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Clarifying the regulatory framework for electricity storage: licensing

Summary

Element Power supports Ofgem's proposed changes to the current generator licence arrangements to include energy storage.

About

Element Power (EP) was one of the successful tenderers for National Grid's Enhanced Frequency Response (EFR) tender securing a contract for 25MW. The project SPV has been sold construction ready to ENEL¹ and EP are assisting in its construction and development.

Element Power is a successful international renewables developer², for example in the Republic of Ireland where we have developed and operate 123 MW of wind assets for our investors with 188MW under construction. EP has recently reached financial close for windfarms in Sweden and Scotland.

EP is developing the Greenlink interconnector between Wales and the Republic of Ireland which has achieved Ofgem's cap and floor IPA and European Project of Common Interest (PCI) status and received Connecting Europe Facility Funding.

Questions and Responses

Our proposal and rationale

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*?

Response 1: We consider that the proposed changes to the generation licence are helpful in clarifying the legal and regulatory regime for energy storage.

¹ <https://www.enel.com/en/media/press/d201705-enel-buys-a-stand-alone-battery-energy-storage-project-in-uk.html>

² <https://www.elpower.com/>

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

Response 2: We cannot conceive of an applicable energy storage scheme which is not controlled in some way, so do not feel it necessary to include this term; equally, since it only makes explicit something we consider implicit, we do not see a major disadvantage to including this term.

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.

Response 3: We would like to ensure there is no possibility of storage being used to avoid levies on energy consumption by integration of storage with other uses. We suggest that providing a levy exemption on the basis of energy exported (not imported) could remove this risk.

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?

Response 4: The list seems exhaustive and therefore should be general enough to capture future technologies.

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?

Response 1: We welcome the recognition that energy storage projects should not have to pay final consumption levies, however we suggest that the exemption should be based on energy exported not the energy imported i.e. levies would be paid on import less export, which will encourage efficient plant designs and avoid the risk of misuse of energy storage to reduce levies on actual electricity consumption for other purposes.

Rather than applicants submitting their planned activities, which could lead to the disclosure of confidential information and lead to regulatory costs and risks, we suggest that the use of export energy to determine the amount of import energy that is exempt from levies could make the regulation simpler and less costly and more likely to avoid unintended consequences and blurred boundaries.

Using the export energy method above, projects which have self-consumption as the primary function would not be exempt from these levies on that consumption, but could gain exemption for a small amount of energy storage where that energy was exported back to the electricity grid and market.