



Andrew Burgess
Energy System Transition
Ofgem
4th floor
10 South Colonnade
London
E14 4PU

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flexibility@ofgem.gov.uk

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

Dear Andrew,

RWE welcomes the opportunity to respond to the Ofgem statutory consultation on “Clarifying the regulatory framework for electricity storage” published on 26th June 2019 (the Consultation Document). We are responding on behalf of RWE Supply & Trading GmbH and RWE Generation plc (RWE). This is a non-confidential response.

RWE supports the deployment of storage technologies and the clarification of the regulatory regime. However, important safeguards that were evident in the original drafting of the proposed amendments to the generation licence have been lost in the latest iteration, particularly with respect to the technology list and ensuring that storage facilities are not utilised to supply “*final demand*” simply in order to avoid the supplier levies. The revised draft also creates an administrative reporting burden for generation licensees.

The draft definition of storage facilities under the generation licence without an approved technology list is problematic. Without the technology list, all storage facilities owned and operated by a generation licensee are subject to the definition including those at existing “*generating stations*” such as batteries that provide an important source of energy for backup power during start up and operation. We do not believe that this is the intent of the licence drafting and it may be helpful to clarify the definition and reporting requirements for storage facilities at existing “*generating stations*” which are supplied under generation licence (and not by a supply licensee).

The Consultation Document makes it clear that the reporting obligation in draft Condition E1 applies to generation licensees “*operating storage facilities of any capacity*”. However, this encompasses any storage facility irrespective of scale which is owned and operated by a generation licensee such as UPS systems (and could even include laptop batteries and mobile phone batteries). This is clearly not the intent of the proposal. It would be useful to provide some clarity over the types of storage facilities that are required to be reported by, for example, introducing some exclusions or de minimus limits.

RWE Supply & Trading GmbH
Swindon Branch

Windmill Hill Business Park
Whitehill Way
Swindon SN5 6PB
United Kingdom

T +44(0)1793/87 77 77
F +44(0)1793/89 25 25
I www.rwe.com

Registered No. BR 7373

VAT Registration No.
GB 524 921354

Supervisory Board:
Dr Markus Krebber (Chairman)

Board of Directors:
Andree Stracke
Dr Michael Müller
Peter Krembel
Tom Glover

Head Office:
Essen, Germany
Registered at:
Local District Court, Essen
Registered No.
HR B 14327

Bank Details:
Deutsche Bank Essen
Bank Code 360 700 50
Account No. 105 127 500
SWIFT: DEUTDEDE
IBAN: DE05 3607 0050 0105
1275 00

We have a number of specific comments on the Licence drafting as follows:

- Draft Condition E1 requires publication of information on electricity storage facilities at premises supplied by a relevant licenced electricity supplier. We are concerned that the proposed arrangements could encourage electricity consumers to obtain a generation licence and install a storage facility simply to avoid supplier levies. To address this and aid transparency Condition E1 (1) could be amended to require that the storage facility at the premises exports to final demand¹ where such final demand is electricity consumption at the premises which occurs independently from electricity imports and exports from an electricity storage facility²;
- Draft Condition E1 (2) requires a generation licensee to make declarations “*on its website*” for all storage facilities regardless of capacity. This could include, for example, each electric vehicle (a storage facility) or battery owned and operated by the licensee whenever and wherever it is connected at a premise supplied by a supplier. This requires a generation licensee to undertake constant monitoring and revision of published data in relation to each storage facility. While we support information transparency the requirement may be unworkable in practice;
- Draft Condition E1 (2) requires the generation licensee to publish information “*in relation to every storage facility it owns or operates*”. The text of the consultation document (Page 10) suggests that the information “*would help suppliers better understand the electricity usage expected on site.*” However, the condition would require generation licensees to report on all of their storage facilities including those at existing power stations. This does not appear consistent with the desired outcome. Consequently, the paragraph should be amended to make it clear that reporting is only related to storage facilities at premises supplied by a relevant supplier (this would exclude storage facilities at premises which are supplied under a generation licence);
- Draft Condition E1 paragraph 3 (a) makes reference to an “*electricity supplier*” but does not refer to the “*relevant supplier*”. We do not believe that this is the intent of the clause (see above). This clause should be amended to refer to the “*relevant supplier*”;
- Draft Condition E1 paragraph 3 (b) (iii) requires reporting of information on the “*relationship between the final consumer(s) and licensee*”. We are concerned that this may require publication of information that may be commercially confidential and require disclosure of information that is in breach of data protection restrictions; and
- Draft Condition E1 paragraph 5 introduces the ability for to the Authority “*direct changes to the information*”. It is unclear as to the circumstances where the Authority may or could direct a change. In addition it is unclear as to what action

¹ Condition E1 (1) could read as follows:

1. *The licensee must provide to the relevant supplier the information specified in accordance with paragraph 3 insofar as it relates to an electricity storage facility which is owned or operated by the licensee and which is situated at premises to which electricity is supplied by the relevant supplier and which imports electricity and exports electricity including electricity exported to Final Demand*

² A new definition in relation to “Final Demand” is required in Condition E1 (7).



would take place if the information published by a generation licensee does not meet the “*expectations*” of the Supplier (as envisaged in the consultation document, page 10).

The Consultation Document (page 11) indicates that with respect to the format to be used for providing the information, “*suppliers and storage licensees should consider what works best for them depending on the information*”. We are concerned that the information presented will be in different formats, potentially confusing and difficult to obtain.

The generation licence drafting issues identified above are significant and may have material consequences. We expect Ofgem to address these in a further iteration of the licence condition prior to the implementation of the proposed changes.

If you have any comments, or wish to discuss the issues raised in this letter, then please do not hesitate to contact me.

Yours faithfully

By email

Bill Reed, Market Development Manager