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## **Ecotricity Response to Ofgem Consultation:**

### **CMP264 and CMP265 minded to decision and draft Impact Assessment**

Dear Andrew,

Ecotricity is an independent renewable energy generator and supplier, with over 190,000 gas and electricity customers and 81.6MW of renewable capacity including 71 turbines and the country's first large scale solar park. Our commitment to those customers is that the money they pay for their energy bills will contribute towards powering the UK by renewable sources. We have followed this pledge since first generating renewable electricity in 1998, and are now at the forefront of new renewable generation with ongoing research into tidal power, storage and biomethane.

## **Storage**

Ecotricity believes that storage should be exempt from these proposals. There are a number of reasons for this, and Ecotricity believes that there has been a lack of sufficient consideration by Ofgem.

Storage is a key concept for the future of the electricity energy industry. So key in fact that its interests are being addressed and protected as part of the Ofgem Targeted Charging Review, as well as being described as having a "big future" by Ofgem at the Energy and Climate Change Committee in 2016<sup>1</sup>. Ofgem have acknowledged however that distribution level storage may be reliant on the TNUoS Demand Residual (TDR) payments to be economic. It is then a major concern that Ofgem are proposing to drastically reduce the

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<sup>1</sup> <http://www.energylivenews.com/2016/04/14/ofgem-energy-storage-shouldnt-be-owned-by-network-operators/>



chances of this acclaimed emerging technology to remain economic. These actions could result in the potential demise of storage before it has even had the chance to blossom.

Ecotricity believes storage offers a much more comprehensive advantage to the electricity energy industry by encouraging storage to be built at the local network level and therefore the existing approach to TDR payments should remain as it. The existing Triad Avoidance charges provide a price signal indicating peak demand and therefore an opportunity for market participants to manage their own demand/generation balancing at this level. This reduces costs to National Grid in terms of their grid reinforcement and balancing actions. In contrast, the new proposals would encourage the placing of storage on the transmission network. Deployment of storage on the transmission network is much less efficient as this transmission of energy requires extensive infrastructure and it experiences high energy losses.

One of Ofgem's key contemporary principles is to promote innovation within the industry, especially those technologies which would help protect consumer interests. When assessing the components of storage, it is fair to conclude it is an innovative emerging technology which is also key for protecting consumer interests in the way it helps maintain the security of supply. It is concerning when a new innovative technology excels and fulfils the criteria of one of Ofgem's key principles, but is quashed without due consideration.

Ofgem have released contradictory information with regards to addressing storage. While Ofgem have previously acknowledged that they would take concerns about storage seriously, they have since confirmed that these concerns shall not be addressed. This is on the basis that Ofgem believe it will require a wide ranging review of network charging and would cause further delays to this reform in order to address this. Ecotricity feels that these storage concerns should be fully addressed before implementation of this minded to position and that this further review should be conducted.

With the above principles in mind, Ecotricity advocates for storage to be exempt from these proposals to ensure this exciting emerging technology is not annihilated into extinction as a result of these current proposals.

## **Grandfathering**

Ecotricity believes that grandfathering should be applied to existing and planned embedded generation. This is on the basis that many industry parties have entered into investments and commitments, such as EFR; capacity market assurances; or renewable projects, on the basis of receiving the embedded benefit. By significantly reducing these benefits without the principle of grandfathering, Ecotricity cannot reiterate enough of the dangers this would have on the security of supply.

These provisions could deem certain embedded generators to become uneconomic and consequently be switched off. This danger was highlighted in the 2016 KPMG report which concluded that a significant amount of existing and new embedded generation could be withdrawn or shut down as a result of drastic changes to embedded benefits. In the event that any uneconomic sites were to shut down in the short term, this would reduce the available capacity to help satisfy suppliers demand during peak times. In the event that any of the planned new embedded generation is withdrawn, this forecasted capacity would require subsequent replacement. It is implausible for this to be instantly replaced. This could



take quite some time to procure and will further increase the risk to the security of supply as there will be no guarantees to the future available capacity.

Sites that become uneconomic and as such, do not deem it necessary to help satisfy demand at these peak times, may decide not to help satisfy demand at all. With this cautious approach and the possibility that this could become widespread, suppliers may find it challenging to find the available capacity to help them in their time of need. There are even concerns of the possibility of blackouts, which is also referred to in KPMG's 2016 report. If there is a lack of available capacity, this would contribute quite significantly to the issue of the security of supply. It would be unfair to subject consumers to this possible risk.

In light of the above points, there could be a scramble for the diminished available capacity and this would no doubt increase the price for this dwindling amount of energy, which would be borne by the consumer. This completely negates one of the key principles of this proposal in ensuring the best possible outcomes for the end consumer.

Ecotricity also believes that the lack of due consideration with regards to grandfathering would also have a significant impact on investor confidence. This is on the basis that this could ultimately serve as a deterrent to future investment in embedded generation as a whole, due to the fact that this may set precedent for other revenue streams to be diminished. This lack of future investment could have significant detriment to the renewables market and constrict the positive impact that renewable technologies should be having on the industry right now.

With the above points in mind, Ecotricity advocates that grandfathering should be applied to existing generation and generation currently in the planning process.

## Conclusion

In conclusion, Ecotricity advocates for storage to be exempt from these proposals in order to ensure this exciting and emerging technology can continue to develop in the market. Ecotricity also advocates for grandfathering to occur in order for security of supply to be maintained and to preserve investor confidence.

Ecotricity welcomes the opportunity to respond and hope you take our comments on board. We also welcome any further contact in response to this submission. Please contact Joshua Phelps on 01453 840637 or [joshua.phelps@ecotricity.co.uk](mailto:joshua.phelps@ecotricity.co.uk).

Yours sincerely,



Alan Chambers  
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