

## **Electricity Interconnection and Storage**

Currently there are areas of the energy market that discourage the participation of small businesses, especially those hoping to provide competition through the development and direct sale of micro-generation energy. This is an area that has great potential for addressing some of the current issues in the energy market such as competition and consumer choice. An open market with a regulatory environment which encourages innovation and competition and new investment or access to flexible financing is required. However, we believe that small business plans to deploy micro-generation and renewable technologies are being frustrated by a number of difficulties connecting to the grid.

There is a lack of consumer focus by distribution network operators (DNOs), with consequential lack of quality service for small businesses wanting to connect to the grid. It is a bureaucratic and time consuming process. There is a lack of transparency of costs to small businesses connecting to the grid. Many of these costs are non-contestable and there is little evidence to show how they are calculated by DNOs. For works that are contestable – carried out instead by a private contractor – these costs could be significantly lower than those quoted initially by DNOs, especially if reliance on DNO services was reduced.

A small business has to pay the costs of connection up front, with no opportunity to phase the payments. We would like Ofgem to look at the potential for these costs to be paid over the life of an asset. We would like to see small businesses given an increased opportunity to supply energy to the grid, but also the opportunity to supply directly to customers locally. As it stands, a small energy generator may only make £0.04p kW/h exporting locally generated energy to the grid. However, by selling directly to a local smart grid (e.g. adjacent village/housing estate) at market rates they may make £0.11 kW/h. This would transform the viability of local energy generation without the need for public subsidy or green levy on energy bills, encouraging small businesses to invest in peak capacity beyond their own consumption. It would also provide a disruptive influence on the market overall.

There are a number of hurdles that need to be addressed in order to realise this micro-generation revolution:

1. Regulations restricting the direct sale of power from any power station below 50MW would need to be amended.
2. Ofgem would need to establish a light touch regulatory regime for sub-50MW retailers who would supply to local grids (FSB has already opened a dialogue with Ofgem about this).

3. There would need to be a separate category of light touch licence for community or business energy retailers selling to a defined local area with a limited number of customers.

Making it easier for small businesses to generate and sell their own energy will benefit our economy and establish a much needed boost to an otherwise stale energy market. We welcome the recommendations in the HM Treasury report, "A better deal: boosting competition to bring down bills for families and firms outlining the steps to help small businesses".

Further- more we would wish the consultation to note that with the de-commissioning of the Ironbridge Power Station in Shropshire the importance of the sub-station on the site for grid connectivity. Also of the site for energy intensive inward investment manufacturing for the whole of the West Midlands and the Northern Gateway given its excellent water and rail links.

Supply companies do not normally liaise with Local Planning Authorities on an area's development proposals and aspirations and factor these into their own business plans. Even though in Shropshire we use a very intense partnership approach to planning via Place Plans for each of our towns it still depends on willingness of utility companies to engage. A good example of this was in Whitchurch where only due to the pressure applied by Shropshire Council have these been finally taken into account in the investment plans of Scottish Power. Scottish Power now quote this as an example nationally of how this kind of relationship can make a difference. Private sector investing companies have much shorter timeframes and these do not sit comfortably with Electricity network company plans or with Local Planning Authorities development plans. For example Scottish Power has an 8 year business plan (2015-23) whilst the Shropshire Core Strategy is for 20 years (2006-26).

The additional problem however is that although sites are allocated there is huge uncertainty as to when development will occur. Companies want certainty that if they are to invest they will get a return. Where development proposals requiring electricity infrastructure investments such as district wide improvements the cost of these fall unfairly on the promoter to provide. This is due to the first-come rule. This really must be looked at and a radical new approach found. As a result some commercial schemes (where development values are marginal based on costs) have not been implemented. Although other District Network Operators will provide private networks in other areas, this has been on the basis that the customer underwrites the risk if the actual amount of power used is below the estimated supply.