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U.K. Opens Power Grid to Batteries in Step to Save \$52 Billion

Mathew Carr and Jessica Shankleman Jul 24, 2017 9:40 am ET

(Bloomberg) -- The U.K. government set out plans to help energy consumers and industry save as much as 40 billion pounds (\$52 billion) on their bills by opening the electricity grid to battery storage devices and spurring low-pollution power plants.

The Department for Business, Energy and Industrial Strategy outlined plans to invest 246 million pounds in battery technology research. It will also amend the law to define power storage as a form of generation, a step required to encourage investment in the technology.

Plans would implement a small but crucial tweak to the 1989 Electricity Act, which will make it easier for investors to back energy storage projects seen as key to allowing greater amounts of renewable energy onto the grid. The law currently provides no suitable definition for batteries which are seen as both generators and users of energy. It's part of an effort to bolster the economy and power generation industry as the U.K. leaves the European Union and replaces aging coal and nuclear plants.

"It's going to allow households to aggregate via service companies, so individual households can start to act as a big block of energy storage," said Charles Bradshaw-Smith, co-chief executive officer of Smartklub Ltd., a company that's working with Nottingham City Council to install a battery on a green housing project.

As Britain seeks to switch away from coal, it needs to change the way it governs its power grid to boost investment in storage. Ofgem's report cited Moixa Energy Holdings Ltd., a London company offering residential battery systems that can provide grid services in return for extra household income. An investment in storage by utility Vattenfall AB will improve the efficiency of a Welsh windfarm and strengthen the power network, it said.

Battery Investment

Investment in batteries will be made over four years and include a program of competitions to boost the research and development in the technology. The government-established Faraday Challenge Advisory Board will oversee the program.

"The first element will be a competition led by the Engineering and Physical Sciences Research Council to bring the best minds and facilities together to create a Battery Institute," Business Secretary Greg Clark said in a statement. "We need to ensure that we find and seize opportunities to work more productively."

With the investment, the country wants to capitalize on its perceived strength developing battery technologies. Britain is also seeking to boost employee productivity, which lags Germany and France, Clark said.

"Today's report provides clear direction on how we move to a secure, low carbon, flexible energy system, using efficiency and innovation to help keep costs down for bill payers," Phil Sheppard, director of operations for National Grid Plc's system operator unit, said in an emailed note.