



The Labour Party
Policy Unit
Southside
105 Victoria Street
London
SW1E 6QT

Uniper UK Limited
Compton House
2300 The Crescent
Birmingham Business Park
Birmingham B37 7YE
www.uniper.energy

Uniper UK Limited

Registered in
England and Wales
Company No 2796628

Registered Office:
Compton House
2300 The Crescent
Birmingham Business Park
Birmingham B37 7YE

Response to: National Policy Forum 2018 Environment, Energy and Culture: A greener Britain
June 22, 2018

Uniper

Uniper is an international energy company with around 12,000 employees and operations in 40 countries. In the UK, Uniper operates a flexible and diverse generation portfolio, sufficient to power around six million homes. With our seven-strong fleet of power stations and our flexible, fast-cycle gas storage facility, we support the energy transition and make a tangible contribution to Britain's energy supply security.

Uniper also offers a broad range of commercial activities through its Engineering Services division, while the well-established Uniper Engineering Academy delivers high-quality technical training and government-accredited apprenticeship programmes for the utility, manufacturing and heavy industry sectors, at its purpose-built facilities near Nottingham.

We are pleased to offer our views in the consultation process. Our reply is focussed on the clean energy topic:

Clean Energy

- **The Capacity Market is working.** It is enabling the energy transition to a low carbon energy system. As a technology neutral competitive auction, it provides a route to market for new technologies and innovations, such as batteries and demand side response, which compete alongside flexible, baseload capable gas generation; all of these technologies play a role in partnering wind and solar. The Capacity Market is an essential part of the market framework, alongside the energy wholesale and flexibility markets, to ensure that there is sufficient capacity to meet demand at all times of the year.

Competitive markets are central to delivering the most efficient and lowest overall cost energy system. **Removing commercial and regulatory distortions which impact outcomes from the energy, capacity and flexibility markets, is essential.** These markets must be technology neutral, identify the requirement in

advance and procure on a competitive basis. Participants should be able to access multiple revenue sources, but only compete in the same market where a comparable service can be delivered to consistent standards e.g. application and enforcement of emissions standards / air quality regulations, and reporting requirements for market transparency.

Participation of interconnectors in the Capacity Market should be reconsidered. Interconnectors are currently able to compete in the Capacity Market as a proxy for non-GB generation for state aid approval purposes. This was only intended to be an interim solution. The joining of markets is welcome and diversifying sources of supply in a decarbonised generation mix is sensible. However, there is a risk of over reliance if an assumption is made that capacity agreement obligations determine flows across interconnectors, when flows across interconnectors respond instead to market conditions and availability of the connected generation.

Significant market distortions impact the capacity market outcome. Interconnectors are classified as network and as such do not pay certain network and carbon costs that GB generation has to pay. Consequently, interconnectors could displace the lower cost reliable and controllable domestic gas generation needed to complement wind and solar.

- The scale of the challenge of decarbonising heat is significantly greater than decarbonising the power sector. Particularly with the seasonal changes in demand. Seasonal storage of electricity is not currently technically possible. One option to decarbonise heat at a lower overall cost is to re-use Britain's extensive natural gas infrastructure to transport Hydrogen. Increased Hydrogen content in natural gas could be a first initial step. **Hydrogen created from wind generation, through power to gas technology, provides a truly green way to decarbonise heat.** Power to Gas using electrolysis has the potential to be cheaper than Steam Methane Reformation, which also requires Carbon Capture and Storage technology, by 2030.

With Britain's ambition to grow its successful offshore wind sector, the potential to harness this energy for conversion and storage as hydrogen starts to overcome the seasonal storage challenge and has the potential for significant growth. Hydrogen as a fuel source is currently more expensive than natural gas. A market framework is needed to enable the switch from natural gas to Hydrogen. This framework needs to stimulate demand for Hydrogen in heating and transport and reward low carbon gas and Hydrogen production in order to support investment.