

## Government Industry Contact Group on Distributed Energy

### Minutes of 3<sup>rd</sup> Meeting – 13 June 2012

#### Attending

Peter North	Sustainability Programme Manager, GLA
Matthew Whittell	Chief Finance Officer, Environova Consulting Ltd
Leonie Greene	Head of External Affairs, Renewable Energy Association
David Smith	Chief Executive, Energy Networks Association
Graham Meeks	Director, CHP Association
Gareth Davies	Director, Poyry Energy Consulting
Paul Woods	Technical Director, AECOM
Tim Rotheray	Head of Policy, CHP Association
Tony Glover	Head of Public Affairs, Energy Networks Association
Chris Welby	Policy & Regulatory Affairs Director, Good Energy
Jeffrey Hardy	Senior Manager, Sustainable Development, Ofgem
Peter Hamnett	Policy Specialist, UK District Energy Association
Miriam Maes	CEO, Foresee

#### DECC

Greg Barker	Minister of State
Kate Lalor	Private Secretary to Greg Barker
David Wagstaff	Head of Heat Strategy and Policy
Peter Roscoe	Senior Economist, EEDO
John Costyn	Head of Feed-in-Tariffs
Philip Hicken	Head of Energy Wholesale Markets
Vikram Balachandar	Economic Adviser, Energy Markets and Networks
Natalie Miles	Policy Adviser, District Heating
Chris Parkin	Policy Adviser, Combined Heat and Power
Gary Sturgeon	Policy Advisor, Combined Heat and Power
Aaron Gould	Secretariat

#### Apologies

Simon Woodward	Chairman, UK District Energy Association
Jeremy Harrison	Technology Consultant, EOn
Catherine Mitchell	Professor of Energy Policy, Exeter University
Sarah Samuel	Head of Sustainability, OFGEM
Juliet Davenport	CEO, Good Energy
Paul Gardiner	Energy Advocacy Manager, British Sugar

#### EMR Update

In response to stakeholder evidence, including the DE Contact Group, the EMR team are looking at PPA market with a view to having something in the Bill – evidence gathering necessary. DECC will be publishing a call for evidence in June.

The EMR team were asked whether any degree of “wriggle room” exists in the draft Energy Bill to allow the introduction of additional measures to support distributed energy.

They responded that the intention is to use the Bill to introduce Contracts for Difference. The text is deliberately broad, but CfDs are the primary focus.

On process, the group were informed that Ministers would be questioned on the Bill by the Select Committee for Energy and Climate Change in the second half of June. This will make the Department aware of the questions and amendments that are likely to be raised when the Bill goes to Parliament.

In summer and early autumn, the department will consider all issues raised and determine whether any further changes are needed to the Bill, and how to respond to the Committee’s report. After this the Bill will be introduced (with a First Reading expected in November or December) and debated before Parliament, and we would expect many amendments to be tabled during its passage through both Houses of Parliament – it will be for Parliament to decide through voting which of these are included in the Bill. .

Because the CfD power is a broad power which will require secondary legislation to specify the design and implementation of CfD, we might expect what are known as “probing amendments” on this power, which will request Ministers to spell out how they intend to use it.

It was also highlighted that the end objective of the group should be to influence policy, not necessarily the Bill, which is a means to an end.

## **FITs Update**

Changes for Phase 2A of the Feed-in-Tariff are now before Parliament. This will lead to

- a maximum tariff for solar PV of 16p
- a system of automatic changes for tariffs when predetermined deployment thresholds are met
- a discount for multi-installation developers

Combined heat and power is only eligible for FITs in the form of Micro CHP.

## **DECG Proposals**

The Group expressed the view that Distributed Energy is a different investment proposition to other types of energy system, which appeals to a different type of investor. The Group ask for this to be recognised in changes to the electricity market which, in their view, are designed with big suppliers in mind.

The barriers as discussed previously were reiterated in brief, and it was further reiterated that CHP exists in two separate markets; electricity and heat, and the two are not necessarily well aligned.

The Group's principal proposal is a Premium FIT, which they felt could be easily implemented under the 2008 Climate Change Act. The details of this proposal are set out in the proposal paper attached to this minute.

If CfD is the only option that will be considered, the Group felt it is possible that effective design of this measure can meet some of the Group's needs – again, details in the attached proposal document.

The representative from the Renewable Energy Association noted that they had not had capacity to contribute to this document, and were not fully in agreement with the conclusions on the best mechanisms to promote distributed energy.

As a crucial next step the Group would like to ensure the Energy Bill is sufficiently flexible to not prohibit the introduction of measures to support distributed energy. Solutions may need to be varied – distributed energy is diverse, and there is no “one-size-fits-all” solution. Distributed energy should not be constrained as a consequence of policies that are designed with larger scale generation in mind.

The Minister noted that it wasn't realistic to expect creation of a separate mechanism for distributed energy. He asked the Group what they viewed to be a realistic deployment level. He noted that this is not a target, but a realistic level of potential. DECG suggested that 15% of electricity could be supplied by distributed energy by 2020, and 20% by 2030. The current level of deployment was estimated at 9-12% (7% CHP and 2-5% renewable generation). The Minister noted that the estimated potential is not a vast increase on present day deployment, and should be achievable, and perhaps more ambitious?

The Minister then highlighted that it would be necessary to demonstrate the impact of additional measures to support DE on consumer bills. The Group need to show that the introduction for measures to support distributed energy will result in a net reduction in consumer bills, and not an increase.

It was agreed that this economic evidence would be the final task before drawing the Group to a close.

EMR Team were instructed by the Minister to work with the Contact Group to establish the economic impact of adding DE support measures to those already proposed in the EMR. As a matter of urgency, the EMR Team were also asked to give an indication of appropriate timing for this work, alongside which the Minister asked whether conclusions could be delivered prior to the summer recess.

It was suggested by some that figures may not be obtainable for this purpose, but it was made clear that henceforth any claim that support for distributed energy is beneficial for the economy will need to be underpinned by evidence. This is the Group's opportunity to provide that evidence.

As a separate issue, Miriam Maes asked for volunteers to take over her role as chair, in future meetings.

### **Next steps**

1. EMR Team to propose appropriate timing for delivery of evidence demonstrating the economic impact of support measures for distributed energy
2. EMR Team and interested Contact Group members to collaborate on delivery of evidence to demonstrate the economic impact of support measures for distributed energy.

**All group members who would like to be involved in evidence gathering to let Miriam Maes know – and to copy to Aaron Gould from DECC.**