

Arthur Cooke  
Ofgem  
9 Millbank  
London  
SW1P 3GE

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Dear Arthur

### **Scottish Renewables Forum response to the Ofgem consultation on the regulatory implication of domestic scale microgeneration**

Thank you for the opportunity to respond to this consultation on microgeneration. Scottish Renewables Forum (SRF) is Scotland's leading green energy body with over 140 members. Many of those members have an interest in microgeneration in all electricity generating technologies. SRF recently formed a Microgeneration and Community Renewables work group to advise it on issues relating to that small but growing sector in the economy, and this group has been closely involved in the development of this response.

#### **State of microgeneration in Scotland**

You may be interested to know that SRF conducted an opinion poll survey of Scots' attitudes towards domestic scale generation of electricity<sup>1</sup>. It found, among other things, that 90% of Scots support the idea of domestic generation of electricity, that 68% would consider installing a solar panel, 33% a small wind turbine, 22% a biomass boiler and 23% geothermal. However, respondents identified considerable blockers. 33% said cost was an issue and another 20% said they did not know enough about the subject to install their own device.

Following our own research, in conjunction with the Scottish Communities and Householder Renewables Initiative, we uncovered the following statistics<sup>2</sup>:

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<sup>1</sup>A summary of the findings can be found at <http://www.scottishrenewables.com/reports.asp>.

<sup>2</sup> These results should not be considered as definitive, however we are confident that following the construction of a database with installer and grant funding data, that we have a reasonably clear picture of what is going on in Scotland.



In 2000 there were 19 community and industrial microgeneration projects with a total equivalent installed capacity of 1,643kw. By the end of 2005, there were 274 community and industrial microgeneration projects with a total equivalent installed capacity of 11,406kw.

A near ten-fold increase in five years in capacity and a fourteen-fold increase in projects.

There are 12,654kw equivalent in planning, which will hopefully be built in the next few years, this amounts to 83 projects and will more than double existing capacity.

Clearly then microgeneration has a role to play in meeting government targets on climate change, and also in assisting tackling fuel poverty problems. Microgeneration could potentially play a significant role in providing cost-effective fuel supplies to households in Scotland. This is particularly the case in fuel inefficient houses/flats located in rural areas.

Given this fact and the SRF survey results, SRF is of the view that suppliers (who have an obligation to promote energy efficiency), and Ofgem (which has an obligation to tackle fuel poverty) do more to encourage the demystification of microgeneration.

### **General Consultation Points**

Therefore, it is clear that issues discussed in the Ofgem consultation paper are key to unlocking the potential of microgeneration.

Identifying that practical potential has proved problematic largely because the drivers for the market have yet to deliver significant numbers of microgeneration installations. It would be interesting to know, from Ofgem's perspective, what kind of 'marketplace' and volume of power generation it expects going forward from this sector.

We believe that it would be beneficial to promote decentralised energy networks (DEN) across the UK (especially where more remote communities can benefit from generation of its own electricity). These DENs could employ microgeneration devices; however, overly bureaucratic processes, expensive metering systems and the want of finding a buyer for exported electricity could combine to scupper many projects before they get off the ground.

### **The role of supply companies**

There is room for one of the so-called 'big six' to offer a tariff (as, prior to its demise, TXU had done in the early part of 2001) on a net-metered basis. That would offer domestic users of microgenerated energy the same price for their import as for their export (or at least a narrow differential between the prices of the two). Other innovative tariffs to encourage the spread of distributed generation on a micro basis would also be welcome.

Indeed, it is possible to see a strong growth in micro-generation as the technology becomes more cost effective. At least two Suppliers – E.ON & Centrica – have invested heavily in the 1kW micro-CHP engine (and recently Centrica also in micro wind). Scottish & Southern Energy has also invested in solar-pv and micro wind companies and is investigating supply of these devices to customers.

We believe the intention of these supply companies is not only to strengthen their retail customer base but that there is also the potential to consolidate a number of gensets perhaps for use in the balancing market as a risk management tool. The key factor in

success will be achieving a critical mass in the level of microgeneration installed and operating.

One would need at least 100,000 one kW units installed before microgeneration installations within a particular region “resembled” a small power station. Early research showed that there are around 600,000 domestic boiler replacements made each year in the UK. Once this technology has achieved price competition with the existing alternatives and has established the confidence of the market that target may not be as far out of reach as it appears today.

### **The role of Distribution Network Operators**

It is the view of microgenerators that Distribution Network Operators (DNOs) have traditionally been a significant barrier to entry into the market in the past. The regulatory framework has not encouraged them to support connection of small gensets – especially micro wind turbines – to the local distribution network. There are signs that DNOs are looking at this issue afresh, and we are pleased that Ofgem is considering how best to incentivise DNOs to do this. However, as currently structured, the consultation recommendations do not serve to provide sufficient incentives for constructive work from the DNOs, but may legitimise inaction on their part.

Whilst we recognise the need to ensure compliance with legislation, the grid code and other arrangements, we also feel that this consultation is something of a missed opportunity in terms of creating simplicity in arrangements and suggesting some form of obligation on electricity suppliers to buy exported power, where the microgenerator sees that as a suitable way to go.

Before turning to the consultation itself we would like to suggest four key areas where action is required to help facilitate the growth of the microgeneration market:

1. A programme of education on the practical potential for microgeneration in households and small commercial properties;
2. A requirement on an electricity supplier, backed up by a sufficient incentivising mechanism, to buy exported electricity from decentralised energy networks;
3. Similarly, a requirement on a DNO to provide reasonable connection offers and timely service backed up by a sufficient incentivising; and,
4. Pressure on DNOs and suppliers to ensure that ‘paperwork’ associated with microgeneration is simple to complete and is not an onerous task and is not used as a way to discourage the take up of microgeneration.

### **Specific Issues Raised by the Consultation**

Moving onto the consultation first we will respond to specific questions where appropriate:

**Q1:** What information is currently provided about the legal and technical responsibilities of microgeneration operators; and any industry proposals for expanding the information and guidance currently provided? (Par 6.8)

**Response:** In terms of health and safety SRF understands that this is an area that is being dealt with by the relevant bodies. Ofgem is right to highlight this issue and it is not until guidelines are in place that much of the potential installation can take place.

We feel that this is an area that we would welcome being more involved in and offer to assist in further analysis. Our own microgeneration group would be glad to discuss this issue in further detail and report back to you on what it sees as the key issues.

In Scotland, there is at present little by way of planning advice save for the acknowledgement that small devices should be treated differently to large projects. However, many of the prejudices and myths that have attached themselves to large wind or hydro has provided unjustified reasons for individuals and planners to object to applications for domestic and community scale projects.

However, we are led to believe that the Scottish Executive is writing an annexe to its Planning Advice Note 45 to address this problem and is likely to be published by the end of the year.

**Q2:** A modification to the licence condition 36 (code of practice on the use of prepayment meters) could be made such that it would refer specifically to domestic scale microgeneration. However, minor modifications to the codes of practice on use of prepayment meters could suffice to give consumers the relevant information. Ofgem would be interested to hear the views of suppliers, consumer representatives and manufacturers of metering and microgeneration equipment on what the content of such modifications should be. (Par 7.30)

**Response:** The need for control in this area is understandable however there is a concern, stemming from the discussion in this section, that the installation of pre-payment meters is a barrier to installation of microgeneration devices and, therefore, societies potential to tackle fuel poverty. If there is a Housing Association, or similar body, involved with the property then there are likely to be ways around this. However, individuals not part of such an arrangement would be frustrated with having a pre-payment meter. Also, what considerations have there been if a supplier wants to install a pre-payment meter into a building that already enjoys the benefits of microgeneration? This is a possible scenario and where an owner of such a device probably benefits from having a non-reversible meter in place is there a real benefit to pre-payment in such a case?

**Q3:** Condition 41 (terms of supply of electricity incompatible with licence conditions) could be modified to cover a contract dealing with, inter alia, supply of electricity to domestic premises incompatible with the licensee's supply obligations under the Electricity Supply Licence. Ofgem would welcome views as to the desirability of such a modification. (Par 7.33)

**Response:** We support such a move. Whatever the contract, trust between vendor and buyer is important: anything that removes doubt is to be welcomed.

**Q4:** Ofgem would be interested to know whether current practice of DNOs is to create an export MPAN on receipt of notification of commissioning of a microgenerator or when a licensed supplier seeks to register as responsible for exports from the premises (par 8.8)

Response: no response

**Q5:** Ofgem would welcome views as to whether there should be a new licence obligation on DNOs to notify owners or occupiers of premises of any export MPAN created in respect of those premises. Should this be further extended to notification to the registered supplier (in case the reverse stop may mean that the meter is no longer 'appropriate'? (Par 8.10)

**Response:** MPANs should go to supplier and device owner. Transparency is then promoted, and this information will also be useful in communication between stakeholders. It will also be of assistance where disputes occur.

**Q6:** Ofgem would welcome responses from any who might wish to use a dc meter for the registration of ROCs. It would be particularly useful to receive information on the additional costs likely to be incurred if an approved dc meter were not available. (Par 10.27)

**Response:** no response at present

**Q7:** There is some anecdotal evidence that suppliers and domestic-scale microgenerators occasionally encounter difficulty in securing the installation of export metering and that the costs quoted can vary considerably, depending on the region. Ofgem would be interested to hear about instances in which difficulties have been experienced. (Par 10.35)

**Response:** no response at present

**Q8:** Ofgem would welcome other views on any of the issues covered in this paper.

**Response:** no response at present

I trust that you find these comments useful in dealing with issues raised in the consultation. If you would like any further information please do not hesitate to get in touch. If it would assist you in working through the issues, SRF would be happy to assist in coordinating a meeting between Ofgem and our microgeneration members on issues we have raised in our response.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Maf Smith', with a stylized, cursive style.

**Maf Smith**  
Chief Executive