

## DECC working group on community energy grid connections – 2<sup>nd</sup> meeting

The meeting featured updates from each of its sub-groups on their progress to date.

10 April 2014

Date and time of meeting	10.00-13.00, 27 March 2014
Location	Stephens Scown, Exeter

### 1. Welcome

- 1.1. See Appendix 1 for list of attendees. Apologies received from John Barnet, Stewart Reid, Steve Halsey, Peter Capener, Liz Lainé, Ian King and Natasha Smith.
- 1.2. The Chair (Sarah Harrison) welcomed the members of the group and reiterated the purpose of the working group: to discuss issues around grid connections that are currently being faced by community energy (CE) projects, and to identify the actions that can make a real difference to future community energy projects.
- 1.3. The Chair recapped the previous meeting, which decided to focus on four main issues and set up sub-groups to identify solutions for each of these:
  1. Capacity and investment policy
  2. Cost of connection
  3. Customer service
  4. Demand flexibility and storage

### 2. Updates

- 2.1. James Veaney presented Ofgem's legal position on preferential treatment of community energy customers by electricity distribution network operators (DNOs). This and all other presentations are attached.
- 2.2. In discussion, the group<sup>1</sup> stressed the importance of a legal definition of community energy, and evidence of its particular characteristics, to enable an informed discussion of the potential for preferential treatment. Some members expressed concern that DNOs are too risk averse, though the Chair noted that DNOs are incentivised to innovate and take mitigated risks under their price controls.
- 2.3. Rob Kinnaird updated the group on DECC's community energy strategy. DECC is launching a dedicated community energy unit on April 1 to deliver the department's community energy strategy and gather evidence on the benefits of such schemes. A one stop shop for community energy projects is scheduled to launch in the autumn.

### 3. Presentations

#### 3.1. Capacity and investment policy sub-group

- 3.1.1. Merlin Hyman, Regen SW, presented the progress of the capacity and investment policy sub-group in setting up a trial of a consortia model. A CE group, DNO and

developers are investigating a potential scheme, and have produced detailed costs and timings. Merlin set out three options to guarantee capacity for CE projects in consortia schemes. These were:

1. Developers agree to make capacity available on a voluntary basis
2. DNOs reserve the capacity
3. A third party pays the upfront cost of the CE portion

3.1.2. In his analysis, option 1 – the model used in the trial – is possible but hard to replicate. Government and community pressure could make it more likely but in projects with tight profit margins it still may not be possible. Option 2 may be difficult to implement because it could involve DNOs giving preferential treatment to CE projects. He sees option 3 as the most replicable solution, but is also unlikely without a new funding mechanism.

3.1.3. The group noted the practical barriers that DNOs would need to overcome to reserve capacity. Capacity reservations would need to take account of the possibility of demand fluctuation on the system, which can make it difficult to forecast available capacity. Also, capacity reservations should only be considered on a needs basis when community groups have requested it, to avoid withholding capacity from other users.

**Action:** The Chair agreed that Ofgem would facilitate discussions with the Green Investment Bank on option 3.

3.1.4. The group also raised concerns about how to facilitate consortia. DNOs cannot disclose details of bids and contracts, and therefore suggested a better solution would be for a third party mediator to hold the information from the different parties in the process. The group also suggested that a third party could hold the capacity and sell this on to consortia members, although some raised the concern that this could create an unregulated secondary market for grid capacity.

3.1.5. Group members noted that the legal basis of some CE groups can restrict their ability to participate in consortia, because they may be unable to invest in the Special Purpose Vehicle, a standard part of consortia agreements. The trial project will create a legal framework which can be replicated, with set of standard documents for future consortia to use.

### **3.2. Cost of connection sub-group**

3.2.1. Brian Hoy, Electricity North West, presented the progress of the cost of connection sub-group. Currently, connecting customers pay for connections work in advance, which can represent a barrier to CE projects. While CE projects would welcome payment in arrears, this could create new risks for DNOs and their wider customer base.

3.2.2. In the discussion that followed some of the group emphasised the importance of achieving transparency of charging methodologies. The proposal to charge sole user asset costs upfront and delay reinforcement charges would have different impacts in different areas, depending on which of the charges was higher.

3.2.3. The sub-group will gather data on the typical costs of connection offers. This should include an analysis of which offers have been accepted by connecting customers, and the extent to which the costs of accepted offers differ from refused offers. In doing so, it will need to consider which costs relate to generation and demand, as most projects consist of both. It will also be important to understand

the split of costs between sole use assets and upstream reinforcements, as different cost recovery approaches apply in each case.

**Action:** sub-group to gather data on the typical costs of connection offers in advance of the next meeting.

### **3.3. Customer service sub-group**

- 3.3.1. Brian Hoy and Felix Wight, Community Energy Scotland gave an update on the progress of the customer service sub-group. This group has welcomed a new member, Ollie Pendered.

**Action:** Ollie to take a lead role from now on, with support from other subgroup members.

- 3.3.2. The group discussed the customer issues that the DG-DNO forum is currently considering for its 2014 work programme. The majority of customer service issues apply to distributed generation more widely and are therefore reserved for the DG-DNO forum. However it was suggested that DNOs should have to report on CE engagement as part of their communications strategy. DNO representatives pointed out that they have an Incentive on Connections Engagement (ICE) as part of RIIO-ED1 that means they have to engage with stakeholders to agree targets.
- 3.3.3. The group agreed that there should be better information on where community energy groups are located. One outcome could be a map of community energy groups showing who their respective DNO is. A new umbrella body for CE groups in England, due to be launched in June, will help to improve the visibility of these groups, as will the outreach work planned by DNOs.

### **3.4. Demand flexibility and storage sub-group**

- 3.4.1. Felix Wight presented the progress of the demand flexibility and storage sub-group.
- 3.4.2. The group agreed that demand management could offer major benefits to connecting CE projects. The DG-DNO technical issues group is looking at network wide demand management solutions. Commercial groups have approached Community Energy Scotland for support on demand side management, providing the opportunity for joint ventures between CE and developers.
- 3.4.3. The group called for more work to identify locations where demand side management could be maximised, for example where heat demand could be shifted from heating oil to electric heating.

**Action:** Ofgem and DECC agreed to identify existing heat demand and gas grid databases, and report back to the group.

## **4. Closing**

- 4.1. Tom Handysides, Ofgem, presented on next steps for the group. The Chair asked for more guidance on chapter layout to be made available to the group.

**Action:** Ofgem to provide further guidance on the expected chapter layout of the final report by mid-April

**Action:** Subgroup leads to progress draft report chapters to circulate in advance of next meeting

- 4.2. The Chair thanked members for their attendance. The working group will meet for a third and final time in late May/early June (exact date TBC).

**Action:** Ofgem to confirm date of next meeting by mid-April

## **5. Any other business**

- 5.1. Merlin informed the group that developers have been selling parts of renewable projects to CE groups in order to maximise FiTs payments. This is positive for CE groups but requires duplication of certain parts of the installation, such as meters, in order to meet FiTs rules, which adds costs. The Shared Ownership Taskforce is looking at this issue. This will now be raised by DNOs at the DG-DNO technical forum.

**Action:** DNOs to raise technical issues related to shared ownership at the next DG-DNO technical forum in early April. Ofgem to discuss this issue with the FiTs team by mid-April

## 6. Appendix

### 6.1. Attendee list

Sarah Harrison, Ofgem

Paul Black, Scottish Power Energy Networks

Sonya Bedford, Stephens Scown

Graham Campbell, Scottish Power Energy Networks

Jodie Giles, ReGen SW

Brian Hoy, Electricity North West

Mike Hammond, Northern Powergrid

Merlin Hyman, ReGen SW

Robert Kinnaird, DECC

Donald MacKinnon, Scottish and Southern Energy Power Distribution

Sharon Roper, Northern Powergrid

Nigel Turvey, Western Power Distribution

Felix Wight, Community Energy Scotland

Ofgem: Andy Burgess, James Veaney, Stephen Bass, Tom Handysides, Clothilde Cantegreil, Alexander Belsham-Harris

### 6.2. Actions

1. Ofgem to facilitate discussions with Green Investment Bank on investment in capacity for CE by end of April (see 3.1.3)
2. Cost of connection sub-group to collect data on typical cost of connection offers before next group meeting (see 3.2.3)
3. Ollie Pendered to take lead role in customer service sub-group with immediate effect (see 3.3.1)
4. Ofgem and DECC to identify existing heat demand and gas grid databases and report back to the group by mid-April (see 3.4.3)
5. Ofgem to provide further guidance on the expected chapter layout of the final report by mid-April (see 4.1)
6. Subgroup leads to progress draft report chapters to circulate in advance of next meeting (see 4.1)

7. Group to determine date of next meeting by mid-April (see 4.2)
8. DNOs to raise technical issues related to shared ownership at the next DG-DNO technical forum in early April. Ofgem to discuss this issue with the FiTs team by mid-April (see 5.1).