

## **REA response to Ofgem consultation on Access and Forward-looking Charges**

The Renewable Energy Association (REA) is pleased to submit this response to the above consultation. The REA represents renewable electricity, heat and transport, as well as Electric Vehicle companies and Energy Storage. Members encompass a wide variety of organisations, including generators, project developers, fuel and power suppliers, investors, equipment producers and service providers. Members range in size from major multinationals to sole traders. There are around 550 corporate members of the REA, making it the largest renewable energy trade association in the UK.

### **Introduction**

Grid charging and access is one of the major determinants of the success or otherwise of renewable energy and storage projects, and will become a major factor for Electric Vehicle charging hubs and individual points.

With an unprecedented level of change in the industry and grid charging regime, this is becoming ever more the case, therefore this is a critical area for the renewable energy, energy storage and EV industries.

In terms of the operating environment for renewables, this has shifted considerably in the past two years, such that grid access and use of system charges have become critical to business cases. This is also the case with energy storage, which do not receive any direct public support.

We see the business case for EV charging developing and shifting significantly in the next few years as well. Modelling that is presently being undertaken by Aurora Energy Research on behalf of the REA and its members (publically available from mid-October 2018) outlines the benefits of co-location of many types of EV charging C&I deployments with solar and battery storage. This is because charging projects can reduce costs for wholesale electricity procurement by co-locating solar, and can tap into ancillary services markets directly by installing storage onsite.

We also see the EV charging industry evolving in the coming years. We see a greater premium than at present to be put on the 'smartness' of chargers and the backend software that allows for demand aggregation and/or other new revenue streams (assuming of course the level of incentivisation given to smart charging by the future network usage and access regime). The REA is working with the Government's EV Energy Taskforce at present, in part on determining what smart charging will entail following the assent of the Automated and Electric Vehicles Bill and the Government's new ability to mandate smart charging for new units.

We welcome the Ofgem proposals to create more types of connection classes, but strongly state that 'conventional' firm connections must remain available at all times and not become an unattainable option.

Smaller scale users must be treated fairly and not suddenly be confronted with rapidly increased fees for a micro rooftop solar installation they have had for several

years, for example, without adequate communication and justification for this. The proposed small-user usage thresholds must also not become a barrier to new micro-renewables being installed. The same can be said for any new network usage fees incurred by households due to an existing or future home charging installation.

In general, however, many of the access reforms and changes to more cost-reflective pricing, could benefit renewables projects and especially energy storage, which can offer considerable benefits to the grid.

This review has the potential to introduce a new suite of price signals that could for the first time, meaningfully reveal the value of flexibility to the system in a way that will help accelerate the deployment and integration of renewable electricity into our system. Such a significant reform will mean there are winners and losers and it is essential that, going forward, Ofgem fully engages with all stakeholders in a transparent and comprehensive manner.

### **Response to Consultation**

We request a set of case studies showing the exact impact expected on various users of the network (as discussed at the recent CFF meeting) – combining the likely outcomes of the TCR SCR and the Access and Forward-looking charges work, to allow industry to examine the impact 'in the round'.

It is vital to have several case studies of sites with on-site renewables generation, with energy storage, and with EV charger(s) in place. Without this we can only comment on half of the picture.

### **Question 1: Do you agree with the case for change as set out in chapter 2? Please give reasons for your response, and include evidence to support this where possible.**

We agree there is a need for changes in the access to and use of the electricity grid network.

### **Question 2: Do you agree with our proposal that access rights should be reviewed, with the aim to improve their definition and choice? Please provide reasons for your response and, where possible, evidence to support your views.**

Yes, we agree that the current access system has clear limitations. While it is our view that conventional, firm grid connections must always be an available option, and must not be replaced by new, less effective options, there could be scope for more variety in grid connections, providing that these accommodate the available business models in the market and provide a genuine route to market for generators. One question will be whether projects could slide 'up' or 'down' the available type of grid connections, for example starting with a non-firm timed connection and then progressing (on satisfactory completion of any necessary milestones or payments) to a 'full' firm connection. This would be welcome.

### **Question 3: Specifically, do you have views on whether options should be developed in the following areas as part of a review? Please give reasons for your response, and where possible, please provide evidence to support your views:**

**a) Establishing a clear access limit for small users, with greater choice of options (as considered under b) and c) below) above a core threshold – do you agree with our proposal in paragraphs 3.5-3.10 that this should be considered? Do you have views on how a core threshold could be set?**

**b) Firm/non-firm and time-profiled access – do you agree with our proposal outlined in paragraphs 3.15-3.21 that these options should be developed?**

**c) Duration and depth of access, discussed in paragraph 3.25-3.32 - would these options be feasible and beneficial?**

**d) At transmission or distribution in particular, or are both equally important – as discussed in this chapter?**

The level of small user access threshold will be critical to factor (a), and further proposals on how it would be calculated would be very welcome following this consultation- we could see a role for Electralink in determining a possible threshold due to the level of data they possess down to the household level.

Consideration must be given to small (domestic and SME) users with solar PV installed for example, being suddenly confronted with a different grid charging regime, and how to communicate this to them.

As outlined above, there could be a role for new types of grid connections, however the conventional, firm connection must always remain an option and not become an unobtainable 'luxury' for developers. It would also be helpful to be able to move between different types of connections (providing all notices and milestones have been completed) once a particular type has been granted. Time-profiled access may be more problematic as the 'ideal' periods for exporting to the grid may conceivably shift over time in line with new flexibility markets, and financing for such a connection type could be difficult to secure.

While local market access (depth proposals) would be of high interest and value to community energy projects and local developers, and this would be welcome, they would also be highly complex, as highlighted. The above financing point could also apply to varying depth and duration of access.

Time profiled access could create opportunities for some renewables (for example solar farms), and could further incentivise the installation of energy storage, which would benefit the system. On the other hand, financing for such projects could again be problematic. We recommend that financiers are specifically consulted on the proposals in terms of how they would view funding requests from such projects and consider it would be highly project-specific.

**Question 4: Do you agree with the key links between access and charging we have identified in table 1? Why or why not? Do you think there are other key links we have not identified? Where possible, please provide evidence to support your views.**

The table appears to cover the main links and factors to consider.

**Question 5: Do you agree with our proposal that targeted areas of allocation of access should be reviewed? Please give any specific views on the areas below, together with reasons for your response. Where possible, please provide evidence to support your views:**

**a) Improved queue management as the priority area for improving initial allocation of access, as outlined in paragraphs 3.41-3.44?**

**b) Not to consider the potential role of auctions for initial allocation of access as part of a review at this time, as discussed in paragraph 3.44?**

**c) To review the areas outlined in paragraphs 3.45-3.48 to support re-allocation of access?**

Much work has already been done on queue management and milestone progression via the DG-DNO Forum (DER Connections Steering Group), and this should be reflected in the work here. As such we agree that auctions should not be progressed in this consultation and that it is a detailed policy area in and of itself therefore requiring additional work.

**Question 6: Do you agree that a comprehensive review of forward-looking DUoS charging methodologies, as outlined in paragraphs 4.3-4.7, should be undertaken? Please provide reasons for your response and, where possible, evidence to support your position.**

We agree that there is scope to review these charges and this would be an appropriate time to do so, providing it is joined up with other grid charging reforms in parallel.

**Question 7: Do you agree that the distribution connection charging boundary should be reviewed, but not the transmission connection boundary? Please provide reasons for your response and, where possible, evidence to support your position.**

This is a potentially transformative proposal for generators seeking grid connections. Currently the high cost of connection at certain locations is a considerable barrier to new projects connecting.

The proposal to effectively shift such upfront charges to DuOS charges by making the distribution boundary 'shallow' could make it easier for more renewable capacity to connect.

The proposal could be controversial as there would be a knock on impact on consumers and businesses unable to shift their power consumption that requires further Impact analysis and may attract political involvement, especially in conjunction with proposed changes in terms of Residual charges.

**Question 8: Do you agree that the basis of forward-looking TNUoS charging should be reviewed in targeted areas? If you have views on whether we should review the following specific areas please also provide these:**

- a) Do you agree that forward-looking TNUoS charges for small distributed generation (DG) should be reviewed, as outlined in paragraphs 4.19-4.23?**
- b) Do you consider that forward-looking TNUoS charges for demand should be reviewed, as outlined in paragraphs 4.24-4.27?**

**Please provide reasons for your response and, where possible, evidence to support your position.**

Any such reform would have to be in conjunction with the other DuOS reforms and be restricted only to those areas where transmission costs can be evidenced to have been impacted.

**Question 9: Do you agree that a broader review of forward-looking TNUoS charges, or the socialisation of Connect and Manage costs through BSUoS at this time, should not be prioritised for review? Please provide reasons for your response and, where possible, evidence to support your position.**

We agree with this approach.

**Question 10: Do you agree that there would be value in further work in assessing options to make BSUoS more cost-reflective, and if so, that an ESO-led industry taskforce would be the best way to take this forward?**

**Question 11: What are your views on whether Ofgem or the industry should lead the review of different areas? Please specify which of SCR scope options A-C you favour, or describe your alternative proposal if applicable. Please give reasons for your view.**

We believe Ofgem should lead the review of the different areas. This is because Ofgem should have a neutral and technology agnostic approach, while including all stakeholders in the process, which is essential.

**Question 12: Do you agree with our proposal to launch an 'Option 1' SCR for areas of review that we lead on? Please give reasons for your view.**

This review is taking place at a critical point in time in the transition to renewable energy and has the potential to fundamentally transform the way in which access and use of system charges are levied for all users. It is essential therefore that this very complex reform proceeds in a manner that is transparent and accessible to all stakeholders so that they are able to fully understand and meaningfully contribute views. For this reason, we consider that Ofgem should strongly consider undertaking an Ofgem-led end-to-end review using SCR Option 3.

**Question 13: Do you agree with the introduction of a licence condition on the basis described in paragraphs 5.11 and 5.12 and Appendix 5?**

**Why or why not?**

**Do you have any comments on the key elements set out in table 7 of Appendix 5a, or consider there are any other key elements which should be included? Please give reasons for your view.**

We have no comment on this question.

**Question 14: Do you have any comments on the draft wording of the outline licence condition included at Appendix 5b? Please give reasons for your view.**

We have no comment on this question.

**Question 15: What are your views on our indicative timelines? Do you foresee any potential challenges to, or implications of, the proposed timelines and how could these be mitigated?**

The timeline and progress should be coordinated with the TCR SCR wherever possible so that these are joined up and the impacts are considered together wherever possible.

**Question 16: What are your views on our proposals for coordinating and engaging stakeholders in this work?**

We welcome the opportunity to be involved in the process and for wider stakeholder input as the implications may be far-reaching.

## **Summary**

In conclusion, the Access & Forward looking charges consultation needs to be considered in combination with the Targeted Charging Review SCR and the timelines combined, to avoid any unintended consequences.

The principle of varied access rights for projects seeking to connect to the grid should prioritise those which will enable further capacity to connect, for example energy storage, thus allowing more overall capacity to be awarded, and must retain the conventional, firm connection option as an attainable option.

Critical to all of the work is a set of case studies showing the exact impact expected on various users of the network – combining the likely outcomes of the TCR SCR and the Access and Forward-looking charges review work, to allow industry to examine the impact 'in the round'. It is important to have several case studies of sites with on-site generation (including renewables), with energy storage, and with EV charger(s), and with such technologies installed at a few different sites (eg urban v rural). Without this we can only comment on half of the picture.

**REA, September 2018**