



Energy for  
generations

# ESB Generation and Trading's Response to Ofgem's Call for Evidence on the Correct Regulatory Treatment of Assets Dedication to Provision of Ancillary Services

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## 1. INTRODUCTION

ESB Generation and Trading (GT) welcomes the opportunity to respond to Ofgem's Call for Evidence on the 'Correct Regulatory Treatment of Assets Dedicated to Provision of Ancillary Services' / 'Review of the Arrangements for Electricity Ancillary Services'. Unfortunately, due to the time constraints during these challenging times of engaging, as you can appreciate, ESB GT can only offer a short response to this Call for Evidence. The response may be short; however, it will cover the high-level principles that should govern any discussion on these topics going forward. The high-level comments section below will look at the three main areas that this Call for Evidence looks to address.

## 2. HIGH LEVEL COMMENTS

### 2.1 Level Playing Field

Assets that are dedicated to the delivery of ancillary services should not be subject to additional prohibitive costs and charges which would deter investment in these needed technologies. These assets can provide the system with a much-needed service and the treatment of them should reflect that value. A level playing field is required across all asset/technology types so that they can compete fairly amongst each other and deliver the best value to the consumer.

### 2.2 Licensing Arrangements

It is agreed that in the past, generation, transmission and demand were much more clearly distinct activities. The progression of new needs, technologies and participants in the energy system has brought about new challenges, one of which is how these assets/providers are classified under the licensing arrangements. While the existing categories may not perfectly be fit for these dedicated ancillary service assets, decisions on updating these categories or creating additional categories should remain dynamic. This is to avoid creating an unforeseen consequence today for future innovations which may restrict their development and deployment.

The Call for Evidence also asks for views on the ownership and funding arrangements of these dedicated ancillary service assets and what the effect on competition could be. ESB GT is of the view that the ownership of these assets would be best placed through commercial ownership as opposed to Transmission System Owner/Operator (TSO) ownership. Having the TSOs as the sole owners of these assets has the potential to reduce competition and investment in the market along with reducing

the potential volumes available for other service providers. If the TSOs or Distribution System Owners/Operators (DSOs) were to deploy these technologies, then the funding mechanism for this should be independent of the commercial markets. Having the TSOs or DSOs competing directly against other market participants has the potential to create an un-level playing field, reduce investor confidence and detract from competitively driven innovation.

## **2.3 Roles and Responsibilities**

More clarity around the existing roles and responsibilities in the provision of ancillary services is always welcomed. As mentioned in the paper, uncertainty around the boundaries of responsibility and who should be taking forward solutions can add unnecessary confusion and slow down or prevent stakeholders from delivering innovative solutions. These solutions can offer a benefit to the system, ensuring resilience in a safe and secure manner.