

**Morlais Ynni Môr Môn**  
**Morlais Energy**  
**The Town Hall**  
**Llangefni**  
**Anglesey**  
**LL77 7XA**

Dr Jeffrey Hardy  
OFGEM  
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Consumers and Sustainability  
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19<sup>th</sup> May 2015

**Ref: OFGEM discussion paper on 'Non-traditional business models: Supporting transformative change in the energy market'**

Dear Dr Hardy

Many thanks for providing the opportunity for Morlais Energy to input into the OFGEM discussion paper on 'Non-traditional business models: Supporting transformative change in the energy market.

The Morlais project is being undertaken by Menter Môn, a third sector organisation set up to help develop the population of Anglesey and surrounding areas. In summer 2014 Menter Môn successfully won a bid to become Third Party Managers for the West Anglesey (Tidal Current) Demonstration Zone on behalf of the Crown Estate. Our aim being to attract a significant proportion of the tidal energy market and associated supply chain into North Wales.

This response is being submitted on behalf of a potential power producer and not a significant energy consumer.

Morlais agrees in principle with the OFGEM definition of Non-Traditional Business Models [NTBM] as "Business models offering new products and services or new ways of delivering these that are different to those traditionally provided in the existing energy market. Those offering such services have diverse motivations [technological, social and environmental as well as financial] and ownership arrangements, and operate at various scales. Over time NTBM's have the potential to transform the existing energy system"

There are many challenges and barriers to new entrants being faced by smaller developers of renewable power generation and those such as Morlais, trying to nurture and grow new technology and business opportunities.

The issues faced are complex and one significant problem is that smaller organisations do not have significant resources to put together a polished and evidenced response to

consultations such as this, so immediately we find that the responses gathered will not necessarily reflect all the issues encountered by the smaller developers and operators.

Those with detailed evidence have generally gathered that evidence because a 'show stopping' barrier has been encountered along the development process that has necessitated the decision to commit valuable resources to managing this issue – or pack up and go home. Having worked at director level within a 'big six' power company I fully understand the differences here. Big organisations have teams set up to engage the regulators and policy makers.

Morlais would welcome the opportunity of engaging directly with OFGEM on a number of issues relating to NTBM's which would include, but are not limited to, consideration of;

- The cost of and accessibility to grid connections and reduction of grid derived risk.
- Managing speculative applications that will never be commissioned, but which block capacity opportunity
- Financial consistency with regard to grid/Embedded connection deposits – these can vary by 200-300% depending on which DNO is incumbent.
- Consideration that a % of all new connection volume is provided to smaller scale/community renewables schemes at no/low cost – funded by large scale developers. Treated as anticipatory reinforcement.
- Greater flexibility in the interpretation of OFGEM's regulations/rules – or at least better guidance on their implementation.
- Consideration of alternative options around programme completion dates – these artificially imposed 'drop dead dates' often cause short cuts to be taken during design and installation that can affect the long term reliability and profitability of the plant.
- The introduction of a government backed capital guarantee scheme similar to the recent Infrastructure guarantee scheme, but for smaller projects.
- Any other ways of improving access to project finance
- Setting up a truly representative working group to deliver needs across the spectrum
- The need for fairness and equality

Morlais believes that working with renewable energy trade associations, marine & tidal, solar, wind, biomass etc., we can have representative round table discussions on these and other issues that may be submitted to this discussion paper, and it could create a practical way for the renewables sector to be fully involved, in a collaborative manner, in the longer-term engagement with OFGEM on NTBMs and other relevant consultations.

Please note also that Morlais is eager, through its parent company Menter Mon Ltd, to examine and develop third sector business models operating on the demand side of the equation also. We have worked on an Active Network Management project with our DNO which included Menter Mon Ltd working as the third sector model and a critical component facilitator between the DNO and the end consumer. We firmly believe that such a model can work in an area such as Anglesey where pressures related to supply and demand are at their keenest. We would like Ofgem to consider providing the means of facilitating such local supply and demand models and would be glad to be a part of deliberations in this direction

Yours Sincerely



Andrew Billcliff  
Operations Director