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Dear Arthur

**THE REGULATORY IMPLICATIONS OF
DOMESTIC SCALE MICROGENERATION**

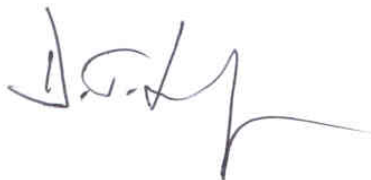
EDF Energy welcomes the opportunity to respond to Ofgem's consultation document on the regulatory implications of domestic-scale microgeneration. Our responses to your specific questions are set out in the accompanying Attachment.

We agree that the current arrangements in respect of the sharing of information between customers, installers, suppliers and network operators when domestic microgeneration is installed are uncertain. Clarification in respect of information sharing is therefore likely to be to everyone's benefit. However, given that the market for domestic microgeneration products is currently very small, we believe it is premature to introduce new or enhanced licence conditions (on suppliers or network operators) at this time.

We fully support Ofgem's proposal to carry out an extensive review of the Standard Supply Licence Conditions, which should aim to rationalise and simplify that system in order to deliver a real and sustainable reduction in the regulatory burden faced by suppliers. It would seem appropriate, therefore, that any proposals relating to changes in supply or licence conditions in order to address issues in the market for domestic microgeneration should be included in the scope of that review. This approach will also have the additional benefit of being informed by any conclusions reached following completion of the DTI's consultation on microgeneration strategy, which closes in September.

I hope you will find our comments helpful. If you have any queries on them please do not hesitate to contact me.

Yours sincerely



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Director of Regulation

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Attachment

The Regulatory Implications of Domestic Scale Microgeneration

EDF Energy's responses to key questions

6.8 Ofgem would be interested to hear from manufacturers, retailers and consumer groups regarding:

- **the information currently provided to customers about the legal and technical responsibilities of microgeneration operators; and**
- **any industry proposals for expanding the information and guidance currently provided.**

It is essential for safety and technical purposes that customers and installers inform their Distribution Network Operator (DNO), when microgeneration is installed, via the ER G83/1 notice in accordance with the Electricity Safety Quality Continuity and Supply Regulations (ESQCRs). While we believe that this process is currently followed by installers, we have serious concerns that, as microgeneration units become more commonly available through DIY outlets, relevant information will not always be passed from the customer to the DNO.

It would also be helpful to impose a similar requirement on either the customer or the installer (as the customer's agent) to inform their supplier of the installation. The installation of the microgeneration unit will have commercial implications for the supplier, ranging from a reduction in the amount of electricity he can expect to sell to an obligation to ensure, via the Meter Operator Provider (MOP), that the import meter at the premises is fitted with the relevant backstop. Placing an obligation on the customer to contact his supplier is analogous to the situation in the insurance industry where the customer is required to notify his insurer if there is a change in his circumstances.

In order to address this issue we believe that manufacturers and retailers should be encouraged to clearly label microgeneration products, stating the obligation on the customer/installer to inform both their DNO and supplier before connecting the generator. The notice could also be used to advise customers that the installation of microgeneration will need to comply with Part P of Schedule 1 of the Building Regulations 2000, which require installers to be registered with a competent person scheme. Alternatively the home owner will need to inform the building department of their local authority before commencing any work.

Ofgem should also encourage manufacturers, retailers, DNOs and suppliers to introduce simple communication processes that customers would find easy to use. For example, our DNOs have already set up an email address for customers and installers to submit ER G83/1 notices. An alternative would be to place an obligation on retailers to inform the relevant DNO each time a microgeneration unit is sold, similar to the process that already exists with the TV licensing authority each time a television is purchased.

We would support Ofgem in encouraging government to implement statutory changes which would require manufacturers/sellers/installers of domestic microgeneration to inform both DNOs and suppliers of their installation.

7.16. Ofgem invites comments on modification of Condition 16 or Condition 17 to ensure identification of reverse-running meters, which Ofgem considers are not appropriate for use in the case of microgeneration.

We agree that reverse running meters are not appropriate for use where microgeneration is installed. Suppliers should ensure that the import metering is capable of measuring the gross import, including where the import is multi-phase. Where we, as a supplier, are aware of a generator installation taking place, we will check the import meter and, where necessary, replace it with a Reverse Energy Detection (RED) meter to ensure that the import of electricity into the premises continues to be accurately recorded as per the Balancing and Settlement Code (BSC).

The introduction of revisions to supply licence condition 17 will not address the problem of replacing existing reverse running meters. Ofgem, instead, should encourage all suppliers to install only RED meters at the time of meter re-certification to ensure this becomes a diminishing problem over time.

7.30. A modification to the licence condition 36 could be made such that it would refer specifically to domestic-scale microgeneration. However, minor modifications to the codes of practice on use of prepayment meters could suffice to give consumers the relevant information. Ofgem would be interested to hear the views of suppliers, consumer representatives and manufacturers of metering and microgeneration equipment on what the content of such modifications should be.

As standard practice we would not recommend a prepayment meter where microgeneration is installed but recognise that, on occasions, it may be necessary to install a prepayment import meter, e.g. for the collection of outstanding debt as a last resort.

7.33. Condition 41 could be modified to cover a contract dealing with, inter alia, supply of electricity to domestic premises incompatible with the licensee's supply obligations under the Electricity Supply Licence. Ofgem would welcome views as to the desirability of such a modification.

We do not believe that there is any requirement, at present, to amend supply licence condition 41, as the incidence of export sale is very low and there is, currently, no obligation on suppliers to offer export terms. As stated in our covering letter, we believe that any proposals to amend licence conditions related to the installation of domestic microgeneration should fall under the scope of the standard supply licence review.

8.8. Ofgem would be interested to know whether current practice of DNOs is to create an export MPAN on receipt of notification of commissioning of a microgenerator (in accordance with the ESQC Regulations 2002), or when a licensed supplier seeks to register as responsible for exports from the premises under the BSC in the MPAS.

We have investigated the requirement outlined in paragraph 8.8, to the effect that, in accordance with the ESQCRs 2002, DNOs are required to create an export MPAN on the receipt of notification of commissioning of a microgenerator, but we have been unable to identify this requirement. Paragraph 22 (2) (c) of the ESQCRs requires a person installing "a source of energy" to advise the DNO before it is commissioned, but does not require the DNO to create an MPAN.

Our current practice is to only create export MPANs for sites which are selling their export units on the network and where requested to do so by suppliers. We do not believe that the introduction of changes to this process would be helpful. If DNOs were required to create MPANs on receipt of notification of a source of energy without an associated supplier request, this would increase the number of unregistered MPANs with resulting data quality issues for our MPAS.

8.10. Ofgem would welcome views as to whether there should be a new licence obligation on DNOs to notify owners or occupiers of premises of any export MPAN created in respect of those premises. Should this be further extended to notification to the registered supplier (in case the absence of a reverse stop may mean that the meter is no longer ‘appropriate’)?

We do not believe it is feasible to introduce a licence obligation on DNOs to inform a customer of the presence of an export MPAN at their premises. DNOs are unaware of changes in household occupancy, as it is the supplier that has the interface with the customer through the supplier hub principle. Also, the presence of an export MPAN cannot be relied on as an indicator of the presence of microgeneration, as export MPANs are not created in all incidences of generator installations.

Our three DNOs have been using the line loss factor code (LLFC) to distinguish export MPANs for some time (since 1998 for half hourly meters) and they form part of the MPAS CD which is issued to all suppliers on a quarterly basis. It would, therefore, be logical for all DNOs to provide this information on their MPAS CD which would then enable suppliers to inform customers during the change of supplier process.

10.23. It would be helpful to receive views from DNOs as to the extent to which they would be able, both administratively and legally, to advise the registered supplier of the commissioning of microgeneration in any premises.

As stated above, our three networks already provide this information to suppliers using the LLFC in the MPAN.

10.27 Ofgem would welcome responses from any who might wish to use a dc meter for the registration of ROCs. It would be particularly useful to receive information on the additional costs likely to be incurred if an approved dc meter were not available.

Currently we have no immediate plans to use a dc meter for the registration of ROCs.

10.35. There is some anecdotal evidence that suppliers and domestic-scale microgenerators occasionally encounter difficulty in securing the installation of export metering and that the costs quoted can vary considerably, depending on the region. Ofgem would be interested to hear about instances in which difficulties have been experienced.

Our three DNOs provide meters on request and carry out this obligation in accordance with our licence obligation.

10.38. Ofgem would be interested to learn from suppliers whether the data-capture units and check data available to meter readers are such as to enable them accurately to identify and record readings from import/export meters and whether mechanisms exist reliably to transfer this data into the billing process.

The market for microgeneration is still very small and we do not expect that there will be a need for the large scale installation of export meters for some time, probably for at least eighteen months. The key issue is the absence of relevant profile classes for settlements purposes that we believe would need to be agreed before any other issues are addressed. Currently the only profile class available for the settlement of export generation in the small scale market is not representative of the differing technology types and their geographical location within the UK. As a consequence, use of this profile class within the industry has been minimal. The establishment of profile classes for the differing technologies dependent on their location could enable a more reliable transfer of data into the settlements systems, thereby enabling a more robust export price offering to customers. However, this will need to be carefully considered and other options may be more appropriate.

EDF Energy
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