind technology (both floating and fixed), including more windfarms on the western seaboard, is essential to provide security of supply by maximising the different weather patterns around the UK and, by doing this, also provide an element of grid balancing.
- **Economic opportunities**
  Floating offshore wind supports the economic growth ambitions of the UK both regionally and nationally and full support from the government would enable to UK to capitalise on a growing export market. Particular focus could be given to ensure investment in ports and infrastructure also supports floating wind in areas such as Cornwall, Portland, Bristol, Swansea, Pembroke, North Wales, Belfast and Liverpool Bay. Renewable UK and Crown Estate Scotland (working with the Offshore Renewable Energy Catapult) have published papers detailing the economic benefits of installing floating offshore wind in the UK.[11] [12] This is particularly pertinent with the growing public support for a green economic recovery from the Covid-19 pandemic.
- **Innovation and Export Opportunities**
  It has been well documented that floating wind requires a particular set of capabilities which is very well suited to the UK's maritime and oil and gas sectors. There is, therefore, a great opportunity to use UK floating wind to develop a new offshore industry with enormous expertise and service industry export potential to countries with deep water sea areas such as US, Korea and Japan.

[11] https://www.crownestatescotland.com/maps-and-publications/download/219
[12] https://www.renewableuk.com/store/ViewProduct.aspx?id=15079206

The success of the Contracts for Difference scheme has enabled and accelerated the maturity of the fixed offshore wind market. A continuous pipeline of projects is essential for technology cost reduction and we believe an emphasis on floating wind in Pot 2 will bring the same benefits to this technology.

Recommendation: We believe that support for a geographically diverse portfolio of floating offshore wind is vital for a green economic recovery and for a balanced energy system. It will provide regional and national skills growth as well as ensuring a geographic spread of economic benefits.

Q11. The government welcomes views on the need to deploy floating offshore wind at scale through the 2030s to meet net zero, and what trajectories for deployment and cost reduction are realistic and feasible, both globally and in the UK.

Recommendation: We will need to deploy floating offshore wind at scale in the next decade to meet our net zero ambitions and ensure security of energy supply for the UK. The UK should be targeting 10-20 GW of new floating wind projects in the 2030's in addition to the continued build out of fixed offshore and onshore wind.

Q12. What further amendments to the CFD allocation process could be necessary to facilitate floating offshore wind technologies?

Recommendation: Floating wind will need additional support to get started. We recommend a proactive approach including:

- **Commitment to a long term budget and more regular (annual) CFD rounds for Pot 2,**
- **Potentially setting a technology minima for first pre-commercial floating wind projects which could be aligned with demonstration zones and test facilities,**
- **Capital and grant funding (especially for port and grid infrastructure investment),**
- **Continued innovation funding.**

Q13. Are there additional measures to support pre-commercial deployment and cost reduction which would be more effective than the CFD, or which could enhance the effectiveness of the measures under the CFD?

The commercial challenges facing floating offshore wind are the most significant factor hindering it's mass scale deployment. The provision of grant funding to support it in the pre-commercial development stages would go a long way to alleviate this as would capital support for ports and infrastructure to enable its deployment. In addition, government support for further technology demonstration zones would smooth the way for increased technology trials and deployment.

Recommendation: Grant funding would ease the commercial challenges facing floating offshore wind and government support for further technology demonstration zones would pave the way for successful widespread deployment.

Supply Chain Plans

Q15. The government welcomes views on whether the Supply Chain Plan process for all technologies should be more closely aligned with the Industrial Strategy, for example with criteria headings to reflect a focus on

competition, innovation, people and skills, infrastructure and regional growth, and within this what other measures the government could adopt and consider to support its objectives, for example, in the Offshore Wind Sector Deal.

Q20. The government is committed to achieving net zero by 2050 and encouraging the growth of sustainable, efficient supply chains through the consideration of the carbon footprint of supply chains. We welcome views on how industry takes account of the carbon footprint of their supply chains. What methodologies are being used or could be developed to take greater account of the carbon intensity of supply chains when considering Supply Chain Plans.

We must ensure that the UK's recovery from Covid-19 aligns with our net zero goals by encouraging the creation of jobs in the green energy industry and transferring and upskilling those from less sustainable sectors. The CFD scheme is ideally placed to stimulate a green economic recovery by signalling to investors our commitment to a diverse pipeline of renewable energy technologies around which we can build robust regional and national supply chains to stimulate a geographically diverse economic recovery that meets our net zero goals.

Supply Chain Plans could be a key tool to ensure the investment in renewable energy generates economic benefits for the UK. BEIS should dedicate resource to working with developers to ensure Supply Chain Plans meet best practice.

Recommendation: Use supply chain plans to ensure a green recovery from Covid-19 will create a more resilient economy as well as allowing us to achieve our net zero goals.

Storage

Q33. What storage solutions could generators wish to co-locate with CFD projects over the lifetime of the CFD contract?

Electricity storage solutions will be integral to achieving our net zero ambitions because they provide an economical solution for addressing the key issues of flexibility and balancing. Batteries are the technology that are most commonly co-located on the site of CFD projects but we must ensure that support is not limited to this type of technology.

Recommendation: Although batteries are the most common type of storage solution we must ensure support is not limited to this type of technology.

Q34. What, if any, barriers are there to co-location of electricity storage with CFD projects?
Q35. What, if anything, could be changed in the CFD scheme to facilitate the co-location of storage with CFD projects?

We believe that although co-location of electricity storage on CFD sites is encouraged, the business case for doing so it not yet viable for storage assets. The ability to optimise revenue stacking by participating in multiple services is crucial to ensure the commercial viability of this technology and under the current arrangements, storage would not be able to participate in ancillary services whilst co-located with a CFD generator.

In general, the business model of co-location with storage and a generation asset is not one that has yet proven viable. Many 'co-located' sites are in fact simply sharing land and a grid connection, rather than the two assets working to support one another.

This is amplified for CFD sites due to the need for additional metering to ensure that electricity imported from the grid can be differentiated from electricity imported from the CFD generator. These metering requirements, as stated in the consultation, will be an additional cost for the site, but it would not be commercially viable for a storage asset to operate solely with the generation from the co-located CFD generator, particularly if that electricity cannot then be used for ancillary service markets or traded in the Balancing Mechanism. This may change in future as the costs of storage are reduced and its position in the electricity is more widespread.

Recommendation: A re-evaluation of current CFD regulations for electricity storage (in particular, metering arrangements and ability to participate in other markets) is required to ensure the arrangements provide a viable business case for these assets.

Negative pricing

Q36. Do you have any views on the proposal to extend the negative pricing rule? Please include in your response any specific evidence in relation to the incidence and impact of negative pricing.

We recognise the need to incentivise generation during periods of demand and to reduce generation during periods of oversupply. However, the proposal to enact a blunt Intermittent Market Reference Price rule for new CFD projects has a number of key issues:

- It would significantly increase investment risk for those projects impacted by the negative price rule which could undermine the intention of the CFD scheme to reduce investment risk and cost. Developers we have spoken to have suggested that this would undermine the investment case and make achieving net zero more difficult.
- It would introduce a significant market distortion with some projects holding CFD contracts awarded in earlier allocation rounds encouraged to maximise generation while others are effectively curtailed. This would also distort the market merit order by penalising cheaper technology receiving a lower subsidy, in favour of older, more expensive, projects receiving a higher level of subsidy support.
- It could reduce the variety and diversity of supply and therefore make the occurrence of negative pricing more likely.
- In the context of expected extremely low CFD strike prices, which could well be below the wholesale market price, it would seem inequitable to penalise generators during negative price periods without allowing a significant upside to reward generators during periods of high wholesale prices

Therefore, we need to balance the issue of disincentivising excess generation with the need to sharply increase the UK's renewable energy portfolio to meet net zero. A better way to incentivise generators to generate at the right time would be through the way in which balancing service charges are allocated.

Recommendation: We do not support the proposed extension of the negative pricing rule. Instead we recommend maintaining the existing rule whereby generators are not compensated when the Intermittent Market Reference Price is below zero for six or more consecutive hours.

Recommendation: Government should look at how balancing services are allocated to ensure that incentives to use flexibility and energy storage apply to all generation assets (including nuclear).

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