



REA response to Ofgem consultation on the Access & Forward-Looking Charges SCR

The Association for Renewable Energy & Clean Technologies (REA) is pleased to submit this response to the above consultation. The REA represents renewable electricity, heat and transport, as well as Electric Vehicle companies and Energy Storage. Members encompass a wide variety of organisations, including generators, project developers, fuel and power suppliers, investors, equipment producers and service providers. Members range in size from major multinationals to sole traders. There are around 550 corporate members of the REA, making it the largest renewable energy trade association in the UK.

Introduction

The SCR proposals offer some positives for distribution network connected renewables, which we welcome, but risk the transition to a flexible energy industry, by continuing to suppress flexibility price signals in the market.

We welcome the increased options and possible decreased cost for new grid connections on the distribution network. We are clear that it should still always be an option to receive a completely firm connection (alongside the time and varied access right options).

With an unprecedented level of change in the energy industry and grid charging regime, grid and networks fees are a critical area for the renewable energy, energy storage and EV industries.

We have received representations on the very detrimental bottom-line impact of some of the proposed changes when combined with the various other grid charging changes of the past few years. This makes clear that certain renewable power projects will be unable to progress in the future and existing ones where feedstock costs have already gone up for example will be badly hit.

We also have concerns regarding the impact on distribution connected generators in the north of the country including Scotland who could be negatively impacted making new developments in such locations uneconomic.

Key points

We have not responded to the individual questions set out but would like to make the following points which relate across the questions:

- We stated our belief at the TCR consultation that the Targeted Charging Review Significant Code Review (TCR) and Access & Forward Looking Charges Significant Code Review must be coordinated and implemented in parallel.
- Modelling suggests that the likely impact of the TCR will be very negative on most renewable, and flexible technologies, and the industry had hoped that the

Forward-looking charges might balance this out to some degree. While this may be the case in some circumstances for renewable projects in the south of the country, for most projects there is a loss of flexibility price signals and this will be negative for new flexibility capacity such as energy storage devices.

- Smaller embedded generators should not be charged TNuOS rates.
- Forward-looking charges should provide pro-active signals for flexible behaviour from generators and demand, to offset the loss of signals from the TCR reforms. But this is not been the case with the current proposals.
- This is a disincentive to the adoption of flexible grid management technologies, electric vehicle smart charging and some on-site renewable energy.
- We request a set of case studies showing the exact impact expected on various users of the network – combining the likely outcomes of the TCR SCR and the Access and Forward-looking charges work, to allow industry to examine the impact ‘in the round’.
- In terms of the operating environment for renewables, this has shifted considerably in the past two years, such that grid access and use of system charges have become critical to business cases. This is also the case with energy storage devices, which do not receive any direct public support. Therefore this is a very important matter for the renewables and clean tech sector with the power to significantly negatively impact project business cases. We also note the impact on some businesses of those who acted to lower their emissions by installing on-site generation in the past and smart technologies, some of whom will be penalised under the proposals.

Impact across renewables and the decentralised, smart energy landscape, as well as decarbonising all forms of energy

The landscape for embedded, distributed renewable generators has considerably deteriorated in the past few years due to a number of adverse policy and regulatory decisions and this must be acknowledged by Ofgem.

There is also huge concern among related clean technologies – for example we see the business case for Electric Vehicle (EV) charging developing and shifting significantly in the next few years. Modelling by Aurora Energy Research on behalf of the REA and its members (available online) outlines the benefits of co-location of many types of EV charging C&I deployments with solar and battery storage. This is because charging projects can reduce costs for wholesale electricity procurement by co-locating solar, and can tap into ancillary services markets directly by installing storage onsite. This must be

incentivised and encouraged, for the wide system benefits it creates, rather than being slowed with new hurdles being erected.

We also see the EV charging industry evolving in the coming years. We see a greater premium than at present put on the 'smartness' of chargers and the backend software that allows for demand aggregation and/or other new revenue streams (assuming of course the level of incentivisation given to smart charging by the future network usage and access regime). The REA is working with the Government's EV Energy Taskforce at present, in part on determining what smart charging will entail following the Government's new ability to mandate smart charging for new units.

The access reforms and changes to more cost-reflective forward pricing must benefit renewables and clean tech projects and especially energy storage, which can offer considerable benefits to the grid, and it is essential that the regressive impact of the TCR is outweighed.

Request for Case Studies illustrating impact of proposals in conjunction with TCR changes

We request a set of case studies showing the exact impact expected on various users of the network – combining the outcomes of the TCR SCR and the closely-related Access & Forward-looking charges work, to allow industry to examine the impact 'in the round'.

It is vital to have several case studies of sites with on-site renewables generation, with energy storage, and with EV charger(s) in place. Without this we can only comment on half of the picture.

Summary

In conclusion, while we welcome the extra options for access rights and hopefully reduced costs, the Access & Forward-looking charges risk making existing and future flexibility projects much less feasible financially, at complete odds with Government policy. There must also always remain a completely firm connection option for new projects.

While some aspects of this review, reducing connection charges, are welcome, the flexibility proposals turn on the head the messaging and incentives of the past decade by punishing those who have installed generation and flexibility resources on-site at homes and business premises, and puts at risk the pace of transition to a flexible low carbon energy system.

Smaller embedded generators should not be charged TNUoS and the full impact on Scotland and northern English generators must be considered and addressed to prevent unintended socio-economic knock-on impacts resulting from less development in these locations, arising from it becoming financially unfeasible to develop new distribution connected projects in those locations.

The proposals are at odds with publically stated policies from Government and we are concerned that the modelling understates the value of local flexibility. The localised nature of some types of flexibility, such as that situated behind-the-meter, means that these may well be especially well-suited to providing services to avoid unnecessary network reinforcement.

REA, August 2021