



Our Ref: BJP/CCon

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RE Development Team
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By Email:
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Dear Sirs

OPEN LETTER – CHARGING ARRANGEMENTS FOR EMBEDDED BENEFITS

Banks welcomes the opportunity to make comments on the proposals to change arrangements associated with embedded benefits, as set out in the open letter of 29 July 2016, and we are concerned about the contents of the letter and some of the options identified within it.

The Banks Group Ltd “Banks” are a medium sized business based in Durham, founded in 1976, with a turnover of c£120M and employing, c400 people. Banks Renewables Limited “BRL”, a leading developer of Renewable Energy in the United Kingdom, is part of The Banks Group, which in addition is the leading surface mining company in the United Kingdom, and a highly successful property development company in the North East. “Development with Care” is our guiding philosophy across all our businesses. We work incredibly hard to ensure that communities in close proximity to our projects benefit financially, are treated fairly and with respect.

We are supported by a large supply chain of over 1000 suppliers associated with the business, of which the vast majority are in Northern England and Scotland.

BRL has a forward pipeline of projects that are due to be deployed through to the early 2020s. Over 90% of our portfolio is in Scotland. We are currently working towards deployment of 157MW under both the RO and CfD schemes with projects in the pre-construction phase. We have built and now operate 6 sites totaling some 64MW in England.

We have been investing into sites over the last 10 years in good faith under both support regimes on the back of Government policy, in both Scotland and England, with plans to invest up to £250m in these schemes. We are currently progressing 3 CfD projects that secured contracts in the first allocation round totaling 151MW.

All of our current onshore wind deployment is connected at a distribution level thereby playing an important role in reducing stress on the transmission network.

We are concerned about the proposals and options set out in the letter and our general comments and rational for this are follows.

1. Government has encouraged the deployment of new generation as set out under the EMR and ROC process, recognising that much of this new investment and deployment would come from Independent Generators “IPP”.

2. This has led to significant deployment of the lowest cost forms of renewable generation such as onshore wind and other associated technologies by IPP's. IPP's have played an important role in increasing competition, and lowering prices for consumers through the CfD process. IPP's typically deploy large percentages of embedded generation.
3. IPP's by their nature are small organisations, who unlike the large Vertically Integrated Utilities (VIU's) are not equipped to fully understand and engage in the complicated rules and regulations associated with operation and management of the grid and associated charging regimes.
4. IPP's require a clear and stable investment framework in which to operate, and the current proposal seeks to dramatically undermine that by a set of complex and opaque technical changes that undermines the investment case made on projects.
5. Under the ROC regime, IPPs understood that they would take wind and power price risk, BUT not the complicated risk associated with trading arrangements such as embedded benefits that only the VIU's know, understand and can influence.
6. We are concerned that OFGEM appears to be moving towards removal of embedded benefits paid to a large proportion of embedded generators without there being any visible analysis to qualify the impact and consequences.
7. Embedded generation, such as our 6 operational wind farm projects, contributes to the reduction in demand at Triad periods, which is a benefit to the system, and should be treated in a similar way to other technologies delivering this service.
8. Embedded benefits are a small but significant part of our wind farm revenue. Any retrospective or future removal of embedded benefits adversely affects investment decisions and will represent an unequitable impact based on investments made in good faith.
9. Separate third party analysis has indicated that embedded generation is not a significant driver of increasing transmission network use of system charges. As network charges increase, so does the benefits of not using the network, however it is misleading to describe this a distortion of the market. As a consequence, any solution that focussed solely on changes related to Triad events will not tackle the fundamental problems, and such a solution would simply create distortions elsewhere.
10. Therefore, any proposals that OFGEM are seeking to introduce to resolve perceived distortions in embedded benefits should only be undertaken after a holistic review of the entire embedded benefits charging arrangements. Only through this process will OFGEM be able to explore how to fairly reward market participants for their contribution to reducing the impact on the transmission network.

In relation to the issues identified and discussed in the open letter, we propose the following:

1. There should be full grandfathering for all embedded benefits associated with distributed generation, particularly from the perspective of IPP's, to ensure stability for deployed RO and CfD projects plus future investment certainty.
2. With increasing deployment of embedded generation onto the network into the future in line with Governments objectives, it will be necessary to have a comprehensive, simple

and holistic solution, rather than the piecemeal approach being suggested in the open letter.

3. Without this holistic approach to the issue, setting out quite clearly the implications, IPP's should be protected from any changes that arise from changes to embedded benefits into the future.

Should you require any further details or wish to discuss our comments further, please do not hesitate to contact me.

Yours faithfully



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