



## **Statutory consultation on a proposal to modify the standard conditions of all electricity generation licenses**

**A submission from Eaton  
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### **About Eaton**

Eaton is a global power management company with nearly 100,000 employees and a global turnover of \$22bn. Since 1911 we have manufactured power management technologies for a wide range of energy intensive industries including road transportation, aerospace, machinery, oil and gas and electrical infrastructure in buildings.

Eaton has been present in the UK since 1946 and directly employs around 4,500 people in 31 sites across the country in high-tech manufacturing, R&D and administrative functions. Eaton has manufacturing and R&D sites around the country, with key locations including Doncaster, Cwmbran, Luton, Titchfield, South Molton, Sutton Coldfield and Havant.

Nationally, Eaton and our partners are key providers of energy storage and the provision of behind-the-meter flexibility products and services. In 2017 we launched our xStorage Home product, a complete system housed in a single unit, utilising new or recycled Nissan Leaf batteries manufactured in Sunderland, that integrates everything needed to store and manage electricity more effectively.

### **Definition of storage**

Eaton has always argued that the classification of storage as a subset of generation is problematic because storage factually does not generate power; it provides a multitude of what will be increasingly vital flexibility services – both at grid level and behind-the-meter, close to where renewable generation assets such as solar will increasingly be located, as demonstrated by the data in the BNEF study, 'Flexibility gaps in future high-renewable energy systems in the UK, Germany and Nordics', which can be found [here](#).

The classification of storage as a subset of generation may be fit for resolving the regulatory issues of today. However, the need to unlock the full range of flexibility services that storage can provide means that this classification is already not fit for purpose and needs to be resolved urgently given the speed of the shift to a high variable renewable energy system. It also focuses on grid-connected storage, but overlooks the reality that behind-the-meter storage will increasingly be an important contributor of system flexibility in the future – a fact also borne out by the BNEF study referenced earlier.

A potential solution to this issue might involve multiple classifications for storage technology, possibly including a generation license, but also a multi-purpose license, which could include non-generation uses. This might involve the storage operator making an annual declaration regarding the intended usage of its storage assets. This would recognise the range of services and

associated benefits that storage can provide, rather than straightjacket it into one application, to the detriment of others.

If this definition goes ahead as planned, Eaton would urge Ofgem to keep it under constant review and remain alert to new regulatory barriers which may emerge as an unintended consequence.

### **Reporting on the volumes of electricity exclusively related to the storage facility (the “E1 condition”)**

The E1 condition appears simple for large generators running big storage systems and grid services, or for those doing solar plus storage. However, it is less clear how this applies to residential scale and behind the meter when part of the meter is doing things in aggregate and supporting the grid. Aggregators might have a thousand assets around the country, and at any one time be using 100. There should be guidance for how the aggregator accounts for the energy in this case, and how it would meet the reporting condition. The consultation also does not say at what point a consumer feeding electricity into the grid becomes a producer, and at what point a prosumer would have to obtain a license and comply with E1.

While the consultation document states that the information required under the E1 condition is not commercially sensitive, we would take a different view. For example, when the consultation document talks about the location of the storage system, it is not clear whether this means a resident address in the case of domestic storage, or which distribution network it's connected to. There are some other problematic areas in the list of suggested information to be published which mean that all businesses in this area will essentially have to tell their competitors what system they have in place and where they are. This will be commercially difficult, particularly for those involved in small scale or domestic battery storage.

We would also encourage Ofgem to provide more information at this stage about how the E1 condition will work in practice. For example, the document does not explain whether the information is something that just needs to be provided once, or whether it's an ongoing requirement.

We would be happy to discuss all these issues with Ofgem as part of the consultation process.

### **Further information**

A more detailed outline of the policies that are needed to provide regulatory certainty to spur private investment in flexibility technologies can be found in our 2019 white paper, “Developing flexibility: the new cornerstone of the grid”, commissioned by Eaton and the Renewable Energy Association.

The paper includes market data, expert insights and case studies from analysts and industry players including Bloomberg New Energy Finance (BNEF), the REA, Draf, Nord Pool, Good Energy and Upside Energy.

The paper can be downloaded at [eaton.com/energytransition](https://www.eaton.com/energytransition).

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