

Quarry Battery Company Ltd
1 Finsbury Circus,
London,
EC2M 7SH

24th November 2017

Dear Ofgem,

We appreciate the opportunity to respond to your consultation on a modified Generation Licence for Storage providers. Please see our comments to each of your key questions below.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Dave Holmes', with a horizontal line drawn underneath it.

Dave Holmes
Managing Director, QBC Ltd.

QBC Response to Storage Licence Consultation

- 1) We consider that the primary aim of this measure and the most important aim of the Smart Systems and Flexibility Plan is to remove barriers to entry for storage and other flexible generation. We consider that the modified generation license is a good way of doing this. Crucially, it allows for the measure to be implemented quickly with regulatory clarity arriving as soon as possible, which is exactly what the industry needs. However, we also consider that following implementation there should be opportunity for reflection on the revised licence. There will inevitably be wrinkles that require further iteration.
- 2) We consider that the addition of 'in a controllable manner' to the definition of electricity storage is superfluous, as it is difficult to envisage any situation or technology which would act in an uncontrolled manner. Even an automatic system would be designed with set operational parameters for example. Without further justification, or explanation of what constitutes 'control' in this circumstance, we would advise not adding this point. We also consider that 'in the electricity system' within the ESN definition is also superfluous. It is conceivable that an electricity storage facility may operate entirely off-grid; its doing so does not change the fact that it is still an electricity storage facility, carrying out electricity storage. The definition within the revised license in Annex A is therefore correct.
- 3) We consider that some issues may arise regarding the issue of 'self-consumption' being the primary function of a storage facility. We would suggest that greater clarity is given on this point, especially in relation to behind-the-meter domestic batteries and aggregation of those batteries by those companies that seek to wield distributed energy storage assets in concert. At what point does self-consumption become the primary function? Over what time period would this be decided?

To give a practical example – consider a 10kWh behind the meter lithium unit, with the potential to be aggregated...

- If the unit is utilised within one day by providing 2kWh of energy back to the Grid, and 8kWh of self-consumption, you would assume its primary purpose was self-consumption. In such a case, is there no ability to reclaim environmental levies?
- If the units is grained 6kWh to Grid and 4kWh to self-consumption, can the facility claim avoid 10kWh of environmental levies, since its primary function is now an electricity storage facility?
- Likewise if the 2kWh to Grid were utilised within a single settlement period, and the 8kWh of self-consumption occurred within other settlement periods then is the primary function sometimes self-consumption, but other times storage?
- The above examples are not so relevant because of their small scale, and the unit would not require a storage licence because of its size.
- If 10,000 such batteries are each drained 2kWh by an aggregator, and these 10,000 units are registered as a Balancing Mechanism Unit, then 20MWh has been provided to the Grid.
- Does the aggregator claim back consumption levies on energy so provided? Assuming a competitive aggregator market, the aggregators could pass on the value of reclaimed levies to each of the battery owners.
- Or since each of the 10,000 assets is unlicensed, are consumption levies not able to be claimed? In which case is domestic battery aggregation at a disadvantage to single utility scale batteries?
- If there is some BMU aggregation threshold that requires a license at a certain scale, is it ok for an aggregator to split assets into separate baskets such that each asset avoids the threshold?
- Presumably those companies looking to aggregate will have these questions already covered. Our area of expertise is pumped hydro.

4) We consider that the list of technologies is ok.