

# MAYOR OF LONDON

## Consultation response: The future for small-scale low-carbon generation

The Mayor welcomes the publication of the Smart Export Guarantee consultation and the chance to respond.

Solar energy is a crucial part of London and the UK's decarbonisation pathway, which is why the Mayor has strong policies in place to support deployment in London. In contrast, the government must reconcile its rhetoric that stresses the importance of small scale distributed energy with a policy which can actually support it.

The Mayor is extremely disappointed that the FiT will be cancelled without a successor in place. He urges the government to continue to support solar energy until a new fit for purpose framework is in place, to avoid destroying the business case for small scale solar energy in the interim.

The Mayor strongly believes in the principle of small scale generators being paid for what they produce and export. However, he does not believe the SEG is a suitable and practical policy for delivering this. Compliance with SEG rules will be too costly and complex for most potential small scale generators, and the proposal is too reliant on a market that is not ready and/or willing to provide the tariffs and metering systems required for it to function.

The Mayor agrees with the need to support innovation in tariff design and methodologies to assess the value of exported electricity in order to help develop the basis for a smart energy system, but it is important to be realistic and recognise that the market is not able to deliver this at present.

### The Mayor's solar ambitions

The Mayor's Solar Action Plan, released in June 2018, sets out his ambition to reach 2 GW of solar in London by 2050, with Mayoral programmes and policies delivering 100 MW of this by 2030.

The Mayor has already supported an estimated 15 MW of solar to be installed through a range of policies and programmes:

- 9.5 MW of solar will be installed on residential buildings granted planning permission in 2016-17, through the London Plan's zero carbon standard. This will be extended to non-domestic buildings with the adoption of the new London Plan in 2019.
- Solar Together London allowed Londoners to access cheaper solar panels through a large scale collective purchase. Thousands of people responded to the offer and around 2 MW of domestic solar is expected to be installed before the end of the Feed in Tariff (FiT) in March 2019.
- The London Community Energy Fund has bridged the gap left by the discontinuation of the Urban Community Energy Fund, allowing further development of up to 1.5 MW of community solar projects in London, across, for example, schools, churches, housing estates and health centres.
- So far, 1.3MW has been committed to be installed across GLA estates.
- 1.2MW has been committed to be installed on public sector buildings through the RE:FIT programme (including 0.6MW at a TfL site)

The sections below elaborate on the Mayor's specific concerns around the SEG proposal and its ability to support London's solar ambition.

### Deployment potential of the SEG

- The Impact Assessment accompanying the SEG Consultation gives two deployment trajectories of between 3 – 12 MW/year solar installed in the UK.
- To reach London's targets, the Mayor should support around 7 MW of solar installed in London alone each year to 2030.
- The most recent 12 months of FiT data shows that over 200 MW of solar was installed around the UK. This is itself a significant drop from the peaks in 2015 when there was a higher FiT rate.
- A policy designed to help fill the gap left by the FiT, which will only incentivise ~5 per cent of the current FiT deployment rates, is not acceptable.

### The role of SEG in broader energy system transition

The Mayor agrees with the SEG being a transitional arrangement with no fixed end date, as there is no defined point at which the market will be able to support small scale generation. However, as outlined above, he remains concerned that the market is not ready for this transitional arrangement either.

The Mayor also agrees that the SEG is not the right mechanism to incentivise energy efficiency. This is because the small financial benefit received from exporting electricity would be woefully insufficient in offsetting the energy efficiency improvement costs and would only serve to act as a barrier to solar deployment uptake, and consequently have negligible impact on building energy performance. The Mayor also agrees that removing the minimum energy efficiency requirement will reduce administrative burden for sites. However, he stresses the importance of the national government prioritising other measures to drive building energy efficiency improvements, in order that national and London carbon targets can be met. London's 1.5C compatible pathway requires building retrofit rates to reach up to 160,000 per year, which is more than four times the historical peak in London. The Mayor urges the government not to delay introducing effective energy efficiency measures.

The Mayor agrees that SEG applications should be eligible for further local or regional support. However, there is no local support in London provided by government. The Mayor has established the London Community Energy Fund to address the gap caused by the withdrawal of the Urban Community Energy Fund by the Government but does not think the presence of these support mechanisms should be used as an excuse not to have a central support scheme as well. The Mayor urges the UK Government to reinstate the Urban Community Energy Fund to support city-based schemes as well as those in rural areas.

The Mayor agrees that the SEG administrative requirements should be minimised and that the SEG should be paid on electricity exported from storage co-located with eligible generation.

## Metering problems

The Mayor is concerned that the technology is not available and cost appropriate for small scale generators to set up the metering required for the SEG. For domestic generation, there have been reported problems accessing export meter data from first generation SMETS1 meters, particularly before they are enrolled in the Data Communications Company (DCC) network, which is planned to be completed by the end of 2020. While second generation SMETS2 meters have started to be installed, with reports of over 140,000 installed, their functionality to measure export generation has not been robustly tested.

Non-domestic sites, including community energy installations, over 30kW, which have had to be export metered under the FiT, have suffered significant delays, costs and complexities. The costs associated with an export MPAN are usually in excess of £200/year. The only mention of metering costs in the consultation gives the maintenance fees of stand alone export meters as £50/year. This disregards the data collection and aggregation fees which are usually levied on half hourly meters of at least £150/year.

Paying both these fees has required contracts with at least two different parties, the meter operator (MOP) and the data collector/ data aggregator (DC/DA), who must be appointed by the FiT supplier. This chain of command and subcontracting has made it difficult to understand who is responsible for what and/or follow up on delays or incorrect metering.

Increasing the costs of compliance at the same time as removing the feed-in tariff will have a significant impact on payback periods, and the additional complexity will only serve to further put people off.

Community energy sites or other sites under third party ownership have struggled even more to navigate this complicated system, which includes the Elexon rules over splitting DC/DA contract ownership.

Both MOP and DC/DA contracts are offered to smaller generators at a minimum length of five years. There is limited recourse for customers who have received poor service from a DC/DA or MOP within a five year contract. These contracts should be made more flexible and there needs to be clear customer service standards and performance incentives for MOPs and DC/DAs.

## Price signals

The Mayor appreciates that the Government is trying to create innovative energy markets that serve consumers' interests. However, because smart meter roll is administered by the energy suppliers in the UK, rather than the grid operator, he is not convinced there will be sufficient consistency of data across different geographies to enable tariffs to be brought to market that effectively communicate volatile energy prices and the needs of electricity networks, which can be specific to locations, i.e. peak hour congestion.

Also, the metering costs at over £200 per MPAN per year could significantly reduce the value the SEG provides to a generator. The government should commit to reviewing

these costs and work with Ofgem to determine and mandate a minimum price that will allow the SEG to deliver value to the generator.

#### Market Engagement/Complexity

The electricity market already suffers from low customer engagement and complexities. Many people have never switched their electricity supplier, despite well publicised benefits of switching. Part of this is due to real or perceived complexity of switching. This is in a heavily regulated part of the industry with clear supplier performance rules and licence commitment. The SEG may require small domestic generators to enter into contracts with other, less well regulated, parts of the sector and compare between a smaller playing field of suppliers offering the SEG.

The electricity market is not functioning for consumers as it is and adding extra hurdles for small-scale clean electricity generators to jump over will not improve it.