

Solar & Energy Storage Member Forum Meeting

30 June 2022, 13.00 – 14.30



Agenda

- 1) REA update
- 2) Policy update: windfall tax, nodal pricing, grid Issues update, Levelling Up Bill, UK Infrastructure Investment Bank
- 3) REMA Preparation
- 4) VAT & Energy Storage
- 5) Feedback from ENA meetings inc queue management and grid securities
- 6) Solar guides
- 7) Solar community engagement



1. REA Update



REA EVENT:



Trucks, Trains, Boats & Planes

A Roadmap Towards Transport Decarbonisation

Featuring REA's report -
'Decarbonising Transport: Enabling local energy solutions'
sponsored by Hitachi Energy

AT: America Square, City of London
ON: Thursday, 14th July 2022 | 9:30am - 4:45pm

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2. CCC Progress Report

“The UK Government now has a solid Net Zero strategy in place, but important policy gaps remain.”

“Tangible progress is lagging the policy ambition.”

On Solar:

- Praises increased solar deployment and recognises ambitions for solar deployment.
- In relation to the cost-of-living crisis, the report notes that rapid solar and onshore wind deployment can be used in the short-term to generate cheap electricity

On Storage:

- Report highlights ongoing ‘deployment risks around renewables and energy storage’
- The CCC highlight the ‘need to reward system flexibility’ (p.257) as one of the key challenges which current market arrangements do not facilitate.

<https://www.theccc.org.uk/publication/2022-progress-report-to-parliament/>



2. Policy Update – Windfall Tax

Oil and Gas Sector Windfall Tax

- The government announced an Energy Profits Levy, a new 25% surcharge on the profits of the oil and gas sector.
- The levy is an additional 25% tax on UK oil and gas profits on top of the existing 40% headline rate of tax, taking the combined rate of tax on profits to 65%. It is estimated to raise around £5bn over the next year.

Government considering further windfall tax on generators

- REA are aware of treasury considering an additional windfall tax on all generation (including Renewables)
- REA have made representation to Treasury emphasising that application of a windfall tax to renewables would be detrimental to existing sites and investor confidence. We also raised the issue with Minister Greg Hands on Tuesday.
- REA joined other Energy Trade Bodies, including Energy UK, Renewable UK and Scottish Renewables, to co-produce a briefing for parliamentarians.
- Current indications are that Treasury are also considering how cost reductions might be better achieved through market design proposals.



2. Policy Update – Nodal Pricing

- Ofgem is undertaking an assessment of locational pricing to assess potential benefits, costs and distributional impacts and consider potential implementation pathways.
- Follows research from NG ESO published last month that gave clear indications of considering moving towards nodal pricing.
- Modelling to be done by FTI Consulting utilising the Plexos Integrated Energy Model Platform - analysing impacts on the market in relation to two different NG ESO Future Energy Scenarios.
- Further stakeholder engagement sessions expected in the coming months to inform study and assumptions
- Final findings of the study expected in October to inform REMA Study.

Central Question:

Will Introducing locational granularity into the wholesale market enable a fully flexible, low carbon, low-cost system?



Weaker locational signals

Single national price

Uniform price clears across entire market



International examples:



No location in wholesale energy price

Zonal pricing

System divided into a small number of zones with individual prices



Zones typically cover large geographic areas, but wholesale energy price derived taking account of transmission between zones

Stronger locational signals

Nodal pricing

System divided into many "nodes" with individual prices



Nodal wholesale energy price

REA happy to feed back member support or concerns for zonal and nodal approaches to Ofgem.



Policy Update – SCR and DUoS/TNUoS

Significant Code Review – Access and Forward-Looking Charges Ofgem Decision

Distribution Connection Charging Boundary, Ofgem confirmed:

- Reduce the overall connection charge faced by those connecting to the distribution network
- Retain and strengthen existing protections for bill payers

Definition and choice of access rights, Ofgem decided to:

- Ensure a standardised non-firm access option is available for larger network users
- Introduce clear curtailment limits and end-dates for non-firm access arrangements

Arrangements come into force April 2023

<https://www.ofgem.gov.uk/publications/access-and-forward-looking-charges-significant-code-review-decision-and-direction>

Transmission Network Use System Charges and Distribution Use of System Charges

- Both TNUoS and DUoS are being considered outside of the original SCR
- In February Ofgem confirmed a separate DUoS SCR review which is ongoing.
- In May Ofgem provided an update on the TNUoS Task Forces – confirming establishment of groups to consider:
 - 1) Root causes of unpredictability of TNUoS
 - 2) Examination of input data into the current model used to calculate locational elements.



Policy Update – BSUoS and G100 Issue 2

CMP308: Removal of BSUoS charges from Generation

Ofgem approved CMP308. This will move the charging of Balancing Services Use of System charges ,from generation and demand to Final Demand only.

Change will take effect from April 2023.

<https://www.ofgem.gov.uk/publications/cmp308-removal-bsuos-charges-generation>

EREC G100 Issue 2 - Technical Requirements for Customers Export and Import Limitation Schemes.

Following consultation last year, the ENA published G100 Issue 2 in May.

Document applies to all in **Customers' Installations** connected at any voltage, where new load or generation equipment is installed and commissioned on or after 01 April 2023, such that there is an agreed need to restrict the flow of current at the Connection Point or to prevent voltage limits on the Distribution Network from being exceeded.

[Full document is now available in the ENA's Document Library Here:](#)



2. Policy Update: Levelling Up & UK Infrastructure Investment Bank Bills

- Both Bills were announced as part of the Queen's Speech earlier this year.
- REA produced briefings to propose amendments to the Bills ahead of their respective Second Readings in the House of Lords.
- Our amendments to the Levelling Up Bill would ensure that planning must be compliant with CO2 targets.
- Our amendments to the Infrastructure Bank Bill concerned two areas:
 - 1) An explicit objective to decarbonise.
 - 2) Addressing under-investment in emerging technologies.

Levelling-up and Regeneration Bill
[AS INTRODUCED]
CONTENTS
PART 1
LEVELLING-UP MISSIONS
<i>Setting missions</i>
1 Statement of levelling-up missions

UK Infrastructure Bank Bill [HL]
EXPLANATORY NOTES
Explanatory notes to the Bill, prepared by HM Treasury, have been ordered to be published as HL Bill 3—EN.
EUROPEAN CONVENTION ON HUMAN RIGHTS
Baroness Penn has made the following statement under section 19(1)(a) of the Human Rights Act 1998:
In my view the provisions of the UK Infrastructure Bank Bill [HL] are compatible with the Convention rights.



3. Review of Electricity Market Arrangements

- Announced as part of the British Energy Security Strategy.

- Overall Objective:

“To identify and implement the reforms needed to GB electricity market arrangements, in order to drive the necessary investment in, and efficient operation of a secure, low carbon electricity system by 2035”

- The consultation on REMA is expected in the next few weeks.
- The REA have formed a REMA task and finish group to lead on our response to government proposals.

REMA Focus



Capacity
Adequacy



Low carbon
investment
(eg wind, solar, biomass,
hydro)



Wholesale
Markets
(inc. balancing)



Flexibility
(eg DSR, storage,
electrolysis, CCUS,
H2P, interconnection)



Operability
(eg ancillary services)



REMA – Possible Market Designs

Primary aim of a new market design would be to decouple the cost of electricity from the cost of gas, which currently sets the marginal price.

- ***A ‘Green Power Pool’ and ‘Fossil Wholesale Market’***
- ***A prioritised ‘Must Run’ market and a ‘Firm Power’ market***
- ***An ‘As Available’ market and a ‘On Demand’ Market***

In all cases the initial market would be prioritised, with the cost of low carbon generation set by long run costs of existing contracts, such as CfDs. The second market would then be available to meet further demand.

Government also to consider how markets could be applied locally and whether a hands-on Distributed Service Operators (DSO's), coordinating local systems and markets, could see regional benefits.

Models also need to provide benefits to consumers through the retail market – “Energy as a service”.

REA currently does not have a preferred market model and will be working this through with our members.



REMA – Other Key Talking Points in System Design

Capacity Adequacy

- Need for strong strategic guidance to deal with capacity constraints
- Queue Management Systems
- Capacity Market Reforms to prioritise low carbon and flexible generation.

Low Carbon Investment

- Public sector commitments to only contract low carbon power
- Government support for strategically important technologies
- Six monthly rolling CfD Schedule
- LDES Cap and Floor Mechanism

Wholesale Markets

- Decoupling renewable and fossil Generation
- Energy as a service

Flexibility

- Need for greater Data sharing at DNO and TNO Levels
- Centralised transparent bidding market with established products
- Establishing a range of flexibility contracts and lengths.

Operability

- Role of Future System Operator
- DNOs to DSOs
- Ongoing Code Reviews



4. VAT & Energy Storage Campaign

- Spring Statement 2022 introduced 0% VAT on installation of energy saving materials within homes from 1st April 2022 to 31st March 2027, but did not include energy storage.
- REA have compiled a brief, distributed to MPs and Peers, to push for Energy Storage to be added to the ESM list.
- REA to write to Under-Secretary of the Treasury, Lucy Frazer. Forthcoming meetings with interested parliamentarians and will push for them to write to Frazer.
- Storage can still be zero rated if installed as part of a larger energy efficiency project, where it is providing 'ancillary services'. I.e. in conjunction with a zero-rated solar system.



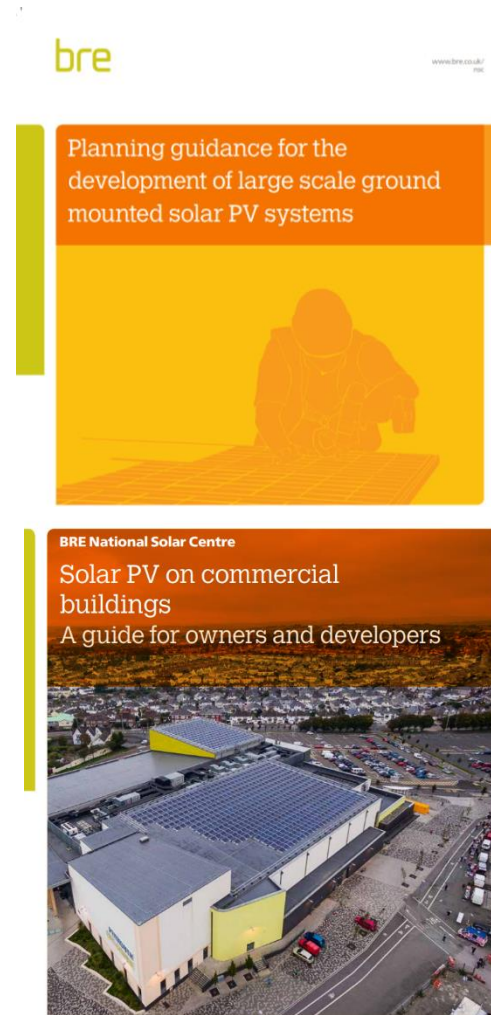
5. ENA Meetings & Feedback

- REA met with the ENA last month to discuss member concerns around queue management and grid securities.
- ENA would like to hear any policy proposals members have to amend current systems, particularly on the queue management piece. Please direct these to Callum (ccoleman@r-e-a.net).
- EREC G100 was [published](#) in May. REA Expressed frustration at the lack of public notice on this.
- ENA Challenge Group feedback.



6. Solar Guides

- Several guides published by BRE National Solar Centre in the 2010s, with cooperation from REA and others.
- Initial inquiry to determine whether industry would like to produce new guides for ground-mounted, commercial, and residential solar.
- REA will hold a dedicated session to discuss further details, contact Callum (ccoleman@r-e-a.net) if interested.



6. Solar & Storage Community Engagement

- REA seeking case studies of community engagement work undertaken during recent solar developments to feed back to BEIS solar team.
- Scope to expand this work into battery storage sites.
- Please contact Callum (ccoleman@r-e-a.net) for more details.

*REA Solar
Forum:
Community
Engagement
Case Studies*



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