

23 September 2016

Frances Warburton  
Wholesale Markets team  
Ofgem  
9 Millbank  
London SW1P 3GE

**RE: Open letter on the review of network charging arrangements for electricity generators connected at the distribution level**

Open Energi welcomes the opportunity to respond to the open letter on 'Embedded Benefits'. This letter is an endorsement of the position of the Association for Decentralised Energy (ADE) in their response to the same. In particular, Open Energi agrees that;

- A generator of demand user's position in the electricity market should reflect the costs and charges including network charges, required to provide or receive their service. It is our view that the proposed changes under CMP264 and CMP265 would reduce the cost reflectivity of the current charging regime and proposals to move to 'gross charging' do not represent either quick or effective solutions.
- It is vital that Ofgem plays an independent, active and analytical role in any review process, rather than relying on individual CUSC modifications. An Ofgem-organised and independently-led review of Embedded Benefits should be integrated with National Grid's project to reform transmission charges to engender a careful, holistic and systematic approach across both the transmission and distribution networks, and help deliver an enduring solution.
- Accessibility to the consultation around 'Embedded Benefits' and the 'accelerated timeline' has been a concern, in particular the process for raising CUSC modifications is weighted heavily in favour of incumbents.
- In its report for the ADE, Cornwall Energy estimated that the removal of embedded benefits would result in an increase in Capacity Market costs to consumers of at least £282m, not including the increased balancing services costs for National Grid to manage peak demand periods.
- Lastly, it is Open Energi's view that the proposed changes will harm the business case for front-of-the-meter energy storage.

Yours sincerely,

**Lucy Symons**  
Director of Public Policy, Open Energi

**About Open Energi**

Open Energi is a UK company headquartered in London with a satellite office in Manchester. Our globally patented Dynamic Demand technology provides a Dynamic Frequency Response service which is up to five times faster than thermal power stations. We have been providing this service to National Grid since 2011, fine tuning the consumption of over three thousand electrical loads on three hundred sites across the UK in real-time. We estimate our pipeline to be ~500MW and we are currently delivering revenue to companies including Sainsbury's, United Utilities, Aggregate Industries, NHS and many more.

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