



Energy Local Response to Ofgem's NTBM Discussion paper

Energy Local is a social enterprise set up to develop the Energy Local concept for the benefit of communities and other organisations that could deploy it. The Energy Local concept aggregates smart meter data together to allow domestic customers to benefit from Time of Use Tariffs and to directly use locally owned small scale renewables by entering half-hourly settlement in a cost effective manner as one virtual meter. It is proposed that the communities deploy a home energy management system that takes into account forecast of local renewable generation, time of use tariffs, local demand curves and potentially the needs of a DNO to schedule load and guide residents as to the optimum time to use appliances.

The attached high level briefing paper and our website energylocal.co.uk describes the concept further.

Energy Local welcomes the NTBM discussion paper. We see great potential for new entities playing a role in the energy market by operating at different levels and complexities and linking to other services outside the energy sector. We believe that the paper has captured the drivers, potential entities and opportunities and barriers well. It is important that any changes in regulation or structure encourage new entities to pursue their stated aims such as energy efficiency, promoting renewables or community ownership rather than simply reduce costs for existing players.

This paper shows how Energy Local aligns with the discussion paper and demonstrates its potential and barriers to development.

Energy Local helps accelerate the four drivers identified for NTBMs:

- The low carbon transition - it increases the income achieved from local renewables and therefore will accelerate their growth and increases energy use awareness
- Rapid technological innovation – it uses smart metering and harnesses new demand side management technology.
- Improving customer engagement and trust – it improves community cohesion and provides customers with the opportunity of an active role within the market.
- Supporting vulnerable customers via lower cost local generation and retains income locally.

It is our belief that local organisations should not be attempting to play the role of suppliers as there are significant responsibilities in terms of balancing, managing credit, debt and billing for which they are not suited.

Local organisations can however play a significant role in developing and using their own generation directly, managing demand and local balancing and thus reducing unbalance in the system. Energy Local is designed to allow this to happen whilst still interacting with

the settlement system via a licensed supplier. In future Energy Local could be the smallest entity within a new market structure with some of the other entities described by Ofgem's NTBM paper operating above it at a regional or national level.

Motivations for Energy Local are reducing carbon emissions, saving money, retaining income locally and improving community cohesion.

In terms of the NTBM entities Energy Local would form Community ESCO's (CESCOs) that could be community owned or formed by a housing association. Within it customers could offer demand flexibility, be prosumers and have an element of peer to peer trading on a local basis. It is envisaged that CESCOs may be supported in terms of managing contracts, constitutions, negotiating with suppliers and installing generation by a facilitating body. This could be a municipally owned and/or be one of the next generation of intermediaries. CESCOs could offer other services e.g. energy efficiency or entirely outside the energy sector.

In terms of the barriers listed in 4.8, Energy Local avoids the costs of being a licensed supplier.

In terms of the issues listed in 4.10. Energy Local provides a means to increase the liquidity in the market by adjusting demand to the generation available. It reduces the risk and cost of unbalance to smaller suppliers who are not vertically integrated by offering visibility of demand curves, demand side shaping and demand flexibility. It also reduces the risk of unbalance due to local renewables as a degree of balancing is carried out at a local level.

At present Energy Local would still struggle to influence codes if any regulation needs to change. It would have to rely on a licensed supplier to do this that sets it at a disadvantage. Routes to propose changes by those who are not members of the Balancing and Settlement Code are required.

Local balancing and peak lopping will increase the capacity for renewable connections. Energy Local will also provide DNOs a direct means to control demand side management (DSM) without involving a supplier or affecting a profile. This will increase their confidence in using DSM to avoid constraints on the network. It will provide them with an organisation with which to negotiate rather than contacting individual domestic customers. Local balancing will reduce network losses.

Energy Local will increase customer confidence. Whilst it will reduce the cost of sale to a supplier as it can recruit a number of customer at once via a CESCO, a supplier can also lose the same number if it does not provide adequate customer service. Social landlords in particular can use the model to spread the benefit of renewables and help reduce fuel poverty.

A CESCO may require participants to commit for a fixed term to remain within the CESCO to fund DSM and energy efficiency but this would not prevent a CESCO switching suppliers.

Energy Local provides a means to deploy DSM at the domestic level and diversity via grouping customers together in half hourly settlement.

As described above, Energy Local facilitates all of the direct energy benefits identified in

5.10 without incurring the costs listed. Likewise the indirect benefits can all be achieved. It is likely to create jobs and growth by creating new businesses and retaining income locally and may well link with other community, social or environmental organisations. CESCOs are a route for greater energy awareness.

In terms of the licensed suppliers, the current regulation may provide as suitable structure for suppliers to facilitate new entities below them within the market structure. Investigation of settlement costs and charges is necessary to understand which ones are unreasonable for new market entrants.

It is necessary to provide a means for trialling and facilitating new data flows (e.g. aggregated smart meter data into half-hourly settlement), balancing mechanism units, standard contracts and tariffs within the energy market. The costs and size requirements for some of these functions should also be reviewed as NTBMs develop.