

Lend Lease Retail & Communities UK

Response to BERR/Ofgem Consultation on Distributed Energy

Lend Lease Retail and Communities UK welcomes the opportunity to respond to the Distributed Energy consultation (BERR/Ofgem issued 18th of December 2007). As the questions within the consultation are not within a developer's core expertise this response comprises a more generic commentary on the challenges facing developers who are responding to climate change and trying to minimise the impact of energy generation.

As part of our corporate commitment to sustainability, we are striving to achieve net zero carbon, water, and waste on our developments, and believe that the results of this consultation will be a key component towards meeting this aspiration. Lend Lease is supportive of government measures to advance this aim, therefore, this response is intended to highlight some of the policy barriers associated specifically with achieving widespread sustainable distributed energy networks from the developers' perspective.

In general our experience in procuring DE solutions have required the developer to incur significant up-front capital expenditure with tenuous returns and/or to provide guarantees of a sequenced and chronologically tight programme of plot development, which will often be challenged by planning requirements.

Issues cited by suppliers include:

- Customers could not be guaranteed because the nature of the development means that it will be above electricity distribution and supply licence exemption levels (so not able to operate as private wire).
- The risk averse nature of some of the companies within the market, which contrasts with the assertion in the consultation about the ability of the larger players to spread risk and costs.
- ROC and LEC eligibility and income are not guaranteed long-term creating uncertainty over what happens when these are no longer applicable.

Additional issues for consideration by BERR and Ofgem which relate to dis-incentives to increasing the sustainability of a development through distributed energy:

1. In Germany, Spain and other European countries feed in tariffs (FIT) have been used successfully to make renewable a significant part of their low carbon strategy. A feed in tariff guarantees anyone an above market price for any energy they produce on their homes or business and thus providing them with a greater financial incentive to install renewable energy systems. There is a clear parallel between country's that have feed in tariff and the level of renewable energy they produce verses countries who do not, like the UK, who have very little renewable generation. The FIT is an integral part of any future energy bills and is a critical part of a low carbon economy
2. Para 1.15 of the consultation states that the Government's zero-carbon homes policy provides motivation for the development and uptake of distributed energy. However, Code for Sustainable Homes Level 6 and Zero Carbon Homes wording contains reference to private wire in order for the building to be compliant. BRE, on behalf of the DCLG, confirmed that 'private wire' follows the Ofgem definition. Therefore, any power coming from renewable technologies that goes onto the local distribution operator's network would not comply with the Code requirements.

It must be remembered that developers will only build as long as a project is viable. As soon as relevant parameters change (whether through market conditions, legislation or planning obligations), a development may cease to be economic and may be put on hold indefinitely. Lend Lease is striving to be a sustainable organisation of which net zero carbon is a core aspiration, however this will require a great deal of innovation and partnership throughout the whole energy and property value chain therefore it is essential that government policy is well-coordinated and incentivises innovation and partnership.