

Ofgem Microgeneration Forum

Scheme to reward microgenerators
exporting excess electricity

(Project ENSG TSG WP4 P02)

Friday 20th October 2006

Scheme to reward Micro Generators Exporting Excess Electricity

- Background
- Purpose / Objective
- Project Team
- Deliverables
- Progress to date

Scheme to reward Micro Generators Exporting Excess Electricity

Background

- Government
 - Microgeneration strategy 2006 (DTI)
 - The Climate Change & Sustainability Act 2006
- Ofgem
 - Ofgem & Microgeneration 2006
- P02 Process/Governance
 - DTI/Ofgem ENSG 2005
 - Previously DGCG 2002

Scheme to reward Micro Generators Exporting Excess Electricity

Purpose & Objective

Purpose

The purpose of WP4 P02 is to facilitate the delivery of a scheme that will reward those microgenerators exporting excess electricity. Government's Microgeneration strategy DTI/Pub 8243/1k/03/06/NP.URN 06/993 published in March 2006 places an action on Energy Suppliers "To develop a scheme that will reward those microgenerators exporting excess electricity".

Objective

To develop and implement a cost effective mechanism that allows electricity suppliers to provide a fair reward for microgeneration customers who export electricity to the network.

Scheme to reward Micro Generators Exporting Excess Electricity

Project Team (23 members!)

Disenco, Microgen, Baxi

Gem serve, Elexon, Ofgem, DTI

Power Gen, Scottish Power, Npower, Scottish and Southern
EdF Energy, Centrica, Good-Energy

CHPA, Energy Watch, ERA, REA, AEP, Fuels Cells UK, EST

Scheme to reward Micro Generators Exporting Excess Electricity

Deliverables

Schedule of Deliverables:		
Reference	Description	Delivery date
D1	Explanation of the problem – Why can customers not receive a fair price for exported power under current institutional arrangements	June 06
D2	Options to solve the problem at D1	July 06
D3	Success criteria for the options developed at D2	July 06
D4	Assessment of the options developed against the success criteria at D3	September 06
D5	Clear recommendation on route forward	27 th Oct 06
D6	Take the preferred option through the industry's change control procedures, with the final output being the implementation of the scheme	26 th Oct 07

Scheme to reward Micro Generators Exporting Excess Electricity

Progress to date

- Two project meetings (slides on [www](#))
- Four working papers
- Jade Energy engaged
- D1 to D4 complete
- D5 slightly delayed into November

Scheme to reward Micro Generators Exporting Excess Electricity

Progress to date - Success criteria

- 1 All customer facing arrangements, and the principles of the reward scheme, should be simple, transparent, and easy to understand by customers.
- 2 The new arrangements should be in line with the Government's objective, as specified in the Climate Change and Sustainable Energy Act, of increasing the amount of electricity consumed in Great Britain that is generated by microgeneration.
- 3 The new arrangements should capture the overall customer benefit of microgeneration and provide a fair reward for all the energy produced by microgenerators whether consumed by the customer or exported to the network.
- 4 The new arrangements should not impose unreasonable costs on suppliers or other industry parties.
- 5 The new arrangements should not distort competition in supply.
- 6 The new arrangements should eliminate or mitigate distortions inherent in the current arrangements.
- 7 The new arrangements should not introduce any significant new distortions.
- 8 The new arrangements should be cost effective to implement.

NB – objectives may be mutually exclusive

Scheme to reward Micro Generators Exporting Excess Electricity

Progress to date - Short listed options

- **Option 1 - Single MPAN net**
 - The key feature of this option is that customers opt to have a single MPAN for both their import and export rather than being required to have two. However exports and imports are still processed and treated separately.
- **Option 1 PLUS - Single MPAN net plus other enhancements**
 - From a settlements perspective, this option is identical to Option 1; however this option also proposes making changes to other aspects of the market arrangements such as DUoS changes, RO charging base, Exemption from the EEC charging base
- **Option 2 - Single MPAN Net Net**
 - The key feature of this option is that, as under option 1, customers can opt to have a single MPAN for both their import and export rather than being required to have two. Where the customer chooses to use a single MPAN the exports and imports are netted BEFORE being submitted to settlement.
- **Option 3 - Supplier Tariff Support Mechanism**
 - The key feature of this option is that the price generators receive (whether for export, as a premium payment for all generation, or as payment for total generation) is higher than the net value delivered by the current trading arrangements.

Scheme to reward Micro Generators Exporting Excess Electricity

Progress to date – Assessment of options

Criterion	Option 1 Single MPAN (net)	Option 2 Single MPAN Imp-Exp	Half way house Option1 Plus	Supplier Tariff Support Mechanism
All customer facing arrangements, and the principles of the reward scheme, should be simple, transparent, and easy to understand by customers.	2	4	2	1
The new arrangements should be in line with the Government's objective, as specified in the Climate Change and Sustainable Energy Act, of increasing the amount of electricity consumed in Great Britain that is generated by microgeneration.	4	2=	2=	1
The new arrangements should capture the overall customer benefit of microgeneration and provide a fair reward for all the energy produced by microgenerators whether consumed by the customer or exported to the network.	4	3	2	1
The new arrangements should not impose unreasonable costs on suppliers or other industry parties.	1	2=	2=	4
The new arrangements should not distort competition in supply.	1	1	1	1
The new arrangements should eliminate or mitigate distortions inherent in the current arrangements. (The top line relates to removing distortions that arise because of the differentials between export and import price; the lower line to distortions in the agent charging arrangements)	4	2=	2=	1
	1	2=	2=	4
The new arrangements should not introduce any significant new distortions.	1	2=	2=	4
The new arrangements should be cost effective to implement	1	2=	2=	4

Ofgem Microgeneration Forum

Scheme to reward microgenerators
exporting excess electricity

(Project ENSG TSG WP4 P02)

Friday 20th October 2006