

Mr Edward Nelson
Ofgem
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20th February 2017

Dear Edward,

Electricity Storage and the Renewables Obligation

As representatives of the UK's renewable generation and storage industries, we welcome the recent engagement from Ofgem on the subject of co-locating energy storage devices on generation sites in receipt of the Renewables Obligation.

Further to meeting Ofgem on the 6th of January 2017, we are writing to provide further information on areas of uncertainty for developers seeking to progress projects of this kind, and to inform the guidance document Ofgem has committed to drafting.

As we look to develop a secure, low-carbon and low-cost energy system, co-locating energy storage technologies with renewable generation sites can offer a number of benefits. However, the Renewables Obligation, and its surrounding processes, was not designed with energy storage in mind.

In order to enable the development of co-located projects, the industry would seek that guidance is given on:

- 1) Re-accreditation processes
- 2) How Ofgem will interpret aspects of the legislation
- 3) Expected metering arrangements

We expand on these areas below to help inform the drafting of the guidance document.

Finally, we would encourage Ofgem to act swiftly and that that these issues should be treated as a priority in the outcome of ongoing work around:

- Developing a Smart, Flexible Energy System¹
- Development of DSO models and more actively managed networks²
- DNO work streams to reduce unused connection capacity³

We would welcome the opportunity to contribute to any further work on this matter.

Yours sincerely,

¹ <https://www.gov.uk/government/consultations/call-for-evidence-a-smart-flexible-energy-system>

² http://www.spenergynetworks.co.uk/pages/dso_vision_consultation.asp

³ https://www.ofgem.gov.uk/sites/default/files/docs/2015/09/quicker_more_efficient_next_steps_-_final.pdf



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[CC, James Veaney, Head of Connections]

Clarity on re-accreditation processes

ROC-Suspension

Current industry understanding is that adding a storage asset to an existing site in receipt of ROCs would prompt the re-accreditation process. It is our understanding that while re-accreditation proposals are being considered, ROC payments are suspended.

As you will be aware this expectation would have a significant impact on the financial viability of prospective co-located projects. Industry therefore will require clarity on this process:

- a) At what point will ROC payments be suspended? For example, does Ofgem's acknowledgement of an application trigger the suspension? Would that suspension be backdated to the date of the application?
- b) How long would you expect the ROC suspension to last? We appreciate cases take time to assess, but any indication here would be welcome.

'Fall-back' Guarantees

The absence of 'fall back' arrangements for unsuccessful re-accreditation applications is a particular concern among industry.

In a situation where the addition of storage was deemed unworkable, and accreditation not granted, there is no detail as to whether the project (in its original and unaltered state) could revert back to its previous accreditation status and RO banding. Clarity on what constitutes a material change to the generating station would be helpful in assessing how a site could 'fall back'.

If there is no provision for 'fall back' procedures, adding a storage asset and embarking upon the reaccreditation process would place the whole project in jeopardy. If accreditation was not granted, the existing generation site would have to re-accredit. This is unlikely given the timescales for the closure of the RO, effectively meaning that if the addition of storage was not approved the existing renewables site could be rendered unviable.

Opening up the whole project to this level of risk is a severe disincentive to investment of this nature and in our view risks stymying co-location altogether. As you are aware, co-location can maximise the value of existing sites with sunk costs (borne both by developers and consumers). It is vital that decisions are made to enable the development of a smart, flexible energy system which offers value to the consumer.

We ask therefore that Ofgem urgently considers what 'fall back' procedures can be put in place to ensure proportionate levels of risk.

Certainty for developers

A pre-accreditation process for ROCs has been successful in enabling investor confidence in projects through giving developers a degree of certainty on their application. No such process exists for the re-accreditation of a site after a material change.

Co-location projects, by virtue of having to re-accredit, are therefore subject to a level of uncertainty which was alleviated for generation sites accrediting for ROCs. Given co-location remains an innovative area, we would also ask that Ofgem considers the viability of a 'pre-

re-accreditation process' – a mechanism to afford developers and investors a level of certainty in a similar fashion to accreditation processes for generation.

We would welcome a process whereby:

- 1) Developers are able to discuss plans with Ofgem in advance
- 2) Developers are able to receive formal (though non-binding) confirmation from Ofgem that if the project is built out as stated it will re-accredit successfully.

Additionally, it would be helpful for Ofgem to confirm that, in both scenarios of a project re-accrediting successfully with co-located storage, or 'falling back' to its original accreditation, ROCs would be issued on any eligible generation metered during the suspension period while accreditation was being considered.

Interpretation of Legislation

Existing legislation was not necessarily written to account for electricity storage, and we would encourage Ofgem to consult in order to provide some clarity on how the following terms will be interpreted.

Again, it is worth noting the importance of links with other work-streams, including the flexibility consultation and the development of a definition for energy storage.

- 1) **Supplier** – Confirmation of how RO generator supplies to an electricity storage provider are to be accounted for would be of benefit to industry. There is currently a lack of clarity as to how 'supplied' electricity would be considered with onsite storage use.
- 2) **Premises** – If an RO generator supplies electricity to an adjacent storage facility, must the premises on which the storage facility is located be held under separate ownership or lease? Can clarity be provided on whether this has implications for the storage facility being treated as 'onsite'?
- 3) **Consumption** – Clarity would be helpful on whether storage can 'consume' electricity, and therefore be treated as consuming electricity onsite in a permitted way.
- 4) **Behind the Meter** – Further consideration and flowchart of what 'behind the meter' means with respect to the RO and need for re-accreditation
- 5) **Permitted way** – Clarification as to how storage relates to the requirement to supply electricity in a permitted way. Including;
 - a) **Generating station** – Confirm that it is permissible for the RO generating station and storage facility to be owned by the same party or different parties and the implications for which permitted use route must be used. We note that definitions of storage as part of the generating station may have unintended consequences on the broader debate surrounding a definition for energy storage, so we would encourage this distinction to be kept specific to co-location with RO accredited sites.
 - b) **Private Wire Network** - What constitutes a private wire network when onsite storage is considered? If electricity is supplied over a private network to a storage facility the storage operator must by definition be a separate entity from the RO generator. Is it permissible for each to be owned by the same party?

Examples

In order to illustrate the points above, we would encourage Ofgem to provide examples and schematics of hypothetical structures which do and do not work for the purposes of re-accreditation:

- Examples of cases which are considered a material change to a site – further clarity on the definition of a material change is necessary.
- A structure under which storage and generation are separately owned;
- A joint-ownership structure where one party owns both assets;
- Applications which are likely to be rejected, and why.

Ideally the examples would cover both the legal aspects and also metering requirements.

Metering Arrangements

We recognise that exact metering requirements for individual sites will differ on a case by case basis, but to enable industry to develop project proposals more detail is required on what metering arrangements would likely be acceptable to Ofgem. We expect this would also help drive much needed consistency between DNOs and between distribution and transmission level connected projects.

We would welcome the inclusion of key principles for net metering of export generated from renewable sources, MPAN requirements and/or some illustrative examples of accepted scenarios. A good example to follow would be Elexon's documents regarding appropriate metering arrangements for Capacity Market participants.

Further Clarity

Energy storage technologies are continuing to develop, and it is important therefore that any principles adopted are technology agnostic and able to accommodate innovative storage technologies as they come to market.

It is likely that projects in receipt of other revenue support mechanisms, such as Contracts for Difference and the Feed-in Tariff will also seek to explore co-location with electricity storage. Industry needs to understand whether the same arrangements would apply across different revenue support mechanisms, or whether the process for each would be different.

We are aware that BEIS has gone to some similar efforts in publishing a consultation response on storage co-location with CfD projects. While initial comment from industry is that these guidelines are overly prescriptive, they are helpful in providing clarity for developers⁴.

We would welcome similar clarity on RO projects.

⁴ [https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/589996/FINAL - Government Response to the CFD Contract Changes Consultation.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/589996/FINAL_-_Government_Response_to_the_CFD_Contract_Changes_Consultation.pdf)