

# Ofgem Distributed Energy Review

The Greater London Authority and the London  
Climate Change Agency

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# Decentralised Energy

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- Of the 4 key settings for distributed energy set out in Ofgem's discussion paper 2, the GLA / LCCA focus is on the decentralised generation and distribution of electricity / heat /cooling in the urban environment.

-termed – 'decentralised energy'

# Barriers Preventing Decentralised Energy from Expanding

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- ❑ licensable status of the supply and distribution of electricity , except for the smallest schemes
- ❑ the cost of standby / top up electricity to decentralised generation
- ❑ the transport of licence exempt electricity between sites, using Condition 53 of the old Standard Licence Conditions for electricity supply no longer applies and was very restricted in volume.

# Decentralised Energy Market and Economics



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## new policy drivers -

- UK policy drivers
- London Government

## economics –

- economics different from centralised electricity generation
- interdependence of heat and electricity supply (see Annex 3)
- substantial dependence upon avoiding licensed supply costs (Annex 2 & 4)
- maintaining embedded benefits (Annex 4)

# Licensed suppliers' Costs and Embedded Benefits



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## Paper prepared by Campbell Carr (Annex 4)

-licensed supply costs and burdens –  
' [licensed status] requires the supplier to invest in knowledge, skills and equipment that are specific to the main market, but are not required for the core business of supplying customers with energy from the local generator. Once in the market, there are few cost elements that are directly scaleable to the number of customers or the volume of energy supplied'.

# Embedded benefits –



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- recently proposed change re. accounting for generation losses could affect embedded benefits substantially (further consultation with Campell Carr and ofgem to examine the issue)
  - resulting costs to decentralised energy provider

## Suggested Reform Measures

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### **Smaller schemes –**

Class Exemption supply / distribution to domestic consumers per site – 5MW(e)

### **Middle and larger schemes –**

Schemes of over 5MW (e) to 100MW(e)  
– licensed, but subject to exemption to being parties to the BSC, MRA and other relevant industry codes

# Consumer Protection / Competition

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- to work with Ofgem over consumer protection measures
- introduction of competition to site consumers, but not so as to undermine climate change objectives or unfairly disadvantage on - site providers

# Generating Competition between Decentralised Energy Providers

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- to carry out the reforms advocated, to reduce barriers to entry to the market.
- Reduction of barriers will encourage smaller, non-utility participants to enter the market.

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