

**SBGI Response to the Ofgem Consultation on:  
“The regulatory implications of domestic scale microgeneration”**

**July 2005**

**INTRODUCTION**

1. The SBGI is the trade association for the onshore gas industry. It has a strong focus on domestic heating through its “Heating Services” division which represents a wide range of product manufacturers, distributors, installers and service providers. It includes the Heating and Hotwater Information Council which has a specific role in developing the market for good quality heating systems and involves interaction with consumers.
2. The SBGI Domestic CHP Section which is part of Heating Services represents all of the major players in the UK microCHP industry. SBGI is strongly committed to the development of a substantial microCHP marketing in the UK and supports this objective through a range of activities including:
  - a. market assessment and forecasting,
  - b. development of methodologies for product and system performance evaluation and rating,
  - c. support for the integration of microCHP into domestic heating systems.
3. The SBGI welcomes the opportunity to respond to this consultation and urges OFGEM to seek regulation which both facilitates and encourages the rapid take up of microCHP products in the market.
4. The SBGI is also a member of the Micropower Council and fully endorses the Micropower Council response to the consultation and in particular, those aspects that relate to microCHP.

**RESPONSE**

Making installation and use of microCHP simple for the consumer

5. It is now widely accepted that microCHP has the potential to provide substantial carbon savings whilst at the same time providing consumers with reduced energy bills. Despite these benefits consumers are unwilling to take on products which have additional complexity, risk or cost. For microCHP to achieve widespread acceptance then its installation and use will from a consumers’ point of view, broadly need to be no more complex than that of a conventional heating system.

6. With the widespread use of microCHP and other microgeneration products, the electricity supply map will be very different from the present centrally generated supply system. We are pleased that OFGEM recognises that the current regulatory framework was developed for the central electricity supply model and will require change to accommodate microgeneration
7. Regulation needs to both facilitate and encourage the take up of microgeneration and this may require a relaxation of some regulations whilst introducing new regulations which will help stimulate the market and enable consumers to benefit from the new products
8. We fully support the Micropower Council's comments on the need for a "one stop shop". Consumers expect to enter into a single, simple contract for the installation of a new or replacement heating system and would want all of the work to be carried out at the same time. Complexity will only put consumers off. In addition increased complexity will result in increased cost which in turn will further discourage market take up.
9. Most replacement heating systems are distress purchase situations rather than planned replacement projects. Simplicity is the key if microCHP is to be seriously considered in these situations

#### Power Exports

10. The ability to export surplus electricity and receive some reward for electricity are crucial to the economic case for the use of microCHP and so will strongly influence its take up in the domestic heating market
11. The economic case for the use of microCHP is strongly influenced by ability to export surplus electricity and by value of the exports to users. We are currently updating the SBGI market projections for microCHP that we first published in September 2003. This new work is due to be published in September 2005 but preliminary results show that without credit for exports then there is a dramatic reduction in the uptake of microCHP
12. To enable consumers to receive a fair reward for exported electricity, SBGI supports the proposals on metering and export credits presented in the Micropower Council's response namely:
  - a. Ofgem should amend the Supply license to oblige Suppliers to offer to enter into a contract for the purchase of microgeneration output.
  - b. Ofgem should give a pre-defined date at which the de-minimis standard for all replacement meters is import / export.
  - c. Ofgem should relax the interpretation of Schedule 7 to allow for net metering (backwards running meters) from 2006 until 2012 whilst the market becomes established, with a clear programme of work to develop changes to the settlement system for introduction in 2012.

## **FURTHER INFORMATION**

For any further information or queries please contact

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