

Regen and Electricity Storage Network
Ground Floor, Bradninch Court
Castle Street, Exeter
EX4 3PL
Tel: 01392 494399
Email: mhyman@regen.co.uk

16 January 2019

Philippa Hulme
Electricity Systems Team
Department for Business, Energy and Industrial Strategy
1 Victoria Street, London, SW1H 0ET

Re: Smart Systems and Flexibility Plan: Progress Update

Dear Philippa,

We were pleased to read the update to the Smart Systems and Flexibility Plan released in October 2018. The document shows clear progress on many of the actions from the initial Plan and we have been closely engaged with much of the activity that has taken place since the release of the Plan.

The Smart Systems and Flexibility Plan is an opportunity to bring together the key policy and sector changes for storage in particular and provides a platform for the storage industry to engage with BEIS and Ofgem directly on a myriad of otherwise disparate issues.

On behalf of Regen and the Electricity Storage Network we have set out below what we consider as priority areas in the Plan, and areas which warrant increased attention

Overall clarity of policy

The Plan aims to encourage a smart, flexible system to support the uptake of renewable generation and decarbonise the whole energy system, but at present, it's hard to see how policy reforms coming from other parts of government and from the regulator are compatible with these aims.

Positive developments such as the work of the ESO and DNO/DSOs to support innovation and open flexibility markets are being outweighed by measures that negatively affect business models and investor confidence, such as network charging proposals and delays in a new export tariff for small-scale renewables.

In particular, given the scale and pace of change needed, we consider decarbonisation should be a default objective of all energy policies, not a case that needs to be argued.

Definition of storage

The issue of modifying the legal definition of storage and modifying the generation licence is still one of the top priorities in this plan, but it is frustrating to see that the Ofgem consultation on the licence modification is being quoted as progress, despite the consultation finishing over a year ago. The industry is striving to change many policy and regulatory approaches so that storage is treated correctly – changing this at the top level, both in the generation licence and in primary legislation would help to resolve many of the issues that stem from its top-level classification.

Capacity Market

We welcomed the statutory review into the Capacity Market (CM) and responded to the initial consultation, calling for flexibility and speed of response to be valued appropriately. These changes

are vital to ensure that the CM evolves as the entire energy system transitions to a low carbon future and while the current suspension does present a hurdle for the CM, it should not overtake this review and prohibit or delay these important changes.

The review of the CM must recognise that the nature of future stress events is likely to change. The current approach envisages a long warning lead-time and straightforward supply ramp-up over an estimated period of time, however, in a more integrated and decarbonised energy system, stress events could have varying lead-time and duration. Flexibility and speed of response are therefore going to be key to addressing such problems and the five-year review provides an excellent opportunity to ensure they are appropriately valued to help maintain security of supply.

Distribution licence condition changes to prohibit DNOs operating storage

We note Ofgem's decision that they will be going ahead with changes to the Electricity Distribution Licence to prohibit DNOs from operating storage and that they may also consider prohibiting ownership at a later date. [The ESN have contacted Ofgem](#), expressing our disappointment with this decision as we believe that, in certain circumstances, there are still advantages to allowing DNOs to own and operate storage. At present, markets for flexibility are still emerging and there is not currently sufficient flexibility market activity at a local level to address network constraints - as we saw in the recent [Electricity North West local flexibility EO!](#) where network reinforcement was undertaken following an unsuccessful tender. We fully support the ambition to stimulate these local markets, but until we see the markets flourish, DNOs should have the opportunity to avoid investing in expensive network upgrades.

National planning threshold for storage

We welcome the recent consultation on the planning threshold for storage. We were pleased to see the reform to the threshold for co-located projects – the ESN has been advocating for such a move and it will result in increased uptake of storage. However, we do think that there is some work to do both by the sector and by government before storage is fully understood and correctly treated by planning officials – this reform process would be an ideal opportunity to initiate this work. We also think there is merit in continuing discussions on the threshold level and metric for standalone storage. We are engaging with BEIS on this issue and will respond to the consultation in March.

Energy Data Taskforce

We welcome and support the creation of this taskforce and have participated in the stakeholder events. Given the reliance of smart technologies and data science techniques on the availability and quality of data, this taskforce could play an important role in improving how these technologies operate. Increased quality of and access to data will be vital to improving market activity, particularly at the local level as discussed above. The impact on storage could therefore be significant and we will stay involved in the work of the taskforce.

We look forward to seeing progress on all areas of the Plan and will remain closely involved through the Smart Systems Forum.

Yours sincerely,



Merlin Hyman
CEO, Regen