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Sent by email to: flexibility@ofgem.gov.uk

Dear Andrew

Clarifying the regulatory framework for electricity storage: Statutory Consultation on electricity generation licence changes and next steps

With increasing levels of decentralised and distributed assets on the system, it is crucial that assets providing flexibility are appropriately remunerated and not subject to undue costs. We support the policy intent laid out in the Smart Systems and Flexibility Plan (SSFP) that "electricity procured by storage facilities from suppliers anomalously includes the cost of final consumption levies."

We welcome that Ofgem has looked closer at this issue and support that the proposals are considering the complexity of storage assets on customer sites (with different operators and suppliers).

To reach the required levels of decarbonisation in the power sector to facilitate the UK's 2050 net zero target, it is crucial that there is deployment of flexible resources – such as storage - to support a large amount of intermittent renewable generation.

Centrica owns and operates a battery storage asset at our Roosecote site; this is a 'front-of-meter' battery storage asset. In addition, we also operate a 'behind-the-meter' battery storage asset at our Windsor office site.

Centrica's Distributed Energy and Power business (branded as Centrica Business Solutions) operates and optimises generation, demand-side response and battery storage assets situated on customer sites; generally, in these instances, the customer or a different entity owns the assets (behind-the-meter). We are also working with domestic customers, to ensure that such solutions can be offered to customers of all sizes and not limited to industrial and commercial (I&C) customers.

Battery storage assets can compete for revenues in Capacity Markets, balancing services markets (such as frequency response) and wholesale markets. Some of the costs that these sites incur are network charging costs and the costs of imported electricity in to the battery. We are working to ensure that domestic batteries are also able to access revenue streams. In all

cases, ‘final consumption levies’ on imported electricity greatly disadvantage the business case for batteries; therefore, we welcome this consultation and FCLs on battery storage imports must be removed as soon as possible.

Any solution developed by Ofgem to ensure that storage assets are not liable for FCLs on imports, must be applicable for standalone storage assets, storage assets situated behind-the-meter on industrial/commercial sites and also, storage assets situated on domestic customer sites (including electric vehicles). We do not think it is acceptable for Ofgem to develop a solution, which does not cater for all these categories of assets.

We support Ofgem’s proposal to remove the definition of ‘not have self-consumption as a primary function’. We agree this would have been difficult to define and could result in some assets being unfairly excluded; this could have reduced the opportunities for customers to install on-site storage to optimise their energy use.

Ofgem needs to explicitly clarify whether it expects storage assets that are less than 50 MW to be operated by a Generation Licence holder. Under the *Electricity Act 1989* and the associated class exemptions (as laid out in *The Electricity (Class Exemptions from the Requirement for a Licence) Order 2001*), there is a class exemption from the need for a Generation Licence for assets that are < 50 MW. Ofgem should not require operators of storage assets that are less than 50 MW to be required to have a Generation Licence, as this would be disproportionate for a storage asset compared to all other forms of generation; especially so for smaller customer-owned assets and even domestic batteries. However, Ofgem must ensure that Licence-exempt storage assets are not subject to Final Consumption Levies.

If Ofgem requires licence-exempt (via class exemption) storage assets to be operated by Generation Licence holder to ensure FCLs are not paid on imports, Ofgem should clearly outline the additional requirements and obligations for such assets operating under a Generation Licence (for the case of storage assets <50 MW), compared to operating it as a Generation Licence-exempt asset. This will allow storage owners and operators to properly consider whether the benefits of ensuring FCL avoidance outweigh the additional obligations imposed on such assets by the Generation Licence. We firmly believe that storage assets should not be subject to additional obligations for the purpose of avoiding FCLs on imports; this would clearly put storage at a disadvantage compared to other technologies.

Notwithstanding whether a Generation Licence is needed for sub-50 MW assets; we accept the need for the items stated (in the new Condition E1, paragraph 3) to be shared privately with the Supplier of the settlement meter. This information is needed to ensure the volumes are correctly accounted for to ensure that FCLs are only levied on final demand and not levied on the imports to the storage assets.

However, we do not support this data being published on a website, and we especially oppose the information around the relationship with the final consumer and metering arrangements (clauses iii) and iv)) being published on a website. We believe it is unnecessary that this information is published online; this will increase burden on the storage operator, especially for smaller storage assets, especially domestic batteries and electric vehicles. Moreover, the publication of this information will mean storage operators are sharing information that provides no benefit to the rest of industry and could reveal the commercial arrangement with final customers; this could be commercially sensitive information.
We strongly believe that the information in clauses iii) and iv) should not be published. We believe that the information detailed in clauses i) and ii) would be acceptable to be published, but Ofgem should demonstrate the benefit compared to the additional administrative burden.

Any data published by the storage operator, regarding clauses iii) and iv) must have the consent of the final customer and there must be appropriate regard to the GDPR regulations.

We support the findings of the Energy Data Taskforce and are supportive of the principle that data is 'presumed open'. However, such data needs to be published in the most efficient way and serve a purpose. We also note that the Taskforce proposes that whilst data is open, there is a triage process to remove commercially sensitive data. We do not believe that the proposals in Condition E1, paragraph 3 are in line with this. Compelling companies to publish such information on their own websites is at odds with the Taskforce's proposals to simplify registration processes for energy assets.

We believe there should be a role for Ofgem regarding the information detailed in Condition E1 paragraph 3. Ofgem should be able to be an independent arbiter if there is a disagreement between the Supplier and the storage operator about the storage import volumes that should be exempt from Final Consumptions Levies.

Suppliers, customers and storage operators require more clarity from Ofgem regarding the data that needs to be shared between the parties and published online. Ofgem needs to clarify how such data should be published, such as the format and frequency of publication. Ofgem should articulate why this is required and the benefit it brings to consumers.

We welcome that Elexon and the ESC enacted an interim solution in 2018 to ensure that storage assets are not charged for the FCLs on imports, as per the policy intent in the Smart Systems and Flexibility Plan. However, the interim solution was limited to standalone Supplier Volume Allocated (SVA) metered assets, i.e. storage assets that are not situated with final demand. Therefore, assets that are standalone Central Volume Allocated CVA-metered assets or assets that are SVA-metered but are behind-the-meter along with load, were unable to use this solution and therefore, are still subject to Final Consumption Levies for CfDs and CM levies. In addition, for SVA-metered assets with behind-the-meter load, it is unclear how such assets can also avoid being subject to RO and FIT levies, which are a substantial cost for storage assets. It is important that there is a clear timeline, clearly articulated to industry, to ensure that these types of assets can be exempt from levies.

We note that there are ongoing CUSC and DCUSA modifications addressing the network charges on storage to ensure that such assets are not over-charged. Ofgem should examine these and ensure the methodology is consistent, e.g. at present a Generation Licence is needed to avoid unfair double charging for some, but not all the modifications. Ofgem must ensure that the process to ensure undue network charges and Final Consumption Levies on imports is a simple process. It would be unnecessarily burdensome for storage operators to complete many different process; a central process would be preferable.

Please feel free to contact me to discuss these points in any more detail

Yours sincerely

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