



Ofgem Electricity retail market-wide half-hourly settlement: consultation

Eaton written submission

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, energy 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. We have 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 product, utilising new and recycled Nissan Leaf batteries manufactured in Sunderland, that integrates everything needed to store and manage electricity more effectively.

Overview

Eaton wholeheartedly welcome the proposals set out by Ofgem in this consultation paper. We believe this provides a strong signal to the industry that flexibility will have an important role to play in the future of both the grid and everyday life, and that decarbonisation is a genuine priority of Ofgem's.

Eaton strongly agree that a market-wide half-hourly settlement (MHHS) will place the right incentives on retailers to develop and offer new tariffs and innovations that encourage and enable more flexible use of energy, for example, time of use tariffs, automation, vehicle to grid solutions and battery storage.

Ofgem propose to introduce MHHS for both import and export Meter Point Administration Numbers (MPANs) and with the same transition period. Including export MPANs increases the potential benefits from MHHS. In the consultation paper, Ofgem note that implementing it at the same time as import MPANs should bring efficiency gains.

We believe this to be a positive step because it opens up the possibility of variable payments for export tariffs and has the potential to facilitate higher payments to exporters when the grid is under the greatest strain, and conversely lower payments when there is less demand for the energy which will drive flexibility in exports. It is also positive that the proposed timetable for changes to import and export is aligned.

Ofgem propose a four-year transition period up to the end of 2024 for implementation of the policy. Eaton strongly believe that the implementation date must not be kicked further into the long grass and it is important that it remains on track. This timescale aligns with the smart meter implementation programme providing alignment of Ofgem and BEIS's policy streams.

Further comments

We strongly welcome Ofgem's commitment to this policy direction and endorse the ethos of MHHS placing incentives on retailers to develop and offer new tariffs and innovations, such as battery storage, that encourage more flexible use of energy. We believe this will strongly support the sector and present an endorsement of storage and other flexible technologies.

We also strongly agree with Ofgem's view that flexibility will ensure a reliable system and keep costs down. We have long recommended, as Ofgem here suggest, that greater flexibility will help smooth peaks in electricity demand, for example by incentivising people to charge their EVs at times when electricity is cleaner and cheaper to generate and transport. Batteries, whether industrial scale or those in EVs, and other technologies can store energy when it is not needed, releasing it onto the system when demand is high. Such flexibility will reduce the need for more generation and other new infrastructure, and drive deeper penetration of variable renewable generation, potentially saving billions of pounds in network reinforcement costs and helping to save consumers money on their energy bills

Ofgem state in the consultation paper that they will ensure that consumers are offered **low-hassle ways to participate** and are **rewarded for contributing flexibility to the system** where they can. We strongly welcome this notion and believe this sends a strong signal of the importance of flexibility in the energy system.

We also strongly agree that MHHS "will enable significant benefits for consumers by putting incentives on retailers to develop and offer new tariffs and innovations, including battery storage, that enable and encourage more flexible use of energy. If this happens at sufficient scale, decarbonisation can be achieved quicker and at lower cost compared to, for example, building new network and generation capacity". We welcome Ofgem's steps to facilitate decarbonisation of the energy system and believe this can result in a meaningful step taken towards the Government's Net Zero ambitions.

Further information

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