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## Enabling the competitive deployment of storage in a flexible system changes to the electricity distribution licence

### Submission by Limejump

Limejump is an aggregator and supplier in the fintech Energy Market. Through big data and innovation we create new ways to make it simple to earn revenue and maximise flexibility. We have the largest installed battery portfolio in the UK with 60MW and a further 83MW due to come on line by early next year.

Limejump is grateful for the opportunity to respond to this consultation from Ofgem. Our response is provided below.

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#### Summary:

Limejump overall believes that the *Smart Systems and Flexibility Plan* set out sensible suggestions and actions to enable consumers to benefit from flexibility, including action 1.8 of the plan, which set out the intention to ensure compliance with EU law, and prevent the ownership and operation concurrently of storage by network operators.

The operation of flexibility assets by network operators creates the potential for competition in the markets to be damaged and deters new market entrants on the networks. However, this does not mean that DNOs cannot own assets: it is only if they own and operate an asset concurrently are they able to distort the market. Limejump operates a DNO owned asset and, in our experience, we have found that the DNO in question does carry influence over operations which should be prevented with this license change.

Our responses to specific questions are provided below:

#### Chapter 2: Proposed new condition in the electricity distribution licence

##### 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?

Limejump agrees 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. In particular, the condition that any owned asset would need to be operated by a legally separate party.

However, in reality we believe that even in the event that a DNO created a legally separate party it would be very difficult to ensure that there is no influence from the DNO. In this instance, extremely close scrutiny of the relationship between the DNO and the operator would be required; however we believe this eventuality should be avoided in the first instance.

It is also important that DNOs continue to be required to have in place a compliance statement setting out how they will ensure that there is effective management and operational separation between the DNO and any affiliate company holding a generation licence. Limejump welcomes Ofgem's intent to extend these separation requirements to the operation of any unlicensed storage.

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**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?**

We do agree that the same principles of legal unbundling should apply to IDNOs. IDNOs are also able to distort competition in the same way that DNOs can which discourages new market entrants. IDNOs simply are able to do this over smaller areas.

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

We believe it is unnecessary for DNOs to own and operate storage for the purposes outlined above. National Grid procures balancing services to ensure security of supply on the transmission system and we believe that DNOs should tender for storage to perform a similar service on the distribution network. This is providing there are guarantees from storage operators that they will be able to meet the high specification demand required to keep essential equipment energised.

Allowing DNOs to operate battery storage for these purposes is not necessary and removes opportunities for storage providers to competitively demonstrate they can provide important services to the grid. It also is contrary to the aim of Ofgem's consultation to "deliver cost savings and security of supply for the current and future system by creating greater competition for grid services."

**4. Do you have any views on the treatment of existing islanded system generation currently owned by DNOs? Do you have any views on the treatment of future use of DNO owned and operated generation of storage in similar island situations?**

DNO owned and operated generation is very small and only totals roughly 12.6MW of battery storage. As many of these projects are coming to an end or have done already, we are not concerned that these assets will pose a threat to market competitiveness. As pointed out by Ofgem, it is also the case that customers' money has been spent on these projects and as such it would be appropriate for them to be allowed to continue operating until the end of their lifetimes to protect customers' investments.

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Chapter 3: Guidance document

**1. What are your views on the three high-level criteria proposed as the basis for assessing applications for consent? Do think there are other criteria which should also be included?**

In the instance where there is legal separation of operation, it is imperative that DNOs have no influence over the operating of the asset, or as Ofgem puts it "we would not expect contracts to provide the DNO with a greater level of control over the operating of that asset than it would have over another third party's asset."

We fully agree that where the DNO does not have legal separation of operation and uses an asset for purposes other than the specific named exemption the DNO would need to apply for an exemption and be rigorously assessed.

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

N/A.

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

We believe that there should be a four month minimum window for application of an exemption given that Ofgem will need ample time to review the legal formalities of individual projects.

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Chapter 4: Reporting and monitoring

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

N/A.

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

N/A.

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**For more information regarding this consultation please contact:**

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