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Dear Andrew

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

SSE welcomes Ofgem's work to clarify the regulatory framework for electricity storage. We fully support Ofgem's approach to incorporate a storage definition and specific conditions within a generation licence given that electricity storage shares many characteristics similar to electricity generation assets. We also support the policy intent behind the proposed modifications aimed to ensure that licenced electricity storage which re-exports electricity on to the grid does not pay the Final Consumption Levies (FCLs).

Further in the response we highlight specific areas which could be confirmed or clarified by Ofgem further as part of the ongoing regulatory and policy work in this area.

Electricity storage licensing and exemptions

SSE notes that it would be helpful if Ofgem confirmed its policy position as communicated in the 2017 consultation document. For example, in 2017 Ofgem has stated that the existing licence exemption regime for electricity generation also applies to storage¹. Ofgem also clearly stated at the time that licence-exempt storage, i.e. assets under the 50MW threshold, would be subject to FCLs. SSE's understanding is that unless a supplier has all the relevant information under new Condition E1 submitted to it, a supplier would levy FCLs on all energy supplied to a specific site.

¹ The Electricity (Class Exemptions from the Requirement for a Licence) Order 2001:
<http://www.legislation.gov.uk/uksi/2001/3270/contents/made>



Separately, we note that there is a lack of clarity around the definition of 'capacity' and 'generating station' resulting in ambiguity around licensing implications for a sub-50MW storage asset co-located with a sub-50MW generation asset. Further clarity by Ofgem is required on whether capacity in this scenario would be assessed on an aggregated basis or on an asset-by-asset basis.

Electricity storage definition: technologies list

§ Electricity pumped storage

With regards to pumped storage assets, which fall under the proposed definition of electricity storage, it is SSE's understanding that a derogation from Condition E1 would apply. This is because when pumping, energy is drawn from the main transmission system with relevant market prices applied at the time this action is taking place. Given that there is no direct relationship with a supplier in relation to the electricity drawn by an asset, it is SSE's view that a derogation from Condition E1 should apply to pumped storage assets.

§ Synchronous condensers

Separately, we would welcome clarity on whether synchronous condensers (SCs) fall under the definition of electricity storage and thus are deemed as generation assets, even where such assets are licence exempt. In light of the recent Stability Pathfinder Request for Information issued by the Electricity System Operator, SCs can play an important role in providing additional short-circuit power to strengthen the grid.

Guidance document on electricity storage licensing

To conclude, while we do not have any comments on the wording of the proposed licence modifications, we consider that, in addition to licence modifications, an associated guidance document summarising Ofgem's position on electricity storage would be beneficial. This guidance could consolidate key points outlined by Ofgem in its 2017 and 2019 consultation documents, including Ofgem's view on industry codes obligations and the list of technologies that should be considered as electricity storage.

Kind regards

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