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Bringing Energy Together

Combined Heat & Power
Sustainable Energy Services
District Heating & Cooling

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13 April 2011

Dear Anna,

The new price control review for electricity distribution networks RIIO ED1.

The Combined Heat and Power Association (CHPA) is the leading advocate of an integrated approach to delivering energy services using combined heat and power and district heating. The vast majority of CHP plant in the UK are connected to the electricity distribution network and are based in industry, the public sector and commercial buildings.

As the Government drives the decarbonisation and renewables agendas, the electricity networks will need to evolve to accommodate growing demand and changes in generation types. For the distribution networks there is a need to move from a passive to an actively managed system and ED1 represents the opportunity to drive that change.

The CHPA has the following key recommendations:

- The design of RIIO ED1 should be designed to develop the most cost effective means of incorporating low carbon generation and demand on distribution networks.
- The DNOs should have the opportunity to innovate with a full range to technologies that will help to optimise the development and operation of the network.
- Given the anticipated growth of electrically driven heating, the opportunity for exploiting heat networks and large scale heat storage, to limit the scale of network reinforcements, should be considered as part of the new price control.
- The price control should seek to drive better communication with new and existing generators so as to exploit grid services that they can offer.

- The move from a passive to active grid management represents a major shift and will require a deployment of significant new skill sets and resources. The review should consider how best to move to active grid management to enable adequate expertise and resource to be put in place.

Do you agree that ensuring that DNOs accommodate low carbon technologies in a timely and cost effective way should be a key objective of RIIO-ED1? Do you have any thoughts on how we could address this?

Yes. Accommodating low carbon supply and demand technologies in a timely and cost effective way should be central to the ED-1 development process. Currently CHP operators regularly meet with prohibitive costs of connection despite the fact that through providing local generation, they often alleviate local network stresses. RIIO ED1 provides an opportunity to explore how low carbon generation and demand management can help to manage grid stresses and how such services could be rewarded by DNOs.

In particular, integrating heat and electricity uses will become more important as heat demand is increasingly met with electricity. The increase in both overall and peak demand of electric heating could have profound impacts on the distribution networks and the scope of ED-1 should be great enough for the DNOs to consider how these can be alleviated. In Scandinavia, renewable generation intermittency and peak electricity demand are regularly facilitated through a range of technologies supplying district heating networks. By using thermal storage, the heat network can effectively decouple heat demand from heat generation shifting demand and, by employing a range of heat generation technologies (heat pumps, CHP, electric boilers) can increase or reduce electricity demand as needed. Such innovation will be central to both controlling the cost of decarbonisation and facilitating greater penetration of low carbon generation and should be a key consideration in developing ED-1 innovation protocols.

Which of the DPCR5 outputs and incentives do you consider to be fit for purpose, or require minimal amendment, for RIIO-ED1?

The CHPA is particularly interested to see the development of the innovation stimulus under the LCNF being incorporated into RIIO ED-1. Without a major development in innovation and a fundamental evolution of the role of the DNOs, a very costly expansion of the network capacity may be required. To ensure the consumer receives best value for money, it is vital to ensure that innovative technologies and behaviours be explored and developed under ED-1.

We welcome respondents' views on how we can improve the cost assessment, particularly with respect to the expenditures that will be proposed in RIIO-ED1.

The CHPA suggests that the scale of change envisaged for RIIO ED1 means that cost assessment and measuring those against deliverables may be substantially greater than under the current DPCR5 system. To this end, a discussion of the cost assessments should be central to the working group work carried out over the coming months.

We would be interested to hear stakeholders' views on potential outputs, for example what might be included in the social obligation category, and whether it would be useful to set outputs related, for example, to the role DNOs might play in Local Authorities' integrated energy schemes.

The CHPA very strongly supports the role that DNOs could play in supporting local integrated energy schemes. To do this, however, they would need to have mind to all forms of energy demand that may be considered and the options to minimising and mitigating the costs that arise with this demand. Without careful development, an 'electro-centric' situation may arise where DNOs are effectively incentivised to encourage greater electrification to drive the size of their asset base. Developing such outputs must, therefore, be done in a way that incentives optimal energy planning across all energy sources whilst reducing emissions.

Do you think the ED1 price control period should last for eight or nine years?

The CHPA has no strong view on this issue.

Yours sincerely,

Dr Tim Rotheray

Policy Manager