



Response to Ofgem Consolation: Targeted Charging Review

Dear Sir/Madam

Please find below our response to the TCR consultation. Being a start-up company we have not been able to allocate sufficient time to answer each question as fully as we desire but trust that where we have answered, our responses will be considered.

Question 1: Do you agree that the potential for residual charges to fall increasingly on groups of consumers who are less able to take action than others who are connected to the system, is something we should address?

Of course, fairness is a principle that should underpin any assessment of the charging methodology. However, we are moving to a significantly different mode of grid operation that is more distributed, exposed to higher levels of imbalance, and changing to a mechanism that does not incentivise responding holistically, may mean higher charges to all. Fixing the system for the minority does not make it inherently fairer and, given the low carbon transition, not cheaper overall.

Question 2: If so, why do you think, or do not think, action is needed?

Any action should be considered in a wider review of charging across the system and not be reactive or rushed.

Question 3: We are proposing to look at residual charges in a Significant Code Review. Are there any elements of residual charges that you think should be addressed more urgently? Please say why.

No. We strongly believe that there is no urgent need for change.

There is a significant risk of unintended consequences. Any move to reduce the ability for the majority of customer to act in what should be favor of the grid undermines every message that has come from the work undertaken by Ofgem, BEIS and the Networks that we need to move to a more flexible system.

There are fundamental considerations that need to consider about the charging mechanism. For example; signals that have historically been to incentivize the reduction in load/increase in generation will need to be considered alongside signals to increase load/decrease generation during the summer months. This cannot be undertaken by urgent measures.





Question 4: Are there elements of the approaches in other countries that you think could be appropriate for GB residual charges?

These should be considered in the round but Island nations, even larger Islands like the UK have unique characteristics especially when we have progressive carbon policy's, good and growing renewables volumes, and reducing inertia.

Getting a fair and progressive review of charging is the most important aspect and the UK should lead rather than follow. This is the opportunity for supporting GBs low carbon transition whilst supporting prosumers, renewable distributed generation, flexible load solutions and storage.

Question 5: Are there other approaches that you know about from other jurisdictions, that you think offer relevant lessons for GB?

The strongest signal that we have taken from other jurisdictions is to NOT rush such decisions in isolation. Nevada's hasty implementation is an obvious example. More broadly, Spain's PV policy change is widely considered a poor design of ill thought out policy.

Question 6: Do you agree that our proposed principles for assessing options for residual charges are the right ones? Please suggest any specific changes, or new principles that you think should apply.

We strongly recommend that one of the fundamental considerations is enabling customers to be active in the enablement of a low carbon grid. This entails, as a minimum, putting in place mechanisms for empowering customers to take part in the transition. Tending to make the charging methodology flat does not support this and is regressive.

Question 7: In future, which of these parties should pay the transmission residual charges: generators (transmission- or distribution-connected), storage (transmission- or distribution-connected), and demand, and why? What proportion of these charges should be recovered from each type of user?

We agree with the principle that all parties that are connected to the electrical system should contribute to the cost of running the system. However, it is reasonable that those who contribute the peaks disproportionately should pay more, and those that act in favor of the system should act to benefit. Allowing this action, and opportunity, to support a more flexible grid is essential.

Acknowledgement should be made that new technologies enable new business models including storage. Often these models do not require capital investment from the end user due to an existing appetite from investors to fund solutions. Storage should certainly not be considered end-use.



Question 8: In future, which of these parties should pay the distribution residual charges: generators (transmission- or distribution-connected.), storage (transmission- or distribution-connected), and demand, and why? What proportion of these charges should be recovered from each type of user?

See q7 – same principles apply

Question 9: Do you support any of the five options we have set out for residual charges below, and why?

No. We have significant concern that the proposed list does not include any flexibility options. We are surprised and concerned that the tone of the consultation only considers non-flexible solutions. The SCR is the ideal opportunity to take a more considered review of the system as a whole rather than put a plaster on the existing system

Question 10: Are there other options for residual charges that you think we should consider, and why?

Any solution that rewards flexibility in favor of the system should be considered strongly.

Question 11: Are there any options that you think we should rule out now? Please say why.

Ruling out static, harmonizing costs is our strong recommendation. Any flat rate approach purely to address a small minority of customers, will be detrimental to the UKs electricity system cost.

Question 12: Do you think we should do further work to analyse the potential effects of the charging arrangements for smaller EG (called 'embedded benefits')?

Yes.

In the essential transition to a low/zero carbon embedded generation and storage is of great benefit to the system and will be essential for achieving the UKs commitments. It is very reasonable to reconsider charging arrangements for EGs as there is a clear environmental and social benefit of having these generations on the system and their ability to act in favor of the system should be supported.

Question 13: Do you think changes are needed to the current charging arrangements for smaller EG, and when should any such changes be implemented?

This should be reconsidered in line with carbon impact/contributions in mind and not as per the current CMP264/265



Question 14: Of the embedded benefits listed in our table, do you think that any should be a higher or lower priority?

The overriding priority is a sustainable low carbon system. This must provide choice, the ability to be a proactive user of the system and resilience in a de-centralised world. It is unreasonable to look at a small segment of the network in isolation.

Question 15: Do you think there are other aspects of transmission or distribution network charging which put smaller EG, or any other forms of generation or demand, at a material disadvantage?

Double charging of storage behind the meter is unreasonable.

We think that more consideration should be consider where storage is installed with a sole function of earning revenues via a single revenue stream such as frequency response. These units stress the grid disproportionately and it may be reasonable to contribute to the system costs

Question 16: Do you agree with our view that storage should not pay the current demand residual charge, at either transmission or distribution level?

Yes

Question 17: Do you agree with our view that storage should not pay BSUoS on both demand and generation?

YES

Question 18: Which of the BSUoS approaches describe is more likely to achieve a level playing field for storage?

Access to the BMU

Question 19: Do you think the changes in this chapter should be made ahead of any wider changes to residual charging that may happen in future? Do you agree with our view that these changes should be implemented by industry through the standard code change process?

-

Question 20: We would welcome your thoughts on the potential make-up of a CCG. Please refer to the potential role, structure, prioritisation criteria and assessment criteria.

The CCG should be made up fairly of both active participants, new and future participants of the system. Independence from the current CUSC.



Question 21: Do you agree with our proposed delivery model, including its scope?

So long as customers are represented alongside all parts of industry, existing and new. Not just the largest players with vested interests.

Question 22: Do you agree that our proposed SCR process is most appropriate for taking forward the residual charging and other arrangements for smaller EG discussed in this document?

We strongly recommend that this opportunity is taken under the proposed SCR to take a full, considered, fair and holistic view of the system and charging. Do not relinquish control to the incumbents which sufficient resource to steer this in a biased fashion.