

Andrew White
The Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Electricity North West
304 Bridgewater Place, Birchwood Park
Warrington, Cheshire WA3 6XG

Telephone: +44(0) 843 311 4800
Fax: +44(0) 843 311 5119
Email: enquiries@enwl.co.uk
Web: www.enwl.co.uk

Direct line: 07879 115204
Email: paul.auckland@enwl.co.uk

27 November 2017

Dear Andrew

Enabling the competitive deployment of storage in a flexible energy system: changes to the electricity distribution licence.

Thank you for the opportunity to input to the proposed changes to our Electricity Distribution licence.

Electricity North West Limited (ENWL) owns and operates the electricity distribution network across the North West of England including major urban conurbations such as Manchester as well as rural areas of Cumbria. ENWL does not operate or own any generation or storage interests of the nature we believe this licence change would prohibit if brought into force.

We welcome the changes proposed in this consultation. As a licensed distribution network operator we continue to play an active role in facilitating the development and operation of competitive markets for services that can help us deliver the needs of our customers. New services will enable us to identify innovative ways of delivering the outputs customers require, only reinforcing our network where that's the most economic and effective way forward for our customers. As a result, accessing a range of new solutions, including those delivered through energy storage, generation or demand turn down is going to be increasingly important for our customers. Therefore we support steps being taken to enable the development of an active energy storage market.

As the changes proposed also formalise the role distribution companies can have in the storage sector as determined by EU law, we welcome the clarity these proposals deliver.

It is important that these proposed changes continue to allow for group companies who are sufficiently ring fenced to engage in generation and storage ownership and operation. We welcome Ofgem acknowledging that an affiliate company could hold the relevant generation licence. Existing network company groups may be parties who could participate in a competitive market for delivering services.

We support the development of a clear guidance document to sit under the licence condition. A guidance document will allow some flexibility to evolve policy, though it is important that consultation with relevant parties is integral to any changes to the guidance. The guidance document should lay out both the process and guide for the circumstances where DNO operated generation (including storage) might be permitted. This guidance document should also identify where DNO operation of generation and storage would not need specific consent, such as for emergency response and maintenance fleets to support customers' supplies whilst work takes place on networks or for Uninterruptible power supplies (UPS) which ensure equipment stays energised. It would be beneficial to also include the definition

of storage that should not capture network assets used for managing the distribution system such as super capacitors.

What constitutes Owning, Managing or Operating in the context of generation or storage should also be defined. A DNO should be able to flexibly instruct competitively tendered storage services. This could include causing or affecting the operational mode of a storage by automatic or remote means or as a result of a use of rules, "managing" a storage asset to meet network needs where this is agreed and commercially contracted with the storage owner or operator. These kind of operational approaches should not be restricted.

We agree that Ofgem should keep the regulatory framework under review for storage and expect Ofgem will consider the need for any DNO unbundling arrangements as the need scale of DNO/DSO activities grow in significance. We do not believe that there is a case for DNO/DSO unbundling at this stage, though this issue merits further consideration as part of the RIIO-ED2 sector specific work.

I hope these comments are helpful. Please do not hesitate to contact me if you want to follow up on any particular aspect of our response. Please find in Appendix 1 our detailed responses to the questions raised in the main consultation.

Yours sincerely



Paul Auckland
Head of Economic Regulation

Appendix 1: Detailed responses to your consultation questions

Enabling the competitive deployment of storage in a flexible energy system: changes to the electricity distribution licence.

Chapter Two: Proposed new condition in the electricity distribution licence

Question 1: Do you agree that the proposed new condition will ensure legal unbundling of DNOs from the operation of storage that benefits from an exemption to hold a generation licence?

Yes.

Question 2: Do you agree that the same principles of unbundling should apply to IDNOs? Do you have any views on the application of the specific new condition proposed here applying to IDNOs?

Yes. The principles of unbundling equally apply to IDNO's and so the same licence condition should apply to IDNO's.

Question 3: Do you agree that DNOs should be able to directly own and operate small-scale storage for the purposes of providing uninterruptible power supplies (UPS) at substations?

Yes. DNO's should also be able to use back up generation for the same purposes.

Do you agree that DNOs should be able to directly own and operate small-scale storage for the time-limited purposes of emergency restoration and maintenance?

Yes. DNO's should also be able to use small scale generation for the same purposes.

Do you think DNOs should be able to directly own and operate storage for any other specific applications?

It is important that the definition of storage does not capture capacitors and super-capacitors when used as circuit impedance components, transformers or inductors.

We suggest an additional criteria that would identify permitted DNO generation / storage activities is that they provide **unmetered energy**.

We have not identified other storage or generation applications that should be directly owned at this time, but as technology develops the specific purposes under which DNO's should be able to own and operate storage or generation should be reviewed.

Question 4: Do you have any views on the treatment of existing islanded system generation currently owned by DNOs?

We do not own or operate any storage or generation that we consider would be intended to be captured by this licence change.

Transitional arrangements need to be carefully considered where storage or generation are already owned by a DNO as these assets are likely to be part of the energy system that ensures continued reliability and availability of electricity to customers. Consent arrangements need to be developed and put in place in parallel with any licence changes, to ensure current arrangements can continue where they serve customers.

Do you have any views on the treatment of future use of DNO owned and operated generation of storage in similar island situations?

We do not own or operate any storage or generation that we consider would be intended to be captured by this licence change.

Chapter Three: Guidance document

Question 1: What are your views on the three high-level criteria proposed as the basis for assessing applications for consent?

We support the three high-level criteria and note the guidance document would provide further clarity on how these criteria would apply, the process for, and timescales applying to Ofgem considering any application for consent.

Do think there are other criteria which should also be included?

No, we have not identified further criteria that should be captured.

Question 2: Do you have any other views on the scope or content of the proposed guidance document?

The guidance document should identify clearly the circumstances when a DNO should apply for a consent, and also set out in reasonable detail the consent tests, and how any DNO might demonstrate that the requirements for a consent are met.

The guidance document that sets out the criteria Ofgem will consider are also of potential use to other stakeholders. Guidance could inform all stakeholders views including new entrant companies and network companies as to the tests Ofgem applies that identify storage as the most economic and efficient solution (criteria 2).

Ofgem may be able to draw upon insights created by the multi stakeholder Open Networks Group. See <http://www.energynetworks.org/electricity/futures/open-networks-project/open-networks-project-overview/> for more information about the open networks project.

Whilst setting detailed policy through a guidance document is attractive in many respects as it allows greater flexibility for it to be evolved as the market and roles evolve, it is important that a stable regime for investment and contracting for services exists so any changes to guidance should be consulted upon with stakeholder views appropriately taken into account.

Question 3: Do you have any views on the process that should apply to the assessment of applications?

The process should have clear timescales associated with Ofgem reaching a decision on consent. There is a risk that any new process to consent an element of investment needed to ensure reliable and available electricity supplies to customers could cause delays to meeting customer's needs.

Chapter Four: Reporting and monitoring

Question 1: Do you have any views on reporting requirements for DNOs that own/operate storage assets?

Any additional reporting requirements should only apply to DNO's that own / operate storage assets and should be outlined a part of the guidance document and fully specified as part of any consent granted.

Question 2: Are there any particular types of data that, if published, could facilitate entry of competitive parties?

We agree that where a DNO contracts commercially for flexibility services from an independently owned and operated storage provider that there is no need for Ofgem to have specific oversight of these arrangements.

We welcome the views of competitive parties which will assist us in deepening our understanding of what the market can provide and the information they need from us to develop potential services.

Existing compliance and reporting obligations in our licence ensure that Ofgem can have access to information concerning services from legally separate but affiliate companies.

Is there any other information or data that you think DNOs hold about the deployment of storage on their networks that they could usefully make public?

No.
