

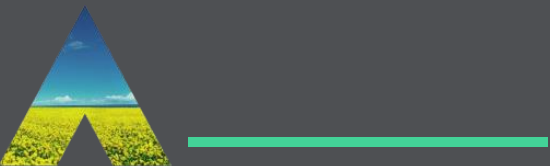
Solar and Storage Members Meeting

28th October 2022



REA Competition Law Policy

- REA's compliance with all aspects of UK Competition Law applies to all activities of REA including its subsidiaries Member Forums, committees, working groups, technical groups, and sub-groups and any other such meeting:
 - Members are not permitted to discuss competitively sensitive information, or to use REA as a conduit for such discussions
 - Competitively sensitive information covers any non-public strategic information about a business's commercial policy. It includes, but is not limited to, future pricing and output plans
 - Please note this session is being recorded for note taking purposes.



Agenda

1) Political Situation

- Rishi Sunak and Review of New Cabinet.

2) Policy Update

- Revenue Cap Update
- Net Zero Review
- Reports on DEFRA review of 3b Graded Land
- CfD Allocation Round 5
- Review of Electricity Markets Arrangements – Next steps
- Long Duration Energy Storage

3) Grid Issues Update

- National Grid ESO Winter Demand Flexibility
- ESO Que Management initiative
- Open Letter on the next network price control review process



Political Overview



Changing Political Landscape



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**THE RT HON
JEREMY HUNT MP**
RE-APPOINTED
**CHANCELLOR
OF THE EXCHEQUER**

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**THE RT HON
GRANT SHAPPS MP**
APPOINTED
**SECRETARY OF STATE
FOR BUSINESS,
ENERGY AND
INDUSTRIAL
STRATEGY**

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GRAHAM STUART MP
APPOINTED
**MINISTER OF STATE
(MINISTER FOR CLIMATE)**
**IN THE DEPARTMENT FOR BUSINESS,
ENERGY AND INDUSTRIAL STRATEGY**
NEW GOVERNMENT APPOINTMENTS 2022
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**THE RT HON
DR THÉRÈSE COFFEY MP**
APPOINTED
**SECRETARY OF STATE
FOR ENVIRONMENT,
FOOD AND RURAL AFFAIRS**



Sunak, Shapps, Coffey

Sunak

- Presented as pragmatic centrist and economic conservatism
- Has supported Net Zero activity in the past, but has been sceptical of cost.
- In Leadership campaign, raised concerns over solar on high value agricultural land
- Seems to be maintaining moratorium on onshore wind.
- Muted idea of 'Energy Security Strategy'
- Likely to review Energy Price Bill and support for consumers
- Has garnered criticism for pulling out of COP27
- Has muted idea of splitting Energy and Business Departments

Shapps

- Previously Transport Secretary under Johnson
- Seen as good communicator, but politically ambitious and likely to stay close to party lines.
- Oversaw Transport Decarbonisation Plan in DfT
- Has been critical of onshore wind developments .
- Has in the past made positive statements on Net Zero.

Coffey

- Previously Junior Minister in DEFRA, under Gove.
- Appointment received mixed reaction – good to have consistency, but some have criticised some of her previous environmental statements.
- Will need to reassure sector following damaging uncertainty from previous secretary on status of Environmental land management scheme.



Policy Update



Revenue Cap – Update

Energy Price Bill has now cleared parliament – this provides the Secretary of State powers to introduce Revenue Cap on Generation as part of energy crisis measures.

Changes in Government means delays to seeing consultation document on actual design of cap. Including:

- How the cap is to be set
- What size or types of technologies it would apply to
- What period it will start

It is not expected to be applied to behind the meter generation or energy storage, however this is still subject to final design.

Energy Price Bill also introduces powers for delivery of Voluntary CfD's.

REA have already chased BEIS for further details on next steps.



Net Zero Review

Announced as part of Liz Truss's Energy Crisis Package.
Review chaired by Chris Skidmore MP.

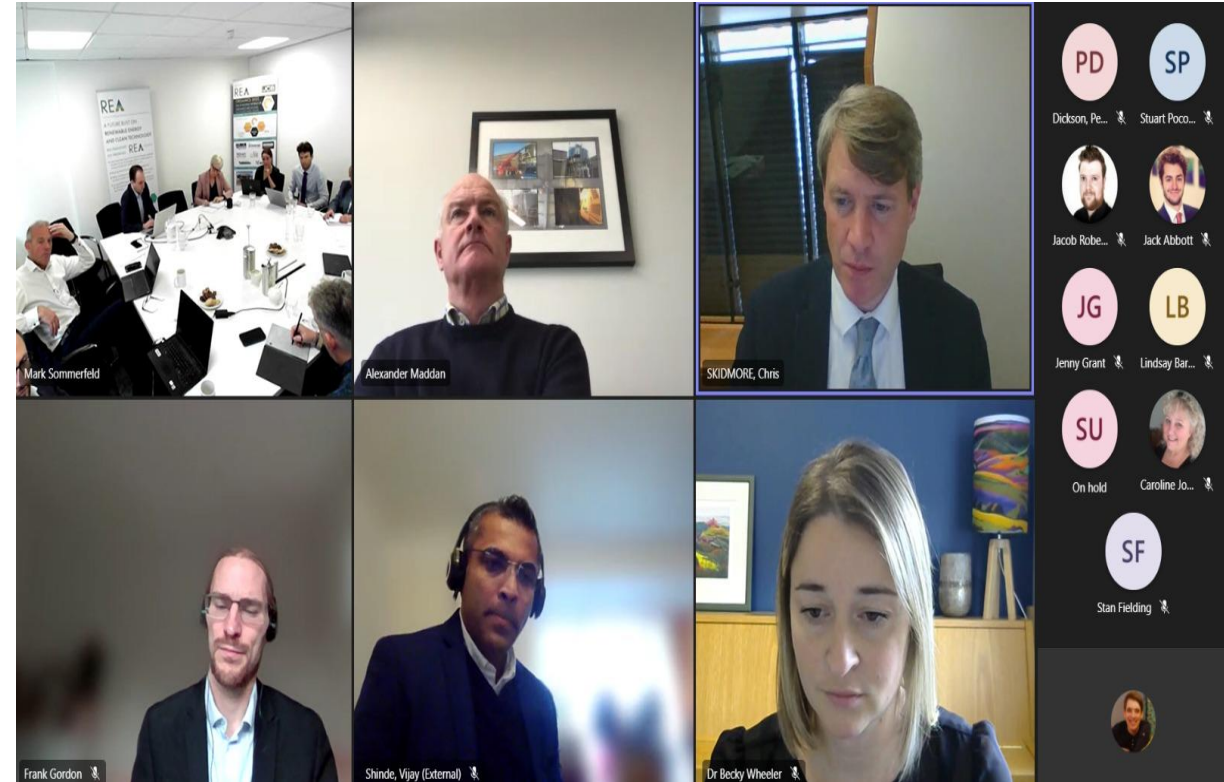
REA held a Roundtable with Chris Skidmore, his team,
and the REA policy Board yesterday

Mr Skidmore emphasised that this was not a review of
the Net Zero Targets but of economic opportunities.

REA response has emphasised major barriers to
renewable generation deployment – especially grid
capacity constraints, planning permission issues and need
for flexible energy market.

We have also emphasised the number of jobs and
economic benefit provided through renewable supply
chains.

Report expected to be published by end of the year.



DEFRA 3b Graded Land Review

- Media Reports of DEFRA wanting to expand definition of 'best and most versatile land' – effectively banning solar developments on land currently graded 3b.
- Followed Liz Truss Statements on wanting to restrict solar developments, comments also echoed by Sunak in leadership campaign.
- Unclear status under Sunak – although so far is sticking to previous manifesto.
- REA issued a statement strongly opposing such proposals, also building on our comments made during leadership election.
- It would appear that BEIS also oppose the proposal, following communications with solar team.
- REA have also reached out to DEFRA
- REA have also developed positive case studies around existing solar sites which we will be shortly submitting to DEFRA and BEIS

Liz Truss on collision course with Jacob Rees-Mogg over solar power ban

PM wants to prevent panels on 58% of farmland but business secretary says renewables need to be boosted

● **Jacob Rees-Mogg: I'm no green energy sceptic**



Rees-Mogg is understood to think it is 'unconservative' to tell farmers what they can do with their land. Photograph: Ben Stansall/AFP/Getty Images



CfD Allocation Round 5

Draft Allocation Round Timetable Published.

Draft Allocation Framework expected in December 2022

Framework will definite if Pot 1 is funded and budget.

AR5 Application window to open in March 2023

Auction to run June 2023

Results expected July/August 2023

Note AR4 saw the over 2GW of Solar capacity secured at £45.99/Mwh.

Voluntary CfDs for existing generation also expected to be made available next year.

AR 4 Results

(E) Breakdown of the outcome by technology, year and clearing price

Technology	Pot		2023/24	2024/25	2025/26	2026/27	Total Capacity (MW)
Solar PV (>5MW)	Pot 1	£/MWh	45.99	45.99	NA	NA	2209.41
		MW	251.38	1958.03	NA	NA	
Onshore Wind (>5MW)	Pot 1	£/MWh	-	42.47	NA	NA	887.96
		MW	-	887.96	NA	NA	
Energy from Waste (with CHP)	Pot 1	£/MWh	-	45.99	NA	NA	30.00
		MW	-	30.00	NA	NA	
Tidal Stream	Pot 2	£/MWh	NA	NA	178.54	178.54	40.82
		MW	NA	NA	5.62	35.20	
Floating Offshore Wind	Pot 2	£/MWh	NA	NA	-	87.30	32.00
		MW	NA	NA	-	32.00	
Remote Island Wind (RIW)	Pot 2	£/MWh	NA	NA	-	46.39	597.60
		MW	NA	NA	-	597.6	
Offshore Wind	Pot 3	£/MWh	NA	NA	-	37.35	6994.34
		MW	NA	NA	-	6994.34	



Review of Electricity Market Arrangements – Next Steps

REA submitted a comprehensive response to REMA.

Thank you to all members that fed into our response.

Response particularly emphasised:

- Need to focus on addressing physical network infrastructure challenge, not just market arrangements.
- Need to address grid charging issues to deliver flexibility
- Importance of delivery of storage technologies (including thermal)
- Supported continued consideration of Wholesale market reform, but emphasised need to be carefully designed. A split market approach was preferred.
- Highlighted member concerns over locational pricing, highlighting greater transparency is needed on how it would affect the market.
- Reiterated the need for a Long Duration Energy Storage Cap and Floor mechanism – to support this sector.

We are meeting with BEIS next week to discuss response.

Consultation received 200+ Responses. Government will be setting out next steps probably in the new year. Will also be dependant on development of revenue cap and voluntary CfD.



Long Duration Energy Storage

Government response to Long Duration Energy Storage Call for Evidence stated they *'will ensure the deployment of sufficient LLES to balance the overall system by developing appropriate policy to enable investment by 2024'*.

Cap and Floor Mechanism continues to be favoured implementation mechanism

Recently caught up with BEIS Storage Team. They reiterated that work continues at pace at reviewing a mechanism.

Addressed concerns that mechanism is being delayed by REMA review.

Expecting Proposal consultation early next year.



Grid Issues Update



National Grid ESO Winter Demand Flexibility

National Grid ESO released Winter Outlook

Base Case suggests there will be adequate margins of 3.7GW / 6.3% throughout the winter.

Operator has warned of higher balancing costs, given expected need for actions and will be linked to the wholesale price of electricity as bid into the Balancing Mechanism or offered for trades on interconnectors.

New tools include Demand Flexibility Service – paid through suppliers to engage consumers and business to reduce electricity outside of peak hours. (expected to reduce demand by 2 GW)

They have, however, also secured three contracts with coal generators to keep 5 coal units open and on standby this winter to generate up to approximately 2 GW of additional power.

Report also included a 'Alternative Scenario' if UK unable to import electricity from continental Europe, warning of the potential for disruption in exceptional circumstances.



ESO Que Management Initiative

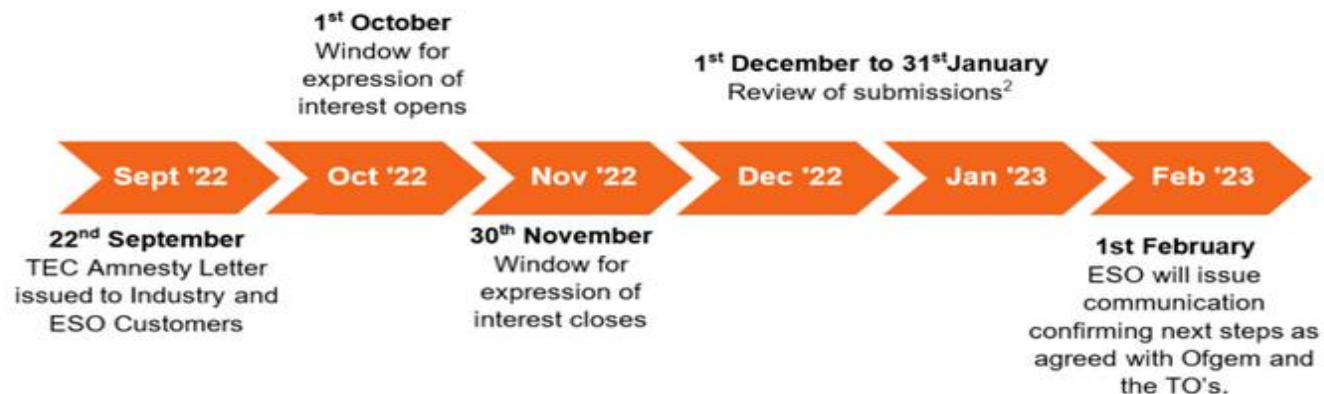
The Electricity System Operator (ESO) has announced a Transmission Entry Capacity (TEC) Amnesty.

The TEC amnesty will allow customers to leave the transmission connections queue or reduce TEC with no or reduced cost.

Seen as the first phase in a broader scheme of work on queue management by the ESO, alongside the queue management CUSC work group (CMP 376) restarting.

CMP376 previously brought forward a CUSC modification that introduced a right for the ESO to terminate contracted projects which are not progressing against agreed milestones. New Terms of Reference issued.

Overview of Timescales



<https://www.nationalgrideso.com/industry-information/connections/tec-amnesty>



Open Letter on the next network price control review process

Ofgem have published an open letter on design of RIIO-ED3 process.

Letter seeks feedback on RIIO-ED2 process – which is just come to an end

Letter Asks:

1. Do you have any views on the strategic issues we will face in the development of the next price control review process?
2. Do you have any views on the case for change we have outlined?
3. Do you have views on whether the changes to the electricity or gas sectors mean we should consider alternatives to the approach taken in the RIIO-2 price control?
4. Are there any broad frameworks or options that you think we should consider, including variants and alternatives to those we set out?

Consultation on RIIO-ED3 Framework expected early next year.

RIIO-ED3 aiming for 1st April 2026

REA will highlight need for better coordination between DNO plans, and summarising of key commitments.



Thank You

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