

## REA response to Ofgem Energy Storage Licence Definition Consultation

The Renewable Energy Association (REA) is pleased to submit this response to the above consultation. The REA represents 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 600 corporate members of the REA, making it the largest renewable energy trade association in the UK.

### Introduction

The REA welcome the intention behind this proposal which should make it easier to connect storage projects to the grid. We still believe that the best way of fully resolving the issue is to introduce primary legislation, but understand the constraints regarding available legislative time for this.

### Key points

#### Definition of energy storage

We would like to see further guidance or discussion on why the additional wording '...in a controllable manner' is necessary, if possible. This is because the follow-on implication of such wording is a requirement to demonstrate the ability to be controllable. This could mean new guidance being necessary and possibly evidence checks from Ofgem which would introduce added complexity and therefore delays in the process.

#### Annex of typical energy storage technologies

The proposed annex of applicable technologies is helpful as long as it does not default to becoming an exhaustive list with a pseudo-legal status, requiring a technology to be included on the list or face being ineligible. This is due to the need to retain the option for new technologies to be incorporated into the system and therefore potentially referenced in the annex, in the future.

A brief description should be added to the Annex List B section, to underline the rationale as to why these technologies are not considered as eligible.

There should be a clarification to the wording to underline that the list has no legal status or bearing and does not preclude new technologies being developed from being considered to be energy storage technologies.

#### The requirement for storage devices to export stored power as 'primary function'

This condition would prevent the facility from being the 'end consumer', thus avoiding paying the final consumption levy costs. If the storage facility's primary function is not to export to the distribution or transmission system, then such facility will not be classified as storage for regulatory purposes and would be subject to final consumption levies.

The definition of 'primary function' will be essential to get right and develop appropriately to avoid unintended consequences.

To become feasible, current battery projects are required to provide multiple applications simultaneously or in alternating patterns, also known as revenue stacking. Especially behind-the-meter battery storage will usually combine applications which are connected to final consumption of stored electricity, such as DUoS or TNUoS optimisation, and applications which are not connected to final consumption, such as frequency response services sold to National Grid. In the case of a complex revenue stacking it may be difficult to derive which applications constitute the primary function and if this will be based on utilisation or revenue creation within a specific application. Further, if behind-the-meter (BTM) and in-front-of-the-meter assets are levied differently with Final Consumption Levies (FCL), when operating in the same application (e.g. frequency regulation), based on a determination that the primary function of a BTM asset does not qualify for FCL exception, this would likely create undue market distortions and inefficiencies.

We would therefore urge Ofgem to consider applying FCL based on the energy connected to specific applications and not based on an arbitrary determination of an asset's primary application, which may also be subject to change over time.

### **Consultation questions**

#### **Question 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?**

Please see our comments in the Key points section above.

#### **Question 2: Do you have any views on whether we should include 'in a controllable manner' in the definition of electricity storage?**

We would like to see further guidance or discussion on why the additional wording '...in a controllable manner' is necessary, if possible. This is because the follow-on implication of such wording is a requirement to demonstrate the ability to be controllable. This could mean new guidance being necessary and possibly evidence checks from Ofgem.

#### **Question 3: Do you think there are any risks or unintended consequences that could arise as a result of our proposal? If so, please provide an explanation.**

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We would therefore urge Ofgem to consider applying FCL based on the energy connected to specific applications and not based on an arbitrary determination of an asset's primary application, which may also be subject to change over time.

**Question 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?**

The proposed annex of applicable technologies is helpful as long as it does not default to becoming an exhaustive list with a pseudo-legal status, requiring a technology to be included on the list or face being ineligible. This is due to the need to retain the option for new technologies to be incorporated into the system and therefore potentially referenced in the annex, in the future.

A brief description should be added to the Annex List B section, to underline the rationale as to why these technologies are not considered as eligible.

There should be a clarification to the wording to underline that the list has no legal status or bearing and does not preclude new technologies being developed from being considered to be energy storage technologies.

**Changes to Licence application form**

**Question 1: Do you have any comments on the proposed changes to the Application Regulations for electricity and gas licences?**

We have no comments or objections on this – the proposals are mostly administrative and designed to provide greater information to Ofgem.

**REA, November 2017**