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26 July 2019

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

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, storage, and energy supply to end users. We have around five million electricity and gas customer accounts in the UK, including residential and business users.

Both Government and Ofgem have a role to play in ensuring the regulatory framework supports the development of an efficient generation mix. It must be capable of providing continual secure and reliable power to customers, at the same time as decarbonising the power sector. In this context, we believe electricity storage assets (and indeed other decentralised energy sources) have an important role to play in a flexible, energy system. It is important therefore, that the regulatory framework keeps pace with innovative technologies such as storage in order to ensure that existing rules can be applied consistently and not exploited, technologies are deployed based on market fundamentals and that shared costs are allocated fairly.

EDF Energy therefore supports the principle that where storage assets share similar characteristics and perform similar functions in terms of generating and exporting electricity compared to 'traditional' electricity generation, they should be treated consistently within the regulatory framework. We continue to believe that ultimately, such clarity would be best provided by defining electricity storage as a distinct licensed activity through an amendment to the Electricity Act 1989.

However, we acknowledge that constraints on parliamentary time may prevent the required regulatory clarity from being introduced in a timely manner. We therefore welcome moves by Ofgem to make amendments to the generation licence standard conditions in order to provide additional certainty for storage operators and facilitate early delivery of system benefits in the interim period.

Our comments on the specific proposals can be found below.

Proposed New Definitions

We are supportive of the proposed definitions for 'electricity storage' and 'electricity storage facility' which will be inserted in to the generation licence standard condition. We note from the earlier consultation that these definitions have not changed from the original proposals and are to form the basis for which the Government will make primary legislation at some point in

the future. We believe it is important that a consistent approach is adopted across the regulatory framework including primary legislation, licences and industry codes etc. Consequently, Ofgem should ensure that the licence definitions continue to remain consistent with that which is ultimately adopted by Government in primary legislation.

Proposed Condition E1

We agree that additional regulatory clarity was required in respect storage operators and their treatment under the final consumption levy schemes. We support in principle the adoption of an information requirement on licensed storage operators with a view to establishing electricity associated with storage (i.e. that which is stored and subsequently exported back to the energy system) separately from that which is consumed by a final consumer. This in principle should allow a supplier to be able to accurately report on supply volumes under the various final consumption levy schemes.

However, as drafted the licence condition could potentially place an additional compliance risk on suppliers. Ofgem is not proposing to be prescriptive with the information that should be made available and what format such information should be provided. It is therefore possible that suppliers may not be able to gain all the required information in order to be fully satisfied that the supply numbers it reports under the relevant schemes is 100% accurate. To address this risk, Ofgem should consider either being more prescriptive with the information requirements or alternatively place an obligation on storage operators that they will provide all the information reasonably required by their supplier in order to allow it to accurately report under the final consumption levy schemes, and in particular that no final consumption is avoiding payment.

We also consider there to be a lack of clarity regarding the policy intent of the information registration requirements. The proposed wording suggests that a licensed generator would have to register and publish information about all energy storage they own or operate, which could include small scale domestic batteries and any electric vehicle plugged into a V2G-enabled chargepoint. We request that Ofgem provides guidance on this matter.

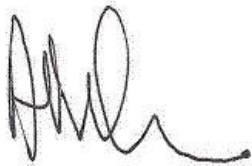
Unlicensed storage operators

For storage asset operators who obtain a licence these proposals will provide clarity as to how they will be treated within the regulatory framework and therefore will deliver on the commitments made within Ofgem's Smart Systems and Flexibility Plan in respect of such assets. However, we would question whether there is a need to provide further clarity on how unlicensed small storage assets (either class exempt or individually exempt via approval of the Secretary of State) should be recognised within the market framework, where such assets would meet the intent behind these licence proposals. For instance, is there an expectation that even small storage facilities should seek to obtain a generation licence and that any non-licensed storage operator would be subject to final consumption levies?

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Steven Eyre on 0208 186 1356, or myself on 0208 186 1460.

I confirm that this letter may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Mark Cox".

Mark Cox
Head of Transmission and Trading Arrangements