

20 April 2026

Dear Ofgem Team,

**Subject: Joint Trade Association Response to Long Duration Electricity Storage – Draft Special Licence Conditions**

The British Hydropower Association (BHA) and Scottish Renewables (SR) are pleased to respond to the consultation regarding the proposed Long Duration Electricity Storage (LDES) Cap and Floor licence framework.

We acknowledge the considerable progress made in developing a structured support mechanism for LDES and fully endorse the objective of advancing large-scale, long-duration storage assets as integral to a secure, resilient and low-carbon electricity system.

However, following extensive consultation with developers, investors and supply chain stakeholders, we believe the current draft licence framework falls short of delivering a fully investable model for Pumped Storage Hydropower (PSH). The regime is not a subsidy but is intended to provide sufficient support to make projects bankable. Developers assume all capital expenditure and revenue risk, while the Cap and Floor mechanism merely offers debt insurance. For Ofgem to fulfil its growth duty, further improvements are necessary to enhance the investability of these projects.

We wish to highlight three key areas where the current risk allocation does not adequately encourage investment:

### **1. Force Majeure & Delay**

The provisions for Force Majeure and delay do not reflect the scale and complexity of PSH projects. Extended construction timelines and exposure to high-impact, low-probability risks may deter lenders, investors and developers.

- The definition of Force Majeure is overly restrictive, excluding key risks beyond the licensee's control (such as grid connection delay). It should be broadened to encompass these risks.
- The two-year backstop unfairly subjects large PSH projects to disproportionate programme delay risk, undermining their viability compared to technologies with shorter construction periods.
- The authority's lengthy determination period does not incentivise effective collective risk management.
- The Backstop Delay Charge creates significant barriers to investment, with punitive cliff-edge triggers and permanent distribution lock-ups. In contrast, the Interconnector Cap and Floor regime employs duration reduction, so late delivery reduces the regulated period day-for-day once delay passes the backstop.

In summary, the framework does not adequately address the unique risks of PSH projects. A more balanced and investable allocation of risk is needed—one that recognises both cost and schedule impacts and aligns obligations between developers and regulators.

### **2. Availability**

Although the PSH sector has demonstrated exceptional reliability over many years, Ofgem's proposed target availability could jeopardise project bankability.

- An annual target availability of 95% without outage allowances and with the threat of floor removal is unacceptable. A more realistic minimum threshold of 80%, as seen in the Interconnector regime, alongside strong incentives for high availability, would protect essential maintenance cycles and encourage optimal performance, whilst providing reasonable protection for investors.
- The equivalent availability calculation introduces complexity and ambiguity, creating uncertainty for investors and developers and increasing the risk of unintended consequences.

### 3. LDES Operational Restrictions

LDES is essential to the energy transition, and PSH forms a necessary part of this. The regime should ensure that LDES capability is available when needed. We are concerned that the proposed additional services and restrictions will impede the achievement of the regime's intended benefits.

- Ofgem is obligated to maximise the benefits of LDES projects supported by consumers. Restrictions should not limit projects potential system benefits or increase consumer risk regarding floor payments. Any such restrictions may reduce gross margins, undermining the rationale of a support regime based on the licensee's obligation to maximise gross margin.
- Traders are likely to factor in licence breach risks, resulting in overly cautious strategies and suboptimal asset performance. Whereas market incentives would encourage behaviours which would maximise benefits.
- These concerns should be resolved through market-wide incentives rather than restrictive licence conditions, as introducing such restrictions now risks undermining previously submitted business cases.

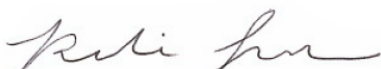
### 4. Conclusion

The BHA and SR fully support the introduction of a Cap and Floor mechanism for LDES and recognise the necessity of timely delivery. To ensure the regime supports investable and deliverable PSH projects, we urge Ofgem to:

- Adopt a fairer approach to Force Majeure and delay that reflects the risk profile of large-scale infrastructure projects;
- Implement a more bankable framework for operational availability, safeguarding essential maintenance while promoting top performance;
- Avoid imposing constraints on operational flexibility;
- Address LDES system requirements through market-wide incentives, not restrictive licence conditions.

We welcome ongoing engagement with Ofgem to refine the framework and facilitate the successful deployment of PSH as a vital component of the UK's future energy system.

Yours sincerely,



**Kate Gilmartin**  
**Chief Executive**  
**British Hydropower Association**



**Colin Palmer**  
**Director of Offshore**  
**Scottish Renewables**