

Chiara Redaelli
Energy Systems Integration
Office of Gas and Electricity Markets
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27 November 2017

Dear Chiara,

RE: UK Power Reserve response to Clarifying the regulatory framework for electricity storage: licensing
Submitted via email

Please find here UK Power Reserve's response to Ofgem's consultation on the proposed changes to the electricity generation licence.

Context of response

UK Power Reserve is the leading provider of secure, flexible, low carbon electricity and services to the UK power market. With an 823MW portfolio of decentralised thermal power generation and battery storage assets, we help keep the country's electricity system balanced and resilient. Our fast-ramping, low-cost assets are located across England and Wales, improving competition, contributing to security of supply, and delivering better value to consumers.

Summary

- Ofgem have avoided a key commitment from the smart systems and flexibility plan – that demand residual charges at transmission and distribution level should be removed. This should be addressed and discussed further by the regulator.
- UKPR does not believe that 'in a controllable manner' should be added to the proposed definition of energy storage. The addition seems superfluous and risks excluding certain storage functionalities which are typical of electricity storage assets, such as frequency response. It introduces unnecessary regulatory risk, as it may allow network operators to own or operate assets that fall outside the definition, despite them having the same or similar functionality to conventional storage units.
- Ofgem must provide further clarification on the meaning of "primary purpose" in order to ensure clarity over acceptable levels of self-consumption.

Should you have any questions, please do not hesitate to contact James Jackson at
james.jackson@ukpowerreserve.com.

Kind regards,

James Jackson
Regulatory Affairs Analyst
UK Power Reserve

Question 1: Do you agree that the form and content of the licence as proposed in the consultation will achieve the purpose and deliver what Ofgem committed to in the smart systems and flexibility plan?

UKPR welcomes the consultation and the review of the generation licence to provide legal clarity for electricity storage. We in principle agree that the form and content of the proposed licence addresses the plans detailed by Ofgem in the Smart System and Flexibility plan.

However, to guarantee that double charging is effectively tackled, we urge Ofgem to include the proposal addressed in the Smart System and Flexibility plan, whereby demand residual charges at transmission and distribution level are removed. In fact, storage may currently pay more towards the residual cost of the network than other network users and Ofgem should administer a review so that double charging is avoided.

Furthermore, although we welcome the proposed rationale of amendments to the licencing arrangements to meet the commitment made in the Smart System and Flexibility Plan, Ofgem should note that this consultation fails to solve the issues around class exemptions or the exemption of storage assets below 50MW. These are becoming increasingly numerous and, as such, we encourage Ofgem to approach the classification issues for such storage assets as soon as possible.

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

UKPR does not agree with Ofgem’s proposal to include the wording “in a controllable manner”. The addition seems superfluous and risks excluding certain storage functionalities which are typical of electricity storage assets, such as frequency response.

Regulatory clarity is key, and UKPR therefore urge Ofgem to avoid any unclear wording – which could be subject to interpretation – that risks going against the intention of the regulator. All batteries should fall under the definition, regardless of whether they are fully automated and Ofgem need to be mindful not to allow any artificial and false distinction between storage assets. This is key to avoid potential conflicts of interest.

In particular, we would have concerns that network operators may seek to own and operate assets outside of the definition, despite the assets having the same or similar functionality to conventional storage units.

Question 3: Do you think there are any risks or unintended consequences that could arise as a result of the proposal?

UKPR stresses the need for Ofgem to continue with a transparent consultation process and to avoid terminology that would affect the regulatory clarity that is much needed for electricity storage assets.

One potential unintended consequence emerging from the proposal is that all behind the meter storage could be declassified under the new licence condition (as to be classified as storage, the primary purpose of an asset must be to export). In this context, UKPR requires further detail on the meaning of “primary purpose” in order to give assurance over acceptable levels of self-consumption.

Question 4: Do you have any comments on the list of technologies that should be included or excluded from the definition of storage?

The list provides a good representation of existing storage technologies. However, UKPR believes an amendment should be made to the list of technologies to account for lithium-ion and flow battery technology. Ofgem should either:

- Specifically refer to lithium-ion and flow batteries in the list of technologies; or
- Amend the wording of the list to reflect that it is not exhaustive. For example, "Technologies that should be considered as electricity storage include, but are not limited to..."

Furthermore, given the pace of development in the energy storage sector, the list should be amendable to account for emerging technologies.