

## **REA response to Elexon consultation on aligning BSC and EMR regulations**

The Renewable Energy Association (REA) is pleased to submit this response to the above consultation. The REA represents renewable electricity, heat and transport, as well as Electric Vehicle companies and Energy Storage. Members encompass a wide variety of organisations, including generators, project developers, fuel and power suppliers, investors, equipment producers and service providers. Members range in size from major multinationals to sole traders. There are around 550 corporate members of the REA, including around 120 energy storage companies, making it the largest renewable energy trade association in the UK. Our subsidiary RECC has around 2,000 small scale renewables installers.

### **Support for proposed approach**

In summary, we strongly support the proposals to align the payment of CfD and Capacity Market supplier levies with those for the FiT and RO schemes, as well as the proposals for community energy schemes (electricity supplied across the distribution network by exempt Suppliers), for the following reasons:

- Removing unfair double charging of final consumption levies on battery storage projects was an important action first identified in responses to the original Smart Systems call for evidence in 2016. Doing so will help level the playing field and aid the integration and greater deployment of energy storage in the UK, which has been variously forecast to save the UK billions in running the energy system. There is currently a hiatus in development in the market and this could be partly unlocked by ensuring the regulatory change as set out in the plan is enacted as swiftly as possible.
- Community energy schemes represent a great opportunity to engage local people and communities with energy supplies and decarbonisation as well as more equitably spreading the economic benefits of energy beyond traditional energy industry actors.
- This is a relatively straightforward and simple change to make therefore should help deliver some of the urgency for getting more storage capacity built in the UK.

### **Benefits for Energy storage and 'subsidy-free' renewable power projects**

There is a pipeline of around 1.25GW of 'subsidy-free' solar PV and battery storage projects which could be able to build out with greater regulatory certainty and support. Issues such as the double charging of grid levies causes financial constraints for such projects which have very thin margins in the absence of specific public support.

Industry figures (rough calculations) indicate that a significant delay in roll-out of unsubsidised renewables currently assumed in the 2020s – leads to increased costs either in the Capacity Market or wholesale markets and suggest a 10GW capacity gap for say 5 years from 2025, which would cost £750m per annum. In addition, the CCC and others have highlighted the level of increased renewable investment needed to meet our carbon targets, with the NIC recommending 50% renewable energy generation by 2030.

## **Summary**

The REA strongly supports the proposals for alignment and electricity supplied across the distribution network by exempt Suppliers. Such action will be positive for the energy storage sector and aid in delivering the significant cost savings for 'UK Plc' of having a more flexible energy system.

The REA notes however that while this proposal addresses the issue of supplies to exemptable licensed generators, it does not explore options for removing double charging of FCLs to exemptable operators who do not hold a license. This is an outstanding policy gap that needs to be closed and we urge Elexon to continue to work with BEIS and Ofgem to address it.

We would be happy to discuss any of the points above further.

**REA, October 2018**