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Response to: Capacity Market Call for Evidence on proposals to maintain security of supply and enable flexible capacity to decarbonise

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About Uniper

Düsseldorf-based Uniper is a European energy company with global reach and activities in more than 40 countries. With approximately 8,000 employees, the company makes an important contribution to security of supply in Europe, particularly in its core markets of Germany, the UK, Sweden and the Netherlands.

Uniper's operations encompass power generation in Europe, global energy trading, and a broad gas portfolio. Uniper procures gas—including liquefied natural gas (LNG)—and other energy sources on global markets. The company owns and operates gas storage facilities with a total capacity of more than 7 billion cubic meters.

Uniper intends to be completely carbon-neutral by 2040. Uniper aims for its installed power generating capacity to be more than 80% zero-carbon by the early 2030s. To achieve this, the company is transforming its power plants and facilities and investing in flexible, dispatchable power generating units. Uniper is already one of Europe's largest operators of hydropower plants and is helping further expand solar and wind power, which are essential for a more sustainable and secure future. The company is progressively expanding its gas portfolio to include green gases like hydrogen and biomethane and aims to convert to these gases over the long term.

Uniper is a reliable partner for communities, municipal utilities, and industrial enterprises for planning and implementing innovative, lower-carbon solutions on their decarbonization journey. Uniper is a hydrogen pioneer, is active worldwide along the entire hydrogen value chain, and is conducting projects to make hydrogen a mainstay of the energy supply.

In the UK, Uniper owns and operates a flexible generation portfolio of power stations and a fast-cycle gas storage facility.

Consultation Response

We have set out below our answers to the consultation questions. Our views in summary:

- All of the proposed pathways should be made available to CMUs with single-year agreements, which would otherwise be locked into higher carbon agreements for up to 4 years in the T-4 auction.
- It will be critical that the timelines and process for any future Hydrogen to Power Business Model are aligned with the CM to ensure that capacity providers can transition from one to the other.
- Given their inherent uncertainty and the risk of market distortion, there would not be any benefit in asking NESO to provide longer term forecasts with regard to capacity targets or the potential supply stack.

Our views in full:

1. Would you consider using pathway B, C and/or D to decarbonise a plant and what factors would influence your decision?

Yes, we would consider using these pathways to decarbonise our plant where and when it makes economic sense

2. Please provide information and evidence on the conversion type and capacity size which you believe would be suitable for each pathway, as well as the outage period required and how you would intend to manage it.

[No Uniper response]

3. What are your views on managing the risk of delays in decarbonisation under pathway B, C and D?

It is expected that for pathway B the conditions associated with the H2PBM will be similar to the DPA, including measures to manage the risk of delays (milestones, longstop dates, conditions to receive business model support payments).

For pathway C existing CM milestone requirements will apply.

For pathway D existing performance requirements, and penalties for failing to perform, should apply, and the CM agreement should maintain its existing end date.

4. Are there any additional risks and issues with pathway B, C and D which you can identify?

For pathway B careful consideration will need to be given to align the H2PBM conditions and process timeline with the CM rules and process timeline.

Pathway C should require that the new multi-year agreement is at least the length of the multi-year contract being exited, to avoid CMUs using this pathway to reduce their obligations by changing to a shorter duration agreement.

5. Are there other pathways which we have not identified which would be required to support the decarbonisation of CMUs?

There is no pathway set out for CMUs that have a single year CM agreement. CMUs with a single year agreement in the T-4 auction will therefore be locked into higher

carbon agreements for up to 4 years: for example, units that pre-qualified in summer 2024 are required to deliver to that configuration until September 2029. Each of the proposed pathways should be extended to CMUs on single-year agreements, to ensure that all CMUs are able to decarbonise at the point at which they are ready to do so.

A change of fuel type should also be an acceptable pathway to decarbonisation. For example, conversion to hydrogenated vegetable oil (HVO) could be a route to decarbonisation for some peaking OCGT plant. This should be accommodated within pathways C and D. If it is not, a new pathway would be needed to support this change.

6. Question 6: Would you find the visibility of more granular longer-term capacity targets beneficial to your business? Are there any risks to providing this information? Please indicate yes/no and provide details to support your answer.

No. If NESO were to produce this report it would replicate studies and analysis that are already made available by various consultancy organisations. The same analysis can also be developed by CM applicants internally: this requires little additional effort in comparison to the overall work already required to participate in the annual Capacity Market process.

In addition, the generally greater uncertainty of longer term forecasts makes an unreliable foundation for longer term planning. We have recently seen the difficulties created by extending the forecast of Transmission Network Use of System (TNUoS) to 10 years, which led to market concern when prices at the back end of the 10-year projection were predicted to be problematically high in the north and unrealistically low in the south of the country. This has led to the development of a modification that may ultimately not be needed.

7. Question 7: Would it be beneficial for an assessment of the potential supply stack out to the T-8 delivery year to be made public, and are there any risks or unintended consequences of publishing such information?

No. The CM register is already in the public arena and it provides most of the information needed for market participants to assess the future supply stack. As with question 6, the uncertainty associated with longer-term forecasting makes an unreliable foundation for longer term planning.