

Jon Parker
Head of Electricity Network Access
Ofgem
10 South Colonnade
Canary Wharf
London E14 4PU

18th September 2018

Dear Jon,

Re: Zenobé Energy's response to the Ofgem consultation 'Getting more out of our electricity networks through reforming access and forward-looking charging arrangements'

Zenobé Energy is the leading UK-based owner and operator of grid-connected batteries, financed by over £45 million of equity from private investors and an infrastructure fund. It has also arranged two debt facilities, which combined are c. £35 million and the first debt in the UK secured against batteries.

The company has built, owns and operates 63MW of commissioned assets at seven sites and is building a further 10MW. Its portfolio of 73MW of batteries is contracted to supply services to National Grid, including Fast Reserve, FCDM, FFR and TRIADs, Capacity Market T-1 and T-4. It is also developing services to support EV transportation charging, particularly of buses and other public and private fleet vehicles, as well as optimising electricity usage for commercial and industrial customers including reduction of ancillary charges and simultaneously addressing resilience issues.

For you and your colleagues' information, I have attached a brief presentation of our business including photographs of two energy storage sites which we built and commissioned this year and fleet charging system which we demonstrated at the ZEV summit/Cenex-LCV show last week.

Zenobé welcomes the opportunity to respond to this timely consultation, as well as Ofgem and the Government's wider efforts to ensure that our electricity networks can be used more efficiently and flexibly.

Zenobé does not, however, believe that the proposals outlined in this consultation adequately recognise the role that new technologies can play. Zenobé is concerned that the proposals will ultimately fail to achieve the objective of an efficient and flexible electricity system, missing the opportunity to encourage the utilisation of the technologies to improve services and reduce costs to consumers. Additionally, Zenobé's investors are already concerned by the substantial changes in the response market and further changes in this market are likely to curtail access to equity and debt funding of the new technologies and their adoption by our clients.

Alongside our comprehensive response to each of the consultation's questions, we wish to highlight the following concerns:

- **The proposals, as set out, will halt the take up of low carbon technologies including storage.** Under the proposals, low carbon technologies, including storage providers will be charged both when taking power off the system and when feeding it into the network to alleviate stress at times of high demand. Furthermore, the proposals indicate that if low carbon technology providers chose not to provide their power when required, they could be fined. This double-charging will significantly disincentivise low carbon technology providers who are considering developing and investing in new efficient technologies. In addition to this, it will penalise those consumers and renewable energy providers that have already invested in storage or other demand-side response mechanisms further reducing investment in this sector and stalling its expansion while the period of uncertainty hangs over the sector.
- **There is a need for these proposals to be developed holistically so that all inter-related proposals and the views of smaller companies are adequately considered.** Ofgem should lead the many reviews occurring concurrently and those anticipated in the future to ensure that all the proposed reforms are considered together and are developed transparently and inclusively. This will ensure that any reforms recognise the needs of the network companies and existing generators as well as incentivising and supporting investment in new technologies. It will also ensure that any reforms consider existing investments and business models already established, noting their benefits as well as potential costs and how they can transition to the new system without being penalised. If proposals are not developed holistically, and with input from smaller companies, they risk exclusively representing the views of DNOs and the ESO. As currently drafted, the proposals will have an adverse impact upon proposed investment in new technologies.
- **The supporting evidence is insufficient in many cases.** This consultation and the accompanying report by Baringa both focus on the challenges that can be presented by low carbon technologies. They do not fully acknowledge the potential benefits of such technologies, for example through speedily shedding load or feeding in power when the system is under stress, or through helping users to avoid charges by incentivising behaviour to meet system constraints. Within the consultation, Ofgem itself acknowledges that there is insufficient data to inform key assumptions. We wish to highlight the following concerns:
 - The assumption that triads are over-remunerating. Triads are an important part of new technologies' revenues and are often included in extended contracts with third parties supporting the deployment of the new technologies on the system. Their material reduction would remove the incentive to invest in technologies that can put power into the system. Data relating to the effects of such changes needs to be collected and analysed before decisions are made.
 - DNOs are ill-equipped to measure constraints on the system in real-time. Additionally, they do not have data concerning the positive impact of particular technologies on the system. Until this information is available it is difficult to assess the impact of any changes in the charging system on consumers' and generators' behaviours.
 - The proposals require deeper analysis based on objective data and the mapping of scenarios to demonstrate the potential impact on a wider range of participants in the market.

To ensure that the review is robust, its proposals must be based on modelling, particularly the effects of new technologies and their associated benefits and costs. Without this, if the current proposals are implemented, equity and debt investment in this important sector will be threatened.

Low carbon technologies such as storage are essential to improving the security of supply as well driving value for money for present and future generations of consumers. We strongly urge Ofgem to consider the concerns outlined above, as well as the alternative solutions suggested in our detailed consultation response, in order to ensure that a truly flexible and efficient electricity network is delivered.

We would welcome the opportunity to meet with you to discuss our concerns and proposed solutions in greater detail. In the meantime, if you or colleagues have any immediate queries regarding Zenobé's consultation response, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink that reads "Nicholas Beatty".

Nicholas Beatty
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Zenobé Energy Ltd.

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Enclosed:

- Zenobé Energy's response to the Ofgem consultation 'Getting more out of our electricity networks through reforming access and forward-looking charging arrangements'
- Summary Presentation of Zenobé Energy

