

The **co-operative** energy

An energy supplier you can trust

Co-operative Energy
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With respect to the 'Smart, Flexible Energy System – Call for Evidence', please find Co-operative Energy's response.

In advance, thank you for the opportunity to help shape this vital area of consideration. Our feedback aligns with three of the five areas in which input was sought: providing price signals for flexibility; a system for the consumer; and innovation.

About Co-operative Energy

Created in 2010 by The Midcounties Co-operative, Co-operative Energy supplies electricity and gas to over 400,000 domestic customers across England, Scotland and Wales. Members are rewarded with a share of profits. We are the first major British energy supply business to be co-operatively owned, and now employ over 500 colleagues.

From the outset, we pledged to deliver lower carbon energy at fair prices – and in 2016 we reinforced this with fresh commitments to avoid the use of coal and to source up to three-quarters of electricity from renewable sources over the next three years. Uniquely, we offer a User Chooser facility that allows customers to control the energy mix of their electricity: this was recognised in 2015 with an EU Renewable Energy Award.

From inception, a primary aim of Co-operative Energy has been to facilitate the expansion of community energy generation projects. Via power purchase agreements we provide a secure market for community energy, with the number of PPAs tripling to 25 in early 2017. We have been the exclusive sponsor of Community Energy Fortnight for the last four years, and our support for the sector newly extends to innovative demand management projects.

High-level response

We applaud BEIS / Ofgem for their desire to develop a smarter and more flexible energy system - this will be essential if the UK is to progress security of supply and facilitate the integration of even greater levels of low carbon generation. The need to electrify transport and heat, and the impact that this will have on peak energy demand, make the case more pressing still.

We agree that significant opportunities exist to advance demand-side response and energy storage, and believe that coops, social enterprises and community energy groups can play a vital role in progressing these. In fact, Co-operative Energy and community energy groups are already at the cutting edge of innovation across the UK and are proving to be excellent mobilisers of communities and hard to reach consumers in what is very much a low-trust environment.



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Looking forward, we would urge Government to support a community energy innovation programme that looks to establish demand-management and smart tariffs in each major town and city in the UK.

Providing price signals for flexibility

The expansion of Smart Meters and half-hourly settlement is critical to the development of a smarter energy system. BEIS continued commitment to roll-out is to be commended, although caution is needed to ensure that technology is fit for purpose, costs are reasonable and consumer trust is maintained. HH settlement reform should be mindful of broader regulatory change and the capacity of suppliers to deliver multiple, significant change programmes simultaneously - for example, smart and next day switching. Furthermore, the overlapping of Nexus and DCC readiness can pose resourcing and capacity challenges to suppliers.

A number of community energy groups are involved in advancing Smart Time of Use Tariffs, as is Co-operative Energy. We are working with Energy Local on a SWELLⁱ solar project in Oxfordshire and advancing a hydro project in Bethesdaⁱⁱ, north Wales - both look at not just time of day usage, but the marrying of consumption to renewable generation output. These projects have thrown up many learnings - and those from SWELL have been fed into Bethesda. These include

- the recruitment of customers to innovative Smart Tariffs takes time (more so than with less complex propositions such as 'free-energy Saturday' offerings)
- the incorporation of new technology discovers unanticipated hurdles (such as the practical issue of connectivity)
- the inertia of the existing regulatory framework, especially where innovation cuts across a number of regulatory areas (eg licence, industry codes, commercial practice), and it is apparent that an active regulator is needed
- the degree to which behaviour change will embed and drive load shift.

However, we can already say that community energy groups are uniquely placed to act as trusted aggregators, advisers, intermediaries and delivery-agents for demand-side response. We therefore welcome the suggestion to: "consider supporting further pilots of tariff structures and domestic consumer responsiveness and opportunities to raise consumer awareness, engagement and understanding", and would urge that particular consideration and involvement is given to the unique credentials of coops, social enterprises and community energy groups.

A system for the consumer

As pointed out, smart technology / home automation processes have the potential to deliver lower bills and new services. There will also be new opportunities to connect customers to preferred renewable generation technologies, albeit with an enhanced understanding that low-cost usage tied to technology-type will be to a degree seasonal (e.g., with solar output optimal in summer and wind / hydro in winter).

There is, however, a risk increased complexity will negatively impact some consumers: notwithstanding consumer choice and the system as a whole will benefit. As suggested, restrictions on tariff types will need to be eased to enable suppliers and community energy groups to innovate and provide new offerings to consumers, but it's important that customers whose ability to shift

their demand is restricted – for example those with electric heating - are not adversely affected by innovations.

With regard to the question of taking powers for regulation for smart functionality; at this juncture, the middling option of 'regulation of smart appliances' seems to have the most merit. In particular, the protocols for home automation need to be interoperable and to agreed common standards, and protections are required to ensure that monopoly providers do not emerge (which could ultimately increase costs on consumers). Common standards are needed for smart appliances, but it is probably too early to mandate that appliances are smart until such a time as interoperability and demand response is proven.

In terms of engaging customers, we believe that more ambition is needed than mere "information provision". BEIS / Ofgem could and should liaise with the community energy sector to build demand-management projects in every major town and city in the UK. This would allow the UK to show global leadership, in the same way as Germany and Denmark have done with generation.

Smart Energy GB's role may need to evolve, but caution is needed given progress to date.

Innovation

We agree with the identification of 'commercial and residential automated DSR trials' as an innovation priority. But would urge that consideration be given, as set out above, to a community energy innovation programme that looks to establish demand-management and smart tariffs in each major town and city in the UK.

Please do not hesitate to contact me should you have any questions or require any further assistance.

Yours faithfully,



Ramsay Dunning,
Managing Director,
Co-operative Energy.

ⁱ <http://www.energylocal.co.uk/projectswell/>

ⁱⁱ <http://www.energylocal.co.uk/cydynni/>