

From: Mark Howitt <mhowitt@storelectric.com>
Sent: 18 September 2020 12:10
To: RIIO2
Subject: Re: RIIO-2 Draft Determinations Consultation Response

Dear sir/madam,

You are welcome to publish it. Please also add the following.

Salami slicing contracts

All large-scale storage is inertial. So is nuclear, biomass and AD generation.

Inertial plant cannot deliver (for example) balancing power, constraint alleviation or frequency/voltage regulation without delivering inertia, but Ofgem and NG are intent on salami-slicing contracts. What would happen if an inertial plant won a contract to deliver frequency/voltage regulation but not inertia?

- Would it be penalised for delivering uncontracted inertia, to reimburse the plants that won the inertia contracts, thereby either making the storage uneconomic or compelling them to price the regulation contracts high enough to accommodate the fines?
 - If the latter, it would greatly increase total system costs, and/or make storage uncompetitive - not because it's more expensive plant, but because it would be being penalised unfairly for delivering a beneficial service that is impossible to switch off.
 - What if the storage were subsequently to win a contract for inertia?
 - Would it really be coining it, not having to pay the priced-in fines?
 - Or would they bid a very low price for that reason, competing unfairly by cross-subsidy (cue law suits from losing bidders) from the regulation contracts?
- Would it be paid for the uncontracted inertia, and the plants with inertia contracts would sue National Grid?
- Would the inertia be taken for free instead of reimbursed, and then both inertial storage and the plants with inertia contracts would sue National Grid?

Thus not a single outcome of this salami-slicing is happy for participants or cost-effective for consumers.

Far better to tender a matrix of requirements, then:

- Let the hardest-to-let contract first
- See what else that plant can deliver cost-effectively, and award it those contracts
- See what requirements remain unsatisfied, and repeat

Kind regards,
Mark

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Mark Howitt

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United Nations ([UNECE](#)) expert in energy transition technologies, economics, regulation and politics – [invitation here](#)
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Storelectric's [CARES](#) project in Cheshire is recognised as important at a continental scale, having been [accepted](#) as a [European Project of Common Interest](#).

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On 18/09/2020 11:07, RIIO2 wrote:

Dear Stakeholder

I am contacting you as you recently provided a response to our Draft Determinations Consultation for the RIIO-2 Price Controls for Gas, Electricity Transmission and the ESO. As part of the consultation process we plan to make the responses public and publish them on our website by the end of September 2020. Could you please respond to this email by the 25th September 2020 and let us know if you happy for your response to be made public. We will only publish responses that we have permission to do so with, if for any reason you would like your response to be remain confidential please let us know.

As part of our decision making process we will also be holding a series of open meetings with stakeholders starting on the 13th October 2020. Please see the link below for further details.

Ofgem's Network Price Controls Open Meetings

We are holding a series of nine Open Meetings to discuss company responses to Ofgem's Draft Determinations, strategically highlight key themes for discussion and raise any areas for clarification ahead of Final Determinations. Stakeholders will have an opportunity join these meetings and submit questions to the companies. You can [register for these Open Meetings on our corporate Eventbrite](#).

Many thanks
The RIIO-2 Team