

Energy UK  
Charles House  
5-11 Regent Street  
London, SW1Y 4LR

27/11/2017

Dear Chiara,

**RE: Energy UK response to Clarifying the regulatory framework for electricity storage: licensing**

***Submitted via email***

Energy UK appreciates the opportunity to respond to this consultation. Energy UK is the trade association for the GB energy industry with a membership of over 90 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry from established FTSE 100 companies' right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 26 million homes and every business in Britain. Over 619,000 people in every corner of the country rely on the sector for their jobs with many of our members providing lifelong employment as well as quality apprenticeships and training for those starting their careers. The energy industry adds £83bn to the British economy, equivalent to 5% of GDP, and pays over £6bn in tax annually to HMT.

#### **Energy UK Key points**

Energy UK welcomes the consultation and the increased clarity this will offer over the role of storage in the energy system, but holds the following concerns:

- There are concerns over definitions and policy provision for storage assets of under 50MW, particularly given the growing popularity of such assets.
- There is a continued need to ensure equal treatment of generation and storage assets regardless of technology type.
- There is a need for clarity over definitions to be integrated into the creation of new licence amendments.

This response underpins Energy UK's position on the proposed amendments to the generation licence. This is a high-level industry view; Energy UK's members may hold different views on particular issues. We would be happy to discuss any of the points made in further detail with Ofgem and other interested parties if this is considered to be beneficial.

If you have any questions please contact Energy UK using [Charles.Wood@Energy-UK.org.uk](mailto:Charles.Wood@Energy-UK.org.uk).

Kind Regards,  
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## 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?**

Energy UK welcomes the consultation and the associated work to review licencing surrounding energy storage, and broadly agree that for storage assets of over 50MW capacity, amendments to the licencing arrangements as set out in the consultation would meet the commitment made in the SSFP. These amendments will ensure that clarity on this issue can be swiftly provided to storage providers that are subject to the generation licence.

Energy UK would, however, raise that this document does not solve issues surrounding class exemptions or the exemption of storage assets smaller than 50MW. As there are a high number of planned installations of storage assets below the size of 50MW, this is problematic. Energy UK encourages Ofgem to approach the classification issues for storage assets below 50MW in future consultations. This includes both storage assets which sign up to the grid code or BSC in order to play into the BM, and those which do not but are still owned or operated by an energy industry participant.

It is essential that any exemption to FCL charges for licenced storage facilities are also extended to licence-exempt storage facilities. To not do so would create an uneven playing field, distorting the market in favour of larger facilities. To require smaller storage facilities to become licenced in order to benefit from changes to FCL exemptions on import, may similarly create an uneven playing field between different small flexibility providers. For example, between those providing services via small-scale storage technologies and other small flexibility technology types such as diesel generators, who are exposed to neither FCL charges nor the administrative burden of licencing.

Energy UK would also raise that there should be a mechanism devised for suppliers to identify where FCL charges should be applied, as it should not be the responsibility of suppliers to confirm which users do or do not hold a generation licence. This should be done before any obligation comes into place on storage exemptions from FCLs, in order to prevent mischarging of storage assets.

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

Energy UK understands the intended definition of ‘a controllable manner’ to be control over the conversion of energy by the storage asset. It seems somewhat superfluous to include such an addendum to the definition, as not only are all storage assets controllable, those assets covered under grid codes and licensing are required to be controllable already. There seems to be no precedent in other definitions of the use of this phrase. It therefore makes little sense to include this phrase, and any inclusion of this should include further definition of what constitutes a controllable manner.

### **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.**

It is difficult at this time to estimate unintended consequences resulting from changes to the licence, and as such Energy UK see it as important that Ofgem continue a transparent process of consultation before, during, and after changes are made. The amendments outlined provide welcome clarification for large-scale storage, but do not address the same issue for generation licence exempt storage assets. Additionally, there are likely to be amendments required to secondary legislation for these levies. Ofgem should, in conjunction with BEIS, outline these issues and address these individually, ensuring that all sizes of storage capacity are accounted for.

When looking at Paragraph 1 of Condition 1E, there is a question of clarifications around the final consumption levy in terms of the way this would be measured and effectively managed. The definition of 'primary function' would need to be set out clearly in order to ensure clarity over acceptable levels of self-consumption.

As it stands, those operating generating plant are able to supply their own operations via 'Exemptable' generating plant, as per BSC section K1.2.2, without additional costs being incurred via final consumption. There may be a need for additional clarity on this, in particular on 'Exemptable' storage assets returning stored electricity to the grid, and under what conditions storage assets are or are not eligible for class exemption or classification as 'Exemptable' generating plant. There is certainly a need for further examination of this aspect of licencing and its application.

In addition, some Energy UK members have raised concerns over the ambiguity of what additional services storage BMUs will be required to provide (if any) under the licence. If storage BMUs are to be included in the generation licence as per Ofgem's proposal, is it correct to assume that these BMUs would be required to provide the same system support services as a conventional BMU?

Energy UK is aware of member responses recommending potential ways to deal with Final Consumption Levies for distribution connected assets, and would be happy to facilitate further discussion on this point.

Any changes to the size of the charging base for FCL as a result of exemptions for storage facilities should be put in place with sufficient notice for suppliers to take account of these changes in their tariffs.

**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 list seems to be an accurate representation of existing storage technologies, but should be enabled to be updated as and when new technologies emerge.

**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?**

Energy UK suggest that on application, applicants could provide a brief description of the activities they intend to carry out, specifying whether; to what extent; and for what purpose; they will utilise the storage of electricity. This would help Ofgem to determine whether or not storage, rather than consumption, is the primary purpose of the proposed solution.

Energy UK has no further comments to add at this time.