

**Non-traditional business models (NTBMs) – Supporting transformative change in the energy market**

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Minutes of the workshop held on Non-traditional business models.	From Date and time of Meeting Location	Stephen Bass 26 March 2015 10:30 Ofgem, Glasgow
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**1. Facilitator**

Stephen Bass.

**2. Definition**

2.1. There was general agreement it was a broad but appropriate definition.

**3. Drivers**

3.1. There was broad agreement with the drivers suggested but attendees noted a range of issues and additional drivers related to the development of NTBMs, including:

- It was suggested another driver could be around social outcomes – Community Energy is motivate to keep value in the community. Example was given that unless there is community ownership, there is little local (economic) benefit.
- It was noted that many developers – who may be seen as NTBMs – are foreign owned and would likely take value out of the country.

**4. Understanding of NTBMs**

4.1. There was broad agreement on the characteristics that were proposed in the discussion paper although attendees also noted:

- Consumers attitudes to switching was discussed. The group reflected on their own experiences as an example of why people disengage.
- The Scottish Government's CARES (Community And Renewable Energy Scheme) was discussed. An announcement on the first batch of projects was imminent at the time of the meeting. They have been selected on the basis of wide coverage of issues relevant to NTBMs and Local Supply.
- Regulation of heat was discussed. Effective heat networks will be important for meeting 2050 target. Will need to move away from gas in mid-term according to scenarios for meeting the target.
- The complexities of entering gas supply were raised; it is a very complicated system. Bio gas has a key role.
- It was understood that NTBMs will challenge how we balance the grid. Software will be key.
- It was noted that lenders can be very 'twitchy' and there is limited choice; only a few banks seem willing to take the risk of investing in projects.
- The Green Investment Bank don't seem to take any more risk than the main banks – they are just displacing them.

## **5. NTBMs within current regulatory arrangements**

5.1. There was broad agreement to the regulatory issues identified within the discussion a paper. Comments included:

- There was a discussion about the complexity of codes and the difficulties on understanding what needed to be done to comply.
- There was a realisation that there are multiple layers of risk and it is difficult to get away from this as the biggest barrier. "Finding your way through is very difficult".
- The comparison was made with Housing Associations, where the regulator took steps to simplify and provide assurance that led to greater confidence and investment. Something like that would help Community Energy get off the ground.
- Sustained political will was needed however to bring about greater confidence.

## **6. Market effects of NTBMs and future challenges for regulation**

6.1. The range of challenges for regulation was recognised by the group:

- Ofgem needs to simplify the landscape for NTBMs; and could do more to re-assure the banking sector.
- The need for consumer protection to evolve with NTBMs was flagged. Need to take care to ensure people who may be negatively affected have recourse and are open to compensation.

- It was highlighted however that it could be perceived people are currently 'locked into' the Big 6. The fact that people in the north of Scotland should be able to opt out of expensive tele switching schemes was highlighted.
- It was welcomed that Ofgem were taking more of a 'system' view of energy through this consultation, as it was not set up this way.

## **7. Discussion on Ofgem's consultation on quicker and more efficient distribution connections**

- The question was raised and discussed of whether there has ever really been a 'stranded asset'.
- The point was flagged that there had never really been stranded assets.
- Some challenged this was due to planning ahead. Others challenged that there is no real risk of stranded assets in constrained areas; where capacity is released, developments will always follow.
- The suggestion was made that a different approach to a region of GB – to see if the assertion that developments will follow capacity is correct.