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Ecotricity Response to Ofgem Consultations:
Clarifying the regulatory framework for electricity storage: Licensing; and
Enabling the competitive deployment of storage in a flexible energy system:
Changes to the electricity distribution licence

Dear Andrew,

Ecotricity were the world's first green energy company when we established in 1995 and we now have over 200k domestic & non-domestic customers and almost 90MW of self-developed renewable energy generation capacity. We continue to invest in new sources of renewable generation, Electric Vehicle charging through our Electric Highway and more generally promoting sustainable living through all of our activities in the sectors of Energy, Transport and food.

We have decided to provide a response to this consultation which represents our views on these proposals as opposed to answering each of the prescribed questions. We felt that the points we wished to provide weren't catered for in each of the questions provided.

Defining storage as generation

At first glance, defining storage as generation seems a great idea. It is the closest classification as the primary intention of storage is to provide electricity to the grid, akin to all forms of generation. It's also fantastic that this storage 'generation' will avoid Final Consumption Levies (FCLs) – however this is where the biggest issue lies. Storage will only fall into this classification of 'generation' where it has a generation licence. Most storage

projects however are sub-50MW – with an average storage application being for 20MW¹. As such, most of the market shall fall into the class-exemption category – subject to these FCLs. Sub 50MW storage projects would therefore become redundant as they would not be financially viable. This places significant barriers - preventing competition and cutting a significant chunk of this nascent market off at the knees. It is prejudicial to have identified a market distorting practice – but only to remove this distortion for a small portion of the market. It could be argued that smaller scale storage – such as households – have the most to offer to the network as a whole and warrant being included with the proposed benefits.

We would argue that the right to avoid FCLs should be applied to all forms of storage – regardless of its size and generation licence status – from those 50MW+ right down to households who wish to have battery storage.

If this cannot be done, it should be possible to aggregate multiple instances of storage in order to reach 50MW and therefore capable of applying for a generation licence to cover this aggregate. Many sites and locations on the network don't warrant a 50MW+ site and it will be beneficial to not promote inefficient practices of causing an over-subscription of 50MW+ storage sites. This methodology would still allow storage to benefit the grid with what it actually needs – promoting storage providers to commit to a portfolio of storage totalling more than 50MW – and not be disadvantaged from the expenditure of FCLs.

DNOs prohibited from owning storage

We agree with the proposals to prohibit DNOs from operating storage they own and understand the rationale behind it. We feel that this is certainly needed in the meantime in order to prevent conflicts of interest and maintain market credibility. What we don't understand however is why this specific prohibition is limited to just DNOs and hasn't subsequently been extended to include DSOs. The holistic role of the DSO is expected to differ to some extent when compared with the DNO – but the provisions regarding storage operation should not differ between the two. This lack of specific prohibition could allow for potential exploitation. We do note that Ofgem have confirmed that DSOs will need to remain entirely impartial and have no conflicts of interests - while also confirming that they shall continue to consider the regulatory arrangements regarding these DSOs. This is a stance which we appreciate – but we still feel that more needs to be done.

In a nutshell, our argument is that DSOs should be subject to the same specific prohibitions which DNOs are subject to – in order to prevent any potential market exploitation.

Monitoring and reporting

We commend Ofgem's intentions to monitor the unbundling arrangements to prevent instances of market manipulation associated with DNOs. We feel that this is required due to the finer details of the unbundling arrangements. Regarding the best methods of monitoring and reporting – we aren't currently in the best position to provide a significant answer and shall leave this for other industry views and Ofgem's consideration.

¹ https://www.solarpowerportal.co.uk/blogs/utility_scale_pipeline_offers_a_diverse_future_for_uk_storage

Conclusion

Despite these efforts to remove distortions which are impacting the development of the storage market – we feel that these proposals are simply not enough and still unjustifiably harm most storage providers. These proposals require amendments to ensure that all storage is afforded the same treatment – all avoiding FCLs. This will allow this nascent market to grow together – as opposed to distorting progress to either the wildly prosperous for those fortunate to avoid FCLs or heavily redundant for those less fortunate to avoid FCLs.

Ecotricity welcomes the opportunity to respond and hope you take our comments on board. We also welcome any further contact in response to this submission. Please contact Joshua Phelps on 01453 840637 or joshua.phelps@ecotricity.co.uk.

Yours sincerely,

P. P. 

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