

## **Response to Ofgem's consultation: Clarifying the Regulatory Framework for Storage**

### **Background to ENGIE**

In the UK, ENGIE employs 20,000 people in a number of activities across the energy value chain, as well as through its extensive services business.

In generation, ENGIE owns First Hydro the UK's foremost pumped storage facilities and over 70MW of renewable generation. In supply, ENGIE operates an Industrial and Commercial (I&C) and Small and Medium Enterprise (SME) B2B electricity and gas supply business, and has recently entered the domestic electricity and gas retail markets through its Home Energy business.

It owns the country's largest district heating business, providing district energy solutions to the public, commercial, industrial and residential sectors. A key site is the Olympic Park District Heating facility in London. It is also one of the top five service companies in the UK, subsequent to the acquisitions of Balfour Beatty Workplace, Lend Lease FM and the Keepmoat regeneration business.

### **Summary points**

- **The requirement to be licensed in order to avoid the Final Consumption Levies may be a barrier to delivering the Smart Systems and Flexibility Plan.**
- **A mechanistic approach is needed to ensure that suppliers correctly charge out for the cost of the Final Consumption Levies.**
- **'Primary Function' needs to be better defined to give clarity on appropriate levels of self consumption**

### **Response to consultation questions**

**Question 1: Do you agree that the form and content of the licence as proposed in this consultation will achieve the purpose and deliver what we committed to in the Smart Systems and Flexibility Plan?**

The proposal provides clarity on what constitutes storage and ensures that where storage is licensed, it will not pay the final consumption levies (FCLs). The requirement to be licensed in order to avoid these levies may be a barrier to delivering the Smart Systems and Flexibility Plan.

**Question 2: Do you have any views on whether we should include 'in a controllable manner' in the definition of electricity storage?**

No comments.

**Question 3: Do you think there are any risks or unintended consequences that could arise as a result of our proposal? If so, please provide an explanation.**

Suppliers will need to know who to whom they charge the FCLs. It should not be left to suppliers to have to check which storage providers have a generation licence – a mechanistic approach is needed. Based on the time required to remove the obligation on energy intensive industries to pay these levies, ENGIE estimates that it would take ELEXON 18 months to have a mechanistic system in place. Such a system needs to be in place before the obligation comes into force to prevent suppliers mischarging (and potentially being penalised) if they inadvertently charge storage the cost of the FCLs.

The definition of ‘primary function’ would need to be set out clearly in order to ensure clarity over acceptable levels of self-consumption. Metering of supply through a storage facility to an on-site consumer may be needed to ensure that the end consumer does pay the levies if supplied via intermediate storage.

**Question 4: Do you have any comments on the list of technologies that should be included or excluded from the definition of storage as set out in Appendix A?**

The list seems to be comprehensive for the current types of storage. It should be capable of being updated as and when new technologies emerge.

It is not clear how the licensing and definition of hybrid storage systems can be captured in this list. An example of this would be where a battery and another technology are co-located on the same site.

**Changes to the Licence Application Form**

**Question 1: Do you have any comments on the proposed changes to the Application**

**Regulations for electricity and gas licences?**

No comments.

For further information, please contact:

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