



Department
of Energy &
Climate Change

Department of Energy & Climate Change
3 Whitehall Place
London
SW1A 2AW

www.gov.uk/decc

Our ref: 13/0834

25 July 2013

Thank you for your email of 28 June where you requested the following information:

- Copies of any letters or e-mails between DECC officials and National Grid since 1 May 2013 in relation to National Grid's Press Notice of 27 June 2013 entitled National Grid's response to Ofgem's capacity adequacy report.
- In particular letters and e-mails relating to the statement that "National Grid has **agreed with DECC** and Ofgem to publish an informal consultation on the design of two measures to provide an 'insurance policy' that could be deployed in the unlikely event that there is a shortfall of electricity in the market." (emphasis added).

On your first point, National Grid did not publish a formal press notice, so there is very little correspondence on this issue. National Grid did however produce a fact sheet which is available on the press release section of its website so it is understood that this is the document that you are referring to. We have released relevant text in emails pertaining to this factsheet. Some sections of these emails have been removed because they are not in scope of the request.

DECC does not hold any correspondence in relation to DECC agreeing with National Grid that it should publish a consultation on the design of the two new balancing services. The decision on whether to consult on new balancing services was taken by Ofgem.

However, the three organisations did discuss the security of supply outlook and DECC does support Ofgem's decision to consider the development and procurement of the new balancing services. This was both discussed in person and confirmed in a letter from Lord Mogg to the Secretary of State for Energy and Climate Change. This letter and the reply from the Secretary of State are included as supporting information. The letter from the Secretary of State was also sent to National Grid as confirmation; this email is included in the information being released. Associated emails have also been provided.

Under the Freedom of Information Act 2000 ('the Act'), you have the right to:

- know whether we hold the information you require

{Classification }

- be provided with that information (subject to any exemptions under the Act which may apply).

I can confirm the Department holds information in scope of your request if the National Grid's Press Notice of 27 June 2013 is understood as the National Grid's factsheet of 27 June 2013. A copy of this information is attached.

Some personal data has been redacted from your copy of the information. Sections 40(2) and 40(3) of the Act provide an absolute exemption for personal data which then falls to be dealt with under the Data Protection Act. Personal data of third parties can only be disclosed in accordance with the data protection principles. In particular, the first data protection principle requires that disclosure must be fair and lawful and must comply with one of the conditions in Schedule 2 of the Data Protection Act. We do not think that it is fair to release the names of junior members of staff or third parties and do not think that any of the relevant conditions apply.

Appeals Procedure

If you are dissatisfied with the handling of your request, you have the right to ask for an internal review. Internal review requests should be submitted within two months of the date of receipt of the response to your original letter and should be sent to the Information Rights Unit at:

Information Rights Unit (DECC Shared Services)
Department for Business, Innovation & Skills
1 Victoria Street
London
SW1H 0ET
E-mail: foi.requests@decc.gsi.gov.uk

Please remember to quote the reference number above in any future communications.

If you are not content with the outcome of the internal review, you have the right to apply directly to the Information Commissioner for a decision. The Information Commissioner can be contacted at: Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF.

Yours sincerely,

Security of Electricity Supply Team

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FOI Act request: please would you send me copies of any letters or e-mails between DECC officials and National Grid since 1 May 2013 in relation to National Grid's Press Notice of 27 June 2013 entitled National Grid's response to Ofgem's capacity adequacy report.

I am particularly interested in letters and e-mails relating to the statement that "National Grid has **agreed with DECC** and Ofgem to publish an informal consultation on the design of two measures to provide an 'insurance policy' that could be deployed in the unlikely event that there is a shortfall of electricity in the market." (emphasis added).

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Document 1 – Letter from Lord Mogg to Ed Davey, April 17th (outside the remit of the request but included for information)

[see next page]

The Lord Mogg KCMG
Chairman



Promoting choice and value for all gas and electricity customers

The Rt Hon Edward Davey MP
Secretary of State for Energy and Climate Change
DECC
3 Whitehall Place
London
SW1A 2AW

17 April 2013
Our ref: lm/mp/aw

Dear Secretary of State

Mid-decade contingency measures

In July 2012 we provided Government with our 2012 Capacity Assessment report. That report indicates an increasing risk to security of supply in the middle of the present decade. On the basis of that report we felt it was important to develop contingency measures to address that potential shortfall and with your department and National Grid we have been developing a solution should one be required. Your officials also indicated (in the November Electricity Market Reform (EMR) publications) that it might be necessary to respond to an earlier mid decade problem.

At last week's meeting of the Authority we discussed developments that will be relevant to the 2013 Capacity Assessment report. Whilst there are a number of issues that are still to be concluded for this year's report, a number of recent announcements by generators together with information provided by National Grid, indicate that the mid-decade risk of insufficient generation has increased beyond that identified a few months ago.

Officials here have been working closely with your Department in developing many aspects of the EMR proposals. Your latest proposal to introduce a Capacity Mechanism seeks to provide a medium term solution to ensuring sufficient capacity, but is not expected to deliver additional capacity until 2018/19. The focus of our present attention is to explore as a priority solutions that can address the concerns we have identified for the period before then.

The Authority therefore decided we should begin a process that could allow National Grid to contract for additional generation capacity and/or develop a demand side response in order to strengthen the options they will have to balance the GB system. Any final decision to do this would, of course, be subject to our usual procedures.

- . The next stage would be for us and/or National Grid to issues consultation documents setting out the proposed changes. The Authority considers the potential capacity deficit to be of high priority and therefore we will continue to work closely with your officials and National Grid to develop the best way forward.

Yours sincerely

PP

Lord Mogg

(seen and authorised for signature by Lord Mogg)

Document 2 – Email plus attachment sent on 9 May from DECC to National Grid with copy of letter sent from Secretary of State to Ofgem

From: DECC

Sent: 09 May 2013 15:50

To: National Grid

Subject: letter from secretary of state

Dear All,

For info, attached is the text of the letter that the secretary of state sent to GEMA late last week. Apologies for not circulating this sooner. Ofgem has confirmed that it was received on Tuesday, ahead of the GEMA meeting.

Best wishes,

[see next page for attachment]

DRAFT RESPONSE TO LORD MOGG ON MID-DECADE CONTINGENCY MEASURES

Dear Lord Mogg,

Mid-decade contingency measures

Thank you for your letter dated 17 April.

I agree that there is an increasing risk that a capacity shortfall could arise as we move towards the middle of the decade. In particular recent announcements by generators suggest that the risks to security of electricity supply have increased since you provided the 2012 Capacity Assessment to Government last year.

As you note in your letter, we are currently legislating through the Energy Bill for the introduction of a Capacity Market, and are grateful for Ofgem's ongoing input into this process. We have indicated that we are minded to run the first capacity auction in 2014, for delivery of capacity in 2018/19.

We remain of the view that the Capacity Market continues to be the most appropriate solution to a long-term capacity problem. However, for the Capacity Market to be introduced we need primary and secondary legislation, and state aid clearance.

Given the increasing risk to security of electricity supply in the middle of the decade, I agree that it is appropriate that the Gas and Electricity Markets Authority (GEMA), in line with its principal objective of protecting the interests of existing and future consumers (including in respect of the security of electricity supply to them), begins a process that could allow the System Operator to contract for additional generation capacity and demand side response in order to strengthen the options the System Operator will have to ensure sufficient capacity to meet demand in the period before the Capacity Market is implemented.

The question of whether additional action should be pursued is for GEMA to take, and – for the purposes of clarity – we are not seeking to influence that decision. I would like to take this opportunity to provide assurance that (a) Government will be publicly supportive if GEMA does decide that taking additional action intended to encourage additional capacity to come forward is in consumers' interests; and (b) we regard the taking of such action as within Ofgem's vires if you judge it as being in consumers' interests.

I would be grateful if you could keep me and my officials informed of any decisions.

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Document 3 – Emails between DECC and National Grid – ending Wed 26/06/2013 13:18

From: National Grid

Sent: 26 June 2013 13:18

To: DECC

Subject: URLs for announcements

We will place it at the following link (which will go live at 11:30) all going well

<http://www.nationalgrid.com/uk/Electricity/AdditionalMeasures>

From: DECC

Sent: 26 June 2013 11:18

To: National Grid

Subject: URLs for announcements

Do you have URLs for where documents relating to your announcement will sit?

Document 4 - Emails between DECC and National Grid ending 25/06/2013

From: National Grid

Sent: 25 June 2013 15:58

To: DECC & Ofgem

Subject: RE: Electricity announcement

Just a reminder that we are not issuing a press release, just the consultation document.

Re factsheet, there were a few corrections needed so it's just with the designer. I should have final version by COP which I shall send over.

Thanks

Follow us on Twitter

Watch us on YouTube

Friend us on Facebook

Find our photos on Flickr

From: DECC

Sent: 25 June 2013 14:46

To: National Grid & Ofgem

Subject: RE: Electricity announcement

Yes,

We are going to announce the Capacity Market as part of wider package of things around energy infrastructure investment, timed around a statement from in the House at 11.30am on Thursday morning.

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It would therefore be brilliant if you could both issue your press notices at 11.30am.

– did you still want a SoS quote in your press notice?

– did you send through your fact sheet?

[Earlier emails in this chain not included because they do not refer to National Grid's press release]