



Energy Local Response to Ofgem TCR 'Minded to decision' Consultation

4th Feb 2019

Summary

Energy Local CIC 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 account of: 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.

Overall position

Overall, we support the review of charging structures as the network and the way it is used changes. We acknowledge that even on-site generation requires the network to operate and, therefore, users should not unduly avoid charges by using it. However, we believe that the present proposals do not consider the impact of demand side response at a domestic level nor do they consider local balancing that is increasingly going to become prevalent in future and should be encouraged. There is a danger that the review results in a structure suitable for today rather than the future.

Response to Consultation Questions

1. If the charge is fixed charge, then there is no need to charge it on both demand and generation and this is a simple solution. Should other approaches be taken and local balancing taken into account this should be revisited.

2. The principles are vague. A 'distortion' depends on what the desired outcome of the future electricity network is. If it is a low carbon secure network, many renewables generators of all sizes should be encouraged and this is then not a distortion.
3. -
4. In today's modern world, a level of electricity consumption is essential. A two-stage payment whereby a relatively low rate is charged for consumption up to a level deemed to cover essential use, with a second higher residual charge is levied above that level would give the most vulnerable some protection.
5. Even if they are charged the same, the principle of different user classes for those with on-site generation and groups of demand and generation balancing locally should be established. These categories may be used more in future but the concept should be introduced now.
6. No
7. Banded fixed charges would be easy to implement.
8. Yes, but they should be challengeable.
9. See Q.5. New classes would be required.
10. The modelling does not take into account future beneficial behaviour that may be discouraged as a result of the changes. It assumes that all generation used to avoid Triad charges are inefficient and used for this purpose. In future, local balancing of existing generation and local demand will have the impact that the TUoS structure was designed to encourage, i.e., local balancing to reduce strain on the transmission network at peak times of usage. This could be crucial for the future of the network to operate efficiently and an opportunity lost. Likewise, if local generation and demand are balanced then they reduce the requirement for ancillary services and help smooth the national load profile, increasing the ability to hedge and increasing security of supply. This reduction in costs should be evaluated. These potential benefits are ignored. The locational impact of network costs should be studied. If the goal is to achieve a low carbon network, generation can only be in certain locations. Disincentives for renewable generation in suitable locations for the technology is a long term disbenefit to customers. Therefore, the customer benefits are inexact and ill-defined. This aspect needs much more analysis to develop a structure that is suitable for an efficient future network.
11. For the reasons highlighted in response to Q.10, we do not agree with the approach to the reform of remaining embedded benefits. Embedded benefits should not be considered in isolation. A successful reform requires study of the overall charging structure and overall goals.

12. The Embedded benefits considered, and the remaining ones, need to be considered within the overall reform agenda and need to decarbonise the energy market, not in isolation.
13. -
14. -
15. No, we do not agree for the reasons set out above.
16. -