

EcoDev Group Ltd.’s response to Ofgem Consultation request regarding “*Project Assessment for LDES Window 1 Cap and Floor Regime*”

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Confidentiality: No – this response is non-confidential save where otherwise indicated.

Section 1: Introduction and Interest in the Consultation

EcoDev Group Ltd is responding to Ofgem’s consultation on the proposed project assessment framework for Long Duration Electricity Storage (LDES) Window 1 on behalf of our operational special purpose vehicles (SPVs) and welcomes the opportunity to participate in this consultation.

As a developer and operator of battery energy storage systems (BESS) in the UK, our interest is in ensuring that the cap and floor regime encourages and supports investment in high-quality, commercially viable LDES projects to provide flexibility, resilience, and cost-effective decarbonisation benefits to the United Kingdom’s strategic energy system.

Section 2: Responses to Consultation Questions

Q1–Q2: Overall MCA Approach

We broadly support the proposed multi-criteria assessment (MCA) structure covering economic, strategic, and financial impacts. The transparent ranking of projects using monetised NPV per £/MWh and £/MW terms is a sound starting point.

However, we recommend that Ofgem provide clear criteria for adjusting rankings based on non-monetised strategic benefits. This will ensure consistent treatment across diverse technology types and configurations, especially where flexibility, resilience, or regional benefits may not be fully captured in the economic modelling.

Q3–Q4: Competitive Bids and Revenue Streams

We support the principle of using project-specific competitive inputs to determine financial parameters, including the cap/floor levels, rate of return, and regime duration.

Given the variable revenue profiles of BESS assets, particularly regarding arbitrage and ancillary services, we encourage:

- Clarity on how Ofgem will validate revenue projections from re-optimisation and Balancing Mechanism activity.
- A consistent method for assessing asset performance across diverse operating strategies and market participation profiles.

Q5–Q6: Economic Assessment Scope

The impact categories identified are comprehensive. However, Battery Energy Storage Systems (BESS), particularly long-duration configurations, face significant investment barriers under the current merchant market model. While the UK grid increasingly requires flexible capacity to support growing renewable penetration, the commercial case for BESS remains weak in the eyes of institutional or traditional

infrastructure investors. Revenue streams such as wholesale arbitrage, ancillary services, and the capacity market are inherently volatile, short-term, and non-contracted. This creates uncertainty over long-term cash flows, making it difficult to attract capital that relies on predictable, inflation-linked returns—particularly from pension funds, insurers, and infrastructure platforms that are accustomed to regulated or contracted infrastructure models.

The merchant power model may work for highly capitalised developers or traders with the ability to manage price volatility, but it is fundamentally misaligned with the risk-return expectations of long-term investors. Without mechanisms to mitigate market volatility, BESS projects are unable to support conventional project finance structures. This leads to higher costs of capital, limited market participation, and delayed deployment—despite the fact that BESS offers fast, clean, and locationally flexible system services that are increasingly indispensable to grid stability.

A cap and floor regime directly addresses these investment barriers. It provides a defined revenue corridor that protects downside risk while limiting excessive returns—creating a balanced and investable framework for essential infrastructure. For BESS, this means access to stable, long-term capital at lower cost, enabling projects to scale and deliver value to consumers. By underpinning investment with predictable returns, the regime de-risks participation in merchant markets and supports system needs without overcompensation.

This is why Ofgem should recognise that the success of the LDES cap and floor regime depends on its alignment with the investment reality. If BESS is excluded from the regime, it will be structurally unable to participate in LDES deployment at meaningful scale. The result would be a critical gap in the UK's flexibility portfolio, undermining the reliability, affordability, and resilience of the electricity system. To meet the UK's energy security and decarbonisation goals, the inclusion of long-duration BESS in the cap and floor framework is not optional—it is essential. Without it, institutional capital will remain on the sidelines, and the UK will struggle to deliver the flexible, low-carbon system that net zero demands.

Q7–Q8: Strategic Assessment Criteria

We agree that technological diversity, option value, resilience, and flexibility are key strategic considerations. In particular:

- Option value should recognise projects with proven expansion potential (e.g., reserved grid capacity, modular architecture).
- Flexibility across future scenarios should favour assets capable of responding dynamically to evolving market and system conditions.
- System resilience scoring should account for project siting, particularly where grid weakness or intermittency risk is high.

We encourage Ofgem to consider projects' contribution to local resilience and operational security alongside national metrics.

Q9–Q10: Financial Assessment Methodology

The financial assessment structure is proportionate and we support its application. However:

- The treatment of re-optimisation revenue and ancillary service income should reflect realistic market conditions and avoid excessive discounting of commercially credible forecasts.
- Assuming revenue neutrality in the Balancing Mechanism may understate the commercial and system value of fast-responding BESS assets. We suggest allowing for asymmetrical impacts where flexibility displaces higher cost redispatch.



Projects like ours, with demonstrated flexibility and proven revenue stacks, should not be disadvantaged by assumptions that reflect less capable market participants.

Section 3: Additional Comments

- EcoDev Group supports Ofgem's intent to avoid rigid quantification of non-monetised impacts but suggests more explicit thresholds for how strategic value influences final selection.
- We request clarification on how Ofgem will consider project deliverability updates and risk of delay between application and final decision in 2026.
- We encourage NESO to provide clearer definitions of scenarios used in sensitivity testing to ensure consistency and comparability of results across applicants.

Section 4: Confidential Material

This response is non-confidential. Should confidential annexes be submitted alongside project-specific applications, these will be clearly marked and separated.

End of **EcoDev Group Ltd.'s** submission