

Arenko Response to Ofgem's Open Letter on future reform to the electricity connections process

16th June 2023

About Arenko

Arenko is in pursuit of a zero-carbon grid worldwide and was established in 2014 to enhance the value of energy storage assets. We have been operating large scale battery assets since 2016 and now focus on developing our Software Platform 'Nimbus'. Arenko's Nimbus Platform provides proven technology that standardises, controls, dispatches and optimises energy storage assets. We also have over six years' experience in development, construction, and asset management. Our in-house team provides Project Services in all phases that supports the full lifecycle of our clients' assets, from the development through to the construction and operation.

We currently have over 210 MW of battery storage operational on our platform with a contracted pipeline in excess of 1.2 GW of stand-alone and co-located battery assets. We are active players in the Balancing Mechanism (BM), having delivered the first automated system to allow batteries to participate in the BM and lead on the BM Reserve from storage trial with National Grid ESO in 2021.

Introduction

We would like to thank Ofgem for the opportunity to respond to this Open Letter. Arenko are eager to work with Ofgem and other industry stakeholders to help improve our energy system so that we can improve affordability for customers, help improve grid management and contribute towards our Net Zero ambitions.

Arenko welcomes Ofgem's publication of this letter and have long called for improvements to the Grid Connection Process. Like many players in the battery storage space, securing timely grid connections for new projects proves extremely challenging and is a barrier to the deployment of storage at scale. We are pleased to see Ofgem's recognition that to meet our Net Zero ambitions, lower customer bills and to maintain security of supply, ensuring low carbon assets can connect to the grid when and where they are needed is crucial. We also strongly support Ofgem's sense of urgency with regards to improving the current situation.

Questions

The nature and priority of connections issues

Arenko generally agrees with Ofgem's outline of the key challenges to new connections. However, one challenge that was not encapsulated in the first section of this overview is the

additional challenge that has been created by the First Come First Serve (FCFS) queue system. The Open letter does acknowledge that how, within a constrained system, customer connections are being delayed by non-viable or slow to progress projects at the front of the connection queue. In addition to this, it is important to recognise that the FCFS system encourages the submission of additional and increasingly speculative applications to enter the back of the queue, which further exacerbates the challenge.

Priority areas of focus for Ofgem

The role of Ofgem, Government and industry bodies are well outlined within this letter.

We would like to raise the challenge of local planning surrounding for these energy projects. As the energy infrastructure becomes increasingly constrained and industry bodies are looking to accelerate the UK transition to Net Zero, Ofgem's role in overseeing and driving reforms is critical. Particularly given the new Net Zero duty that will be placed on Ofgem via the Energy Bill. Ofgem are in a unique position to facilitate improved communication between the UK Government's planning regulation and the challenges facing energy infrastructure.

We have found that the locations of low network constraints, with earlier connection dates are often located in areas with high planning constraints. Therefore, despite being able to get a connection agreement, new projects are blocked by the planning regime. Although these planning constraints and designated areas are important to be upheld, Ofgem could provide a line of communication between industry and government to allow for exceptions to be made in specific circumstances, where it would benefit the wider energy system. For example, allowing less 'cumbersome' infrastructure such as BESS projects to be built. This may help alleviate constraints on the network and avoid the buildout of additional infrastructure elsewhere in the country, therefore, reducing costs to the end consumer. This conversation is currently being undertaken on a case-by-case basis by individual project developers during planning applications whereas a discussion around regulatory direction between government and the system operators may be more beneficial.

The illustrative reform stages and options for consideration (Annex B).

Whilst we do welcome all reform stages and options that have been proposed by the ESO and the ENA, we do have concerns that these steps do not go far enough. While the TEC amnesty and queue management are positive steps to remove projects which are not being progressed, there is little proposed that prevent additional speculative applications to be submitted, without which overcoming the existing challenges will be made more difficult. Although projects should be removed that are 'blocking' the queue, we also need to consider avoiding new projects which have the potential to create future 'blocks' and which, in the meantime may also over-inflate the queue, push back connection dates, discourage investment, and increase uncertainty.

Next Steps

Arenko would like to thank Ofgem again for the opportunity to respond to this Open Letter. If you have any questions regarding our response, please do not hesitate to contact us using the details below.

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