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Chiara Redaelli
Senior Economist
Energy Systems Integration team
Ofgem
Submitted by email to: flexibility@ofgem.gov.uk

27 November 2017

Dear Chiara,

Re: RES response to Ofgem consultation on “Clarifying the regulatory framework for electricity storage: licensing”

https://www.ofgem.gov.uk/system/files/docs/2017/10/electricity_storage_licence_consultation_final.pdf

RES is one of the world's leading independent renewable energy companies working across the globe to develop, construct and operate projects that contribute to our goal of a secure, low carbon and affordable energy future. RES has been an established presence at the forefront of the renewable energy industry for over three decades. Our core activities are the development, design, construction, financing and operation of wind, solar, and electricity storage facilities.

RES welcomes the opportunity to respond to this consultation, having been closely involved with the issue in our work with the Electricity Storage Network and in deploying >80MW of electricity storage currently operational or in construction in GB.

In summary, we support the inclusion of the definition of electricity storage in the generation licence but have concerns about discriminatory treatment of unlicensed (e.g., through exemption) electricity storage facilities, in particular in relation to final consumption levies.

Yours sincerely,

A handwritten signature in black ink, reading 'John Prendergast'.

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Responses to questions from the consultation document

Responses to “Our Proposal and Rationale”

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*?

Answer:

We agree with the inclusion of electricity storage in the generation licence. We agree with the definition of electricity storage proposed.

However, the proposed changes do not achieve the changes which we believe are necessary and justified for the exemption for electricity storage, whether licenced or exempt from licence (but otherwise meeting the definition of electricity storage), from final consumption levies.

In the case of licenced electricity storage facilities, it is not clear how the exemption from final consumption levies arises. Could this be clarified please? We understand this would not need to be clarified in the generation licence, but a separate written clarification from Ofgem to industry about how this exemption arises would be helpful.

In the case of electricity storage facilities exempt from licence, the consultation states “where storage obtains an exemption to the requirement to hold a licence, storage would be subject to FCLs as the meter point will need to be registered with a supplier in order to import/export electricity.”. The Smart Systems and Flexibility Plan (Action 1.3) does not deal with the removal of final consumption levies from unlicenced electricity storage facilities and we believe that this should be corrected. If an unlicenced electricity storage facility meets the requirements of a generation licence for electricity storage, including the proposed SLC E1(1), and also (e.g., by virtue of its size) receives an exemption from holding the licence, then there is no justifiable reason to impose final consumption levies on this facility; to impose such levies would be unjustifiable discrimination. Simply, final consumption levies should not be applied to electricity storage, except in the case where the electricity is stored for subsequent final or self-consumption.

In practice, the majority of electricity storage facilities which can be expected to be built in GB in the foreseeable future would not be required to be licenced, e.g., through being <50MW in scale. These facilities should not be forced to undergo the cost and administrative burden of securing a generation licence if the only reason to do so is the avoidance of final consumption levies.

RES proposes that a separate change be made to the application of final consumption levies to state that they should not be applied to any facility meeting the definition of electricity storage facility under the generation licence including meeting the requirements of SLC E1(1), whether that facility actually has a generation licence or not.

RES sees the value of the proposed changes to the generation licence as principally stemming from the inclusion in regulation of a definition of electricity storage; rather than being a route to electricity storage facilities being licensed as a matter of course by industry (as most can be expected to be licence exempt). An example of the use of this definition would be to deal with final consumption levies as we have suggested above.

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

Answer: We do not believe that this text is necessary for inclusion in the definition of electricity storage. The grid connection agreement for an electricity storage facility will place any necessary constraints on the operation of the facility and it is not necessary to double up with constraints in the definition in the licence.

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.

Answer:

Firstly, the new storage condition SLC E1 contains reference to self-consumption, though this is not defined. Elsewhere in the industry the term ‘final consumption’ is used. There is some potential for confusion due to use of two terms; essentially they mean the same thing. It should be clear that final consumption, or self-consumption, relates to any net import of electricity to the facility.

Secondly, by continuing to impose final consumption levies on licence exempt electricity storage facilities, Ofgem will create an unnecessary administrative burden for small electricity storage facilities who have no other reason to hold a generation licence other than the avoidance of final consumption levies.

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?

Answer: The list is adequate, except in the case of ‘Chemical storage’ where it should be made clear that the chemical energy was converted from electricity before being stored.

Changes to the Licence Application Form

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

RES has no further comments at this time.