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Clarifying the regulatory framework for electricity storage: licensing
27 November, 2017

Dear Chiara,

Thank you for the opportunity to respond to the above consultation. This response is made on behalf of Uniper. Uniper is an experienced international energy company focused on power generation, energy trading, transportation, and storage, as well as a provider of specialist power engineering services. In the UK we own seven power stations comprising over 6GW of flexible installed capacity, as well as a fast churn gas storage site. As such, Uniper is the fifth largest generator in GB and is making a major contribution to ensuring security of supply and providing a bridge to the energy market of the future.

We are supportive of Ofgem's proposed approach to treat storage in the same manner as electricity generation. In general, the proposals in the consultation seem appropriate. We have however a few specific issues and comments which we have included below in answer to the questions raised in the document.

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*?

Yes, this generally appears to deliver what was intended. We do have the following specific comments:

- It is not fully clear from the drafting whether it is the intention that the Transmission Constraint Licence Condition (condition 20A) should apply in these circumstances. We believe that it should do. However, this specific licence condition has not been changed to include storage and only refers to applying to "electricity generation" which does not have a formal definition in the licence and so of course has not been defined to include storage. The terms "generating unit", "generation business" and "generation set" all have been changed to refer to storage too but do not seem to be used in this condition. It may therefore be sensible to change the drafting to clarify this.
- We agree with the inclusion of the new condition E1 to ensure that a licensee does not have self-consumption as the primary function when operating its storage facility. The exemptions from paying final consumption levies should be for circumstances when a storage facility is providing wholesale energy

services to the market. The arrangements should not create an incentive for storage to be created simply as a mechanism to allow customers or groups of customers to avoid final consumption levies. This is a principle which should be used for licence exempt sized storage too. It is far more likely that such an incentive would manifest itself in this section of the market, rather than in relation to facilities of 50MW and over subject to the licensing regime.

- The present drafting for the new licence condition E1 contains a definition of "Export", referring to the definition in the Balancing and Settlement Code. However, there is no reference to the term in the rest of the condition except the title. Therefore, it is not clear whether the definition is needed. Additionally, the draft contains a typo ("comlpy").

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

It does not seem necessary to include this additional phrase in the definition as it is not clear what it adds in terms of the application of the licence.

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.

As ever, the arrangements for licence exempt operators need to be consistent with those for licensed ones. Otherwise, there is a danger that perverse incentives will be created, towards developing either licensed or unlicensed schemes, which do not reflect the impact that such storage facilities have on the system and market.

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?

No thank you.

Question 1: Do you have any comments on the proposed changes to the Application Regulations for electricity and gas licences?

No thank you.

I hope the above responses prove helpful. Please contact me in the first instance should you have any further questions on this issue.

Yours sincerely

Paul Jones
Senior Regulation Manager
Uniper