



**Future Energy  
Yorkshire**

Future Energy Yorkshire  
Green Sand Foundry  
99 Water Lane, Holbeck,  
Leeds LS11 5QN

Telephone: 0113 237 8400  
Fax: 0113 245 4132  
email@fey.org.uk  
www.fey.org.uk

Anna Kulhavy  
Senior Economist - European Strategy and  
Environment  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Your Ref:

Our Ref: S0130-DG-001

Date: 18 July 2008

Dear Ms Kulhavy

### **Distributed Energy Consultation**

Future Energy Yorkshire is part of an arms-length company of Yorkshire Forward, the Regional Development Agency for Yorkshire and Humber. Our aims are to ensure that the region is an attractive place for the developers of new and renewable energy projects to locate and to reduce regional carbon emissions from the generation of heat and power. To this end, we have worked with many businesses seeking to locate projects in the region and also work on the development of Energy Services Companies with Local Authorities and private sector partners. The issues around the current licensing regime and the need for greater clarity and a fairer approach to DE are frequently raised.

Our responses here reflect our own views that have developed as a result of working with partners on specific projects and through our participation on the Distributed Energy Working Group.

In general we are supportive of the proposals put forward in the document, and recognise the issues that the Citiworks case raises in respect of more substantial changes to the existing exemption arrangements. We are uncertain as to how effective the proposed measures will prove to be in bringing forward more DE schemes or, indeed, in improving their economics. However, we believe that they represent a step in the right direction that should be subject to ongoing evaluation once implemented.

Yours sincerely

Richard Lee  
Programme Director  
Future Energy Yorkshire



The Yorkshire and Humber Sustainable Futures Company Limited (SFCo) trading as Future Energy Yorkshire.  
SFCo is a company limited by guarantee registered in England No. 5383346, registered office. The Green Sand Foundry, 99 Water Lane, Holbeck, Leeds, LS11 5QN.  
Date of Incorporation: 4 March 2005.

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Project Part-Financed by the  
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### **Question 1**

We believe that it would be appropriate for a third party representative with DE interests to raise BSC code modifications.

### **Question 2**

Whilst we do not wish to express interest in the role, we do believe that the representative should be independent from the 'big 6' suppliers. A representative from a relevant trade body, such as the CHPA or REA, might be considered appropriate.

### **Question 3**

A 2 year appointment would seem reasonable.

### **Question 4**

We do not believe that the designated party should contribute fees since they will be representing the interests of a broad community of developers and operators rather than their own specific interests.

### **Question 5**

Whilst we believe that the BSC is the most relevant code, as the level of embedded generation increases, it may be appropriate to include representation in respect of other codes, for example the CUSC in respect of bilateral embedded generation agreements.

### **Question 6**

We are aware of a number of publications that can assist in establishing a DE scheme, although many of these are not specifically focused on DE – e.g. [A guide: Sale of Power opportunities for distributed generators \(Part B\) The Guide](#) (Note that this does not appear to be downloadable from the BERR website at present). We think there would be merit in establishing guidance for DE in the various settings discussed in the earlier consultations. FEY would be willing to support this work and to identify case studies where appropriate.

### **Question 7**

We support the proposal to switch off the code compliance license conditions. However, unless suppliers are willing to offer services on a competitive basis we do not believe this will achieve the objective of enabling smaller players to participate in the market. We therefore believe that ongoing monitoring of the impact of this change will be essential in order to ensure that it is achieving its objective.

### **Question 8**

We believe that there should be a defined set of parameters that would allow a scheme an automatic right to opt-out of the license condition (provided alternative arrangements were put in place). We believe that the primary driver for such an automatic provision should be that the total scheme (including any provision of

low-carbon heat) should deliver carbon savings over and above a conventional supply scenario. We recognise that there may be a need to limit automatically qualifying schemes to specified geographic areas, or to a maximum capacity threshold. However, given that a supplier will be providing code compliance we do not see a big risk to the operation of the network and would therefore suggest that any such constraints can be relatively wide ranging – e.g. to limit schemes to within a single GSP or to a capacity of 100MW.

We believe however, that any developer of a DE scheme should be able to bring forward that scheme for an opt-out and that where the scheme does not meet the defined requirements, it would be subject to a consultation process.

### **Question 9**

We believe the establishment of good practice for supplier agreements would be useful in engaging the suppliers and ensuring that products are made available to DE scheme developers. Our experience has been that it is extremely difficult to secure exempt supply services from suppliers, to the extent that it has not been possible for us to establish any such exempt supply schemes to date, although we note that suppliers have been prepared to offer alternative mechanisms.

### **Question 10**

We are concerned that any requirement on the DE supplier to have in place measures to deal, immediately, with a breakdown in the DE-Agent relationship, particularly through no fault of its own, could render the proposed opt-out completely ineffective. There is a suggestion in appendix 3 that the DE supplier might ought to be able to comply with the codes by itself, which would in effect mean putting all the required systems into effect in advance and therefore delivering no benefit.

We would prefer a situation where a role of the supplier of last resort would be to fulfil the Agent's contractual obligations to the DE supplier thus ensuring that the DE supplier is not in breach of their license. We do not believe this would be too onerous since, as noted elsewhere in the document, such situations are usually resolved by a trade sale that would likely include agent services to DE suppliers.

### **Other Related Issues**

#### *Metering within Private Wire Networks*

There currently appears to be some uncertainty as to how a consumer within a private wire network could become supplied by a supplier other than the private wire operator. This arises due to the difficulty in registering meters within a private wire network. The ability to register such meters could provide two benefits; firstly, it would mean that embedded customers could change electricity supplier and, secondly, that electricity supplied within a private wire network to non-generator owned customers could be eligible for ROCs (noting proposed changes in the current RO consultation). The registering of some, but not all, meters within a private wire network may require the use of 'virtual metering' as put forward within the working group, but may be less challenging than a virtual network operating over the public network. Such a situation is highly likely to arise in an industrial site setting where individual process plants may have been sold to other operators who may then wish to source their electricity from a third party supplier.

### *Clarification of Existing Class Exemptions*

Assuming that the Citiworks case still allows the existing exemptions within the circumstances outlined in 2.13, we still believe that there is a need to clarify and ensure consistency across the various exemptions. Should it be concluded that all existing private wire networks must allow third party access, then this is likely to open a raft of other configurations and applications as yet not considered and will open up questions of network maintenance cost sharing and responsibility for system security etc. It will also require the issue of meter registration within such networks to be addressed as noted above.

### *E-Power Data*

Whilst acknowledging that the e-Power auction data are one of the few sets of readily available pricing data, we have a number of concerns about its validity for the purposes of analysing values. Firstly, the number of trades behind the prices presented is not clear and we understand that, for some technology types, the number of trades is very limited and may therefore not be representative. Secondly, the data represent only one method of selling electricity and is a method which is clearly not bankable from a project financing perspective where long term certainty over price and volume are required. The data are more likely reflect the value of the power to suppliers with ROC obligations seeking to meet their target renewable supplies at a cost less than buy-out + power purchase contract prices rather than what might be offered for a bankable power purchase agreement.