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Arthur Cooke  
Ofgem  
9 Millbank  
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SW1P 3GE

Your Ref:  
Our Ref: R0012-RAL-OFGEM-L0001

Date: 5 July 2005

Dear Mr Cooke

**Re. Consultation: the regulatory implications of domestic-scale microgeneration**

Cogen Microsystems is an Australian-based developer of micro-CHP technology targeted at the domestic and small commercial sectors. We believe that the European market will be the test bed for small scale distributed generation and that the UK may well lead the way in domestic CHP.

Many of the questions posed in the consultation appear to be focussed at specific technical details, whereas we feel that there are more general issues associated with the connection and use of domestic scale micro-generation that are yet to be overcome. We believe it is important to recognise that, in the long term, there will be many hundreds of MW of small-scale distributed generation, which will form a significant contributor to total supply and network reliability. With this in mind, it is clear that the current regulatory regime, and electricity trading arrangements, will be highly unsuitable and it is therefore essential that a clear transition path is developed to provide an enabling framework for small-scale generation.

At this early stage in the roll-out of microgeneration, we believe it is essential to smooth the path to market, ensuring that potential customers are not faced with bureaucratic obstacles to the installation and operation of the equipment. For microgeneration to compete effectively, it is vital that exported power is valued and we therefore believe it is essential to introduce an obligation on suppliers to enter into a contract for the purchase of microgeneration output. We believe this will provide an incentive for suppliers to establish appropriate "supply and purchase" contracts for domestic consumers and ensure competition in the market place.

The installation of equipment must also be straightforward and we would encourage any mechanisms to ensure that this can be completed in a single day with a single point of contact for the customer or installer. We believe that this role would best be served by the customer's supplier (or a potential new supplier) and that suppliers should be obliged to ensure that customer is notified of any export MPAN and the DNO is informed of any newly connected equipment.

## Specific Responses to Ofgem Recommendations and Questions

### *Recommendations*

We generally support all the recommendations under section 12, except that we believe supplier's should be obliged to inform customers of export MPANs. Whilst we accept the benefits of agreeing meter readings with the customers (12.6), we believe that this may not always be practical and should not be a strict requirement on meter change.

### *Questions*

- 13.1 We fully accept that manufacturers and installers of equipment need to fully inform customers of the legal and technical responsibilities of microgeneration operation. However, it is worth noting that Part P of the Building Regulations requires notification of micro-generation installation and that DIY installation without Building Control approval is not theoretically possible. Whilst we are concerned that this places yet another cost on the consumer, we also recognise that it provides a suitable mechanism for ensuring safe installation.
- 13.2 Given the inaccuracies of the existing profiling system, we are not altogether convinced that there is a need to identify and replace reverse running meters. They do in fact record the exact net supply of electricity to the premises and, perhaps in combination with a micro-generator output meter, a suitable set of profiles could be developed to provide the basis for the settlement process.
- 13.3 We accept that the current range of pre-payment meters are unlikely to be suitable for use with microgeneration. However, there should be scope for new smart pre-payment meters that would credit the consumer for exported power directly; this is the kind of technology that might be developed if suppliers were obliged to purchase exported power.
- 13.4 Provided that suppliers are obliged to purchase exported power, as we propose, then presumably any necessary safety net could be incorporated into this new requirement.
- 13.5 -----
- 13.6 We believe this could be a requirement placed on the supplier to liaise with the DNO in order to maintain a single point of contact for the customer.
- 13.7 There could be a route through Part P of the Building Regulations to ensure that the DNO and /or supplier is informed if the installation is not carried out by a supplier.
- 13.8 -----
- 13.9 We are aware of the difficulties and costs of installing appropriate metering, but do not have specific examples. However, we are aware of the use of standard charges for other works, such as meter relocation, which often do not reflect the cost of the work being carried out. If this approach is adopted for the installation of export meters, then it is likely to present a further major disincentive for customers.

## Summary

The range of micro generation technologies available are able to contribute substantially to Government targets for carbon emissions reductions, improvements in comfort for the fuel-poor and ultimately to network security and reliability as well as offering the potential of reduced costs and an increase in the diversity of supply sources. Cogen Microsystems believes that in this early stage of microgeneration development, and faced with an environment designed for large-scale top-down generation, Ofgem must use its regulatory powers to assist in the development of the industry and to help level the playing field. We therefore see that the addition of an obligation on suppliers to enter into purchase contracts for microgeneration spill power is essential and that any opportunities to simplify the process of installation and operation of microgeneration plant would be highly beneficial.

Yours sincerely

Richard Lee  
Cogen Microsystems (UK)