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Dear Arthur

## **The regulatory implications of domestic-scale microgeneration**

This is the ScottishPower Energy Retail Ltd (SPERL) response to Ofgem's consultation 123/05 'The regulatory implications of domestic-scale microgeneration'.

ScottishPower welcomes any development that will benefit both the environment and customers. Microgeneration has the potential to do this. The consultation highlights several key issues that need to be addressed to ensure that customers who acquire microgeneration are not disadvantaged within the supply market. We look forward to participating in discussions about how any benefits can be realised within an appropriate framework. We would be pleased to discuss any aspect of the consultation or other issues that arise around microgeneration.

While the consultation seeks to resolve the regulatory position, we believe that extensive development is necessary to ensure that the processes to support the use of microgeneration technologies are embedded within the current operational framework. We are committed to working with other industry participants to develop robust and workable solutions for the management of microgeneration.

## **Electricity Supply Licence**

### **Condition 1 – Definitions and Interpretation**

The consultation suggests that a definition should be inserted into Condition 1 to cover 'domestic scale microgeneration' equivalent to that contained within Engineering Recommendation G83/1. The Energy Act and Renewables Obligation both refer to a limit of 50kW for microgeneration, but as highlighted within the consultation this value is too large to be considered for domestic/small business circumstances. Several of the Licence Conditions where potential modifications may be required do not apply exclusively to domestic supply i.e.

Conditions 16, 17 and 25. We would suggest that consideration should be given to introducing a 'two-tier' definition in Condition 1, covering Industrial and Commercial customers up to 50kW, with a suitable, separate value being assigned to cover domestic microgeneration.

### **Modification of Condition 16 and Condition 17 to ensure identification of reverse running meters**

Condition 16 sets out an obligation on suppliers to take all reasonable steps to detect and prevent theft, damage and interference with metering equipment. Interference includes altering a meter's register or preventing it from duly registering the quantity of electricity supplied. Condition 17 relates to reading meters and inspection to assess if there has been damage or interference. As outlined within the consultation document, and within previous communications about metering implications where microgeneration is installed, certain single-phase import meters may run in reverse under export conditions. This should not occur if a backstop device is fitted.

The presence of microgeneration may not be immediately recognisable on inspection of the meter. Under Engineering Recommendations, there are requirements in place that installers of microgeneration provide labelling at the supply terminals, meter position and consumer unit drawing attention to the presence of on-site generation. In addition, installers should notify the Distribution Network Operator (DNO) of any installation within 30 days. In the case of Do-It-Yourself (DIY) installations, however, labelling of the meter and notification to the DNO may not occur.

SPERL believe that information relating to the installation of microgeneration could be forthcoming from a number of different sources and it will be in the best interests of all parties that appropriate action is taken to mitigate risks of reverse running meters at the earliest opportunity. Fundamental to the early notification will be robust communication of information relating to any installation either through information received from the installer, the customer or agreed industry flows.

SPERL would suggest that in general clear guidance is required within manufacturers' installation/operational instructions that suitable metering is required to support microgeneration. The information provided could potentially act as an early indication to the end consumer that the metering currently in situ may be inappropriate. However, this may only be partially effective especially where a customer wishes to make a DIY installation and would rely on the end consumer being proactive in contacting the Electricity Supplier, DNO or approved meter installer. General communications to consumers and other groups on renewable energy products should include awareness of the need to inform, at the earliest opportunity both the DNO and Electricity Supplier of any installation. Confirmation of a meter's suitability may be resolved in one communication to the Supplier/DNO. Early notification of microgeneration installations will have benefits for all parties.

In situations where microgeneration is installed, no physical damage to the meter or associated equipment may have occurred. However, if there is no backstop on the meter, it may run in reverse under export conditions. This could possibly be taken to indicate interference with the meter preventing it from duly registering the quantity of electricity supplied as outlined within Condition 16. SPERL believe that this aspect of Condition 16 needs to be clarified.

It is possible that end customers may be investigated for theft where the meter is not appropriate to support the microgeneration technology and there is no indication of the presence of microgeneration. Reverse running would lead to a meter registering negative or lower than expected energy consumption. Suppliers would need to be extra-vigilant when monitoring such situations that may suggest potential theft. Additional checks could be performed to substantiate if information was previously received which may suggest that microgeneration has been installed. These additional checks should be performed prior to referring a customer for investigation for potential theft of electricity. However, the installation of microgeneration may not be easily recognisable and verification could only be achieved on a reasonable endeavours basis.

With regard to the actual investigation of potential theft, we would suggest that the Industry Revenue Protection Code of Practice should be amended to highlight that investigations should take account that potential abstraction could be explained by the presence of microgeneration. Again visual inspection of the metering equipment may not be conclusive and it may only be by interviewing the consumer that the presence of a microgeneration unit is verified as the cause of the reverse running meter. Any evidence found should be reported back to the Supplier/DNO in order that suitable alternative metering can be installed.

Condition 17 requires that the Supplier carry out a check for interference with the meter as part of the Meter Inspection process. As with Condition 16, it may be considered that the current obligations are sufficient and cover the potential for reverse running meters. If Condition 17 were to be extended to cover reverse running meters this could present an additional resource and training burden on Suppliers. We believe that if Condition 17 were amended, identification could only be achieved on a reasonable endeavours basis. This is because the installation of microgeneration may not be easily recognisable, especially in the case of external meters where the meter-reading agent may have no cause to seek access to the customer's premises.

In conclusion, SPERL would state that communication of the installation of microgeneration is fundamental to ensure the least possible disruption and inconvenience is caused. Customer awareness is important and where the Supplier, DNO or their agents are notified, appropriate communication should be made through existing industry flows.

#### **Condition 21: Publication of information to customers**

Suppliers have an obligation to provide details to each customer of the supply Meter Point Administration Number (MPAN). SPERL do not believe that this obligation should be extended to require Suppliers to provide details of the export MPAN. Extensive changes would be required to Suppliers' internal systems to accommodate the additional MPAN within the customer's bill and would therefore be very costly to introduce. We would recommend that, where a customer has a contract agreement with a Supplier for the purchase of export units, details of the export MPAN are provided within the statement associated with the settlement of the purchased units.

### **Condition 25: Efficient use of electricity**

SPERL agree that microgeneration is a positive energy efficiency measure and therefore would support the proposal to amend Condition 25 to ensure that Code of Practice on the Efficient Use of Electricity include reference to microgeneration.

### **Condition 32: Duty to supply domestic customers**

Condition 32 requires that contract terms be offered to supply electricity to domestic premises on receipt of a request from a customer. SPERL concurs with the Ofgem view that this condition should not be extended to require Suppliers to enter into a contract for the purchase of microgeneration output.

The supply of electricity is a social necessity and therefore Condition 32 ensures that Suppliers make available supply options for the customer. However, extending obligations to include export units will in our view place an unnecessary and disproportionate burden on Suppliers, which in turn will result in increased costs.

Suppliers may themselves wish to take account of the expected growth in the domestic microgeneration market, however, by voluntarily offering specific terms to purchase export units. This could be done through a variety of channels including working in partnership with new housing developers, energy efficiency initiatives through private and landlord housing and through tariff options on general customer acquisitions. Even at this early stage, some Suppliers already offer specific tariffs for the purchase of export units. As the market for this technology grows, increased pressure will be placed on Suppliers to offer a set of products that meet their customers' demands. It is likely, therefore, that customer demand will dictate market offerings. Within the market Suppliers will react to the growing needs of their customers and we do not believe, therefore, that there is a requirement for specific legislation for Suppliers to offer contractual terms for the purchase of export units.

### **Condition 36: Code of Practice on the use of prepayment meters**

Ofgem proposes modification to this condition to refer to domestic scale microgeneration and to the Code of Practice on prepayment meters to provide relevant information to customers. SPERL would support modifications to reflect the incompatibility of prepayment meters and microgeneration in some circumstances.

## **28 Day Rule**

SPERL believe consideration should be given to an extension of the 28-day rule suspension in circumstances where a Supplier invests in the installation of microgeneration technology as part of energy efficiency measures. It may be worth trialling this or possibly amending to Condition 46 to allow microgeneration customers to be tied in for longer periods of time. This would ensure that suppliers are not discouraged from investing in microgeneration by the threat of losing a customer to a competitor.

## **Metering Point Administration**

A separate MPAN will need to be created to enable trading and settlement of export units. It is unlikely that the DNO will create the export MPAN until requested to do so by the registered Supplier. The Supplier should then arrange for the registration of the export MPAN within the agreed industry timescales. If notification is received directly by the DNO of the installation/commissioning of domestic microgeneration, and the communication received does not specify a particular Supplier for the export units, the DNO should notify the registered user of the existing import MPAN requesting instructions from them to create an export MPAN. At this stage the import Supplier can check that the meter in situ is appropriate for the microgeneration technology i.e. does not run in reverse. It should be noted that there is no requirement at this time to install a meter capable of registering import and export units and replacement is at the Supplier's discretion.

SPERL would confirm that we believe both MPANs should be related unless the customer confirms their intention to contract with separate Suppliers for the import and export of units. It may be the case that the import Supplier does not wish to offer contractual terms for the purchase of export units and in turn the customer may have no interest in securing any financial return and may be satisfied with the reduction of bills through consumption of export units. Where the MPANs are related and microgeneration has been installed as part of an efficiency package, consideration should be given to the introduction of a new objection reason in order to safeguard the contractual arrangements in place between the Supplier and the customer regarding recovery of payment for the installation. Should the customer wish at any time to secure financial rewards for the units exported with another Supplier, the MPANs should be decoupled to allow separate registration.

## **Metering Issues – Customer has contracts with separate Suppliers for import and export units**

A number of issues would arise if the customer could chose to contract with separate Suppliers for the supply of electricity and for the purchase of exported units. A separate meter would need to be installed to measure export units or a single meter may be installed which is capable of measuring both import and export units on individual dials. While the customer should not be concerned with the metering implications, issues arise about responsibility for a number of metering activities where two Suppliers are involved. There following are issues that we believe to need further consideration.

- The meter in situ may be appropriate for recording import units, but the export Supplier may wish to arrange to fit a separate meter to record export units or arrange a replacement meter with dual capability i.e. registering both import and export units. In particular, responsibility will need to be assigned for instigating the communication to the end customer of intended installation/replacement, arranging the replacement meter, obtaining opening and closing reads, updating industry flows with the required asset and meter reading information.
- How responsibility for relevant regulatory obligations is assigned if the export Supplier initiates the meter replacement.
- How the cost of replacing the import meter with an import/export meter is allocated between the Suppliers.
- Where responsibility lies for replacing a faulty dual capability meter, for example, where the export register is failing to record.
- Where responsibility for the reading and inspection the import/export meters lies and whether it lies with both or one in particular.
- There will need to be clarity around who will be responsible for initiating the exchange information between both parties.
- To avoid confusion, there may need to be rules governing which party makes Guaranteed Standards payments for any failure to fulfil statutory obligations.

**Are data-capture units and check data available to meter readers such to enable them accurately to identify and record readings from import/export meters and whether mechanisms exist to reliably to transfers this data into the billing process?**

SPERL can confirm that meter-reading devices are capable of collecting meter readings from separate MPANs associated with single premises. However, system upgrades may be required to facilitate arrangement for the separate billing of import and export units. As explained earlier, SPERL does not agree that export MPANs should be required on customers' bills.

### **Energy Efficiency and Renewable Obligations**

Eligible microgenerators may have the ability to earn Renewable Obligation Certificates (ROCs). To be able to claim ROCs, we believe that any metering used to measure the quantities of energy generated, consumed or exported must

be accurate. The meter, metering installation and maintenance must be carried out to a minimum prescribed standard.

In addition to the above, other microgeneration technologies can qualify for ROCs, the rewards of which can be offset against the costs of installation. However, the current administration process for ROC accreditation and submission scheme is complex and we would question whether it is suitable to cope with the potential number of accredited domestic applications in the future. Presently, the current number of generators with a capacity of less than 50kW is approximately 40. With the expected growth in microgeneration installations predicted to increase in excess of 100,000 within the next five years, we would question if the current scheme would be able to cope with these increased numbers. We believe the current single site accreditation document of 19 pages for generating sites of less than 50kW would be onerous for small domestic operators. Furthermore, we believe that the yearly submission forms would also need to be simplified for domestic generation from the current 4 page forms.

With the changes that would be required to the ROC administration scheme to allow it to be accessible to domestic-size generators, a possibly better solution would be to consider these under an extension to the energy efficiency scheme.

Under the Energy Efficiency Commitment, electricity and gas Suppliers are required to achieve targets for improving household energy efficiency. The installation of MicroCHP is one of the technologies that Suppliers may use to claim a percentage incentive for innovative action. Ofgem is required to attribute an improvement in energy efficiency of 50% more than it would have otherwise. This incentive can apply to no more than 10% of each Supplier's target. Therefore, some microgeneration technologies installed can contribute to Supplier EEC targets.

We believe an improvement could be made, to assist Ofgem and customers, by automating the processes for both the accreditation and data submissions for the smaller generators, while introducing a number of tolerance checks on both the accreditation and data submissions to prevent errors in the claims for renewable benefits. The submission of data could be streamlined by using the Internet. We believe that any changes to the current process would also require a robust process of audit and a revised way of dealing with the revocation of any renewable benefits that are incorrectly or falsely claimed.

Should you wish to discuss any of the information contained within our response, please do not hesitate to contact me, using the above details.

Yours sincerely,

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Regulation Manager