



SP Transmission & Distribution

Mr A Cooke
Ofgem
9, Millbank
London
SW1P 3GE

Your ref

Our ref

Date
15 July 2005

Contact/Extension

0151 609 2346

Dear Arthur

The regulatory implications of domestic-scale microgeneration (123/05)

I am writing in response to the above consultation paper published in April 2005. Our detailed comments are set out in the attached paper.

I hope that this is helpful, but please contact me if you would like to discuss.

Your sincerely

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SP Transmission & Distribution

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The regulatory implications of domestic-scale microgeneration
Response by SP Transmission & Distribution

Executive Summary

1. This is the response of SP Transmission and Distribution to the Ofgem consultation paper of April 2005 entitled, “The regulatory implications of domestic scale microgeneration” on behalf of its distribution businesses, SP Distribution and SP Manweb. The response deals only with those issues of relevance to a Distribution Network Operator (DNO).
2. We welcome the opportunity to comment on the important issues raised in this consultation paper. We are experiencing increasing interest in the connection of microgenerators in parallel with our distribution networks and fully support the need to develop appropriate regulatory, commercial, and technical frameworks. To date we have actively participated in various forums relating to microgeneration and are committed to continuing this involvement.
3. Our views on the issues raised are summarised below.
 - **The costs and benefits associated with increased levels of microgeneration must be properly assessed.** We are particularly concerned that the SIAM report referred to in Ofgem’s document in our view understates the costs and overstates the benefits in terms of the impact on the distribution system. There is a growing volume of studies on the impact of microgeneration on distribution networks, and it is important that there is a balanced view in this area.
 - **As regards notification of new microgeneration to the supplier, in our view the most practical approach is for the DNO to inform the currently registered supplier once it receives notification of installation of microgeneration at any premises.** These requirements should be incorporated into the Master Registration Agreement product set and do not require any new licence modifications. The costs associated with the provision of this information must be fully funded.
 - **Any request for an export MPAN will be made by the customer or a party acting on the customer’s behalf who should pass the MPAN details on.** To require the DNO to notify the customer of the MPAN details goes against the principle of the Supplier Hub, increases administration and conflicts with current industry practice when additional MPANs are created (such as for off-peak tariffs)

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4. Our comments on the various sections of the Ofgem consultation document are set out below.

Section 1 – Introduction

5. We note the statement in paragraph 1.8 that concentrations of microgeneration “may” have an impact on distribution networks. There is no question that such concentrations will have an impact on distribution networks, including voltage regulation and thermal capabilities of plant, however there is continued debate around the degree of the impact involved.
6. Ofgem refers to the conclusions of the SIAM¹ report but does not refer to other reports, such as the PB Power Report prepared for Workstream 3 of the Technical Steering Group of the Distributed Generation Co-ordinating Group (“The Impact of Small Scale Embedded Generation on the operating parameters of distribution networks”). In our view the PB Power report presents a more realistic view of the likely impact of high levels of penetration of microgeneration. In considering the regulatory implications of microgeneration, it is important to take account of the potential issues for network management in the event of significant penetration of microgeneration, whether in particular locations or more generally.

Section 2 - Rationale

7. We are concerned that the requirement to inform DNOs or seek advice prior to connection from the local DNO are insufficiently well publicised for this requirement to be met effectively. We would therefore urge Ofgem to consider full engagement with manufacturers and installers to ensure that these requirements are adhered to and that such requirements are reinforced with appropriate application of statutory instruments.
8. We note that Ofgem refers to equipment that might lend itself to “DIY installation”. Communication with manufacturers and installers should emphasise the fact that building regulations require electrical work to be carried out by a competent person.

Sections 3, 4 and 5

9. We have no comment to make on these sections of the consultation document.

Section 6 –Microgeneration providers

10. We note the comment in paragraph 6.1 relating to the perceived risk of a restricting the market for DCHP because a DCHP unit cannot be installed in one day whereas a conventional boiler can. In our view this will not be a

¹ System Integration of Additional Microgeneration”, DTI/Ofgem, DG/CG/00028/00/00/2004

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factor in determining whether a customer chooses a DCHP unit or a conventional boiler.

11. We agree that a specialist installer should have sufficient knowledge to ensure that connection of the microgenerator is communicated in the appropriate manner to the appropriate parties in accordance with G83/1.

Section 7 – Licensed supplies and microgeneration

12. It is important that registered suppliers are informed of the installation/commission of microgeneration. This will enable the supplier to ensure that suitable metering is installed in compliance with its various obligations. We believe that the most practical solution is to require the DNO to pass any information that it receives regarding the installation of microgeneration to the currently registered supplier.
13. We welcome the statement in paragraph 7.7 that Ofgem would be reluctant to advocate additional licence obligations unless the need for them has been clearly demonstrated. In our view the requirement on DNOs to pass on information relating to the installation of microgeneration should be incorporated into the MRA product set and there is no need for any additional licence obligations in this respect (as the requirement to comply with the MRA is already a licence obligation). Any costs to DNOs of providing this information must, of course, be fully funded.

Section 8 – DNOs and microgeneration

14. Ofgem has asked the question as to when an export MPAN would be raised. We expect that under most circumstances, a supplier would request that an export MPAN be raised. However there may be circumstances where the customer or representative of the customer will ask for an export MPAN to be raised in advance of the customer contracting with a supplier.
15. In all of these circumstances the requesting party will either be the customer or will have a direct contractual relationship with the customer.
16. We consider that the most practical solution is for the customer to receive the MPAN details from the requesting party. This is in keeping with the Supplier Hub principle and conforms with existing industry practice for additional MPANs. The customer can of course contact the DNO's MPAS enquiry service at any time to request details of their MPANs and Suppliers.

Section 9 – Contractual issues

17. We have no comment to make on this section of the consultation document.

Section 10 – Metering issues

18. Paragraph 10.23 asks for the views of DNOs on the extent to which they are able, administratively or legally to advise the registered supplier of the

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commissioning of microgeneration in any premises. We see no legal or administrative barriers to prevent DNOs from passing on any notification that it receives to the current registered supplier.

19. Some of the references to DNO metering obligations in this section appear to be incomplete. Distribution Licence Condition 36 (4b) , which is not mentioned in this section, requires the licensee to offer terms for the provision of metering “... *of the same functionality ... as that of the service offered pursuant to ... condition 36b ... of this licence in the form in which it was in force on 1 June 2003.*” It is not our view that export metering for microgeneration falls into this category. Licence Condition 4D (3c), which is quoted in the document, deals with metering aspects in offers for connection insofar as these are not dealt with under Condition 36, and does not therefore appear to be directly relevant in this context. In addition, the residual obligation on DNOs to offer metering services are expected to end in 2007 other than for their existing metering installations.

Section 11

20. We have no comment to make on this section of the consultation document.