



## The Micropower Council

### Response to the Green Micropower Bill Proposal

#### INTRODUCTION TO THE MICROPOWER COUNCIL

1. The Micropower Council is a cross-industry body whose membership comprises electricity and gas companies, manufacturers, trade associations, professional institutions, not-for-profit companies, non-government organisations, charities and private individuals, all of whom have a strong interest and expertise in the development of the micropower sector. The terms micropower and microgeneration are used interchangeably and both encompass micro-heat, micro-chp, and micro-electricity technologies. A list of our members is available at:

<http://www.micropower.co.uk/council/members.html>

2. We provide the micropower industry's main focal point for Government, regulators, Parliament, opinion formers and the general public on regulation and public policy issues affecting the production by consumers of their own sustainable heat and power.

#### GENERAL COMMENTS

3. Real long term and sustainable reductions in domestic demand for grid supplied heat and power can only be achieved by use of technologies which provide clean, efficient and sustainable energy at the point of use.
4. We agree that micropower can make a major contribution towards meeting Government policy in a number of areas.
  - **Energy & Environmental policy** - micropower technologies are renewable and/or highly efficient. Power and/or heat is produced at the point it is needed reducing electrical and transport losses and reducing reliance on imports from other countries. There is also evidence to indicate that the installation of micropower in domestic premises increases energy awareness and further promotes efficient energy use. Micropower therefore provides a diverse, secure, and environmentally clean source of energy for domestic and small scale application.
  - **Social policy** - micropower technologies are generally less costly to run than conventional sources of heat and power and in many cases the fuel is free. Inclusion of micropower within social housing will, therefore, lower the cost of delivering heat and power therefore lifting many more households out of fuel poverty. Consequently, micropower should be an integral part of social housing schemes.
5. The micropower industry is at a critical point in its evolution. Appropriate encouragement now, through the diverse range of measures promoted within this bill proposal, will increase industry confidence and the prospect of substantial investment, by the industry, in order to meet the challenge of developing the

capability to service a mass market and gain the benefits of cost efficiencies. We therefore congratulate Shiona Baird on her bill proposal and support its overall objectives.

6. We note that many of the initiatives proposed here mirror those being proposed under the Climate Change and Sustainable Energy Bill which we firmly hope will pass into law later this year and agree that where power is devolved it is desirable for equivalent provisions to be brought forward under Scottish legislation. We also support Scotland's leadership and initiative in this area.
7. We note that the Green Micropower Bill covers similar grounds to the Energy Efficiency and Microgeneration Bill proposed by Sarah Boyack of the Scottish Labour Party. We support the objectives of both bills and look forward to seeing how the various measures are distributed between the two Bills as they go forward in Parliament.
8. We agree with the objectives of the proposal for legislation to be used to:
  - Set national targets for micropower
  - Require micropower in all new developments
  - Allow council tax and business rates rebates for micropower installers
  - Grant permitted development status for micropower devices
  - Offer Renewable Obligation Certificates for micropower generators
  - Introduce a policy support mechanism for renewable heat
  - Offer guaranteed capital grants for micropower

We elaborate on these points in our response to subsequent questions - we address question 5 first because of its broad scope.

**Q5: What are your views on the following specific measures in the bill**

**a) Requirement for micropower in all new developments**

9. The Micropower Council supports the proposal to introduce a requirement for new buildings to include micropower. These amendments should be brought forward in conjunction with proposals on targets. Amendment of building regulations, and the development of positive planning policies, are likely to be amongst the most effective measures available for ensuring targets are met and increasing industry confidence in the industry's future. Consequently, we believe it is essential that there is a progressive tightening of building regulations to support the uptake of micropower in new build.
10. In this context, we note that we were very strong supporters of the provisions proposed within Clause 3 of Labour MP Alan Whitehead's Private Members Bill - "Management of Energy in Buildings Bill" that would have amended regulations to have regard to the desirability of promoting the availability of microgeneration in new buildings and for the energy rating of dwellings to indicate the estimated amount of energy generated by the building expressed as a percentage of energy use for a typical dwelling of the same type. We also support the amendment Alan Whitehead has made to the Climate Change and Sustainable Energy Bill to provide the UK government with the legal ability to make Building Regulations in respect of microgeneration, and consider it particularly important that the government sticks to the commitment given by Housing and Planning Minister Yvette Cooper to promote microgeneration using the proposed Code for Sustainable Buildings.

**b) Council tax and business rates rebates for micropower installers**

11. Given that every home in the country has the potential to use some form of micropower, the potential market is huge and it is important to ensure that measures to promote micropower are not limited to new build.
12. To tap into the existing homes market it will be necessary to look at fiscal incentives to promote awareness of the products and provide a financial boost. For domestic scale installations (which includes small business applications), the most effective measures are likely to be ones that are simple to understand, easily accessible and involve some form of up-front credit or payment.
13. Given this, the Micropower Council supports the proposal to use council tax and business tax rebates as fiscal incentives to encourage the installation of micropower for properties with an appropriate energy certificate or micropower installation. Incentives of this nature meet the objectives of being immediate and easy to understand by consumers and so could provide an efficient and relatively low cost measure to promote uptake of micropower in existing as well as new building stock.

**c) Permitted development status for micropower devices**

14. The Micropower Council supports the use of Permitted Development status for Micropower such as solar thermal, micro-wind and PV and believes that the present planning control over such installations poses a serious impediment to the growth in the Micropower industry by adding to overall costs and introducing considerable bureaucracy and delay into the process of installing micropower. We therefore support the use of permitted development status for installations that meet appropriate criteria in respect of generic limits on noise, vibration, and visual amenity. In this regard, we strongly support the amendment put forward by Alan Whitehead MP, and agreed to, to the Climate Change and Sustainable Energy Bill in this regard.

**d) Renewable Obligation Certificates for micropower generators**

15. The Micropower Council supports the proposal to oblige ministers to simplify the ROCs system to allow micropower electricity generators to more easily claim ROCs. We are concerned that the current system for accessing Renewables Obligation Certificates and Levy Exemption Certificates is unworkable for microgeneration, with transaction costs exceeding the levels of benefits these policy measures can bring for small players. We are encouraged that Government is itself considering legislative changes, via amendments to the Climate Change and Sustainable Energy Bill, to address these concerns. However, if this Bill does not pass into law and/or that these changes do not go far enough then these measures will not provide appropriate rewards for micropower technologies and other support mechanisms will need to be developed.

**e) Renewable fuels or renewable heat obligation**

16. Renewable heat has been the “Cinderella” of the renewable industry for far too long. Renewable electricity and renewable fuel both benefit from specific support mechanisms in the form of “Obligations”. Experience of the renewables obligations indicates that such a mechanism, although not without its problems, can provide an important stimulus for increased use of renewables. In light of this experience, we support the introduction of a similar measure for renewable heat.
17. However, experience of the RO indicates that this measure is far less effective for the smaller end of the market. Its main drawbacks, for very small players, include:

- the administrative bureaucracy far outweighs the value of the benefits for domestic installations;
  - it is incomprehensible to domestic scale customers (and many much larger ones)
  - benefits are uncertain and come slowly over the lifetime of the installation.
18. As noted above, we recognise that Government is seeking to simplify the RO (&SRO) arrangements for small players. However, we remain concerned that not all of the necessary amendments will be made and that even if they are it will still not be an optimal solution for the smaller end of the market.
19. Given the smaller value implicit in any similar mechanism for renewable heat (we anticipate that to achieve parity with the RO an Heat Obligation Certificate would need to be about a third of the value per MWh) it is even more important to ensure we have an effective and simple mechanism to support domestic scale renewable heat.
20. These considerations have led to us to conclude that a Renewable Heat Obligation should be developed for larger scale renewable heat installations. However, for the smaller end of the market, we are currently developing the idea of a “Renewable Heat Commitment” which would operate in a similar way to the “Energy Efficiency Commitment” for gas and electricity suppliers where the benefits accrue at the point of installation. We would be delighted to discuss these ideas with you in more detail.
21. We also welcome the recent announcement by the Scottish Environment Minister who underlined the Scottish Executive’s commitment to prepare a strategy and ambitious target to produce renewable heat.

**f) Guaranteed capital grants for micropower**

22. The Micropower Council supports the proposal of bringing forward legislation to stimulate an expansion of micropower through guaranteed capital grants. We believe that grants are vital in the early stages of the market to act as a bridge for micropower technologies between today and a point in the future when they can become self-sustaining. Ultimately, however, we accept that grants should be used primarily as a bridge to a mass market for micropower and believe that mass production is the key. Once mass production is reached, and more appropriate and sustainable support mechanisms deployed, the requirement for grant support should fall away.

**Q1: What are your views on the proposed approach of legislating to require targets to be set for micropower?**

23. The Micropower Council agrees that it is essential to set national targets for the uptake of micropower. We support the use of binding national targets as we believe that they are essential for stimulating long term investment in the Micropower sector thus starting the process of cost reductions and making micropower technologies sufficiently affordable for mass market uptake.
24. At national level, targets should be set on the basis of research into potential uptake and should be sufficiently challenging to provide a real incentive to use micropower as a means of meeting Government energy, environmental and social policy objectives.
25. There is little doubt that micropower can deliver on all these issues; the only issue is how quickly the industry can invest and grow. This in turn is critically dependent on the industry having confidence in Government’s support - which will be signaled by, amongst other things, the targets it sets. Setting targets too low will simply lead to

slow growth in the development of the industry and a lost opportunity. Consequently, targets need to be realistic but challenging.

26. National targets should also be underpinned by detailed research into the potential uptake of these technologies assuming existing administrative and cost barriers are removed and in the expectation that the targets themselves will increase uptake.
27. Local targets should flow from the national targets and be based on Local Authorities' assessment of how they can best meet local policy objectives and contribute to national objectives. We suggest that consideration needs to be given to how to make enhanced performance, beyond the national average, more attractive to Local Authorities via enhanced rate support as well as statutory objectives (use of both the stick and the carrot).

**Q2: Should targets be set by the Scottish Executive or local authorities or both?**

28. The Micropower Council believes that targets should be set at both national and local level.
29. National targets are required to set the overall scene for micropower and ensure that there is a clear vision for the future of micropower and the role it has to play in meeting Government's wider social, environmental, and energy policy objectives. National targets are also required (at a UK and Scottish level) to ensure that the industry has clear understanding of Government's commitment to the industry to deliver the confidence necessary to promote investment.
30. Local targets should encourage Local Authorities to formulate positive planning policies to encourage the uptake in micropower, and allow the government to monitor it.
31. In this context we note our support for the aims of clauses 4 and 5 of Labour MP Mark Lazarowicz's Private Members Bill -"Climate Change & Sustainable Energy Bill" which would make it a duty of the Secretary of State to establish an overall target for the up-take of microgeneration in Great Britain, and for Local Authorities to consider the contributions micropower can make to reducing carbon emissions and fuel poverty and would require them to establish and publish local targets for micropower and support the promotion of equivalent measures in Scotland.

**Q3: At what level(s) and over what timeframe(s) do you think micropower targets should be set?**

32. As noted above, targets should be sufficiently challenging to provide a real incentive to use micropower as a means of meeting Government energy, environmental and social policy objectives.
33. It is also essential that targets are set sufficiently far in advance to create a sustainable and long term market for these products. We suggest that, as a minimum, targets should be set for the next 20 years. There should also be an obligation on Government to review and, if appropriate, INCREASE targets at least every five years. We also propose that there should be a firm and legally binding obligation that prevents Government from reducing targets once set.

**Q4: How frequently and by what means do you think reporting on progress towards meeting targets should take place?**

34. The Micropower Council believes that reporting is an essential component of the implementation of targets to ensure that transparency exists in progress being made towards meeting any such targets. In this context we suggest that, as proposed Labour MP Mark Lazarowicz's Private Members Bill - "Climate Change & Sustainable Energy Bill" there should be a requirement for a report to be laid before each house of parliament which contains the expected contribution towards the overall target to be made by each of the relevant energy types and technologies.

**Q6: Are there any other specific measures to promote micropower that should be included in the bill?**

35. No

**Q7: Is there anything else you would like to add?**

36. No

**Micropower Council, March 2006**