

Proposal for solar export payment

December 18

Government has published its response to the consultation on the Feed-in Tariff (FIT), confirming that despite 91% of multi-stakeholders opposing the move, the export tariff will be closed in March alongside the generation (FIT) tariff. This means that new small-scale solar installations will have no route to market to be remunerated for the electricity they export back to the grid from April next year. We have been working over summer with members, key stakeholders and in consultation with industry experts including Nigel Cornwall of Pixie Energy in order to develop an alternative solution. This briefing explains the barriers to market solutions for small-scale installations and explains in simple terms an alternative solution which is now needed urgently.

Our priority is to reinstate confidence in the industry and to avoid or minimise any policy gap. We want to secure fair remuneration that protects the interests of prosumers in line with new EU law, and in support of the UK smart energy agenda. The Government's response to the FIT consultation included a commitment to publish in due course '*specific proposals for future arrangements*' for a route to market for small-scale, low-carbon generation. The failure to publish these proposals before, or alongside, the decision to close the Export Tariff is damaging and short-sighted.

Barriers to market offers

There remain complex barriers to market offers for small-scale surplus power. New solar homes are being asked to run on smart energy tracks that do not yet exist. For suppliers to offer terms to buy very small volumes of power from solar homes, quite simply it must be very cheap and easy to bring that power to the market. That is not currently the case. On the household side this is because of barriers including the functionality and enrolment into the DCC of smart meters; the accessibility of export data to third parties including aggregators; varying and unclear costs and timescales associated with raising a second export MPAN, which is necessary for exported power to be recognised and entered into settlement; and nebulous admin costs around metering with examples we have seen ranging from £30 to £120 per annum. On the market side, the potentially higher value that 'smart' solar homes could secure, typically by exporting power at peak times, remains theoretical because market-wide Half Hourly export settlement is not anticipated in the UK until 2022/23 and because local flexibility markets do not yet exist. For these reasons, the market cannot yet step forward with solutions that provide fair remuneration, leaving new prosumers at risk of exploitation.

Alternative solution summary

The STA has worked alongside industry experts to feed into Government how an alternative route to market could work to ensure fair remuneration while the barriers above are resolved. There are variations on how an obligation on suppliers to offer terms, with a minimum floor price, could be implemented into existing industry structures to allow them to enter deemed exports into settlement and directly raise revenue. More technical detail can be read in the Pixie Energy proposal, which we support. The key priorities for any variation considered are as follows:

Key element	Rationale
An obligation on energy suppliers of over 250,000 electricity meters to offer an export tariff to customers (with an opt-in basis for smaller suppliers)	<p>Obligations on energy suppliers are prevalent in many areas of the industry already and ensure that customers are protected and receive fair treatment from their suppliers.</p> <p>Without this obligation it is uncertain and unlikely suppliers will offer terms of export to customers as it is not currently cost-effective to do so. An obligation will be required as even if one energy supplier were to voluntarily offer a tariff the offer may at any time cease if the supplier deems it too costly or complex. It also ensures multiple suppliers develop the systems needed to reimburse small-scale renewable generators, which in future will encourage innovation and competition in this area.</p> <p>An opt-in basis allows for smaller, innovative suppliers wanting to participate in the emerging smart energy market to develop participate also.</p>

Mandated tariff to have a minimum floor price set by Government or the Regulator and linked to the quarterly System Sell Price (SSP)	Without a minimum floor price customers are at risk of not being paid a price by energy suppliers that properly reflects the value of their power - to the benefit of the energy supplier. The current FIT export rate is linked to the annual SSP as the Government previously assessed this price to be the most suitable indicator of the value of exported power. We propose future routes to market to be linked to a quarterly averaged SSP as this will better reflect the seasonal value of the exports as well as providing enough certainty to home owners on revenue returned.
The obligated export payment should be available to solar PV microgeneration sites of below 250KW or 500KW for community schemes	Whilst many solar sites >30KW already negotiate PPAs directly with energy suppliers there remain small businesses, community energy schemes and others who are placed at a distinct disadvantage comparatively to the suppliers they are dealing with. Those who have newly installed a solar system for self-consumption may have little or no experience in how to negotiate a fair PPA. This information asymmetry already been acknowledged by Ofgem, through their requirement on suppliers to cite all import tariffs offered to microbusinesses on their websites. As such a minimum floor price should be available to those without sufficient knowledge, time or experience to negotiate a PPA with suppliers.
Export continued to be deemed for sites up to 30KW	Currently it is too complex and expensive to meter solar PV sites of 30KW or less with the optional HHS process being far from clear and the DCC communication infrastructure being uncertain for export. Until these fundamental industry-wide changes are effected and proven, deeming should be retained. The current assumption that solar homes exports 50% of their generation is, based on more recent evidence, a underestimation with >60% more frequently being cited. Given this, it is suitable to retain the 50% deeming assumption to encourage homeowners to move onto metered export when there is a regulatory framework to support this move. However, it is also possible to develop more sophisticated methodologies for estimating output.
Enable suppliers to enter their customers' aggregated deemed exports into their market position to trade	Enabling suppliers to enter the aggregated deemed output from their (new) solar prosumer customers into their market position will enable suppliers to earn revenue directly from the market. This revenue can then be shared with customers, subject to the minimum floor price above. This mechanism enables suppliers to circumnavigate the current prohibitive cost and complexity of trying to trade small volumes of export-metered power.
Customers are able to opt in and out of the obligatory export tariffs	As with the FIT scheme now, this is to provide security and encourage customers to switch onto more competitive offers without risking their export returns should that offer cease to become available.
Obligated export requirement should continue until the smart meter roll out is complete & mandatory HHS is implemented and proven.	The obligated export tariff should be consulted upon when Mandatory Half Hourly Settlement (inclusive of export) is implemented, cost-effective and proven and when Ofgem's charging review terms should also be clear. This is likely to be around 2022/2023). Until this point the barriers facing metered export will continue to be prevalent.
MCS requirement	The MCS obligation through the FIT has ensured a standard of installation and a barrier to mis-selling. Without this being enforced through the obligated route to market offered by suppliers the standard of installation could likely decline as well as unrealistic offers made to customers. A policy gap further opens up the risks of solar mis-selling.
Legal requirement to notify the DNO of the system installation	There is uncertainty concerning what is being installed on the distribution networks at a small-scale. It is important that any small-scale route to market received is done so with a requirement to notify the DNOs as currently legally required.