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Clarifying the regulatory framework for electricity storage: licensing

Submission by Limejump

Limejump is an aggregator and supplier in the fintech Energy Market. Through big data and innovation we create new ways to make it simple to earn revenue and maximise flexibility. We have the largest installed battery portfolio in the UK with 60MW and a further 83MW due to come on early next year..

Limejump is grateful for the opportunity to respond to this consultation from Ofgem. Our response is provided below.

Summary:

Limejump's assessment of the proposed changes to the definition of storage and the license conditions is that they are beneficial for battery storage developers and operators. The change in definition will help create regulatory certainty, simplicity and align Ofgem's definition with that of industry.

The change to license conditions mean that, **importantly**, storage can avoid double charging which is a major deterrent for risk adverse investors. The exclusion of benefits for storage whose primary function is self-consumption is an important step to demonstrate that contributors to grid flexibility are rewarded. The greater the amount of battery storage operators working to meet these criteria, the greater the levels of flexibility will be available on the network.

One key model for storage that is crucial to bringing low carbon flexible energy onto the grid is co-located storage – for example with solar, wind and hydropower generation. This mitigates the intermittency of many renewable technologies. Ensuring co-located storage is explicitly included in the new definition and conditions will bolster investor confidence in renewable generation projects, helping to bring increased levels of low carbon energy onto the grid cost effectively.

Our responses to specific questions are provided below:

Question 1

1. Do you agree that the form and content of the licence as proposed in this consultation will achieve the purpose and deliver what we committed to in the Smart Systems and Flexibility Plan?

Definition of storage

“Electricity Storage in the electricity system is the conversion of electrical energy into a form of energy which can be stored, the storing of that energy, and the subsequent reconversion of that energy back into electrical energy in a controllable manner.”

“Electricity Storage Facility in the electricity system means a facility where Electricity Storage occurs.”

The new definition of storage ensures that the regulatory framework is clearer, particularly in scenarios where storage interacts with other legislation and regulations. Ofgem **notes** that Parliament intends to amend the

Electricity Act 1989 to encapsulate the same definition of storage. Limejump **views** this as a positive that will help bring legal clarity and certainty to the definition which has been lacking. Creating greater regulatory certainty will boost investor confidence and as fulfil a key plank of the Smart Systems and Flexibility Plan to encourage wider use of flexible grid technologies.

Limejump will be looking to Ofgem to ensure the Government **makes** these changes “when Parliamentary time allows”. If Ofgem **is** intent on using this framework but the Government do not support it legally by-passing legislation in Parliament, then it will demonstrate disjointed policy to investors, undermining the ambition of the new definition of storage.

License conditions

Condition 1: Requirement to export

“The licensee shall not have self-consumption as the primary function when operating its storage facility.”

Ofgem recognising the “double counting” of costs that arise as a result of levies on both importing and exporting electricity that can negatively impact investor confidence in storage projects is very positive for Limejump and the wider energy innovator industry. These costs can include the Renewable Obligation, Feed in Tariffs, Contracts for Difference and Capacity Market costs on imported energy. The new condition, means that storage assets whose prime purpose is not self-consumption will not be levied for additional costs, creating a beneficial investment framework.

It is positive that Ofgem is aware that in the majority of cases these extra levies are viewed as operational costs. As such these costs are passed down to the consumer. One of the key pledges of the Smart Systems and Flexibility Plan is to “reduce the costs of the energy system and work to keep energy bills as low as possible for customers” (Pg4) and this new condition will help fulfil that.

The licence also ensures that battery storage operators whose primary purpose is self-consumption are not eligible for a generation licence. This encourages large storage operators to ensure that their primary purpose is exporting electricity if they want to obtain the benefits of exemption from double charging. As highlighted in the summary, Ofgem should explicitly clarify that co-located storage will also be exempt from having to pay import levies on energy as this is a popular and logical way to mitigate intermittent low carbon renewable energy generation.

Condition 2:

“If at any time the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its ability to comply with Condition E1, the licensee shall as soon as reasonably practicable notify the Authority in writing of the event or circumstance”

We welcome the condition that if licensee’s “know of any event or circumstance” where condition 1 is breached they should alert the Authority. This will assist Ofgem in recognising where, as the system changes, there is need for regulatory reform and adaptation of licence conditions.

However, there is no clear demonstration here that Ofgem intends to use this feedback to create greater flexibility in regulation as suggested in the consultation. We would like to see the addition of a line to the effective of; in order to better help Ofgem adapt the regulatory framework to further innovation.

Question 2

2. Do you have any views on whether we should include ‘in a controllable manner’ in the definition of electricity storage?

We welcome the fact that this has been adopted from the work of industry elsewhere to define storage in the Grid Code (GC096). This will help to bring further alignment between the work of the regulator and industry attitudes. The definition is useful, in terms of a generation licence of stressing the ability of a provider to *control* the conversion and reversion of electrical energy.

Question 3

3. Do you think there are any risks or unintended consequences that could arise as a result of our proposal? If so, please provide any explanations.

N/A.

Question 4

4. Do you have any comments on the list of technologies that should be included or excluded from the definition of storage as set out in Appendix A?

N/A.

For more information regarding this consultation please contact:

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