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Ecotricity Response to Ofgem Consultation:

Targeted Charging Review

Dear Judith,

Ecotricity is an independent renewable energy generator and supplier, with around 195,000 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.

Use of small-scale generation to reduce residual charge payment

Ecotricity believes that the use of smaller renewable embedded-generation to reduce a supplier's consumption is a valid means of reducing residual charges. Suppliers who are able to proactively reduce their consumption using smaller renewable embedded-generation should continue to be rewarded for removing strain on the network.

If Ofgem are concerned with the use of dispatched diesel generators which leads to air quality consequences, Ecotricity advises that Ofgem should focus their attentions solely on addressing this, rather than punishing all small-scale generation with these proposals. Ofgem should eradicate the ability to use diesel generation or at least introduce a carbon-intensity limit for permissible small-scale generation.

Ofgem's proposals for residual charging

Ecotricity cannot support any of Ofgem's proposals for residual charging.

The Targeted Charging Review consultation states (page 24) that Ofgem do not wish to prevent or discourage suppliers from managing their own generation and consumption. However, in our view, Ofgem's proposals for residual charges have precisely this effect as they fail to provide a time-of-use element for any of their proposals.

The time-of-use mechanism is vital for the management of grid peak demand as it encourages demand reductions. By not including a time-of-use element, efforts to reduce the problems of peak demand will be hindered, with consequent increases in network and wholesale electricity prices for consumers negating one of the key Ofgem objectives for this review, whereby Ofgem want to protect consumer's interests and costs.

If, however, Ofgem are intent on implementing change at all costs, Ecotricity believes that Ofgem should focus on abandoning the residual charging methodology and instead introduce a charge that is based entirely on usage and strain on the network. This method would be more reflective of network use and would not be based upon a non-cost reflective fixed top-up figure.

Locational signals for smaller embedded generation

Ecotricity believes that improving locational signals for smaller embedded-generation does not effectively tackle the issue. There are so many mitigating factors that prevent generation from being deployed in the most efficient places, which would not be outweighed by the benefit of a locational signal. Before introducing a locational signal, Ofgem needs to tackle the issues of the planning and grid constraints, which are currently preventing the efficient deployment of smaller embedded-generation.

Storage

Ecotricity agrees with Ofgem's view that storage should not be double charged. However, Ecotricity also believe that charges should be less focussed on the quantity of demand or generation, but more on the time-of-use element. This would encourage the shifting of energy to times when it is most needed.

If Ofgem do not deem this feasible and instead mandates that storage be subjected to either a demand or generation charge, Ecotricity believes that storage should only pay the demand charge and not the generation charge as this would incentivise storage with high round trip efficiencies that do not waste large amounts of energy in the storage process.

Ecotricity also believes that defining storage as importing with export credits would be the most effective methodology for the BSUoS approach to charging storage.

Embedded generation and BSUoS charging

Ecotricity believes that smaller embedded-generation should not pay BSUoS charges. Smaller embedded-generation allows power to be produced more efficiently and reduces the need for an increasingly expensive grid. This represents a huge benefit, yet the direction of the industry is intently damaging the opportunities for smaller embedded-generation. By enforcing the

payment of BSUoS charges as well, this will only further deteriorate the opportunities of the already scrutinised smaller embedded-generation.

Contradictory objectives

Regrettably Ecotricity believes that too many of Ofgem's proposals are contradictory. This is a recurring theme and causes unnecessary uncertainty and inefficiency. This consultation in particular contradicts the principles of the 'Smart, Flexible Energy System' consultation, which encourages rewarding the management of demand.

Before any future consultations are progressed, Ofgem need to decide what their end goal is and how they wish the industry to look, with this vision aligning itself with BEIS. Once this collective goal is established and the industry knows where it stands, proposals and consultations can then be raised.

Conclusion

In conclusion, Ecotricity believes that the use of smaller renewable embedded-generation to manage demand should continue to be rewarded under the current principles; that locational signals for smaller embedded-generation would not be practical; agree that storage should not be double charged; and that smaller embedded-generation should not pay BSUoS. This would be reflective of a much more positive industry.

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.

Yours sincerely,

P.P. 

Tom Cowling
General Counsel