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

Response on behalf of the Solar Trade Association

About us

Since 1978, the Solar Trade Association (STA) has worked to promote the benefits of solar energy and to make its adoption easy and profitable for domestic and commercial users.

A not-for-profit association, we are funded entirely by our membership, which includes installers, manufacturers, distributors, large scale developers, investors and law firms.

Our mission is to empower the UK solar and storage transformation. We are paving the way for solar to deliver the maximum possible share of UK energy by 2030 by enabling a bigger and better solar industry. We represent both solar heat and power, and have a proven track record of winning breakthroughs for solar PV, storage and solar thermal.

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Response

Thank you for the opportunity to provide comment on these proposed changes to the electricity generation licence conditions. We applaud Ofgem's stated commitment to removing barriers to the competitive deployment of storage, and welcome this move toward mitigating the inequitable and harmful charging penalties currently applied to energy storage technologies.

However, whilst defining storage within the existing regulatory framework is necessary, we question whether including storage within the remit of generation is an appropriate, long-term solution for a technology that is clearly distinct from generation in its characteristics and intended functions. Provided they are appropriately amended, we view these proposed changes to the licence condition as a temporary stop-gap solution to enable progress in implementing the code modification proposals that would remove double-charging – They are not, however, an alternative to a clear legislative definition for storage as a distinct asset class.

Treatment of <50 MW storage remains unclear

For owners of energy storage assets who do not hold a generation license, including households and small businesses, these proposed changes will not help to 'ensure that electricity used by a storage facility is identified for the purpose of calculating relevant levies and charges'. Meanwhile, the reporting requirements that would be imposed upon licenced generators are in our view excessive and could potentially hinder the growth of a market already facing an unstable regulatory environment.

As the Generation License excludes most residential-scale as well as a substantial number of number commercial energy storage installations, these entire market segments would continue to face double-charging of final consumption levies despite these proposed changes. This is in our view not made sufficiently clear in the consultation document, and we would urge Ofgem to clarify a course of action and timeline for removing double-charging from <50 MW storage.

Questions regarding reporting and commercial sensitivity considerations

At the same time, the proposal for the new standard license condition E1 to be applicable to those licensees operating storage facilities of any capacity, including small batteries operated at domestic level is questionable. Firstly, there is in our view no justification for licensees providing such a wide range of detailed information, particularly insofar as the conditions could potentially encompass very small-scale energy storage that happened to be owned by a licenced generator intended for self-consumption. For licensees operating domestic scale storage at end customer sites who are then permitted to switch suppliers, keeping track of this information in this way would also prove excessively burdensome.

It is also not at all clear from this consultation document what steps Ofgem would take to address competitiveness considerations regarding the mandatory publishing of this data on supplier websites, raising significant commercial sensitivity concerns for licenced generators, as well as the prospect of GDPR non-compliance for suppliers themselves. Information on import volumes and network locations could potentially reveal a great deal of specific information to a generator's competitors about an energy storage business model, particularly given the presently small size of the GB storage market.

If it is indeed necessary for this information to be shared with suppliers in order to identify the electricity volumes associated to each storage facility if they wish to be exempted from some elements of transmission and distribution network charges and use of system charges, then surely it would be possible for the supplier to encrypt this information and hold it securely and in confidence, making it available only to the regulator in case of compliance and verification requirements.

We strongly support efforts aimed at making energy data accessible, however by mandating that this highly sensitive generation unit-level data be published on supplier websites, Ofgem risk further undermining the already uncertain energy storage market. It is also notable that this requirement would be unique to the energy storage industry, which would run contrary to Ofgem's own principals and objectives with regard to technology neutrality and ensuring a level playing field for fair competition.

We acknowledge the necessity of a temporary stop-gap measure to define a framework for storage to report import volumes and thus exempt them from network charges, pursuant to the relevant CUSC, DCUSA and BSC modification proposals. However, our position remains that a legislative definition of storage at all scales as distinct from both generation and demand is urgently required for the growth of this nascent industry going forward.