

Annex 1



April 2006

Liberating the holistic potential of decentralised energy (DE) **Key policy and institutional mechanisms**

Contents:

- *The critical importance of an holistic approach*
- *Political and institutional alignment to an holistic energy strategy is needed*
- *The Importance of a statutory holistic remit for Ofgem for large scale renewables*
- *A new fiscal framework aligned to energy performance is needed to drive demand for DE and EE*
- *Take some early common-sense measures*
- *DE needs to be understood as more than microgen*
- *Downstream regulatory barriers need to be removed to DE*
- *Business model of Distribution Network Operators urgently needs radical reform*
- *Sub-markets/support mechanisms are needed to release the economic advantage of low carbon power and to deepen innovation and competition across the power sector.*

The critical importance of an holistic approach

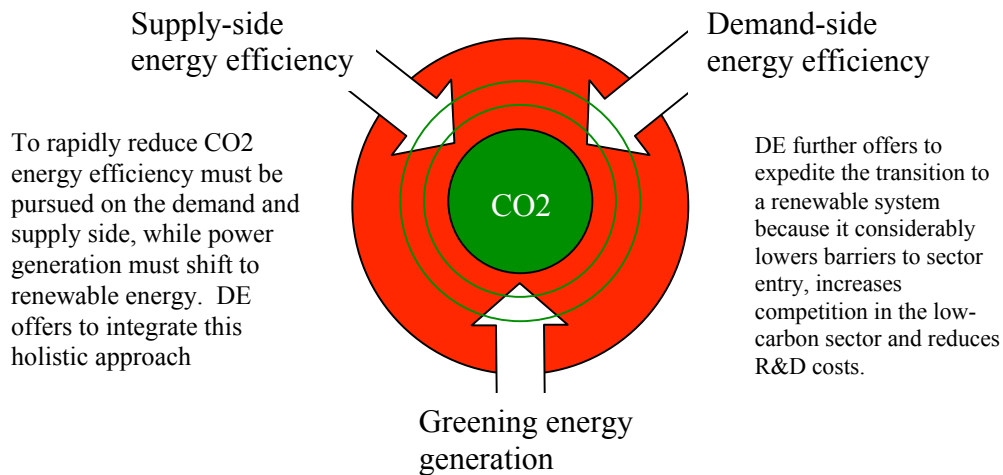
An holistic approach to energy policy is vital in the UK in order to meet the 4 key policy objectives set out in the 2003 EWP and reiterated in the current energy review.

Decentralised energy facilitates an holistic approach to energy because it;

- offers a direct economic relationship between energy efficiency and energy generation when energy consumers are also owners of generation plant.
- stimulates cultural change that in turn helps drive greater uptake of energy efficiency and expansion of DE measures.
- Offers a network configuration under which supply-side efficiency can be achieved through capture of waste heat associated with combustion processes.
- overhauls the business model of DNOs by demanding active networks that can also actively engage DNOs in demand-side management as a core part of their business.
- facilitates the development of Energy Services Companies that align profit motive to clean and efficient power generation and supply.
- practically empowers local government and other institutions well placed to develop holistic energy planning strategies.
- Takes account of the need to plan for efficient heat provision (the primary non-transport use of energy in the UK) as well as efficient electricity generation and distribution.

Policy mechanisms are needed on both:

- the supply side to remove current barriers to the provision of DE and supply-side efficiency
- the demand side to increase market up-take of DE and demand-side energy efficiency. Because of the holistic nature of DE several suggested policy mechanisms naturally drive both simultaneously.



Greenpeace's support of decentralised energy does not detract from our support for very large-scale renewables. Decentralised energy provides an exceptional set of benefits but it does not exclude the development of large-scale renewable energy. In fact, liberating the low-carbon competitive challenge presented by DE will act as a spur to the existing centralised power sector to increase investment in low-carbon solutions at the larger end of the networks.

Political and Institutional alignment to an holistic energy strategy is needed

The following list of policies will require substantial inter-departmental co-operation if the government is to deliver the holistic approach that is necessary. However, failure to integrate policy development coherently within government is a key reason for the UK's current failure to reduce emissions in line with government targets. Coherent, joined-up policy making is urgently needed within government. This underlines the potential value in creating a new Ministerial post with overall responsibility for Energy.

The government's stated energy policy objectives are meaningful only if the regulator adopts those objectives as part of its core remit. The market and regulatory structures will only change to support the stated objectives, in particular CO2 reductions and national energy security, if the regulator is given primary responsibilities to meet these objectives. While energy must be affordable, holistic objectives will ensure the regulator shifts its unhelpful institutional focus away from the delivery of cheap kWhrs on the national grid to consumer energy bills, which are a function of demand and supply-side energy efficiency, infrastructure costs and generation costs. In short, an holistic energy culture must be established in every institution, from the overarching regulator, down to the household.

"Rewiring Britain" has been debated for 10 years in the UK, mostly within elite policy groupings and with relatively little progress in the real world. While Greenpeace acknowledges and commends the efforts of groups like the Distributed Generation Coordinating Group, Greenpeace believes this agenda urgently requires considerably more resources and a dramatic step change in approach and implementation. The new Electricity Networks Strategy Group must be far more generously resourced and must enjoy far higher status than its predecessors. It must also be proactive in disseminating its work, and must empower emerging technologies to actively participate in shaping and informing its programme.

An overarching 2050 vision for the direction of power sector development needs to be set out by government. The current 5-7 year planning horizons that dominate the industry are wholly inadequate in the face of the bold and highly strategic redevelopment needed. A vision does not mean "picking winners" – if the vision is a low-carbon, more decentralised vision, and as liberalised as possible, then the

challenge is to develop appropriate frameworks within which the market can deliver. It is vital to create a level playing field for renewable, low-carbon and energy efficiency technologies. However, a level playing field must recognise the historical imbalance of support to the traditional electricity industry and seek to counter this substantial hidden subsidy by offering funding and support to newer technologies. It is clear that DNOs will have a primary role to play in a low-carbon future and they will have to be incentivised to pursue holistic objectives and develop new management, technological and administrative functions. A consistent approach is also required across DNOs around technical architecture to smooth the necessary commercial and technological shift and to avoid further costs by future-proofing networks. This is particularly important at the moment given the obsolescence of parts of the networks and the scale of investment over coming years (see policy proposals for DNOs below).

Policy recommendation 1: It is vital to align the remit of the regulator Ofgem to the government's existing four holistic policy objectives. This will dramatically underline institutional and political commitment to driving forward the "rewiring Britain" agenda.

Policy recommendation 2: Ofgem should be given a time tabled reduction of CO2 from both the power and gas sectors and should be accountable for performance failure. This will ensure market and regulation work to support renewables and energy efficiency in the mainstream, and give an unequivocal signal to the investment community that only low carbon technology has a future.

While Greenpeace supports all the government's stated energy policy objectives we would suggest an amendment to the objective that all homes must be adequately "heated". We would suggest an alternative wording that all homes should be adequately "warm". This is an important distinction that admits an holistic approach.

Policy recommendation 3: amend the key energy policy objective on fuel poverty to ensure that all homes are adequately "warm" (not heated) to ensure an holistic approach.

Greenpeace believes that the pursuit of decentralised energy in the UK is of particular value because it is highly suited to universal deployment in a warming world. Greenpeace believes the role of a wealthy country like the UK should be to incubate and disseminate a globally applicable model of low-carbon power and heat generation and supply. In addition to its profound economic and environmental disadvantages, nuclear power does not offer a politically acceptable or practical global solution to climate change.

Policy recommendation 4: include an additional energy policy objective 5; to offer practical global leadership and assistance in climate change mitigation by incubating a renewable model of electricity generation and supply appropriate for rapid international dissemination in global energy markets.

Decentralised energy enables new energy actors to participate in energy generation and supply. These include housing associations, commercial building energy managers, developers, local and regional government, ESCOs and RDAs. Local government is well placed to deliver the holistic approach needed to energy, particularly through its spatial and development control planning functions. Local government is also well placed to counter fuel poverty through energy efficiency and DE. Greenpeace welcomes the commitment set out in the CCPR to better align the Comprehensive Performance Assessment to climate change mitigation. Greenpeace strongly welcomes the inclusion of renewables targets in local and regional government planning rules but believes the government should now move to make ambitious targets statutory.

Policy recommendation 5: Change PPS 22 to require local authorities to ensure all new build delivers a proportion of DE.

Community energy schemes can deliver economic benefits to consumers and tackle fuel poverty. The example of Woking is widely cited. Studies show that the development of community heating by the

public sector could reduce heating bills for at least 1 in 4 consumers. However, potential actors in community energy, like local government, are often risk averse and lack experience in delivering such projects. By its nature, holistic energy involves bringing new partners together in new ways, like local councils with developers and engineers – many of who do not understand the operating environment of the other and therefore do not feel confident assessing the overall risk of a partnership project. It is important that the government actively develops capacity in community energy schemes and supports a culture of partnership and innovation. This also applies to ESCos development.

Policy recommendation 6: A Decentralised Energy Risk Fund should be established by government to underwrite the development phase of community energy projects that are not being undertaken by the major industry players. All income accrued should be recycled back into the Risk Fund.

Policy recommendation 7: High Density Heat Demand needs to be clearly mapped by regional governments/RDAs.

Greenpeace believes the government should lead by example and seek to deliver a carbon-neutral public sector as soon as possible. The DTI's commitment in its Microgen Strategy to "actively investigate the possibilities" for microgeneration on its own estate is wholly inadequate and reflects an unhelpful timidity and lack of ambition on the part of government.

Policy recommendation 8: government must lead by example by ensuring all public buildings move toward zero emission standards through the use of EE and DE.

Greenpeace believes new build developments offer an exceptional and immediate opportunity for pump-priming the DE marketplace and developing economies of mass production.

Policy recommendation 9: the next revision of Part L building regs should make low-emission buildings statutory in new build and contain provisions to ensure existing buildings are substantially upgraded when they undergo refurbishment/extension.

The importance of a statutory holistic remit for Ofgem for large scale renewables

Charging the energy regulator with an holistic remit will not only help drive DE, it will also incentivise Ofgem to ensure that regulatory and transmission investment decisions support the expansion of very large scale renewables. To illustrate how removed Ofgem currently are from supporting a low-carbon system, they have very recently revised P194 to *increase* imbalance charges under the Balancing and Settlement Code. This means that renewable technologies will be further penalised. Regulation needs to be adapted to support, not penalise, the characteristics of renewable technologies. Ofgem has to recognise that they are not taking and cannot take a neutral approach to technology. Any regulation/market structure will have positive and negative implications for different technologies. A decision needs to be taken by the government as to whether to pursue a system that supports renewables or outdated technologies in the mainstream.

Furthermore while recent amendments to grid connection payment processes for offshore wind are welcome they do not go far enough to remove this considerable hurdle to offshore development. This is unfair given that existing highly polluting plant have been bequeathed a system for which they have not had to pay. If Ofgem had an holistic statutory remit, investment decisions would be assessed against very different criteria to today. Greenpeace believes investment in radial extensions of the existing network to connect large scale renewables, particularly offshore wind, should be shared across all users of the transmission system in order to meet a social and environmental good. A changed regime would not necessarily result in overly high costs because, conversely, it would no longer be desirable or possible to justify transmission network upgrades in order to meet peak demand growth – currently 90% of incremental expenditure by National Grid. This is because under an holistic regime investment would shift to distribution network redevelopment and distribution innovation.

A new fiscal framework aligned to energy performance is needed to drive demand for DE and EE.

Currently energy consumption is taxed as a commodity. Because energy is relatively cheap this provides little incentive to improve performance. Where performance has improved, for example, in car efficiency, these efficiency benefits are negated by the trend towards greater weight and gadgetry, or in households by the trend towards the acquisition of more electrical equipment. Overarching reform is needed to shift away from commodity taxation to energy performance taxation in all sectors. Energy performance taxation on buildings in particular will be useful to drive demand for both energy efficiency and uptake of DE technology simultaneously. Energy performance certification will be necessary for all buildings in due course under the Energy Performance of Buildings Directive and this information stream offers an opportunity to attach fiscal instruments.

Policy recommendation 10: Align building taxation to buildings performance, via stamp duty and council tax in the domestic sector and via business rates in the commercial sector.

Policy recommendation 11: Green mortgages should be developed to enable low cost loans specifically for buildings energy performance improvements.

Even in a highly efficient building energy may still be used in an inefficient and profligate fashion by occupants. It is important to incentivise behavioural change in occupants. The Design Council, amongst others, has been developing projects on how to effectively display power consumption information.

Policy recommendation 12: smart metering should be introduced in UK households to effect behavioural change and empower consumers.

Policy recommendation 13: electricity prices should be graduated unless electricity is purchased from 100% renewable sources. A standard rate should only apply up to a certain per capita allowance. Beyond this, stepped increases in price should occur as consumption levels increase. Onsite low carbon power generation should not affect allowances.

Take some early common-sense measures

Use of electric heating in buildings is actually increasing and needs to be prevented because electric heating has an exceptionally high carbon footprint. The government should legislate to ban electric heating. Existing electric heating, 9% of heating in the UK, should be prioritised for replacement.

Policy recommendation 14: The use of electric heating should be prohibited unless demonstrably powered by 100% renewables sources.

Stand-by usage is estimated to consume some 10% of UK electricity.

Policy recommendation 15: the government must prohibit the sale of goods with stand-by mode.

The EU ETS will help to internalise the environmental costs of fossil fuel combustion. It is vital to simultaneously remove the unfair barriers to local low-carbon alternatives. Failure to do so will simply mean a squeeze on the existing power sector and increased costs for consumers without releasing the alternative. See below for removal of barriers to DE. It is vital that the NAP II is set at a low enough level to provide a genuine economic incentive to reduce coal burn domestically and to signal clear political intent to the power sector. The overall number of allowances to be allocated in the second phase of the scheme must be consistent with a reduction in UK carbon dioxide emissions of 20% on 1990 levels by 2010 and further reduction of at 3% year on year thereafter.

Policy recommendation 16; Set a stringent NAP that is effective in reducing CO2 from the power sector in absolute terms; fully underwrites the UK domestic target on emissions from all sectors for 2010; and continues to drive reductions after 2010 at a rate of at least 3% a year .

DE needs to be understood as more than microgen

Politically microgeneration is receiving overdue recognition. In March of this year Ofgem announced the development of a new forum to identify and tackle regulatory barriers preventing the growth of microgeneration. Ofgem states in its press release (29/03/06), “microgeneration can help to reduce emissions of carbon dioxide by using renewable sources of generation and by reducing the need for large transmission and distribution networks and losses of electricity as it is transmitted over long distances from generators to households.” This logic also applies to the full spectrum of decentralised energy technologies which can be up to 100MW in size (more in some cases), and which therefore include large onshore wind farms. While Greenpeace welcomes the government’s recent microgeneration strategy Greenpeace is perplexed by this arbitrary approach to technological recognition and support. Systematic recognition is needed of the benefits of DE at all scales. Indeed, in the commercial and industrial settings DE can deliver exceptionally rapid cuts in CO2. DE can also be optimised both economically and in terms of CO2 emissions at the community scale.

Policy recommendation 17: Following the EST study on the potential of microgen by 2050, the potential of all forms of low-carbon power generation below 100MW that can connect directly to regional distribution networks should be understood within the Energy Review team. In this regard special attention needs to be paid to the restructuring of UK distribution networks and markets (see DNO and markets sections below)

It is unacceptable not to utilize available and affordable technologies in the fight against climate change. Greenpeace believes that there must be unequivocal leadership away from the outdated technologies of the past. We firmly oppose the development of any new fossil fuel combustion-based power stations that do not incorporate heat recovery. Ensuring that heat recovering takes place will drive new generation plant to cite near urban or industrial centres of High Density Heat Demand.

Policy recommendation 18: The guidance on power station standards currently out for consultation should stipulate that no new combustion based fossil-fuel generation plant can be built without heat recovery.

Downstream regulatory barriers need to be removed to DE

The Climate Change Bill currently going through parliament will assist with the removal of some barriers to microgeneration, like access to ROCs and permitted development status for microgen in most areas. The administrative complexity around ROCs, LECs and REGOs needs to be resolved quickly. The Bill also contains provisions to require companies to publish terms for buy-back of overspill from microgeneration.

While this is welcome Greenpeace believes there is a very strong case for net metering in the short to medium term. Take-up of microgen is very low in the UK. We note that more than 35 U.S. States have now passed laws supporting net metering explicitly to encourage the take up of DE. Net metering presents a low-cost and easily administered incentive for investment in DE technologies, which also include environmental, social and energy security advantages.

Policy Recommendation 19; while take-up of microgen remains low net metering should required.

There are much wider range of barriers to overcome for a much wider array of technologies than the Climate Change Bill will address. In short, a coherent, fair and user-friendly regime for connection is missing. Engineering standard P2/5 devised in the 1970s did not recognise the contribution DE makes to network security and was used by DNOs to slow down network connection. It remains to be seen whether P2/6 will address this. Greenpeace notes the efforts to resolve issues for microgen on technical standards G83/1 and on safety regulations, but there are still no consistent connection standards for generators less than power station size but greater than 3kW and therefore there is no transparency on connection pricing. As arrangements currently stand, the cost of connection to networks is paid for, for the most part, by the owners of DE seeking connection. Yet the connection assets become the property

of the DNO. Given the DNO does not pay for the cost of connection it therefore does not have an incentive to reduce connection costs. DNOs now need to be incentivised to connect DE efficiently and cost-effectively as a core part of their business.

Policy recommendation 20; There should be a Right to Connect distributed generators to any DNO network at any point. This should incur only a shallow connection charge. The cost to the DNO should be spread across all users of all DNO networks.

Policy recommendation 21; The costs of connection of DE should be admissible in the Regulatory Asset Base for DNOs. Business-as-usual expenditure around demand peaks should not be.

A recurrent theme in the emerging renewables sector is the failure to ensure their full and affordable participation by Ofgem. Much greater care needs to be taken across the board to ensure the expertise and perspectives of new technologies are taken seriously and properly reflected in regulation.

Policy recommendation 22; engineering standards should be revised given new technologies and within a process that ensures the interests and expertise of DE technology companies are fairly incorporated.

Energy services companies have a potentially important role to play under an holistic framework, particularly because they can avoid an upfront capital outlay, but they are currently inhibited by the 28-day rule in the domestic sector.

Policy Recommendation 23; abandon the 28-day rule and develop alternative methods of consumer protection that do not inhibit uptake of longer term energy services contracts.

DE can involve civil works to lay cabling and heat networks in public streets. Unlike the telecoms industry, laying heat networks does not carry with it the right to undertake the necessary works without seeking numerous permissions from numerous bodies.

Policy recommendation 24; Statutory Undertaking Rights should be given for the laying of heat networks or private wires.

DE is further inhibited downstream by complex market barriers. See the market section below.

Business model of Distribution Network Operators (DNOs) needs radical reform.

Greenpeace acknowledges the Registered Power Zones, Innovation Finance Incentive and 'shallowish' charging/GDUoS (Generator Distribution Use of System) mechanisms introduced by Ofgem under the current Distribution Price Control. However, DNOs remain massively incentivised to invest in capital assets to increase their Regulatory Asset Base (RAB). Revenue is also linked to sales and numbers of customers, incentivising consumption growth. Under this model DNOs are incentivised to minimize operational expenditure, preventing innovation or investment in more sophisticated network solutions. These drivers are clearly diametrically opposed to the government's stated energy policy objectives. This is recognised by DNOs themselves as reflected in the Energy Networks Association (ENA) 2005 Annual Report; "It is also timely to assess whether the current approach to regulating our network companies is appropriate, particularly in the light of the current energy review's objective to put ourselves on a path to cut UK's CO₂ emission by 60% by about 2050."

Enabling greater amounts of low-carbon DE on distribution networks offers the potential to substantially reduce emissions. DE can also contribute to CO₂ reductions associated with network performance. Losses on the distribution networks are valued by Ofgem at £900million – 5% of electricity bills. Ofgem estimates that every 1% reduction in distribution losses equates to savings of 0.8MtC per annum. DE can reduce network losses – this is of course location and time specific. However, there are currently no signals to incentivise the use of DE to avoid network losses. DE can also reduce electricity demand when incorporated into the built environment using an holistic approach. Demand can be specifically reduced

through behavioural change or through technical measures like Saveaplugs or legislative measures like prohibition of stand-by mode. While incentives for direct demand reduction might be best placed on suppliers (for example through a Demand Reduction Obligation) or consumers themselves (through fiscal incentives), it is important that DNOs develop a business model that supports demand reduction and that facilitates DE projects delivering demand reduction and low or zero carbon power. In addition, DNOs can develop more efficient and less polluting networks through more active management of demand peaks, through the use of demand-control technologies.

DE can also reduce costs for DNOs through deferring reinforcements costs. The 2005 ENA Annual Report describes work on “*more cost-effective and efficient integration and operation of distributed generation that would often prevent significant reinforcement costs.*” Decentralised energy clearly presents DNOs with both a range of costs, but also benefits. The SIAM report by MottMcDonald anticipates greater net economic benefits than costs, meaning savings can be passed through to consumers. However, If DNOs are to intelligently adapt their networks, exploiting new benefits, but incurring new costs, they need the freedom and flexibility to plan investment well beyond current 5-year cycles and work under a very different system of regulation. The emphasis must shift from “sweating the assets” in the short term to long-term investment in efficient future-proofed networks. As the enormous potential for IT within electricity systems becomes increasingly apparent, in practice the DNO asset base should lighten while systems controls strengthen enabling them to operate networks, and interfaces with the National Grid, with far greater efficiency and sophistication.

If the potential for intelligent and active distribution networks is to be realised cost effectively, far greater emphasis on Performance Based Regulation (PBR) is required to offer DNOs greater scope for strategic development aligned to energy policy objectives. PBR is needed to remove the guarantee of a return on capital investments, which in turn would incentivise DNOs to pursue least cost options beneficial to consumers. PBR would more strongly incentivise operational expenditure. PBR would need to rise from its current small proportion of revenue to 20-50% to transform institutional outputs. PBR should focus on losses and should also be linked to CO₂ reduction, through adapting to demand reduction or displacement of centrally generated power with low-carbon DE attached to networks or other innovative solutions e.g. storage or demand-control technologies. Ofgem needs to propose such changes to the conditions of DNO licenses – if DNOs do not accept this Ofgem must appeal to the DTI.

Policy Recommendation 25: Economic regulation of distribution networks should encourage long-term strategic development and include a high proportion of PBR, including contribution to the recommended Ofgem CO₂ reduction targets.

Permissible RAB should change to cover a more specified range of DNO assets like CAPEX on low-losses equipment (currently excluded), connection assets to DE as well as investment in innovative technology particularly in areas such as network automation and consumer communications. It is important that networks develop efficiently and consistently across the UK. A UK-wide programme of Technical Architecture will be needed to ensure this happens and to disseminate best practice.

Policy Recommendation 26: A DNO Technical Architecture programme is needed to optimise and harmonise redesign of the national distribution networks.

On the transmission networks “entry” charging allows NGT to provide locational signals for cost effective connection of new generation. In much the same way DNOs should be able to give a locational signal to help them steer cost effective redesign of networks. An annual entry charge could be set at positive, negative or zero to provide the appropriate signals.

Sub-markets/support mechanisms are needed to release the economic advantage of low carbon power and to deepen innovation and competition across the power sector.

Market structures and their relationship to DE and distribution networks reform presents an exceptionally complex policy area beyond the expertise of Greenpeace. Nevertheless NETA, now BETTA, is clearly not designed for decentralised energy, nor for large scale renewables. Nor is it designed to capture the

potential of demand reduction – for example using demand control technologies to balance the grid, rather than back-up power. BETTA is therefore flawed in terms of driving innovation, meeting CO2 reduction targets and improving security of supply.

The fundamental problem for decentralised energy is that the economic benefit that proximity to consumers should enable, in terms of reduced use of network assets, is generally suppressed in the current market. Larger decentralised generators that could contribute substantially to CO2 reduction are required to be fully paid up and participative members of the Grid Code bidding in to a central market place and pooling their output with centralised power generation. Alternatively they can sell their power on to another supplier, but are often only able to do so to a local supplier with a monopoly position, thus inhibiting their economic power. Only very modest amounts of locally generated power can opt out of the very expensive and highly intensive UK electricity market.

Careful thought needs to be given as to how and when to restructure markets to enable the cost advantages of DE to be clearly articulated in the market place. In the short term, given numerous studies have shown that even significant amounts of DE will not create serious network disruption, the policy focus must be on establishing the clear principle that locally generated power will have its output properly rewarded. This may mean that a feed-in tariff for renewable power/DE is required (see Annex on the Renewables Obligation and see also comments on net metering above for domestic consumers) or that DE is facilitated to easily sell directly to local consumers.

Greenpeace notes that DEFRA is commissioning a study into the costs and benefits surrounding distribution of embedded generated electricity by private wire networks. Greenpeace welcomes this study and is highly supportive of innovative private wire developments, but it is important to appreciate there is a wider case for Grid Licensing Exemption for the export of distributed generation connected directly to, and exporting across, the existing public networks. It is surely fair and desirable to allow Grid Licensing Exemption Limits to be raised to 50MW for all types of customer. Currently only 2.5MW of power can be exported to domestic users. This would mean that companies could exploit the economic advantage of local generation by selling direct to local consumers. Exempted enterprise would stimulate the emergence of active distribution networks. Over time clearly an effective interface between the DNOs and such companies would need to emerge.

Policy Recommendation 27; Consider feed-in tariffs and/or raise Grid Licensing Exemption Limits to 50MW for the supply for DE energy to all types of local customer.

In the short term Ofgem and the DTI should prioritise simplifying the frameworks for renewable power supply companies that aggregate output from a wide range of DE generators to sell to 'green' customers. Smart metering would assist with cost-effective data-collection of microgeneration exports. Entry into the market is very difficult for new electricity supply firms where credit is vital to participate effectively in trading. The DTI/Ofgem should establish a mechanism to underwrite start-up costs and credit for new entrants dedicated to selling renewable power/DE. Renewables are treated unfairly under the Balancing and Settlement Code; firstly because variability is an inherent characteristic of some renewable technologies that should not be discriminated against; but also because the cost to the system of losing small amounts of power associated with DE/most renewables is insignificant compared to, for instance, the costs of major plant error/failure.

Policy Recommendation 28; The principle needs to be established that locally generated power will be properly rewarded, in anticipation of the development of a fairer and more progressive marketplace.

Policy Recommendation 29; renewables/DE need distinct treatment under the Balancing and Settlement Code – they should pay a much smaller proportion of settlement costs than standard generators.

Policy Recommendation 30; Ofgem/DTI should underwrite entrants to the renewable electricity supply market and simplify their regime.

