

Andy Burgess
Deputy Director
Electricity Charging & Access
Ofgem

Email: paul.cowling@innogy.com
Tel : 0049 (0) 40 209 493 2332

Via email: andrew.burgess@ofgem.gov.uk
cc: TCR@ofgem.gov.uk,
frances.warburton@ofgem.gov.uk,
nicola.percival@innogy.com

12 February 2019

Dear Andy,

Ref: Further analysis on the Targeted Charging Review SCR

Innogy Renewables UK Ltd, is a developer and operator of renewable generation located on both the transmission and distributed networks, and owner of Belectric Battery Storage Ltd. We are very supportive of Ofgem's decision to review and reform existing network charging arrangements to better facilitate a smart, flexible network with the high penetration of renewables required to achieve the net zero by 2050 commitment from the government.

Innogy is heavily engaged with both the TCR and the Electricity Network Access Project SCR; in addition to consultation responses we had a seat on the Forward-looking Charging Task Force in 2018 and currently on the Challenge Group. We were also one of the sponsors of the report by Oxera providing critique and analysis regarding the TCR impact assessment, and we met with Andrew Self and members of his team to discuss this report earlier this year. As a result of the work by Oxera we are pleased that Ofgem have directed LCP/Frontier to update the carbon values used in the TGR/BSUoS section of the TCR impact assessment.

I am writing to you now to express innogy's continued concerns with regards to the lack of transparency on approach Ofgem is taking to the impact assessment associated with the Targeted Charging Review (TCR).

We welcome Ofgem's decision to undertake further analysis on the impact of the TCR proposals on the deployment of renewables. However, industry needs Ofgem to provide more detail on how this will be fulfilled. For example, will the modelling be re-run to capture within it the response of renewable generators to the proposals? Once the updated impact assessment is available will it be open to scrutiny? We are currently led to believe that it will simply be published alongside Ofgem's final decision and never form part of the consultation process. We are concerned that an approach which did not provide the opportunity for scrutiny and

feedback, would not be in line with the principles of evidence-based policy-making or represent good regulatory process. Indeed, it could even leave Ofgem open to legal challenge. Additionally, will Ofgem commit to ensuring that all (at least all major) network user groups are fully considered within the scope of future modelling and impact assessment undertaken as part of fundamental reforms, including future work on charging reforms?

Innogy's responses to the last few consultations on the TCR and Electricity Network Access Project has included our observation that network charges are a poor proxy for overall consumer benefit resulting from Ofgem's proposals under these two SCRs. This narrowly focused view does not consider multiple feedback loops associated with the TCR proposals and the impacts upon generation mix and market dynamics and the resultant implications for the overall cost of the whole system (network charges, cost of generation¹ etc) and consumer bills.

Innogy are concerned that if Ofgem are not considering this broader level of impact upon consumers, it could have implications for Ofgem's aims of affordability and sustainability, along with the statutory obligation *"to protect the interests of existing and future consumers [...], including their interests in the reduction of greenhouse gases"*.

We remain of the view that a broader analysis, which considers interactions with other reforms (e.g. ENAP), is vital for Ofgem to make well-informed decisions on next steps.

I would welcome your update on the intended next steps and Nicola Percival, innogy's grid policy lead, would be happy to discuss this further with you if it will be helpful.

Yours Sincerely,



Paul Cowling

Managing Director innogy Renewables UK

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