

The Dirty Dozen – Diesel Power Subsidisation in the UK

**Public money diverted to
diesel subsidies worth almost £260m**

December 2016

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This report was updated on Friday 10th December 2016 following the capacity market auction results. Diesel companies received less payments than anticipated, due to the withdrawal of capacity market bids in the weeks before the auction and/or not entering bids at a winning price.

Executive Summary

- The UK government spent over [£6.8bn of taxpayer money](#) last year subsidising the fossil fuel industry despite pledges at the G7, G20 and the UNFCCC levels to phase out such payments. This study focuses on subsidy payments to a group of start-up diesel generating companies as part of the [Capacity Market Mechanism](#). It finds that a group of twelve such companies are in line to receive payments of over £232mn under this scheme as a result of auctions that took place in 2014-16.
- Investors in many of these companies receive abnormally high returns for their outlay through government tax relief schemes¹ designed to encourage investment in high-risk start-ups. These returns have been estimated to be up to six times initial investment over four years.² This in effect represents a ‘double subsidy’ and has a further damaging effect of distorting the effective functioning of the capacity market which was introduced in 2014 with the twin goals of decarbonising the UK's power supply while ensuring its continuity.
- Respected think tanks³ have recommended reform of the capacity market in general and in particular the role of diesel generation and the double subsidy issue. In March 2016, the Department of Energy & Climate Change launched a [consultation process](#) to survey stakeholder views on its proposals to make [diesel-generating sets](#) (gensets) ineligible for the investor tax relief and to retroactively claw back funds.
- An analysis of this consultation process⁴ reveals that despite recommendations from leading power companies like EDF and EON and a host of independent energy experts, the government followed the position of the diesel companies benefiting from the scheme and decided to take no action. Under pressure the government launched a fresh consultation on the double subsidisation of electricity generators in September 2016.

¹ The Venture Capital Trusts (VCT) and Enterprise Investment Schemes (EIS)

² [“Paying Twice-over to keep the lights on”](#), Ecuity Consulting, October 2016

³ Incapacitated, IPPR, March 2016; Rethinking Power Markets, ODI, March 2016

⁴ Analysis of the comments submitted to the March 2016 DECC [Consultation on further reforms on the Capacity Market](#), obtained via a Freedom of Information Act request by InfluenceMap. Details are in Appendix A of this report.

- The Department for Business, Energy and Industrial Strategy (BEIS) [released a decision](#) on November 16th 2016 that in theory should close the potential for diesel companies to claim both capacity market payments and use the EIS/VCT schemes to raise finance. However it appears highly likely that in practice, a clear loophole exists which will allow this to continue. That is, the diesel companies could describe their subsidised investor finance in such a way that falls outside the scope of the “relevant investment” as noted in the BEIS decision. It is noted that the November 16th decision does not address the key issue of whether diesel companies should continue to be eligible for capacity market payments in the first place.
- The research indicates that several investors that own many of the diesel companies were set up specifically to take [advantage](#) of the EIS/VCT tax incentive schemes. This includes [RockPool Investments](#) set up by UK financier Nicola Horlick in 2012.⁵ Rockpool owns eight diesel generating companies in receipt of capacity market subsidies through its affiliate [Rockpool Investment Nominee Limited](#). In particular, this research has ascertained that Rockpool Investments has facilitated the investment of £34mn in nine diesel companies through the EIS scheme (see Appendix C).
- Analysis also found that many of the diesel companies have opaque and complex, often offshore, ownership structures. The Warwick based [Peak Power Gen](#), which this research estimates is set to receive £133m⁶ in capacity market payments, is 100% owned by [Peak Gen Top Co](#) whose 75% controlling shareholder is listed as Dione Holdings Ltd with Peak Power Gen CEO [Mark Draper](#) a minority shareholder. Dione Holdings Ltd, a company that appears to be the main beneficiary of capacity market payments to the diesel sector, is not registered in any OECD nation.
- It appears that the government, in its [March 2016](#) consultation, was aware that the double subsidy for diesel operators may be illegal under [EU State Aid legislation](#). However it appears by [September 2016](#) the government had chosen not to take effective action on what may be, by their own admission, a “[cumulation of State aid](#)” and reframed the issue as “[selective overcompensation](#)”. The government could be challenged on this through the European Commission's DG Competition, according to a legal opinion obtained by InfluenceMap.

⁵ [Nicola Horlick launches private equity business](#), Reuters, 2012

⁶ This estimate is based on 2014-16 [capacity market auction disclosures by National Grid](#)

Introduction

The UK government spent over £6.8bn of taxpayers money last year subsidising the fossil fuel industry despite pledges at the G7, G20 and the UNFCCC levels to phase out such payments, according to research [released by InfluenceMap in November](#) of this year.⁷ This is the first in a series of follow up reports from InfluenceMap looking at the vested interests and politics behind the maintenance of these subsidies in major G20 economies.

The UK government introduced its [capacity market programme](#) in 2014, managed by what was then the Department of Energy and Climate Change (DECC), to meet the twin goals of decarbonising the UK's power generation and to ensure the future security of the UK electricity supply (at the lowest cost to consumers given the variable supply profile of renewables).

This report builds and relies on analysis of the UK's capacity market and inclusion of diesel generators in the scheme by NGOs such as [Sandbag](#) and the [Overseas Development Institute](#) (ODI) in the last year or so. It focuses on how a new sector, the operators of diesel-powered generating facilities (hence termed 'diesel companies'), has developed and benefitted from the Capacity Market and how this sector is distorting the intention of a climate-motivated government policy and the energy market to reap outside returns for both the operating companies and investors. In this report we assess:

- The leading start up diesel companies and the subsidies they have received under the capacity market system to date and which are eligible for investor tax relief schemes.
- The evolution of the regulatory process in the last few years and how narrow vested interests have distorted it to their advantage.

The research is based on publicly available data and work by established, independent organisations and information we obtained from the UK government as a result of Freedom of Information requests.

⁷ Fossil Fuel Subsidies in the G7 and EU, InfluenceMap, November 2016

Glossary of Terms

Term	Description
The Capacity Market	A UK policy initiated in 2014 and open to all electric power providers including new and existing power stations, electricity storage plant, capacity provided by voluntary demand reduction and, from 2015 onwards, interconnectors.
Capacity Market Auction	The competitive process to award Capacity Market Agreements to meet the target capacity for the relevant Delivery Year.
Capacity Market Payments	The payments made to providers to ensure they deliver energy at times of high demand i.e. cold winter nights. If they cannot provide the capacity at an agreed time they face penalties.
Capacity Market Units (CMUs)	A unit of electricity generation capacity or electricity demand reduction that can then be put forward in a future Capacity Market auction.
Risk financed schemes/investment	Investors receive tax breaks to incentivize their investments in high risk companies and projects.
VCT and EIS	The Venture Capital Trusts (VCT) and Enterprise Investment Schemes (EIS) are government schemes to offer tax breaks and relief to investors to encourage investment in start-ups.
Double subsidy	Refers to the companies benefitting from EIS/VCT investor tax breaks (tax breaks for investors lowers the cost of capital for the companies ⁸) and capacity payments.
Diesel Companies	Refers to companies involved in the commercial production of electricity to sell to the grid using diesel fuel either as a main or side activity. Companies are now required to disclose upon entering the capacity market the type of fuel their generators will use, however National Grid has chosen not to publish this data until the relevant auctions are concluded, making the identification of diesel companies or genset difficult.

⁸ Equity Consulting has detailed this point in its paper "[Paying Twice-over to keep the lights on](#)", October 2016

The Capacity Market and its Reform

The [Capacity Market](#) was set up in 2014 to provide capacity to replace old, polluting power stations reaching the end of their life with new, lower carbon ones and smart grid technologies. The Capacity Market Auction is the competitive process to award ‘Capacity Market Agreements’ to meet the target capacity for the relevant delivery year. As part an Agreement, in return for ‘Capacity Market Payments’ revenue, providers must deliver energy at times of system stress, or face penalties. Only Capacity Market Units (CMUs) which have successfully prequalified and where necessary, confirmed entry, will be able to take part.

According to a [2016 IPPR report](#),⁹ The Government has awarded £2.8bn in subsidies to power stations in exchange for a guarantee that they will be online when required in order to meet electricity demand. The same study argues the capacity market needs urgent reform and is not achieving its objectives of decarbonizing the UK’s power generation. In particular, it notes the subsidies awarded to the operators of fossil fuel powered electricity generators, pointing to £373m paid out for the maintenance of coal-fired facilities. The ODI in a [2015 report](#)¹⁰ questioned the need for its introduction given falling energy demand in the UK.

The same report also argued that capacity auctions unfairly benefit existing fossil fuel based generation and undermine decarbonization motivations. The IPPR also points to the emergence of a new start up sector that the capacity market has made viable - the operation of small-scale, highly polluting¹¹, diesel-powered generating facilities of an aggregate £176m in subsidies from the taxpayers via the Department of Energy and Climate Change in 2015 alone.

Many of the same diesel gen companies that receive capacity payments, are also invested in through “risk financed schemes”, whereby investors receive tax breaks to incentivize their investments in high risk companies and projects. The most prominent of these schemes being [Venture Capital Trusts \(VCT\)](#) and [Enterprise Investment Schemes \(EIS\)](#). The investors in this scheme – a significant proportion of whom are high net worth individuals – have been able to benefit from a 30% relief on income tax liability, an exemption from capital gains tax and the ability to offset losses against income. This has allowed investors in diesel

⁹ Incapacitated: Why the capacity market for electricity generation is not working, and how to reform it, IPPR, March 2016

¹⁰ Rethinking Power Markets, ODI, March 2016

¹¹ IPPR’s [Mad Maths](#) calculates that diesel gen-sets have a higher carbon intensity (1010gCO₂/kWh) than coal (930gCO₂/kWh)

companies to make returns of up to [six times](#) their initial investment in four years, according to Ecuity Consulting.

Investment through these tax schemes appears to be a problem for the proper functioning of the electricity market. The investor tax incentives lower the cost of capital for qualifying companies who can in turn place artificially low bids for capacity payments. In 2014 and 2015 705MW of capacity contracts were [handed to new build](#) capacity with direct or indirect links to investor tax incentive schemes. The majority of this new build capacity is diesel generation, as the diesel gensets are the cheapest to bring to market, and most of the capacity contracts that went to new build were for a length of 15 years.¹² This proliferation of diesel generation has potentially narrowed the opportunity for other low-carbon generation to enter or benefit from the market. This disruption has arguably been a contributing factor to the [failure of the capacity market](#) to deliver the low-carbon capacity it intended.

Think tank [IPPC](#) argues that diesel generation should be prevented from entering the capacity market and constraints should be placed on existing capacity. One way to achieve this is to use the [Energy Bill](#) to prevent generators with carbon intensity over 450gCO₂/kWh from accessing capacity contracts, according to the IPPC. Due to the smaller size of these diesel generators, they currently fall outside such limits placed on larger generators. DEFRA is seeking to introduce legislation that would set [binding emission limits](#) on air pollutants from diesel engines by January 2019.

¹² [“Paying Twice-over to keep the lights on”](#), Ecuity Consulting, October 2016

Diesel and the Capacity Market: The Regulatory Process

The following is a timeline for how the capacity market scheme has evolved since 2014 with a focus on the diesel double subsidy issue. The UK government by law must solicit stakeholder opinion on key policy and regulatory decisions and it has done this on the capacity market process on several occasions. Freedom-of-Information requests are often required for the public to view the results, which this research incorporates.

- The Department of Energy and Climate Change was in 2015 [under pressure](#) to slow the rapid growth of the diesel industry and to prevent participants in the capacity market mechanism from benefiting from investor tax relief schemes. It subsequently legislated against the double subsidy through the [Finance Act 2015](#), which was announced in the 2015 Autumn Budget.
- In March 2016, the government [launched a consultation](#) on further reforms on the Capacity Market which sought to address the issue of whether companies that have already received subsidised investment (EIS/VCT) and capacity market payments should “have their capacity agreement terminated, capacity payments recovered and/or the imposition of a termination fee.” InfluenceMap obtained the results of this consultation via a Freedom of Information request with the results outlined in Appendix B and fully [disclosed in the report URL](#). They show clearly all stakeholders support the proposals apart from the diesel companies, whose position ultimately prevailed in the ensuing government decision.
- Following the consultation, the Government [concluded](#) in September 2016 that there should be [no retroactive action](#) taken against EIS/VCT funded companies as this would disincentivise future investments. EIS/VCT companies will also not be excluded from future capacity market auctions. The Government launched [another consultation](#) in September 2016 proposing that EIS/VCT investment spent on prospective capacity should be separated from capacity market payments to ensure fairness and that the EIS/VCT money must not be spent by the company on investments on electricity gensets.
- It [appeared](#) in September 2016 that the Government had accepted the arguments of the diesel companies at the expense of the wider energy sector and independent

energy experts and left the diesel companies' business model intact. It appears that the Government accepted the diesel companies' argument that any retrospective action to claw back capacity payments from companies that had benefitted from the double subsidy would severely damage investor confidence and allow the possibility of legal challenges.

- In response to continued criticism of the double subsidy issue the Department for Business, Energy and Industrial Strategy (BEIS) [released a decision](#) on November 16th 2016 that in theory should close the potential for diesel companies to claim both capacity market payments and use the EIS/VCT schemes to raise finance. However it appears highly likely that in practice, a clear loophole exists which will allow this to continue. That is, the diesel companies could describe their subsidised investor finance in such a way that falls outside the scope of the “relevant investment” as noted in the BEIS decision. Specifically, the offset applies only to investment in new Capacity Market Units i.e. installing new generators, rather than investment in the actual company. A company could therefore receive £5m in EIS/VCT investment, although see only a £1m deduction in capacity payments if it declared that the other £4m was not “[relevant investment](#)” (in new capacity units). This may be problematic in terms of the policy’s effectiveness in correcting market distortion as companies could strategically deploy EIS/VCT capital outside of “relevant investments” in new diesel generation units, for example, by using debt to finance new capacity.
- Our research also identified a complex, often opaque network of individuals and companies behind investment into the diesel companies making identification of who ultimately benefits from the double subsidy of diesel by UK taxpayers difficult. HM Treasury refused InfluenceMap’s Freedom of Information Request regarding the release of the names of the diesel companies in receipt of EIS/VCT investment and the amount invested by individual investors.¹³ However, via access to [Companies House](#) online directory, InfluenceMap has mapped out a significant portion of this value chain. In particular, this research has ascertained that [Rockpool Investments](#) has facilitated the investment of £34.1mn in nine diesel companies through the EIS scheme (see Appendix C).

¹³ The Government cited: section 23(1) of the Commissioners for Revenue and Customs Act 2005 (CRCA); and section 44(1)(a) FOIA and its statutory duty of confidentiality (at section 18(1) of the CRCA)

The Double Subsidies and EU State Aid Law

Based on its [March 2016 consultation proposal](#) it appears the UK Government was aware that the "double subsidy" may be illegal under [EU State Aid legislation](#). It stated in this document as follows.

2.1 Avoiding overcompensation of state aid

2.1.1 Capacity payments made to all capacity agreement holders in the delivery period are classified as State aid. The EU Commission approved the UK Government to grant this State aid under the Energy and Environmental Aid Guidelines in July 2014. The competitive bidding process in the capacity auction is deemed to set the proportionate level of aid and anything on top of that would in principle be considered overcompensation.

2.1.3 In line with the changes made in the most recent Finance Act 2015, the Government proposes to introduce a new eligibility criterion for future auctions to exclude participants who have raised finance under the Enterprise Investment Scheme ("EIS") or Venture Capital Trust Scheme ("VCT") from participating in the CM. To satisfy this new criterion, all participants would have to declare as part of the prequalification process that they have not benefited from tax advantaged investments under the EIS and VCT schemes.

In light of this, InfluenceMap obtained comments from a [lawyer from ClientEarth](#) specialising in EU energy, state aid and competition law.

"Both the UK venture capital schemes with the tax incentives they create and the British capacity market have been approved as State aid measures by the European Commission. However, the approval of the capacity market is still subject to two ongoing challenges in the European Court alleging, amongst other things, that the Commission has failed to assess the facts correctly. The Commission recognised that in general, capacity providers that benefit from other long-term support measures could be overcompensated. That would indeed be against EU State aid rules. The Commission took the view that the eligibility

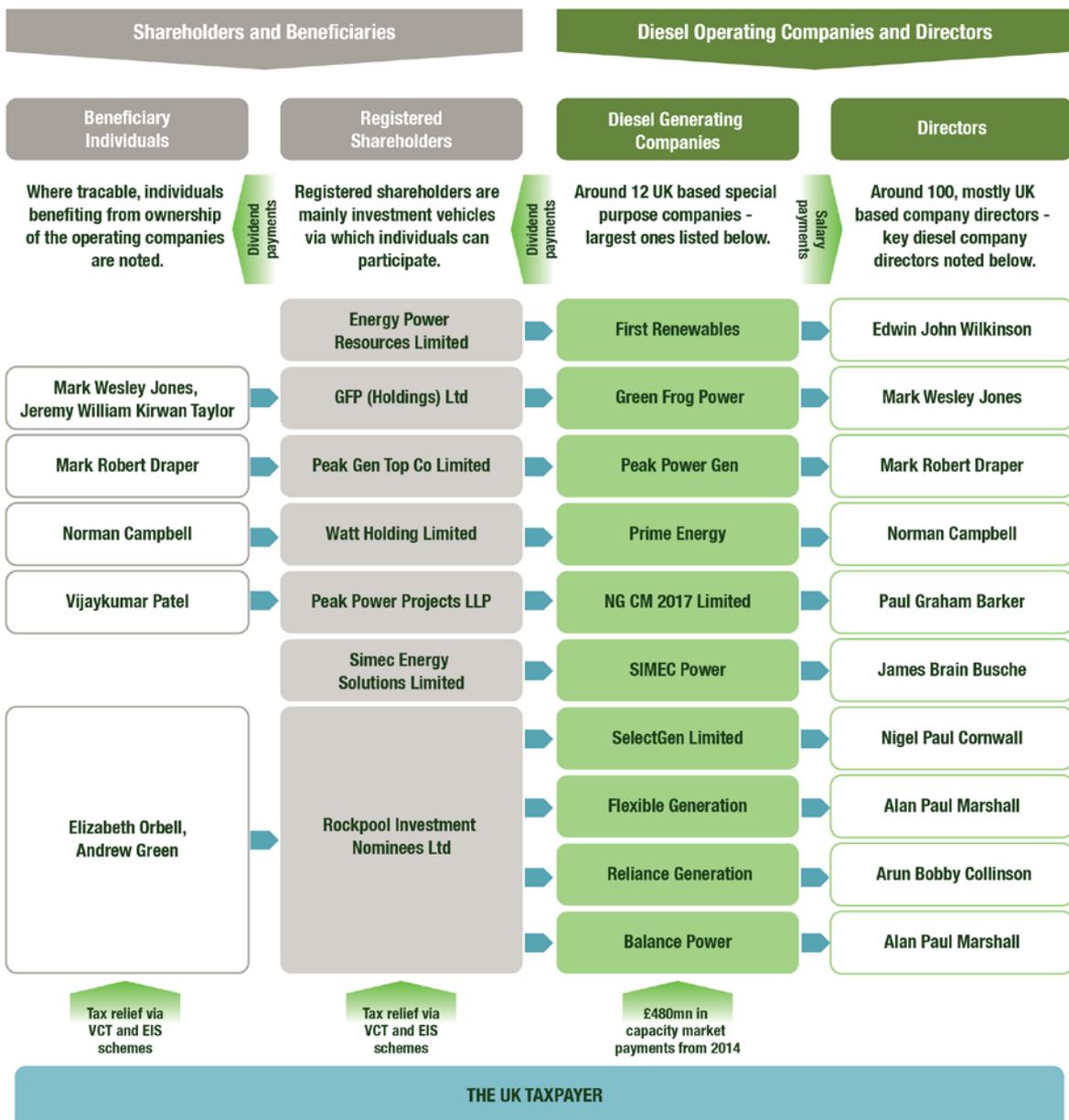
criteria for the capacity auctions address that. However, it did apparently not specifically review any cumulation with the venture capital schemes. The tax incentives these venture capital tax schemes might create an additional, indirect advantage for the capacity providers, which could contravene EU state aid rules. Therefore, increased transparency as created and demanded by InfluenceMap's paper is indeed called for. Furthermore, any State aid not covered by the Commission's approval decisions is in principle unlawful and would have to be clawed back, in particular if the Commission found that it does not comply with EU State aid rules. Also, the Commission has the power to revoke its approval where it was based on incorrect or, arguably, incomplete information which has or ought to have been a determining factor." **Ken Huestebeck, Lawyer, EU Energy and Coal, ClientEarth Brussels**

By September 2016 the Government had [chosen](#) not to exclude companies that had benefited from EIS/VCT funds from future capacity auctions, or take any retrospective against companies with existing capacity contracts. It also appeared to change the language it used to describe the issue from "State Aid" to "[selective overcompensation](#)".

The Diesel Companies and Money Flows

Using various data sources¹⁴, the companies in the UK who are active in the diesel generation market and in receipt of capacity market subsidies and may participate in tax relief schemes are profiled. This is cross-referenced with data from Companies House on directors and shareholders. It is noted that due to poor disclosure laws the data on participation in EIS/VCT tax schemes is not consistent. The available data on [Rockpool Investments](#) (affiliated with [Rockpool Investment Nominee](#)) is noted in Appendix C.

UK Diesel Generators: the Money Flow



¹⁴ We look at data from Companies House, company websites, Freedom of Information Requests

Of particular note, and as an example of the opaque, complex and often offshore ownership structures of these diesel companies, is [Peak Power Gen](#), a Warwickshire based company established in 2010 which stands to receive over **£133m of subsidies for power generation over the next three years** based on current plans, or half the estimated aggregate total. The CEO of the company is [Mark Draper](#) who is also a shareholder and director of its parent company [Peak Gen Top Co](#), another Warwickshire based company established in 2013 whose sole purposes appears to be to own Peak Power Gen and whose accounts included a list of 30 subsidiaries of which it holds 100% of share capital, a complex structure for a company listed with Companies House as a “Small Company”¹⁵. Peak Gen Top Co’s 75% controlling shareholder is listed as Dione Holdings Ltd, which is not listed on Companies House and is not registered in any OECD nation.

Another single company, Bristol-based [Prime Energy](#) stands to receive over £38m in diesel subsidies over the next few years. Director [Normal Campbell](#) owns 19% of the shares in the parent company, Edinburgh based [Watt Holding Ltd](#) with fellow Watt Holding Director [George Grant](#) owning a further 30%.

Company	Anticipated Capacity Payments(November 2016) £m	Following 2016 auction (December 10 th)	Tax Relief Scheme Eligibility	Comments on Management, Shareholders and Beneficiaries
Peak Power Gen Limited , formed 2010	153	133		The active director of the company is Mark Draper who is also a minor shareholder in its parent company Peak Gen Top Co whose 75% controlling shareholder is listed as Dione Holdings Ltd (non-UK).
Peak Power Connections , formed 2016	117	6		Share owned by Billy French through his company External Nominees Limited, who is a director in both Peak Power Connections and NGCM 2017 Limited.
Prime Energy Limited , formed 2014	91	38	EIS	Director Normal Campbell owns 19% of the shares in the parent company, Edinburgh based Watt Holding Ltd with fellow Watt Holding Director George Grant owning a further 30%
Simec Power 1 Limited , formed 2016	23	0		The company’s shares are ultimately owned by the Simec Group , whose chairman and founder Parduman K, Gupta is listed as director of Simec

¹⁵ A company qualifies as small if it meets two of the following three criteria: 1) turnover: not more than £10.2m (previously £6.5m); 2) balance sheet total: not more than £5.1m (previously £3.26m); and 3) average number of employees: not more than 50 (no change).

				Power 1.
Malcom CM Limited ¹⁶ , August 2016	19	0		The company's shares appear to be owned solely by Hugh Nash.
NG CM 2017 Limited, formed 2016	18	0		Shares owned by Peak Power Projects LLP, whose majority shareholder is Vijaykumar Chhotabhai Kalidas Patel. Company director, Billy French, owns Peak Power Connections.
First Renewables Limited, formed 1999	16	29		Shares owned by MEIF Luxembourg Renewables SARL, a holdings company based in Luxembourg.
Green Frog Power Limited, formed 2009	12	4		Shares owned by GFP (Holdings) Limited, and Infrared Environmental Infrastructure fund, which was acquired by HSBC managers in 2011. Green Frog directors, Mark Wesley Jones and Jeremy William Kirwan Taylor, own 23% and 24% in GFP respectively.
Balance Power Limited, formed 2014	10	11	EIS	An SPV of Plutus PowerGen plc which is now 99% owned by Rockpool Investment Nominees. Rockpool's shares appear to be owned by Elizabeth Orbell and Andrew Green.
Precision Diesel Enterprises Limited, formed 1999	10	6		Shares owned by the company's director, Peter John Todd.
SelectGen Limited, formed 2015	6	0	EIS	Shares owned by Rockpool Investment Nominee Limited, whose shares appear to be owned by Elizabeth Orbell and Andrew Green.
Attune Energy Limited, formed 2016	5	5	EIS	Shares owned by Rockpool Investment Nominee Limited, whose shares appear to be owned by Elizabeth Orbell and Andrew Green.

Notes on data sources:

Company Names: The identification of the recipient companies of capacity market payments is from National Grid data, company websites, media articles.

Capacity Market Payments: These relate to auctions held in 2014, 2015, 2016. To estimate the amounts of capacity payments the companies have or will receive in these auctions we multiplied the companies' total contracted de-rated capacity by the clearing price (at the contract was agreed) times the number of years the contract lasts for. We used the 2015 clearing price (£18/kw), 2016 (£22.5/kw).

Tax Relieve Schemes: The two schemes are Enterprise Investment Scheme (EIS) and the Venture Capital Trust (VCT). There is no public register of companies who offer this tax relief to investors under these schemes. Data gained from voluntary disclosure by the diesel companies through websites, annual reports and regulatory consultations.

Comments on Beneficiaries: all data sourced from Companies House, collated in Appendix B.

¹⁶ This includes the registered companies Malcom CM 1, Malcom CM 2, Malcom CM3

Appendix A: Results of the March 2016 Consultation Process

The March 2016 Consultation process

The March 2016 [Consultation on further reforms on the capacity market](#) surveys opinions from various industrial and other stakeholders on reform of the capacity market, with several of the points related to capacity market payments for diesel and the eligibility of investor focused tax relief schemes for companies that are in receipt of these payments.

What is the government proposing for diesel in this consultation?

To sum up, the government proposes to make companies in receipt of capacity market diesel payments ineligible for EIS or VCT schemes and have their capacity agreement terminated, capacity payments recovered and/or the imposition of a termination fee.

We paraphrase and summarize the positions of the various stakeholders on three related issues.

- Issue 1: Position on the eligibility of diesel generation in the capacity market.
- Issue 2: Position on proposals to exclude electricity generators who have benefited from EIS/VCT tax breaks and capacity payments ('double subsidy') being excluded from future capacity auctions?
- Issue 3: Position on the proposal to recover capacity payments or take other retrospective action against companies that have benefited from the double subsidy?

The March 2016 Consultation process: comments on the diesel issues summarized¹⁷

The full text of the comments can [be downloaded from this landing page](#).

Stakeholders	Position on Proposal ¹⁸	Issue 1	Issue 2	Issue 3
Diesel operators and investors (RockPool Investments, RockPool)	Strongly opposes the government's proposal	Provides value, flexible electricity generation that is securing security of supply to a rapidly changing energy market.	Would distort the marketplace and undermine the efficiency of auctions. Actions would be penal and cause real financial harm.	Companies have acted in good faith; action against investment scheme sponsors would severely damage investor confidence. Open up route to legal

¹⁷ All data from DECC's consultation process results, obtained via a Freedom of Information Act request, October 2016

¹⁸ Proposals to make diesel companies ineligible for EIS or VCT schemes and have their capacity agreement terminated, capacity payments recovered and/or the imposition of a termination fee.

				challenges.
Major power generators (EDF, EON, RWE)	Supports government's proposal with exceptions	Most effective way to address distortions with capacity is to deal with embedded benefits. Diesel gen should not cause disproportionate environmental harm.	Capacity that has benefitted under the EIS or VCT schemes should be excluded from future bids. State Aid legislation is a matter of law, not consultation opinion.	The imposition of a retrospective termination fee following a change to the rules is not appropriate.
The Canterbury Club (Former Parliamentary staff and Civil Servants, and industry representatives with expertise in UK energy issues.)	Supports government proposal	Without the double subsidy being removed capacity will increasingly be populated by highly polluting diesel plant that can be built at low cost and at no commercial risk.	Strongly supports efforts to completely remove the double-subsidy and ensure that EIS/VA funding cannot be used in future auctions.	Does not appear to support the terminations of existing capacity contracts.
Medium scale gas generation	Strongly supports government's proposals	Diesel, and the state support (EIS/VCT) has allowed for artificially low bids in auctions, distorting the market clearing price.	Support the government preventing beneficiaries of State Aid schemes from participating in all future capacity market auctions.	Any receipt of state aid including EIS/VCT and capacity payments should warrant a termination fee and recovery of payments made.

Appendix B: Diesel Companies - Directors and Shareholders

We analysed the shareholders, directors and beneficial owners of the diesel companies, with all data sourced from the UK government's [Companies House online database](#) (back links to relevant documents provided within). We note beneficial owners who own shell companies with direct shareholdings in the diesel companies in the left hand column of the table.

Company (When formed)	Directors	Shareholders	Beneficial Owners
Fulcrum Power (1-Nov-2013)	Paul Roderick Beynon Robin Chamberlayne Peter Robert Hughes Stephen William Mahon	John Varley (10.3%) J G Bolitho (9.8%) Bernard Mark Bentley (5.7%) M C Newman (4.8%)	John Varley (10.3%) J G Bolitho (9.8%) Bernard Mark Bentley (5.7%) M C Newman (4.8%)
Keystone Power (21-Dec-2012)	Alan Adi Yazdabadi Richard Douglas Spacey	Martin Wake (8%) Richard Punt (6%) Richard Malthouse (5.8%) Phillip Tissot (5.8%) Nigel Robinson (5%)	Martin Wake (8%) Richard Punt (6%) Richard Malthouse (5.8%) Phillip Tissot (5.8%) Nigel Robinson (5%)
Attune Energy (28-Feb-2014)	Arun Bobby Collinson Andrew Edward Green	Rockpool Investment Nominee Ltd (99.9%) Plutus Energy Limited (0.1%)	Shareholders of Rockpool Investment Nominee Ltd: Elizabeth Orbell (50%) Andrew Green (50%)
Flexible Generation Limited (03-Mar-2014)	Alan Paul Marshall	Rockpool Investment Nominee Ltd (100%) Matthew Peter Taylor (0%)	Shareholders of Rockpool Investment Nominee Ltd: Elizabeth Orbell (50%) Andrew Green (50%)
Balance Power Limited (29-Oct-2014)	Alan Paul Marshall	Rockpool Investment Nominee Ltd (99%)	Shareholders of Rockpool Investment Nominee Ltd: Elizabeth Orbell (50%) Andrew Green (50%)
Precise Energy Limited (29-Oct-2014)	Nigel Paul Cornwall	Rockpool Investment Nominee Ltd (100%) Phillip Leonard Stephens (0%) Darran Jiy-Ming Green (0%)	Shareholders of Rockpool Investment Nominee Ltd: Elizabeth Orbell (50%) Andrew Green (50%)
Equivalence Energy Limited	Arun Bobby Collinson	Rockpool Investment Nominee Ltd (100%)	Shareholders of Rockpool Investment Nominee Ltd:

(29-Oct-2014)		Phillip Leonard Stephens (0%) Arun Bobby Collinson (0%)	Elizabeth Orbell (50%) Andrew Green (50%)
Valence Power Limited (29-Oct-2014)	Nigel Paul Cornwall	Rockpool Investment Nominee Ltd (100%) Phillip Leonard Stephens (0%) Andrew Edward Green (0%)	Shareholders of Rockpool Investment Nominee Ltd: Elizabeth Orbell (50%) Andrew Green (50%)
Portman Power Limited (23-Feb-2015)	Alan Paul Marshall	Rockpool Investment Nominee Ltd (100%) Andrew Edward Green (0%)	Shareholders of Rockpool Investment Nominee Ltd: Elizabeth Orbell (50%) Andrew Green (50%)
Reliance Generation Limited (21-Feb-2015)	Arun Bobby Collinson	Rockpool Investment Nominee Ltd (100%) TommyMichael Gerald O'Sullivan (0%)	Shareholders of Rockpool Investment Nominee Ltd: Elizabeth Orbell (50%) Andrew Green (50%)
SelectGen Limited (21-Feb-2015)	Nigel Paul Cornwall	Rockpool Investment Nominee Ltd (100%) Matthew Peter Taylor (0%)	Shareholders of Rockpool Investment Nominee Ltd: Elizabeth Orbell (50%) Andrew Green (50%)
Plutus Power Gen PLC (27-Jun-2006)	James Timothy Chapman Longley Timothy Robin Cottier Paul Lazarevic Phillip Leonard Stephens Charles Ronald Spencer Tatnall	Paternoster Resources PLC (16.5%) Charles RS Tatnall (9.7%) James TC Longley (8.3%) Phillip Stevens (6.7%) Paul Lazarevic (5.3%)	Numerous beneficial owners
Peak Power Projects LLP (29-Jul-2016)	Designated members: Oxford Capital Partners LLP Oliver Gordon Hughes	Vijaykumar Chhotabhai Kalidas Patel (50-75%) Bhikhu Patel Oliver Gordon Hughes Oxford Capital Partners LLP Jing Bai Paul Graham Barker James Raymond John Beck Elizabeth Ann Ruth Griffiths Robert John Griffiths Catherine Elisabeth Ann Jacquet Chloe Elizabeth Charlotte Jacquet Adam Paul Jones	Registered in Companies House as a person with significant control: Vijaykumar Chhotabhai Kalidas Patel (50-75%) Oxford Capital Partners LLP: Edward Mott David Mott Andrew Sherlock Emsa Trust Ocktom Ltd: Caroline Elizabeth Beck

		<p>Matthew Jones George Samuel Krempels Robert William Laddle David Alan Owen Alexander Toby Bevis Pike Edmund Brabazon Ponsonby Barnaby David Rhys Jones Ocktom Ltd Sterling Power Group Ltd</p>	<p>James Raymond John Beck Sterling Power Group Ltd Glyn Jones Matthew Jones Adam Jones)</p>
<p>Peak Gen Power (12-Aug-2010)</p>	<p>Mark Robert Draper Jonathan George Fairchild</p>	<p>Peak Gen Top Co Limited (100%)</p>	<p>Owner of Peak Gen Top Co Limited: Dione Holdings Ltd (BVI) (75.6%), Pioneer Point Partners (20%) Mark Robert Draper (0.7%)</p>
<p>Green Frog Power Limited (26-Oct-2010)</p>	<p>Neil Geoffrey Beaumont Guilio Bellizia Gareth Irons Craig James Edward Hall-Smith Mark Wesley Jones Jeremy William Kirwan Taylor</p>	<p>GFP (Holdings) Ltd (48.2%) InfraRed Environmental Infrastructure Fund (51.8%)</p>	<p>Owners of GFP (Holdings) Ltd: Mark Wesley Jones (23%) Jeremy William Kirwan Taylor (24%) Emma Place (16%) Annabelle Taylor (16%)</p>
<p>Abbey Power Generation (02-Nov-2015)</p>	<p>Alexander John Duce Roland John Bernard Duce Bryan Dryden Foord Jonathan Dryden Foord Nicholas Van Der Borgh</p>	<p>Strategic Resources Limited (100%)</p>	<p>Owner of Strategic Resources Limited: Roland J B Duce (100%)</p>
<p>Simec Power 1 (02-Mar-2016)</p>	<p>James Brian Busche Parduman Kumar Gupta Rajeev Gandhi</p>	<p>Simec Energy Solutions Limited (100%)</p>	<p>Owner of Simec Energy Solutions Limited: Simec Energy PTE Limited (Singapore)</p>
<p>Armstrong Energy (15-Mar-2012)</p>	<p>Andrew Jonathan Charles Newman Robin Francis Chamberlayne Stephen William Mahon Alan Adi Yazdabadi</p>	<p>Andrew Newman (16.1%) Stephen Mahon (15.9%) Judi Newman (15.9%) Robin Chambers (10.2%) Julia Chambers (10.2%)</p>	<p>Andrew Newman (16.1%) Stephen Mahon (15.9%) Judi Newman (15.9%) Robin Chambers (10.2%) Julia Chambers (10.2%)</p>

Prime Energy (17-Mar-2014)	Norman James Campbell George Malcolm Grant David John Lewis Hrafnhildur Lyons	Watt Holding Limited (100%)	George Grant (29.4%) Norman Campbell (18.5%) Christopher Mckerrow (14.5%) Andrew Stacey (12.6%) Alison Grant (8.5%)
Hartree Partners (03-Oct-1997)	Stephen Michael Hendel Jonathan O'Neill Stephen Michael Semlitz Heiko Voelker	Hartree Partners LP (100%)	Hartree Partners LP is a Delaware based entity with limited disclosure requirements
Peak Power Connections (25-May-2016)	Paul Graham Barker Billy Anthony French Oliver Gordon Hughes	External Nominees Limited (100%)	Owner of the External Nominees: Billy French (100%)
First Renewables (18-Feb-1999)	Matthew George Setchell Edwin John Wilkinson	Energy Power Resources Limited (100%)	Owner of Energy Power Resources Limited: MEIF Luxembourg Renewables SARL (100%)
NG CM 2017 Limited (23-Aug-2016)	Paul Graham Barker Billy Anthony French Oliver Gordon Hughes	Peak Power Projects LLP (100%)	Registered in Companies House as a person with significant control: Vijaykumar Chhotabhai Kalidas Patel (50-75%) Bhikhu Patel Oliver Gordon Hughes Oxford Capital Partners LLP: Edward Mott David Mott Andrew Sherlock Emsa Trust Jing Bai Paul Graham Barker James Raymond John Beck Elizabeth Ann Ruth Griffiths Robert John Griffiths Catherine Elisabeth Ann Jacquet Chloe Elizabeth Charlotte Jacquet George Samuel Krempels Robert William Laddle

			David Alan Owen Alexander Toby Bevis Pike Edmund Brabazon Ponsonby Barnaby David Rhys Jones Ocktom Ltd: Caroline Elizabeth Beck James Raymond John Beck Sterling Power Group Ltd: Glyn Jones Matthew Jones Adam Jones
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Appendix C: RockPool Investments LLP

RockPool Investments LLP has facilitated nine companies qualifying in the “reserve power” sector, with a total of £34.1m invested through the EIS scheme.¹⁹

Company	Date of first investment	No. of investors	Amount invested (£m)
Attune Energy Limited	October 2014	167	3.4
Flexible Generation Limited	March 2015	125	3.6
Balance Power Limited	March 2015	131	3.6
Precise Energy Limited	March 2015	107	3.6
Equivalence Energy Limited	March 2015	145	3.6
Valence Power Limited	March 2015	125	3.6
Portman Power Limited	March 2015	165	4.3
Reliance Generation Limited	September 2015	186	4.2
SelectGen Limited	September 2015	145	4.2
Total			£34.1

¹⁹ This information was disclosed by RockPool in its March 2016 response to the Government's on consultation on capacity markets.