

Arthur Cooke
Ofgem
9 Millbank
London
SW1P 3GE

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Dear Mr Cooke

The regulatory implications of domestic-scale microgeneration

Thank you for giving Energy Saving Trust (EST) the opportunity to respond to the above consultation. Please note this response should not be taken as representing the views of the individual Trust members.

EST was set up by the Government following the 1992 Rio Earth Summit and is one of the UK's leading organisations addressing the damaging effects of climate change. EST's goal is to achieve the sustainable and efficient use of energy, and to cut carbon dioxide emissions, one of the key contributors to climate change.

EST welcomes the opportunity to comment on the regulatory implications of domestic-scale microgeneration and address the following points:

Rationale

Under paragraph 2.8, Ofgem states that the responsibility for electrical safety rests with the Department of Trade and Industry's (DTI's) Engineering Inspectorate rather than with Ofgem. However, EST notes that under section 15 of the Utilities Act the "*...Secretary of State and the Authority shall consult with the Health and Safety Commission about all electricity safety issues which may be relevant to the carrying out of any of their respective functions....*"

The Utilities Act defines an electricity safety issue as being "*....anything concerning the generation, transmission, distribution or supply of electricity which may affect the health and safety of member of the public or persons employed in connection with any of those activities.*"

EST considers that Ofgem has a duty to consult with the Health and Safety Commission concerning the health and safety of those members of the public owning a microgenerator and/or persons employed in connection with microgeneration.

Microgeneration providers

Paragraph 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.

EST strongly supports the recommendations of Project P04 'Accrual of ROCs & LECs' Workstream 4 of the Distributed Generation Coordinating Group¹. Non-technical audiences (such as householders and new industry players) would benefit enormously from the production of a Simple Guide to the practical requirements of applying for and obtaining Renewable Obligation Certificates (ROCs).

In addition, EST believes customers would benefit from an export price comparison sheet to be consistent with import price comparisons.

This guide would best be accompanied by a help line to provide impartial advice and guidance to microgenerators. EST is strongly positioned to manage the help desk based on its existing infrastructure. During 2004, 1.2 million customers contacted EST via websites, call centres and its 52 national Energy Efficiency Advice Centres (EEACs) and were advised accordingly.

Under paragraph 6.5, Ofgem states that "*where a specialist takes responsibility for providing and commissioning microgeneration equipment, it is to be expected that the personnel involved will have sufficient knowledge to comply with the connection requirements set out in Section 4.*"

EST currently operates accreditation of products, services and organisations to assess eligibility for installing grant-funded projects under the PV Major Demonstration Programme and Scottish Community and Householder Renewables Initiative. EST also collaborates closely with the Building Research Establishment on the ClearSkies accreditation.

EST strongly supports the importance of robust accreditation mechanisms as recognised by the DTI in its consultation on a microgeneration strategy and low carbon buildings programme. EST believes a list of accredited installers should be made available to customers.

Licensed suppliers and microgeneration

Condition 17: Reading and inspection of meters

Paragraph 7.16 – Ofgem invites comments on modifications 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.

Under Question 55 of the 2005-06 Review of the Renewables Obligation Consultation the DTI sought views on the potential benefits of removing the requirement for a sale and buy back agreement and whether a sale and buy back agreement is necessary to provide evidence that electricity from small generators is usefully supplying customers in the UK.

EST considers that the existing requirement for a sale and buy back agreement provides an unnecessary administrative barrier for microgenerators. EST supports the removal of the requirement on microgenerators for the agreement with a supplier below a certain threshold as recommended by the DTI in its consultation on 2005-6 Review of the Renewables Obligation. However, EST believes that the removal of

¹ http://www.distributed-generation.gov.uk/documents/23_03_2005_dgdti00039-01-01.pdf

the requirement for a sale and buy back agreement should be on all microgenerators not just those that consume electricity themselves.

However, even if DTI agrees to change primary legislation to remove this requirement there is no indication of when that would occur.

As such, EST considers that the additional requirements Ofgem's propose to place on electricity suppliers by modifying Standard Licence Condition 17 should not apply in respect of Non Half Hourly (NHH) meters measuring gross generation as part of a sell and buy back agreement.

This would be consistent with the administration of Renewable Obligation Certificates (ROCs) wherein, gross NHH meters do not require an inspection. The indirect cost of a meter inspection could be significant for a microgenerator (smeared across the customer base by the incumbent supplier) which only accrues one or two ROCs a year.

In addition, EST believes that if Ofgem did place an additional obligation on electricity suppliers to read and inspect gross NHH meters as part of a sell and buy back agreement this may place the incumbent supplier in a dominant market position. The supplier providing the sell and buy back agreement may not be the same supplier providing the customer's imports. Under paragraph 7.3, Ofgem acknowledges the purchaser of exported units need not be the same as the supplier in whose name the import Metering Point Administration Number (MPAN) is registered.

In this instance, there may be two supplier agents inspecting different meters at different times. The incumbent supplier, whose agent could inspect both meters on the same visit, may be at an advantage compared to any non-incumbent supplier who might wish to offer a sell and buy back agreement in return for ROCs.

Condition 25: Efficient use of electricity

EST agrees that licensed suppliers should review their codes of practice on the efficient use of electricity with a view to including information on microgeneration.

As previously mentioned, the DTI proposed the removal of the requirement for a sale and buy back agreement in their 2005-06 Review of the Renewables Obligation Consultation. EST would urge Ofgem to co ordinate with the DTI before requiring licensed suppliers to review and modify the codes of practice to include arrangement made under Article 10 of the RO.

Condition 32: Duty to supply domestic customers

Under paragraph 7.23, Ofgem states it is not persuaded to create an obligation on licensed suppliers to offer to enter into a contract for the purchase of microgeneration output and would be interested to hear views on the issue.

EST strongly agrees with the first recommendation of Project P02a 'Identity basic Metering Requirements and Export Reward Criteria' Workstream 4 of the Distributed Generation Coordinating Group² that an obligation should be placed on suppliers to offer and publish terms for 'off take' from microgeneration.

² http://www.distributed-generation.gov.uk/documents/23_03_2005_ws4_p02a_recommendations140305.pdf

In addition, EST supports the enactment of the Microgeneration Bill introduced into Parliament on 7th April 2005 (and which will be re-introduced in new Parliament). The Bill, if enacted would, amongst other things, require that a licensed electricity supplier may only supply electricity to a domestic customer if that supplier also undertakes to buy a at market rate any electricity produced by that customer (or by a group of customers of which that customer is a member) by microgeneration. This would provide extra income for the homeowners and as identified in the DTI's microgeneration strategy and low carbon buildings programme consultation, *"payment for electricity would obviously make microgeneration a more attractive proposition as it can help shorten the overall payback period"*.

EST was a partner of the European Commission funded Renewable Energy Action (REACT) project, which analysed the relationship between the actual deployment of renewable energy and the applied policies³. The findings were presented on 25th February 2005 at a workshop in Brussels. Virginia Graham attended on behalf of Ofgem. The project aimed to provide an informal platform to communicate best practices across the EU and identified best practice case studies from Member States for renewable heat, electricity and biofuels. Based on analysis of the case studies, the REACT project developed recommendations for the three markets.

One of the key findings of the electricity recommendations was that Member States that offer stable and predictable production based price regimes (esp. feed-in tariffs) have the most successful renewable energy sourced electricity market deployment⁴.

Condition 41: terms for supply of electricity incompatible with licence conditions

EST believes that licensed suppliers should be obliged to offer to enter into a contract for the purchase of microgeneration output. This obligation would regulate the terms of contract for the purchase and prevent a situation where contractual terms for export might be used to deprive a domestic customer of protection under the supply licence.

Metering point administration

EST does not consider it necessary to add any additional regulatory burden onto the Distribution Network Operator (DNO) to inform the consumer of any export MPAN created in respect of the premises. EST believes that licensed suppliers should be obliged to offer to enter into a contract for the purchase of microgeneration output. In doing so, the licensed suppliers would be required to notify the consumer of the export MPAN which is consistent with their existing obligation to notify the consumer of the import MPAN.

If you require any further information please do not hesitate to contact me on 020 7654 2418.

Yours sincerely

Catherine Monaghan
Strategy Manager Renewables

³ <http://www.senternovem.nl/React/Index.asp>

⁴ http://www.senternovem.nl/mmfiles/REACT%20Electricity%20recommendations%20V2_tcm24-117002.pdf