



COMMERCE AND EMPLOYMENT

A STATES OF GUERNSEY GOVERNMENT DEPARTMENT

Commerce and Employment
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Mr John Curran
Director-General
Office of Utility Regulation
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8th December 2008

Dear Mr Curran

BUY-BACK RATE REVIEW

Thank you for forwarding to the Commerce and Employment Department the consultation paper on the level of buy-back tariffs that would be appropriate for domestic micro-generation and the treatment of the charge for the installation meter.

The Department would like to make the following comments.

Firstly, it is important that in producing the final Report the specific objective for amending the buy-back tariffs to a level that would encourage small-scale renewable electricity to reflect States' policy is fully addressed. This consideration will also of course need to include the charge for the export meter. In particular, guidance will need to be given as to the level of tariff that would be likely to result in the encouragement referred to in the objective, so that decisions can be taken as to the role that micro-generation might play in future energy policies.

In this respect it would be useful to give some indication of the take-up rates in administrations that already have an established policy of encouraging micro-generation, and of the relationship, if any, that exists between the take-up rates and the tariffs charged.

It has been noted that the consultation paper refers primarily to micro-generation by individual households, when there may well be opportunities for groups of dwellings or businesses to develop joint schemes and distribute the electricity generated amongst themselves, or, more simply to allow electricity generated to be used by neighbours at times when it is not required. To achieve such arrangements would require a removal of the monopoly enjoyed by Guernsey Electricity in respect of electricity distribution, and if necessary the legislation should be amended to permit small-scale micro-generation schemes along these lines.

In more general terms, although it is possible that ultimately the majority of the Island's electricity generation through renewables will come from tidal power, it may

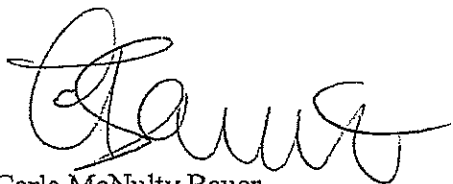
take at least ten years for such methods of generation to become economically viable, and in the meantime micro-generation, if developed, could be making a significant contribution. Indeed, due to increasing public awareness of environmental and particularly energy issues, in future there may well be increased interest in micro-generation and the experience of the Netherlands and Germany would indicate that there is potentially significant public interest in micro-generation projects.

In terms of climate change, although due to the cable from France a significant proportion of electricity consumed in Guernsey is largely carbon free, a significant use of renewable energy, including micro-generation, could increase this proportion further. In addition to nuclear energy France itself is also placing significant emphasis on the development of renewable energy.

In economic terms, the development of renewables from whatever source will reduce demand for, and therefore the price of, fossil fuels and extend their availability into the future, giving more time for the development of alternative and efficient sources of energy.

I trust these comments are helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Carla', written in a cursive style.

Carla McNulty Bauer
Minister