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www.ukmajorports.org.uk

Targeted Charging Review, Energy Systems Transition. Response from the UK Major Ports Group Ltd.

UKMPG background

UKMPG
UK Major Ports Group

Member ports
Some examples of activity

The UK's major ports handle **75%** of UK seaborne trade – fundamental for a confident, global trading nation

GRANGEMOUTH
Scotland's largest container port, handling up to 30% of Scotland's GDP

TEES
Versatile gateway to the North and cornerstone of regional regeneration

HULL
Ground breaking joint venture with Siemens to produce wind turbine blades on the port

LIVERPOOL
UK's largest port by volume from a wide range of cargoes

TELFORDSHIRE
UK's largest container port, handling the world's largest vessels in operation for 50 years

TELFORDSHIRE
£1.5bn investment in creating a cutting edge container port on a former oil terminal site

LONDON
Ensuring safe navigation for UK's busiest inland waterway. First port to launch air quality strategy

BELFAST
Major development & revitalisation of port area – including a film studio

LIVERPOOL
£400m investment in Liverpool2 expansion of UK's largest transatlantic port

PORT TALBOT
Critical to the UK steel sector and the manufacturing it supports

BIRFOL
Providing offshore modular construction as well as port facilities to support strategic energy infrastructure development

SOUTHAMPTON
UK's largest cruise terminal and a crucial export point for the UK car industry

Associated British Ports
www.abports.co.uk

Belfast Harbour
Belfast Harbour
www.belfast-harbour.co.uk

Port of Bristol
www.portofbristol.co.uk

DP WORLD
DP World UK
www.dpworldeurope.com

Forth Ports
www.forthports.co.uk

HUTCHINSON PORTS
www.hutchinsonports.co.uk

Port of London Authority
www.pla.co.uk

PORTS
www.pports.co.uk

Peel Ports
www.peelports.co.uk

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Current UKMPG members
of Port Company, DP World
ports and the Port of London
tribution that UKMPG members

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make to Britain, who they are and where they are based. For more information please see <http://ukmajorports.org.uk/>.

Why we are responding

The UK's major ports already have significant interaction with the electricity system:

- A significant amount of port equipment and operations are already electrified



- Ports are hubs for electricity generation today – onshore wind at the likes of Bristol and Liverpool, solar at Southampton and Barry, gas at Teesport. They can also be contributors to demand response, such as through biodiesel generation at Ipswich.
- Major ports can also be large landlords which requires them to administer private networks.

However, this engagement with the electricity system is likely to increase dramatically in the future through developments such as:

- Large scale electrification of most or all of port operations (e.g. fleets of Non-Road Mobile Machinery)
- Significant take up of electric charging by ships berthed at ports.

These factors are in fact very much objectives of Government policy – such as the Department for Transport's 'Maritime 2050' strategy and DEFRA's 'Clean Air Strategy'. Taken together they have the potential to massively increase the levels of electricity usage at the UK's ports and have significant implications for load shape, features like storage and the dynamic role ports will inevitably play in the electricity system, particularly at a DNO-type level.

It is therefore crucial for the UK's major ports, the nation's primary gateways with the world, that there is an efficient and competitive electricity system with transparency and clarity about charging. We agree with OFGEM's assessment that there needs to be changes to current frameworks to adapt to a new electricity world. But we are concerned that the current reform proposals do nothing to increase investment signals nor clarity or confidence in the economic of the future system for sectors like ports who will play a much larger and dynamic role in the future system.

Weakening signals for investment in projects to reduce electricity system demand

It seems unfair and indeed contrary to the long term aims of a more dynamic and distributed electricity system that the TCR proposals have the effect of increasing costs for businesses which have taken action "which has reduced their contribution to the existing system", such as onsite generation. The same is true of the proposal to "apply balancing services charges to smaller embedded generation". Both of these are likely to impact ports negatively and adversely impact the business cases for more sustainable investment. The proposal on LLFC levelling is one example – therefore we do not agree with *Question 5* of the consultation – but the general principle is central. As such, we are concerned that organisations that UKMPG might not benefit from 'consumer benefits' – *Question 6* – at all and in turn, their ability to play a dynamic and positive role in system operation is disincentivised which we believe to be in no-one's interests.

As a specific point relevant to *Question 6* on ‘consumer benefits’, we note the significant impact of



Capacity Market assumptions in the cost benefit projections. Given current doubts about the effectiveness / viability of the Capacity Market this seems a bold reliance. Also, we note that the consultants who performed the model advised OFGEM that the ‘systems benefits’ forecasts were more robust than the ‘consumer benefits’. As a ‘consumer sector’ we would urge that a great deal more emphasis is placed on robust consumer impacts as a key outcome.

Clarity and confidence in the market & charging regime

We appreciate that energy systems are by their nature complex. Nevertheless, the byzantine structure of generation and assessment of proposals for change poses real challenges for those not intimately involved in it.

We understand that there are also numerous overlapping regulatory change initiatives ongoing, such as a Significant Code Review (SCR) of network access and forward-looking charge arrangements or Access & Forward-Looking Charges Review (AFLC) review as well as nearer term proposals such as DCP 328, which the ports sector has significant concerns about. We would urge – in response to *Question 14* – that these are looked at as a whole to assess the impact on industrial (and indeed other) users before decisions are made.

UKMPG would be happy to discuss the content of our response further with OFGEM to ensure that the UK is delivering the right electricity system and regulatory / charging framework to ensure the continued, sustainable success not only of the UK’s major ports but also the UK economy as a whole.

Yours faithfully,

Tim Morris
Chief Executive
UK Major Ports Group