

Our Ref: DSCT/JDE BRL/ADM-2

1 February 2019

Mr Andrew Self
Targeted Charging Review / Energy Systems Transition
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

BY POST & EMAIL:
TCR@ofgem.gov.uk

Dear Andrew,

**BANKS GROUP RESPONSE TO OFGEM CONSULTATION ON THE
TARGETED CHARGING REVIEW MINDED TO DECISION AND DRAFT
IMPACT ASSESSMENT**

Thank you for the opportunity to respond to your consultation on your minded to position on the outcome of the Targeted Charging Review.

Banks Renewables is an independent renewable generator with 223MW of operational onshore wind generation assets. We are a medium sized business and find it challenging to assess and respond to the number and scope of highly technical proposed changes in the electricity industry. We request that Ofgem aims for simpler pricing structures and takes its time to consider the implications of the multiple changes presently under consideration. A model showing the impact of the TCR-SCR and Network Access proposals together on an embedded renewable generation project in Yorkshire and a transmission connected renewable generation project in Scotland would be useful.

Your minded to position could have a significant impact on our embedded generation portfolio with an adverse economic impact of circa £5.6/MWh (based on National Grid's present estimates of the average value of BSUoS) across 84 MW of embedded onshore wind generation all of which is project financed. This will obviously have an impact on the business models on which these projects were financed.

The removal of the TGR (without a replacement mechanism for limiting the average generation charge to €2.5/MWh) will also have an adverse economic impact of circa £3/MWh (based on a £10/kW/year change), which applies to 139MW of our transmission connected assets.

Government policy has been to encourage the deployment of low carbon, decentralised energy and successive governments actively encouraged the investor community to deploy significant capital through its subsidy regime. It is highly unrealistic for Ofgem to expect the investor community to gain an in depth technical knowledge of complex grid charging arrangements and then be able to forecast how those might evolve over time. Without some form of grandfathering right to protect the original investment cases, Ofgem should seek to limit the speed and impact of the changes. Otherwise the UK will cease to be seen as an appropriate place for further ongoing investment, causing much damage to the delivery of decarbonisation objectives at the lowest cost possible. The consumer is not being best served by the speed and depth of these rule changes that Ofgem are proposing and we ask you to reconsider.



As a member we support the more detailed response from Scottish Renewables and Renewable UK.

In response to your questions:

- 1 **Do you agree that residual charges should be levied on final demand only?**

Yes.

- 2 **Do you agree with how we have assessed the impacts of the changes we have considered against the principles? If you disagree with our assessment, please provide evidence for your reasoning.**

A model showing the impact of the TCR-SCR and Network Access proposals together on an embedded renewable generation project in Yorkshire and a transmission connected renewable generation project in Scotland would be useful.

- 3 **For each user, residual charges are currently based on the costs of the voltage level of the network to which a user is connected and the higher voltage levels of the network, but not from lower voltage levels below the user's connection. At this stage, we are not proposing changes to this aspect of the current arrangements. Are there other approaches that would better meet our TCR principles reducing harmful distortions, fairness and proportionality and practical considerations?**

We agree with your present view to not change this aspect and not charge costs from lower voltage levels than the level of the connection.

- 4 **As explained in paragraphs 4.41, 4.43, 4.46, 4.49, 4.80, we think we should prioritise equality across all segments. Do you agree that it is fair for all users in the same segment to pay the same charge, and the manner in which we have set the segments? If not, do you know of another approach with available data which would address this issue? Please provide evidence with your answer.**

No comment.

- 5 **Do you agree that similar customers with and without on-site generation should pay the same residual charges? Should both types of users face the same residual charge for their Line Loss Factor Class (LLFC)?**

No comment.

- 6 **Do you know of any reasons why the expected consumer benefits from our leading options might not materialise?**

Please see above. We believe the speed and depth of these changes and others will impact future investment in low carbon generation in the UK to the detriment of consumers.

- 7 **Do you agree that our leading options will be more practical to implement than other options?**

No comment.

- 8 **Do you agree with the approaches set out for banding (either LLFC or demanding for agreed capacity)? If not please provide evidence as why different approaches to banding would better facilitate the TCR principles.**

No comment.

- 9 **Do you agree that LLFCs are a sensible way to segment residual charges? If not, are there other existing classifications that should be considered in more detail?**

We support the capacity charge options.

- 10 **Do you agree with the conclusions we have drawn from our assessment of the following?**

- a) **Distributional modelling**
- b) **The distributional impacts of the options**
- c) **Our wider system modelling**
- d) **How we have interpreted the wider system modelling?**

Please be specific which assessment you agree/disagree with.

No, Please see Scottish Renewables and Renewable UK response.

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- 11 **Do you agree with our proposed approach to the reform of the remaining non-locational Embedded Benefits?**

No comment

- 12 **Do you agree with our proposal not to address any other remaining Embedded Benefits at this stage? Which of the embedded benefits do you think should be removed as outlines in xx? Please state your reasoning and provide evidence to support your answer.**

No comment

- 13 **Are there any reasons we have not included that mean that the remaining Embedded Benefits should be maintained?**

Please see above. We believe the speed and depth of these changes and others will impact future investment in low carbon generation in the UK to the detriment of consumers.

- 14 **Do you agree with our proposed approach to transitional arrangements for reforms to: a) transmission and distribution residual charges b) non-locational Embedded Benefits? Please provide evidence to indicate why different arrangements would be more appropriate.**

Please see our answer to question 16

15 Do you agree with our minded decision set out? If not please state your reasoning and provide evidence to support your answer.

A repeat of our position detailed above. Your minded to position could have a significant impact on our embedded generation portfolio with an adverse economic impact of circa £5.6/MWh (based on National Grid's present estimates of the average value of BSUoS) across 84 MW of embedded onshore wind generation all of which is project financed. This will obviously have an impact on the business models on which these projects were financed.

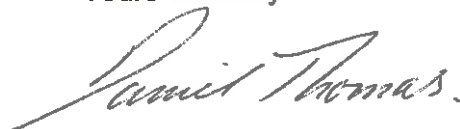
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16 For our preferred option do you think there are practical consideration or difficulties that we have not taken account of? Please provide evidence to support your answer.

No comment

Yours sincerely



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