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Dear Arthur

Re Consultation - The regulatory implications of domestic-scale microgeneration

RWE npower welcomes Ofgem's timely consideration of the regulatory issues arising from installation of domestic microgeneration. We have gained considerable experience in this area from the trials of our own domestic PV product, which commenced in 2003. In addition RWE npower have been heavily involved in Workstream 4 of the Distributed Generation Coordinating Group, tasked with identifying the technical and administrative difficulties faced by microgenerators. As such we are well placed to comment on current practices and the difficulties that could arise as the number of connections escalate.

Our response relates to each of the questions in turn and some of the summary recommendations raised within the consultation document. We would welcome the opportunity of further discussions on these issues and hope to work with you in the production of clearly defined responsibilities and data flows to be utilised across the industry.

Microgeneration providers

13.1 The information currently provided to customers and proposal for expanding this.

Suppliers are in the unfortunate position of not being able to ensure that customers have received relevant information regarding the legal and technical responsibilities of becoming microgenerator operators.

Guidance for microgenerator operators to inform local DNO's of their grid connection is present on both the Energy Savings Trust website and the PV UK website. However, suppliers have no control or no means to ensuring that this obligation is complied with.

Penetration of the market is currently low enough, that non-compliance has had no significant adverse impacts. However as awareness and understanding of microgeneration increases and the cost of units reduce, there will need to be a framework ensuring that DNO's and suppliers can communicate with each other.

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Currently the vast majority of domestic microgenerators are proactive and are likely to fulfil all requirements placed on them. However as microgeneration reaches mass market, it would seem appropriate for appropriate measures to be placed upon manufactures and retailers to ensure that the appropriate information is given at the point of sale. In addition literature must be regulated in order that sufficient guidelines and instructions are clearly stated.

Another way to ensure that the obligations are reached would be for manufactures to reach this standard in order to become accredited under any Government grant scheme. The DTI are currently consulting on the Microgeneration Strategy and Low Carbon Buildings Programme. It may be appropriate for the DTI to consider including this requirement when assessing the eligibility criteria for awarding accreditation when replacing the existing grants system.

Licensed suppliers and microgeneration

13.2 Licence Condition 16: Procedures for the detection and prevention of theft or abstraction of electricity, damage and meter interference

As the number of connections increases there is a clear requirement for accurate measurement of the spill electricity.

There are technical issues which need to be resolved regarding metering technology applicable for domestic microgeneration. If not, inappropriate meters may be used, in some cases deliberately, in other circumstances perhaps innocently, to avoid paying the full cost of electricity consumed. As the consultation document says, proving intent is likely to be difficult. The existence or discovery of a reverse-running meter needs therefore to be addressed at the time of the microgeneration installation.

If microgeneration requires a specific, dedicated type of import/export metering (as opposed to the use or adaptation of conventional metering equipment) to facilitate spill, then its use ought to be prescribed to those circumstances.

The licence condition would not need to be amended because it already covers the theft or abstraction of electricity.

Licence Condition 17: Reading and inspection of meters

The consultation indicates that a reverse-running meter would not be easily identifiable during an inspection visit. It is also unlikely that a competent person carrying out a meter inspection would know, simply by looking at such a meter, that there is, or has been, microgeneration on the premises.

There is a further consideration regarding a supplier's authorised officer's powers of entry under the Electricity Act 1989 (as amended). Schedule 6 paragraph 7 deals with entry during continuance and connection of supply and sub-paragraph 2(b) allows a supplier to inspect a meter, but not any associated equipment. So while a meter inspection could indicate a microgeneration installation (by the installation of an export meter), it appears that the authorised officer is not legally allowed to confirm that this is the case. It is unclear how this issue would be resolved.

Therefore it is appropriate to require the DNO to inform the supplier when microgeneration is commissioned (the document mentions statutory notification to the DNO and the possibility of this information being passed on to the supplier). This would remove the need for a blanket requirement on suppliers to check for reverse running every two years as part of the meter inspection, and allow a more efficiently mechanism to deal with the issue.

13.3 Licence Condition 36: Code of practice on the use of prepayment meters

It is difficult to conceive of the circumstances that microgeneration will be used in conjunction with a prepayment meter, and this is recognised in the footnote (35), and stated explicitly in paragraph 7.29. Therefore, until such time as the practicalities of installing a prepayment meter with microgeneration have been dealt with, it seems premature to consider revising the prepayment meter code of practice simply as a precautionary measure.

13.4 Licence Condition 41: Terms for supply of electricity incompatible with licence conditions

It is difficult to imagine the circumstances posited by paragraph 7.32 happening in practice; that a supplier would seek to use an unregulated contract for spill as a means of attempting to circumvent its obligations under section C of the supply licence. From a regulatory perspective, Licence Condition 42 - which, inter alia, defines a domestic supply contract - sets out in considerable detail suppliers' obligations in respect of this type of agreement, and would seem to prevent the situation arising.

That a customer chooses to enter into an import (a domestic supply) contract and an export (spill) contract with the same legal entity would not, it is contended, allow the supplier to negate the supply licence requirements. In addition, domestic customers who wish to avail themselves of this type of arrangement may have protection under existing consumer legislation, for example, the Unfair Terms in Consumer Contracts Regulations 1999 (although, who the seller and consumer are in the context of the spill contract is not clear for the purposes of the aforesaid regulations).

DNOs and microgeneration

13.5 Current practice for the creation of an export MPAN

Npower believe that the creation of the export MPAN should happen once the DNO is informed (by whatever party) of microgeneration capability. This could follow the current industry process, with some modification, by creating a skeleton record which is then completed by the licensed supplier.

Metering issue

12.5 MPAN labelling – comment on Ofgem's recommendation

While npower is supportive of the idea of labelling the MPAN to indicate whether it is an export or import configuration our initial thoughts suggest that this may not be possible without a radical re-allocation of numbers. The current method is via the use of the SSC which is held in MPAS and as part of the Meter Technical Details using specific SSCs. The problem with this method is that the information is only available after the customer has been registered. At the time of writing MEC is looking at the value of the Meter Timeswitch Code and its future usage. It may be appropriate to examine if the MTC common codes could be used to indicate whether the meter configuration is export and the type(s) of technology being used. The MTC is part of the Supply Number and is printed on domestic customers' bills.

12.6 Closing reads for meter exchanges – comment on Ofgem's recommendation

The suggestion that customers should agree, in a meter exchange scenario, the final reading of the outgoing meter and the opening reading of the new meter is a sound principle. The industry accepts customer own reads for change of supplier and for billing purposes, this suggestion is an extension of that principle. However it is difficult to see how microgeneration installers would be obliged to be part of this process and how customers would be bound if they are unaware of the consequences. Npower would be keen to be involved in any discussions on this issue.

13.9 Difficulties encountered in securing the installation of export metering

When RWE npower launched the "Solar Money Back Trial" in 2003, contact was made with all meter operators requesting information on the cost export metering and the willingness of meter

operators to install and maintain such meters. Although initial response from the meter operators appeared to be positive, npower found it extremely difficult to get full agreement from all regionally based meter operators. The fitting of export meters proved to be one of the biggest challenges in servicing customers participating on the trial. The success rate was limited and we were unable to fit export meters in over 70% of customer's premises.

The main reason that the meters were unable to be fitted was the issue of sourcing the meters in many regions throughout the country. The cost of the meters varied from £30-£140 and the cost of installing them was not economical for the purposes of a trial. The fact that customers could also change supplier after having the meter fitted, led to the conclusion that we would not continue to fit export meters for any of our participants of the trial.

Experience with meter operators has varied dramatically from region to region. Some were happy to participate while others insisted on varying existing metering agreements or signing new ones. Another operator refused to accept a work order unless it was communicated via a Data Transfer Network Data Flow. With no existing separate data flow, the information would have to be sent under a J Item of an existing flow. This would result in a low level of accuracy and put the trial at significant risk.

13.10 Use of data capture units to identify and record reads from import / export meters

This issue revolves around the quality of information provided by parties and how prepared suppliers are to provide a billing service to this segment of customers. The data capture, assuming accurate meter asset information, can follow the current process for export meter readings with data flows to the relevant supplier.

Other issues

There is a great deal of consumer interest in the concept of microgeneration and we look forward to being able to offer a product in a form that delivers services to the customer which are both commercially viable and meet their expectations.

With this in mind it is vital that Ofgem think carefully about the implementation of industry processes and infrastructures which will facilitate the development of domestic scale microgeneration. Based on our experiences to date, it is evident that simplicity is paramount to customers.

Only the most dedicated households will be prepared to engage with numerous different firms to organise their microgeneration and standard supply arrangements. Most customers will favour a 'one-stop shop' arrangement which makes it easy for them to organise the microgeneration technology installment and the off-take of any surplus energy. We believe that most customers will want to sell back to the same supplier that they receive their 'core' supply from. In order to encourage the development of domestic microgeneration it would be preferable to link the two aspects into one contract. For suppliers to create the billing system and operational capabilities required to have generation-only customers would probably cost the industry many millions of pounds, with the likelihood being that only a handful of customers would take up the option. Further deregulation could follow after demand for and understanding of domestic microgeneration has been created in the marketplace.

RWE npower also believe that few customers will want to be involved in the complexities of hour-by-hour pricing for the electricity that returns to the grid. Furthermore, for suppliers to create the capability to manage variable pricing would be massively expensive; it is unlikely that existing domestic supply billing systems could be redesigned to cope. It is therefore recommended that suppliers be given the opportunity to offer customers simple products which, for example, provide them with a discounted supply tariff based on assumptions about the amount of energy which they will actually be generating and the value of that energy to the main supplier. Once again, we would

actively encourage the development of more complex approaches as the market develops, but feel that a simple approach is best suited to initiate rapid consumer take-up.

In addition, customers will also not want to face more complexity when they change supplier or move house. Our experience is that both of these processes can be difficult for the customer with only a supply contract to worry about. Home moving, particularly, causes issues as customers forget to notify their supplier when they vacate a property, and it can take several months before the situation is sorted out with incoming and outgoing tenants. Separate supply and generation contracts could create even greater confusion, especially if there is a requirement to pay the property owner for the electricity generated during a period of uncertain ownership.

From a supplier perspective, simplicity is also important, as evidenced above. Furthermore, we need industry-level solutions to processes and metering infrastructures to avoid wasted investments in technologies which turn out to be the 'Betamax' of the microgeneration industry. Wasted investment ultimately is recouped from customers, and all suppliers want to be in a position to minimise costs.

We hope you find our comments helpful and would welcome the opportunity to discuss these issues further.

Yours Sincerely

Zoë Keeton
Economic Regulation