

Consultation on Possible Models for a Capacity Mechanism

A response by CPRE to the Department for Energy and Climate Change's consultation
October 2011

Introduction and summary

1. The Campaign to Protect Rural England (CPRE) welcomes the opportunity to comment on this consultation. As a leading environmental charity, the CPRE has worked to promote and protect the beauty, tranquillity and diversity of rural England by encouraging the sustainable use of our natural resources since our formation in 1926. We are concerned to ensure that reforms to the electricity market delivers a framework which encourages energy efficiency, demand reduction measures, a strategically planned and coordinated electricity transmission grid, as well as the development of renewable and low-carbon energy which causes least damage to the environment. Our comments are, therefore, focused on the potential environmental impact of a Capacity Mechanism. In order to maintain and enhance the beauty, tranquillity and diversity of England's rural areas, we believe that a Capacity Mechanism will need to give equal treatment to demand-side options compared with generation options, and provide both long-term back-up and short-term balancing.

General comments

2. Protecting the environment while tackling climate change and addressing energy security is a key priority for CPRE. We support the Government's carbon reduction targets and believe that promoting energy efficiency and reducing energy demand are the first measures that should be adopted to achieve them. We recognise that these measures alone will not achieve these targets and recognise the need to reform the electricity market which in its current state will fail to deliver the huge levels of investment required. We are keen to ensure, however, that the EMR proposals: deliver a market mechanism which incentivises long term demand reduction: aligns subsidy regimes with the environmental protection and sustainable development goals enshrined within the planning system: avoids oversupply; and incorporates sustainability into the subsidy regime to set incentives (including Feed-in-Tariffs) according to broad locational criteria.

3. In our response to the EMR consultation in July 2011 CPRE supported the development of a Capacity Mechanism on the condition that it gives equal treatment to demand-side options (demand response, demand reduction and load shifting) compared with generation options, rather than being used as a means simply to incentivise greater investment in generation infrastructure or deliver undue rents to existing generators. We are therefore pleased to see that the Government is 'keen for non-generation technologies and approaches... to form a central element of delivering security of supply and play a fair and equivalent role in a Capacity Mechanism'.

4. CPRE broadly supports the development of a targeted, volume based Capacity Mechanism administered by a central body. Through a targeted mechanism the Government can control the amount and nature of the back-up capacity mix that is required and thereby promote the development of demand-side response (DSR), storage and interconnection. We believe that promoting demand-side measures will help with the dynamic balancing of the system and reduce overall capacity requirements. This would reduce the need for more large-scale energy infrastructure and therefore avoid placing increased pressure on the extent, beauty and tranquillity of the natural environment.

5. CPRE believes the full utilisation of demand side measures will require:

- A targeted Capacity Mechanism designed to ensure that DSR, storage and interconnections are able to compete alongside new generation investments and the life-extension of existing generation assets
- The role out of smart meters, other demand side technologies and time or price-sensitive tariffs which could encourage customers to shift use away from peaks
- A strategically planned, coordinated electricity transmission grid which avoids unacceptable impacts on the landscape.

Conclusion

6. Reform of the electricity market will be required if we are to meet the challenge of providing energy security, tackling climate change and protecting the environment. CPRE supports the development of a capacity payment provided it gives equal treatment to demand-side options compared with generation options. Promoting DSR, storage and interconnection will reduce overall capacity requirements, reducing the need for new large-scale energy infrastructure thereby avoiding increased pressure on the extent and beauty and tranquillity of the natural environment.

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