



An Coimisiún
um Rialáil Fónais
**Commission for
Regulation of Utilities**



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Network Charges for Commercial Storage Units Interim Solution

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Consultation Paper

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Introduction

Under the current tariff arrangements storage providers pay both demand related network charges (DTUoS) and generation related network charges (GTUoS) because they both import and export electricity, the network is developed to ensure they are capable of doing both. The current arrangements have been in place before any storage projects were developed, and therefore storage provision was not envisaged in the tariff arrangements.

The CRU is of the view that these arrangements may not accurately reflect the costs imposed on the network by storage providers. The introduction of storage units to the system presents benefits in terms of security of supply through System Service provision, and the current arrangements may be a barrier to entry for storage providers.

The CRU considers it important to facilitate the introduction of storage units given the potential benefits in supporting the energy transition. In recent years the CRU has taken steps to encourage the introduction of storage units. This has included an information paper in 2019 (CRU/19/034), confirming that commercial storage units would only be required to pay the PSO levy on their house load; and also the reservation of up to 400MW for prospective DS3 service providers, including storage, in the ECP1 Process (CRU/18/058).

Additionally, the SEM Committee introduced Fixed Contracts Arrangements for System Services, where a competitive procurement process resulted in 3 storage providers totalling 110 MW successfully securing 6-year contracts for the provision of a selection of System Services. In 2019 an information paper was published providing more details of the outcomes of the Fixed Contracts Procurement (SEM/19/062). The CRU will continue to seek to coordinate with the UR on storage matters where appropriate.

A full review of the network tariff structure would be required to develop an appropriate tariff for commercial storage. While the CRU intends to commence a review of the structure of network tariffs in 2020, it considers that there may be a consumer benefit to implementing an interim solution in advance of any findings of this piece of work taking effect. Accordingly, this paper sets out a proposed interim approach and seeks stakeholder views on that approach.

It is further noted that the appropriate tariff arrangements for energy storage are also being considered in other jurisdictions and has been considered at the European level. The need for regulatory frameworks to facilitate the participation of storage in the energy market is stated in the European Commission's Communication on the European Green Deal¹, this builds upon the measures set out in the Clean Energy Package relating to storage.

¹ https://ec.europa.eu/info/sites/info/files/european-green-deal-communication_en.pdf

Additionally, a recent EU study² identified the system security benefits of electricity storage and set out views on barriers to entry for storage providers. One such barrier identified in the paper was the imposition of network tariffs when storage units were both charging and discharging. The study stated that this is especially detrimental to the development of storage and should be eliminated immediately.

The CRU has also received representations in recent months regarding the application of network charges to storage units. These views have been considered when developing an interim solution for network charges for storage units.

Legal Background

Under the Electricity Regulation Act, 1999 (as amended), the CRU is the independent body responsible for overseeing the regulation of Ireland's electricity sector. Section 35 of the Electricity Regulation Act 1999 (“the Act”), provides the CRU the legal basis to approve charges for the use of the electricity system in Ireland.

Proposed Interim Solution

As an interim solution, the CRU has considered charging one of either DTUoS or GTUoS or treating storage units similar to how Autoproducers are treated³. The CRU has considered these options by reference to the respective benefits of incentivising larger Maximum Import Capacity (MIC) and Maximum Export Capacity (MEC). The MEC of a unit affects the amount of G-TUoS that is required to be paid, and the MIC of a unit affects the amount of D-TUoS that is required to be paid. Below, the CRU has set out views on each of these options and summarised its preference.

GTUoS: There may be merit in considering the application of GTUoS. The locational element of GTUoS incentivises the development of units in areas of system need and having storage units in such areas could be of benefit to system security. Additionally, some other jurisdictions would categorise storage units as a form of generation unit. Ofgem recently published its decision regarding network charging for storage units and determined that it was appropriate to charge the generational element⁴.

It is also worth noting that storage units provide an important service of being capable of importing energy at times of low demand such as nighttime, when there may be high amounts of wind on the system. This storing up of renewable energy when it otherwise may not be called upon should provide further benefit as we continue to progress the transition to low carbon sources of electricity. That being said, the CRU is not convinced that having a

² <https://op.europa.eu/en/publication-detail/-/publication/a6eba083-932e-11ea-aac4-01aa75ed71a1/language-en>

³ Autoproducers pay one of either DTUoS or GTUoS based on which is the larger of their Maximum Import Capacity (MIC) or Maximum Export Capacity (MEC).

⁴ https://www.ofgem.gov.uk/system/files/docs/2020/05/cmp281_d.pdf

higher MIC would increase the viability of this benefit, given at prolonged periods of low demand like nighttime, the units can simply import at a lower rate over a longer period of time.

Having engaged with the TSO, the CRU considers that storage providers with higher MEC have the capability to provide more system support when called upon. Therefore, it may be preferable to not apply GTUoS, and by doing so remove a potential impediment to enabling higher MECs for storage providers.

Autoproducer approach: The Autoproducer approach also has merit as the charge is based on whichever of MIC and MEC is the larger. Given that this is an interim solution, it may be that this provides the most impartial solution. However, it does not provide an incentive to reduce MIC or MEC, rather just to have one smaller than the other.

DTUoS: As touched upon above, in developing this paper the CRU engaged with the TSO and has come to the view that storage providers with higher MEC have the capability to provide more system support when called upon by the TSO. Additionally, higher MIC allow storage providers to import large amounts of energy over a short period of time which can increase the complexity of system operation. Therefore, all things being equal, applying a G-TUoS charge will tend to incentivise units to have a lower MEC and applying a D-TUoS charge will tend to incentivise units to have a lower MIC.

While there is some merit in arguments for all of the above options, the CRU considers that given the readily available options, incentivising a storage provider to have a higher MEC and a lower MIC, facilitates more efficient operation of the system and provides the most benefit until an enduring arrangement can be developed.

It is therefore the CRU's proposal to apply D-TUoS and cease charging G-TUoS to commercial storage providers as an interim approach to network charges for storage. The CRU's aim is to consult on this proposal and then implement an interim solution in time for the next tariff year commencing on 1 October 2020.

Consideration of more appropriate tariffs which reflect new technology types will be assessed as part of the wider tariff review expected to take place in 2021.

It should be noted that this proposal should not be construed as a CRU position that storage providers should not be charged for the network costs associated with exporting energy. Rather the CRU views this proposal as a pragmatic interim approach which may provide consumer benefits in advance of a full review of the costs associated with storage providers use of the network. The CRU welcomes the views of stakeholders on this interim solution.

Next Steps

Stakeholders are asked to provide views on the proposed interim solution set out in this paper by 17.00 Friday 7 August 2020. Responses should be submitted to Dylan Ashe (dashe@cru.ie).

Following the close of the consultation period the CRU will review the responses in developing its decision and intends to publish the Decision Paper in August 2020.