

Dear Andy,

Firstly, as you may have seen, the Energy Investment team at Octopus has recently re-branded as Octopus Renewables. Hopefully this should relieve some of the confusion between this team and the supply business, which will continue to be Octopus Energy. It also better reflects the core mission of our team, which is to accelerate the investment needed to drive the decarbonisation of our energy infrastructure.

We welcome the additional analysis carried out as part of the Targeted Charging Review and published alongside the consultation letter on 17 June. We remain however of the opinion that the deepest flaw in the analysis of the impacts of reform to embedded benefits remains unaddressed. In particular the assumption in all scenarios prepared by Frontier is that additional funding is provided to ensure that deployment of new renewable capacity remains unchanged. We do not think this is a realistic assumption, and as such we reiterate the points made in our previous consultation response regarding the significant negative impact that these changes will have on deployment of renewables. This runs counter to the key objective in the recently published strategic narrative for Ofgem to decarbonise to deliver a net zero economy at the lowest cost to consumers.

Given the significance of the impact of the proposed reforms on decarbonisation targets, we would urge Ofgem to delay reform until clear, detailed policy from government is available on how further decarbonisation of the power sector should be supported or encouraged. It is telling that our most recent investments in new-build renewables have been in France, Finland and Australia, whilst investments in the UK which we have been discussing for some time continue to be delayed, with uncertainty on future TNUoS costs should the generator residual be floored at zero a significant factor.

Having participated in the Balancing Services Charges Task Force, it was clear that even if the conclusions are fully accepted by Ofgem that there remained significant uncertainty as to how they would be acted upon. This uncertainty is unhelpful to investors. We would therefore encourage Ofgem to avoid further damaging uncertainty and confusion by avoiding multiple changes or unnecessary interim arrangements. In particular, should the work of the Task Force lead Ofgem to conclude that BSUoS should be treated as a cost recovery charge and hence under broader TCR principles recovered from demand only (i.e. similar to the proposals in CMP 308), we would view it as highly disruptive if a BSUoS charge were imposed on embedded generators as an interim step whilst industry progressed the necessary modifications to implement CMP 308 (or similar).

As ever, I would be very happy to discuss this response in more detail should it be helpful.

Kind regards,

David Bird

Octopus Renewables