

Ofgem and Microgeneration

Philip Davies

Director Retail Markets and Environmental Policy

Ofgem Microgeneration Forum

16 June 2006

Agenda

1. Ofgem and microgeneration
2. Policy context and progress to date
3. Next steps

1. Ofgem and Microgeneration

Promoting sustainable development

- Microgen can increase energy efficiency through avoiding transmission and distribution investment and losses.....
-and reduce or avoid carbon dioxide emissions
- Ofgem recognises its role in facilitating and enabling microgen to become more widespread

High-level Ofgem policy objectives

- to ensure that obstacles to the development of microgeneration are identified and addressed
- where appropriate, to work with government to ensure that any financial support is well-designed and works with the market framework

Why a microgeneration forum?

- Opportunity for stakeholders to provide input to help us ensure that concerns are addressed across relevant Ofgem workstreams
- Ensure technical work is fully linked into wider Ofgem policy initiatives
- A source of input for Ofgem's annual reporting on sustainable development

Relevant Ofgem workstreams

- Metering policy
- Networks policy and price controls
- Supply Licence Review
-and others

2. Policy Context

Policy Context

- The DTI Microgeneration Strategy
- The Climate Change and Sustainable Energy Bill
- Electricity Networks Strategy Group
(Work Programme 4)
- European initiatives (energy efficiency/energy services, smart grids)
- Ofgem's next steps document (July 2006) following our 2005 microgen consultation

The DTI strategy and Ofgem

Many of the actions involve cooperative work with Ofgem on specific issues:

- Access to RO and EEC programmes
- network and market issues
- metering

Climate Change and Sustainable Energy Bill

- Calls on Secretary of State to set microgeneration targets, if considered appropriate
- Empowers Secretary of State to modify distribution and supply licences to facilitate sale of exports
- Expands Ofgem's functions in some areas in regard to microgeneration
- Modifications affecting the Renewables Obligation and EEC

ENSG work programme 4

- Sponsored by Ofgem and DTI
- Objectives are to:
 - Remove the regulatory and institutional barriers
 - Develop simple, standardised solutions for connection
 - Short term solutions within the existing frameworks
 - Identify necessary changes to policy, regulation and legislation

ENSG has contributed to key developments

- ENSG work – amendment to codes, standard agreements etc
- Innovation incentives (IFI and RPZ) in 2005 distribution price control
- Reform of structure of distribution UoS charges (microgeneration zero or minimal charges)
- Changes to Renewables Obligation

3. Next Steps

Ofgem 2005 consultation

Ofgem consulted on specific microgeneration issues including:

- information provision to consumers
- health and safety
- metering issues
- implications of entry of non-expert generators

You told us.....

- Need for simple one-stop-shop solutions (installation, connection, markets, etc)
- Market for exports needs to be established (many proposing guaranteed prices)
- Need for more and better information
- Key role for suppliers
- Strong links with metering, energy efficiency, energy services
- Better regulation

Our response (1)

- Need to embed microgen issues in wider policies, *as well as* undertaking targeted microgen policy work
 - Distribution price control – IFI and RPZ incentive schemes agreed in 2005
 - Metering policy – unblocking barriers to cheaper and more innovative metering (Next Steps document, July 2006)
 - Supply licence review – proposal to remove the 28 day rule (Initial Proposals, June 2006)
 - Sustainable development reporting – e.g. on development of energy services products in the retail market

Our response (2)

- Arrangements for sale of exports require further work, Ofgem will work with all stakeholders; we see a key role for suppliers
- Enhanced consultation, through the forum, will ensure microgeneration concerns are better reflected in wider Ofgem policy-making (no “silver bullet”)
- Issues such as information requirements will be taken forward by the DTI Microgeneration Strategy
- ENSG will continue to address the technical, commercial and regulatory agenda

Our response (3)

- A process to ensure Ofgem-wide coordinated engagement with the microgeneration agenda
 - 3 forum meetings per year?
- A CEO-level seminar in the “Powering the Energy Debate” series (September 2006)

Discussion

- Is our response appropriate?
- How can we best take forward this work?
- How can we improve our interaction with stakeholders?

A large, central version of the ofgem logo is positioned in the middle of the slide. It features the word "ofgem" in white lowercase letters on a solid orange rounded rectangular background. The background of the slide is a light blue gradient with a faint image of a power plug and a person sitting at a desk.

Promoting choice and value for all
gas and electricity consumers