

Possible Models for a Capacity Mechanism Consultation

Response by GrowHow UK Ltd

Background

GrowHow is the last remaining fertiliser manufacturer in the UK. The business was formed in 2007 as a joint venture partnership to create a sustainable basis upon which to continue to manufacture fertiliser in the UK. GrowHow is spread across two sites, Billingham in Cleveland and at Ince in Cheshire. Both sites are EHV. In 2010 Growhow Net spend on Electricity amounted to £21.9m. After Natural Gas it was our second largest cost.

Clearly as Energy is a vital component to our business as such we welcome Government taking a proactive long term view of supplies and engaging with key stakeholders.

The Consultation

The White paper although outlining the governments forward thinking with regards to security of supply lacks, we believe the relevant detail to allow for meaningful comparison and comment on the suggested methods. It would be possible to plough through the questions and give a response but only when a greater level of detail is published can accurate informed comment be made.

Current arrangements

One would question whether an extension to current Short Term operating Reserve (STOR) could play a larger part in plugging any perceived deficit. For Current Participants in STOR a possible concern would be setting a strike price at too low a level. This could de-incentivise companies who currently participate in STOR via own Generation. If the cost to generate exceeded the price they were able to “spill” at perhaps there would be less of an appetite to participate. In Particular I refer to those who are involved through third party “Aggregator” companies.

Electricity Market Reform (EMR)

It is already believed by some bodies that other elements of EMR such as Carbon price Support (CPS) and Contract for Difference (CFD) will already incentivise adequate investment ensuring sufficient supply margins in the future.