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Andy Burgess
Ofgem
10 South Colonnade,
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Our Ref: EN01-005809

12 July 2019

Dear Andy,

Re: Response to TCR Supplementary Consultation, 17 June 2019

The following is a response to the consultation on supplementary information and analysis to November 2018 minded-to decision on the Targeted Charging Review, dated 17 June 2019 ("the supplementary consultation") submitted by Renewable Energy Systems Limited (RES). Our response is not confidential.

RES is the world's largest independent renewable energy company active in onshore and offshore wind, solar, energy storage and transmission and distribution. At the forefront of the industry for over 35 years, RES has delivered more than 16 GW of renewable energy projects across the globe and supports an operational asset portfolio of 5 GW worldwide for a large client base.

Our comments focus only on the proposed reform of Transmission Generator Residual (TGR) charge and Balancing Services Use of System (BSUoS) charges.

TCR "Minded to Decision" Assessment of Impact upon Carbon Emissions

We welcome the supplementary consultation and commend Ofgem for acknowledging its error in assessment of impact upon carbon emissions arising from its TGR and BSUoS reforms. We note that the corrected analysis using the BEIS appraisal values, reveals that, under the baseline, in which carbon emission reduction targets are not satisfied, system cost benefits are now negligible. We also note that, under the alternative FES scenario of Community Renewables, which meets carbon emissions targets, system costs are actually shown to increase to over £333million.

Our response to the November 2018 Minded to Consultation and the Oxera report of April 2019¹ hinted at other potential flaws in the Frontier analysis. Most notable of these flaws is the effect of inevitable delay to delivery to the system of lowest cost mature renewables, such as onshore wind, and also Ofgem's assumptions on carbon emissions from fossil fuelled generators, which may overstate the carbon emissions benefit. Both of these findings indicate that Ofgem's Minded to Decision proposals, in respect of TGR and

¹ Oxera "Ofgem's Targeted Charging Review Impact Assessment", April 2019
<https://www.oxera.com/publications/ofgem-targeted-charging-review-impact-assessment/>

BSUoS reform, are not aligned with Ofgem's primary duty to protect the interests of existing and future electricity customers.

In light of the findings of the supplementary consultation and given the potential flaws in the Frontier analysis, the system benefits of the TCR Minded to Decision of November 2018 now seem highly questionable and we encourage OFGEM to conduct further analysis and then consult on the findings of that analysis. This will ensure that the TCR process adheres to Government Consultation principles² and delivers outputs aligned with Ofgem's primary statutory duty to protect the interests of existing and future electricity customers.

Balancing Services Charges

We took an active role in the work of the Balancing Services Charges Task Force and note the findings of the final report. We support its findings, most notably that BSUoS does not currently provide any useful forward-looking signals which promote efficient use of the market and that balancing services costs should be treated on a cost recovery basis.

We now encourage Ofgem to progress BSUoS charging reform in a manner consistent with other residual cost recovery charges.

If you wish to discuss any of the points raised in this response, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Smart', is enclosed within a thin black rectangular border.

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Energy Networks Director
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² The UK Government, 'Consultation principles: guidance' 2012 (updated 2018)
<https://www.gov.uk/government/publications/consultation-principles-guidance>