

Generation entry capacity trading proposal

Background

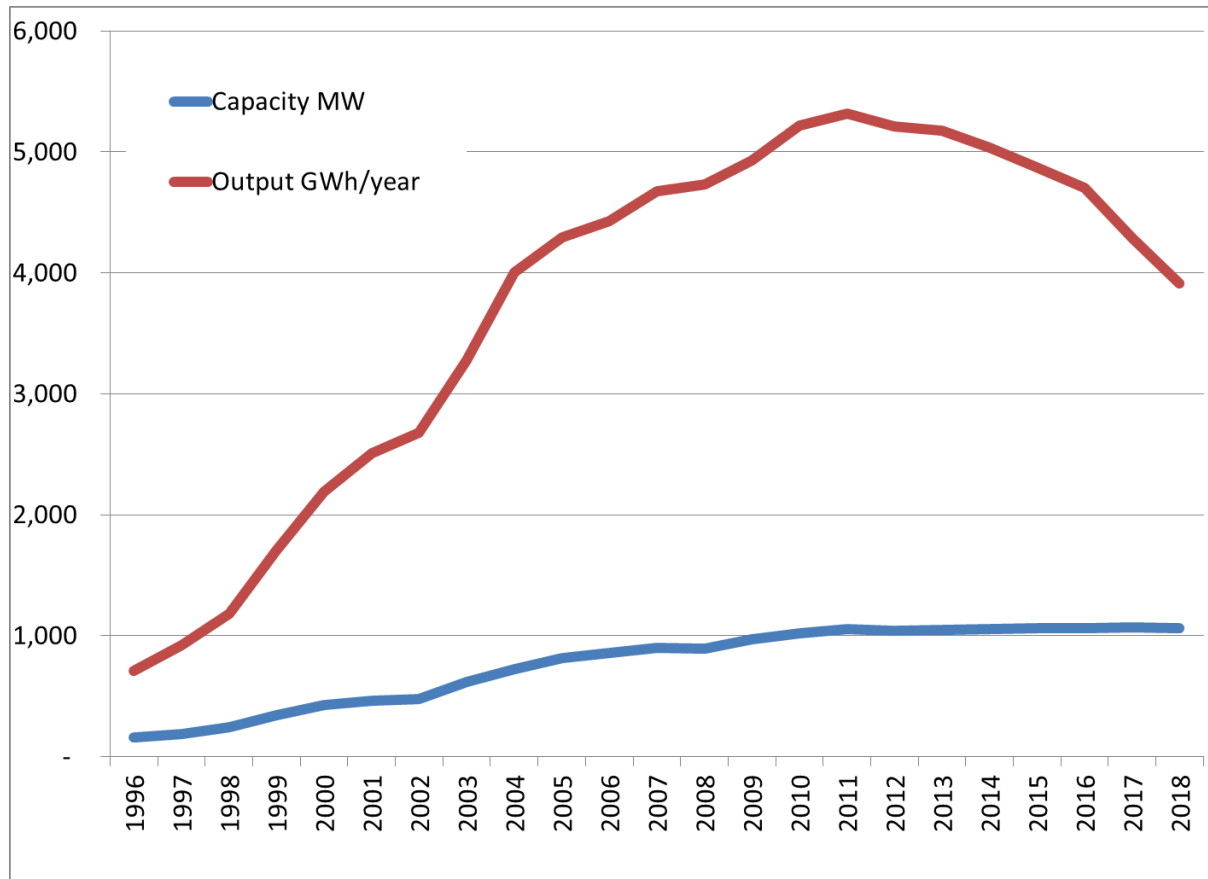
- LFG capacity was commissioned over period 1987 – 2016 (according to Ofgem data)
- Over 600MW was commissioned prior to 2005, under the deep connection charging regime i.e. all assets paid for up front, including use of system
- Generators therefore expected to use the connection assets in perpetuity
- Landfill gas resource is declining and output is falling
- LFG generators in unique position in having underutilised capacity
- XXXX? MW new (most likely renewable) capacity wants to connect, but there isn't headroom available

What generation access contracts say

- Graham Bone has asked Infinis's commercial team to come up with some bullet points which illustrate, the rights that the generator has over the capacity.
- Graham can talk to this slide.

How much capacity is under-utilised?

- Gas yield is declining, as less biodegradable material is landfilled
- Data from the UK Digest of Energy Statistics (“DUKES”)



Why LFG generators have not relinquished their capacity to date

- They have paid for it in full, and do not want to give it away
- The DNOs have no legal powers to claim it
- They may have plans to utilise it

Proposals considered (1)

- **The LFG generator is paid a set fee per MW per area (or fee based on some other formula)**
 - It may make sense in the future for DNOs to seek to purchase capacity from generators, but this approach would not be possible until next price control review. (RIIO-ED1 set the revenues DNOs can earn between April 2015 and March 2023).
 - The consultation on RIIO-ED2 started this summer, for April 2023 - 2031. It may be worth considering for the future.
- Question to group – how to feed in views on this

Proposals considered (2)

- **The DNOs (or other party) gather data from those with capacity they may relinquish (and at what price) and publish it**
- Problems
 - This is asking a lot of DNOs – why would they engage in this?
 - Generators may not want to admit to having capacity they might be prepared to relinquish
 - How would they set a price? - they don't know what it is worth to a potential connectee

Proposals considered (3)

- **The DNO suggests potential connectee approaches the LFG generator directly**
- Problems
 - How would the potential connectee know who to approach?
 - It wouldn't be easy for them to identify the right person to speak to, even if they could locate the relevant LFG generation site.

Proposals considered (4)

- **An auction where potential connectees could competitively bid for capacity**
- Problems
 - Auctions work best when (large) number of bidders compete on equal basis
 - A site worth more if potential connectee has planning permission, so by definition there won't be much competition between bidders
 - What is being bid for? an option? would generator have to commit? and over what time period?

Proposals considered (4)

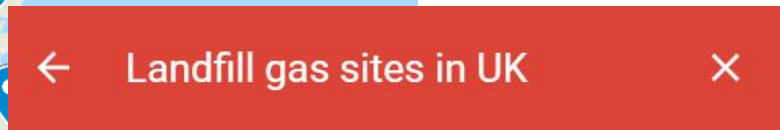
- **Brokering arrangement, with an intermediary putting parties in contact**

Comment - there is a register on the capacity market and it is currently used by parties to arrange trades.

- **Advantages**
 - This may work, if DNOs agree to suggest the intermediary in response to connection enquiries
 - LFG generators would not have to reveal they have capacity they might relinquish
 - Price could be agreed by private bilateral agreement
- **Disadvantages**
 - It may be significant amount of work. REA could trial a map approach in the first instance. Start small and develop and expand.

Use existing map and add info on trading

<https://drive.google.com/open?id=1nJma0caM31eaa5mcf6YFEKE8b4tQst5b&usp=sharing>



DIX PIT GENERATION - A,C

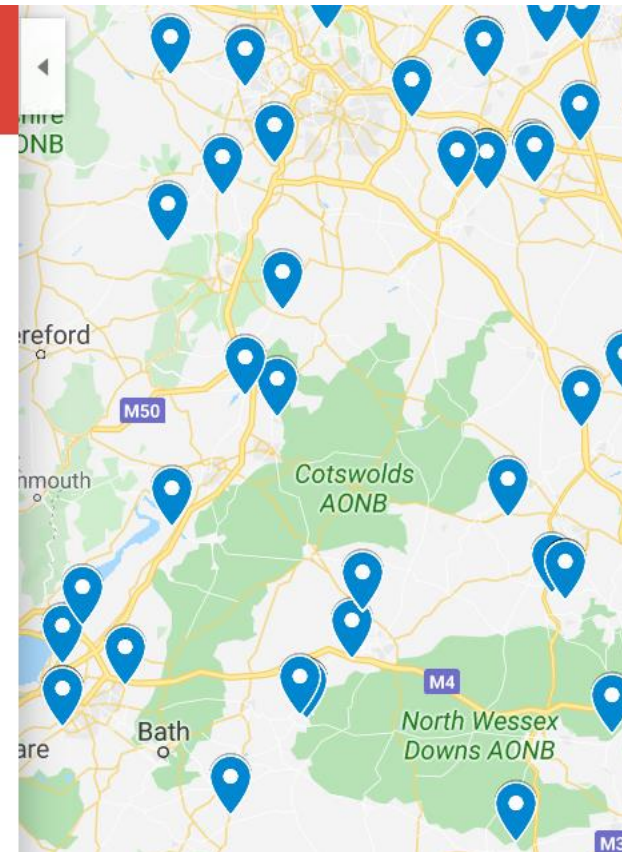
kW: 2128

Organisation: Infinis Limited

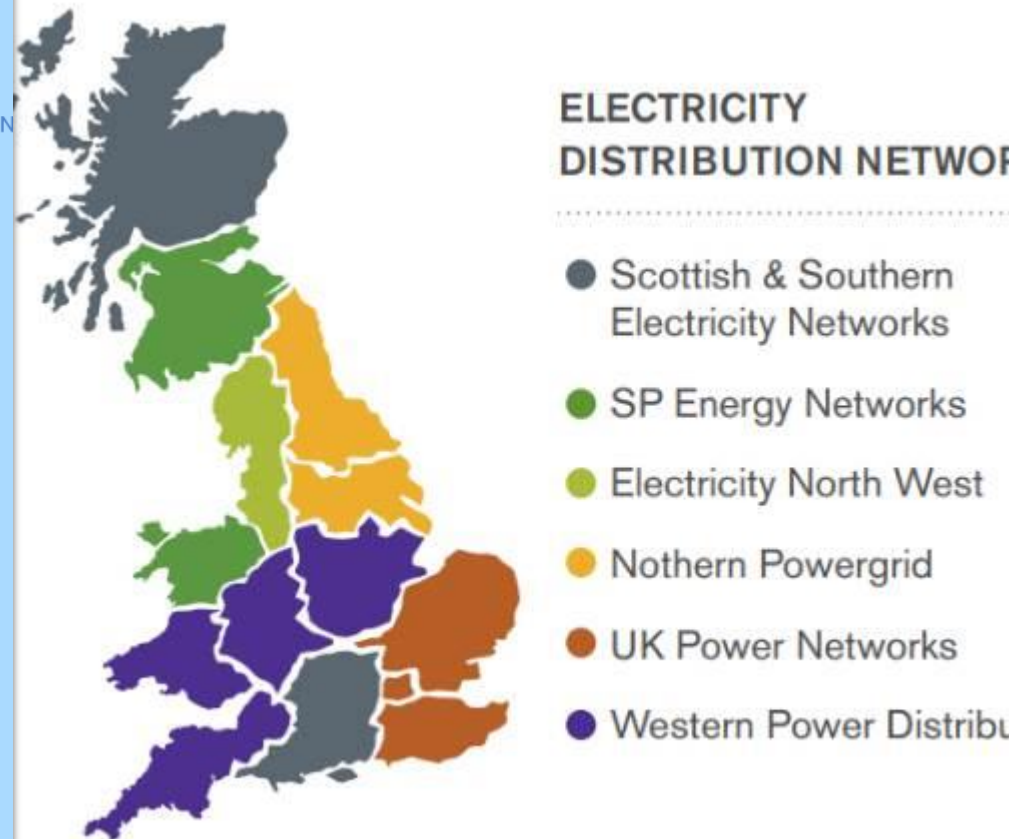
Postcode: OX29 1BJ

We could add another field to this map, giving contact details for who to approach to see if

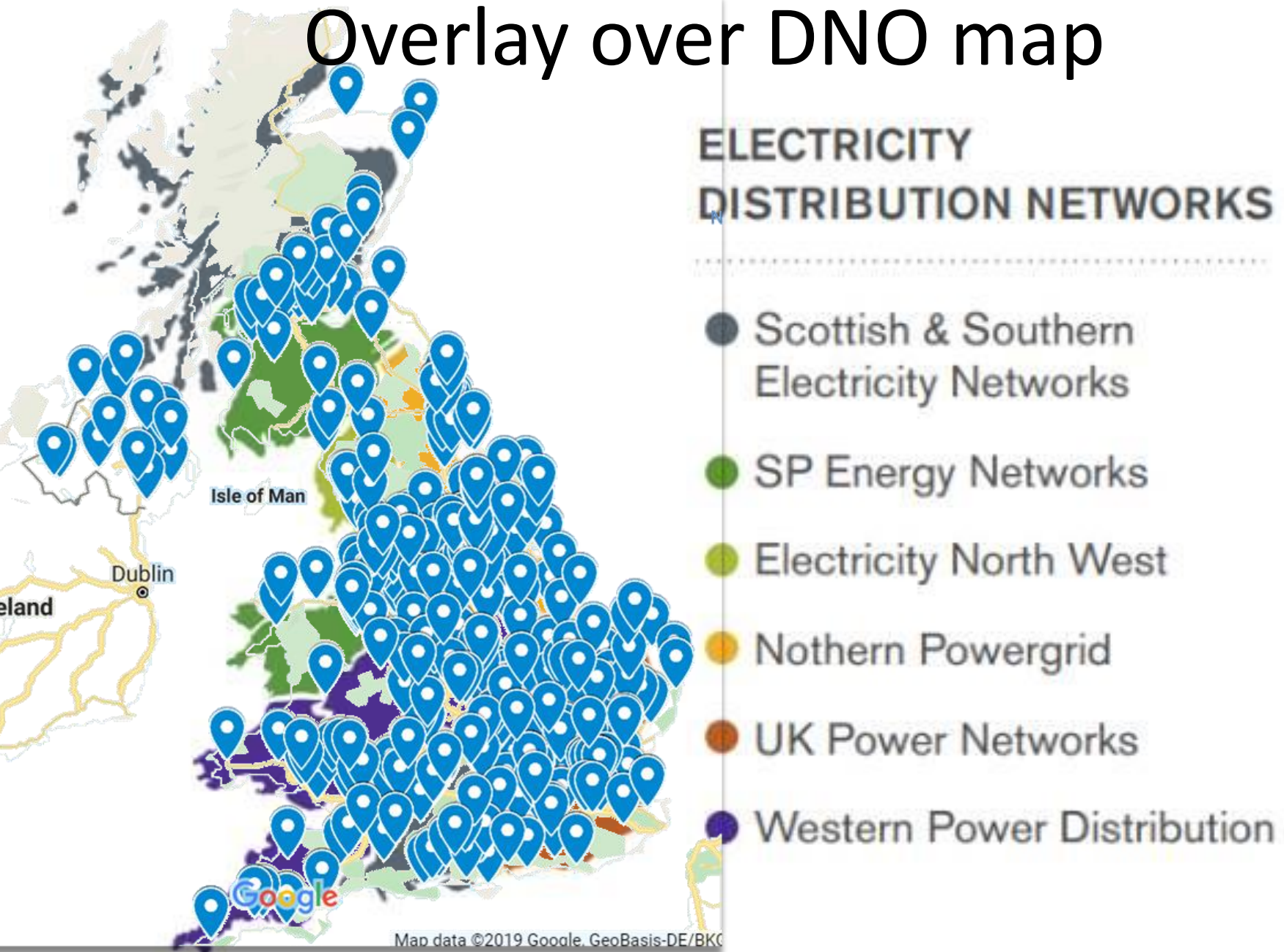
capa To enquire if any generator entry capacity is available, contact trading@infinis.com



Developing the map further



Overlay over DNO map



Next steps

- Discuss at LFG meeting
 - is it likely to work?
 - who should present the idea to the DNOs?
- If DNOs are prepared to refer potential connectees to the map, what improvements could / should be made?
 - Site info needs updating – could send table out to members for filling in contact details
- If successful, could professionalise it (investment required)
- Or simply offer the data to DNOs so that they could publish it