

## BIGGER BILLS WILL DRIVE BATTERY INVESTMENTS BEHIND THE METER

*Rising non-commodity costs and resilience concerns make batteries more attractive for big users.*

### Increased Charges

Energy is pure expenditure. There is no investment or “hidden benefit” to be had, and even for companies that can damp down usage, there are bill increases to come. Prometheus Energy, a demand side response and reserve battery provider, reported in 2017 that more than one UK business in 20 incurred financial losses due to at least one brown or black-out last year.

The wholesale market aside, business prices will rise because of increases in network capacity charges and higher levies. As of this April there are seven [separate taxes](#), on top of commodity and capacity costs. My research suggests that capacity and tax rises will have increased a typical commercial user’s bill by 35% between October 2017 and September 2020, even with no increase in wholesale prices.

Even if wholesale prices stay fixed for three years, many bills will rise 32% because of network capacity and [government surcharges](#). By 2020, the commodity cost will make up just a quarter of the bill.

Seeking a favourable energy quote will still help. However, competitive tendering alone will not protect businesses from the changes ahead. However, there are measures users can take, some quite easy, to reduce these charges or avoid them altogether.

### Mitigating Increased Charges

Top of the list is responding to Triad warnings. High usage during a [Triad period](#) (declared by National Grid months after the event) can increase transmission charges substantially, with the user effectively “recategorised” and positioned in a higher pricing charging band that may apply to all future consumption.

Second is responding to distribution charges, which are influenced by consumption in Red Zone periods. Unlike Triads, [Red Zones](#) occur at known times. These have generally been weekdays from 4pm to 7pm, but it varies between networks and by location, and the timing of those zones may change.

### Over-the-Counter Trade Registration

Larger consumers may consider a managed OTR service (over-the-counter trade registration). This offers a combined trade sleeve and clearing service, and can streamline trading through one channel.

It can also cut energy costs, firstly because it gives a company direct access to the [OTC \(over-the-counter\) market](#), which removes various visible commissions, transaction costs and hidden commissions, premiums and bid-offer spreads. Secondly, it means access to the entire wholesale market, because an OTR vehicle can simultaneously access every player in the power market, access all bid-offer pairs that have been posted and thus buy or sell at the most favourable price available.

Finally, a managed OTR service can spare the expense of signing up to the [Balancing and Settlements Code](#) (BSC) or other legal-intensive agreements, with every BSC-accredited player that the client

wishes to trade with. The managed OTR service can be a low-cost way to start trading on the wholesale market directly, and can mitigate many operational costs and risks associated with trading with Elexon (National Grid) as principal and also with GTMA players directly.

### **Battery Hosting**

With those bases covered, energy buyers will be looking at a combination of competitive tendering and more active [demand-side management](#), including the possible application of demand-side response (DSR) hardware and DSR-related battery storage. It may be cost-effective to install on-site generation and a battery in unison. As with energy service contracts, battery hosting contracts are likely to become more familiar. Hosting a battery would mean a battery service specialist will supply, operate and maintain the battery system in exchange for a share of the annual saving from the “host” company.

A battery has side [benefits](#) as well. It offers some emergency power, automatic brown-out protection and limited blackout protection. It will also automatically improve power quality – valuable for businesses that can be disrupted by voltage surges, harmonic distortions and other network issues. Broader benefits and lower energy bills are likely to combine to ensure battery installation remains the flavour of the month for many months to come.

### **About the Author**

*Prospect Law is a multi-disciplinary practice with specialist expertise in the energy and environmental sectors with particular experience in the low carbon energy sector. The firm is made up of lawyers, engineers, surveyors and finance experts.*

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