

Future market arrangements for the electricity system operator

RenewableUK response

March 2017

About RenewableUK

RenewableUK is the leading trade association in the renewable electricity sector, representing over 440 organisations across the value chain in the wind, wave and tidal stream industries. In 2015, these technologies generated 11% of the UK's electricity needs, which represents 52% of the total electricity generated by all renewable technologies last year.

Consultation on the future arrangements for the electricity system operator

This response addresses both –

1. Future arrangements for the electricity system operator: its role and structure
2. Future arrangements for the electricity system operator: the regulatory and incentives framework

In what follows, questions from the former are labelled R&S and those from the latter are labelled R&IF.

Overall, RenewableUK supports greater separation of the System Operator (SO) from the Transmission Operator (TO) as set out in this consultation. We also support the objectives as set out for the enhanced role of the former – whilst noting that much of the substantive detail is yet to be fully defined.

In addition to this, we ask that experience from the existing separation between SO and TOs in Scotland is used to ensure that effective communication and working between the two entities are maintained.

R&S Ch. 2 Q1: What are your views on our proposed objectives for the SO?
R&IF Q1: Do you agree with our objectives for the future SO regulatory framework? Are there any missing?

We support the objectives as set out and particularly note that increasing separation between the SO and TO should further ensure that the SO can consider all options, in addition to network reinforcement, to ensuring a resilient system.

R&S Ch. 2 Q2: What are your views on our expectations for how the SO should seek to achieve these objectives?

R&S Ch. 2 Q3: Do you agree with our proposals for what licence changes are needed to support these objectives?

RI&F Q3: What lessons can be learned from our previous approaches to regulating the SO? What are the key areas where changes might be needed in future?

We support the objectives set out for the SO and Ofgem's assessment of the licence changes required. In particular, we would like to highlight the importance of the enhanced SO role in ensuring balancing services are transparent and accessible to flexible low carbon and other technologies to ensure procurement is as cost-effective as possible.

R&S Ch. 3 Q1: Do you agree that greater separation between NG's SO functions and the rest of the group is needed?

RenewableUK agrees that there is a need for greater separation.

R&S Ch. 3 Q2: What are your views on the additional separation measures we are proposing?

R&S Ch. 3 Q3: What are your views on our proposed approach for implementing these changes?

RI&F Q2: How can we best transition to a SO regulatory framework which meets these objectives? When should changes be made?

R&S Ch. 3 Q4: What are your thoughts on our proposed approach for implementing the proposed changes set out in this consultation?

We agree overall with the process and timeline as set out.

Although we support the ability of staff to move between the SO and TO, we do not think this should be unfettered and should be subject to the appropriate and relatively strict controls.

R&S Ch. 4 Q2: What further evidence should we consider in finalising our impact assessment of these proposals on the SO's roles and level of independence?

We would ask for further detail to justify the additional cost currently estimated for the separation.

RI&F Q7: How should SO incentives be governed in the future? Would you support a greater role for stakeholders in this process? How can we introduce more transparency around incentives?

RenewableUK supports greater transparency in the governance of the SO's incentives and in particular for stakeholders.