

Dear Andrew White and OFGEM colleagues,

I have been preparing my response to the Consultation to be submitted today 27th November 2017 in accordance with the OFGEM document

https://www.ofgem.gov.uk/system/files/docs/2017/10/storage_ownership_publications_policy_consultation_final.pdf

and related emails. Therefore I would be very grateful if you could take the following points into account:

1. Do you agree that the proposed new condition will ensure legal unbundling of DNOs from the operation of storage that benefits from an exemption to hold a generation licence?

WFA: No. Wind Farm Analytics Ltd suggests that there is a conflict of interest when DNOs own storage assets. Since DNOs are regional monopolies then they should be nationalised - there is no free market benefit and there is major risk that they corrupt what free market may exist for other market participants. DNOs are not competitive and they have conflicts of interest regarding energy storage and/or generation or demand side assets. Therefore DNOs should be prohibited from owning anything apart from the network asset itself and equipment required to directly maintain it.

2. Do you agree that the same principles of unbundling should apply to IDNOs? Do you have any views on the application of the specific new condition proposed here applying to IDNOs?

WFA: WFA offers the following suggestion: If an IDNO is a DNO then the same rules should apply. However anyone should be allowed to include energy storage in their operations provided there is no risk of market distorting conflict of interest. As soon as a DNO or IDNO has second party generators or energy storage operators attached to their grid then there can be conflict of interest. Therefore the rule could be that DNOs (and IDNOs) can have energy storage only when there is no other generator or storage provider on their network. As soon as another one is added to the network then the DNO should be compelled by regulation to auction any existing generation or storage asset.

3. Do you agree that DNOs should be able to directly own and operate small - scale storage for the purposes of providing uninterruptible power supplies(UPS) at substations? Do you agree that DNOs should be able to directly own and operate small -scale storage for the time-limited purposes of emergency restoration and maintenance? Do you think DNOs should be able to directly own and operate storage for any other specific applications?

Yes of course this should be allowed. Anyone can employ micro-energy storage such as UPS or batteries in their company for whatever internal reason. The issue of interest is that DNOs should not be allowed to participate significant energy storage (or generation) in the external electricity or energy markets because there is a conflict of interest and it can be market distorting leading to sub-optimal management of network assets and energy storage management such as inefficient and wasteful curtailment and mismanagement of public money.

4. Do you have any views on the treatment of existing islanded system generation currently owned by DNOs? Do you have any views on the treatment of future use of DNO owned and operated generation of storage in similar island situations?

All such assets and their operations service must be auctioned to the highest bidder in order that the DNOs no longer own or operate them.

Thank you for your work.

Yours Sincerely,

Dr Theodore Holtom (Director, Wind Farm Analytics Ltd)

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