

26 October 2018

Dear Flexibility Team,

Enabling the competitive deployment of storage in a flexible energy system

I wanted to take the opportunity to welcome Ofgem's decision to ensure DNOs cannot operate electricity storage assets, by proposed changes to the electricity distribution licence.

Ofgem has rightly established that network operators may not own and operate energy storage, given the significant likelihood of arising conflicts of interest.

Since 2017, OVO have made strategic investments in order to provide our customers with smart entech solutions capable of unlocking additional value. Thanks to integration with VCharge, our smart grid platform capable of aggregating and optimising millions of distributed storage assets in response to market signals, our domestic customers will be able to participate and share in the benefits of the smart power revolution.

Given how central these market signals are to an effective transition to a smart grid, we are glad Ofgem has taken action to prevent the operation of storage assets by DNOs that could impede the development of a competitive market for storage and flexibility services. Allowing network companies to operate storage risks compromising efforts to establish flexibility markets and could result in instances where potential procured flexibility is not utilised because the network company is able to directly control the asset itself.

To avoid any ambiguity, we would encourage Ofgem to widen the definition of storage in this context to include any kind of demand side management, or virtual storage. Ofgem should affirm its prohibition on network companies directly controlling distributed energy sources **including** electric vehicle charging infrastructure, any kind of demand side response and virtual storage assets. Instead the DNOs should be encouraged to use price signal to manage and motivate flexible resources.

Yours sincerely,

Toby Ferenczi,
Director of Strategy, OVO Energy