

Market-wide Settlement Reform: Outline Business Case

Response on behalf of the Solar Trade Association

About us

Since 1978, the Solar Trade Association (STA) has worked to promote the benefits of solar energy and to make its adoption easy and profitable for domestic and commercial users.

A not-for-profit association, we are funded entirely by our membership, which includes installers, manufacturers, distributors, large scale developers, investors and law firms.

Our mission is to empower the UK solar transformation. We are paving the way for solar to deliver the maximum possible share of UK energy by 2030 by enabling a bigger and better solar industry. We represent both solar heat and power, and have a proven track record of winning breakthroughs for solar PV and solar thermal.

Respondent details

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Would you like this response to remain confidential?	No

QUESTION	ANSWER
Do you agree with the scope of the costs and benefits of half-hourly export settlement that we have outlined? Are there any costs or benefits that we might have overlooked?	<p>The report correctly identifies the wider benefits that MHHS being implemented for both import and export could bring, as well as the specific export-specific benefits including:</p> <ul style="list-style-type: none"> • Settlement becoming more accurate and cost-reflective <ul style="list-style-type: none"> ○ Increasing the accuracy of allocation of electricity volumes ○ Increasing the accuracy and efficiency of balancing at distribution network level ○ Increasing suppliers' ability to forecast and purchase energy accurately, reducing their costs related to imbalance position and wholesale energy prices • Facilitation of implementation of future policy relating to sites with small-scale low-carbon generation based on real electricity generation data rather than on estimates <ul style="list-style-type: none"> ○ Incentivising export of electricity when the system needs it and prices are higher ○ Incentivising suppliers to reward customers who export energy at times that are more beneficial for the system

Whilst touched upon in the consultation, it is important to emphasise that we see a core benefit of mandatory HHS of export to be full utilisation of the smart meter infrastructure. Without industry-wide HHS being implemented alongside mandatory access to the smart meter data for settlement purposes, the roll-out serves a narrow, limited purpose with the costs likely outweighing the benefits.

Further to this, it is important to consider the costs associated with the SMETS1 roll-out. These meters have been consistently reported to cause problems for solar owners, particularly with exported electricity. Indeed, a survey by [Which?](#) Reported that of those households with both solar PV and a smart meter, 53% had experienced problems with measuring electricity generated and exported since their smart meter had been installed (this survey was published over a year ago when the roll-out consisted largely of SMETS1s). Further conversations with suppliers have confirmed this, highlighting the lack of functionality for suppliers to receive export measurements from SMETS1s. Whilst this has the potential to be resolved when SMETS1s are enrolled and adopted into the DCC, this is still some way off and remains uncertain. Estimations have suggested fully functioning DCC integration of SMETS1s could be at least a further year after the roll-out is completed, with this being due to the further development of back-office systems that would be required by suppliers.

Recently, BEIS confirmed that the SMETS1 end date has been extended until December this year, instead of October. The additional installation of SMETS1s at solar owners' residences is likely to increase the amount of smart meter infrastructure incapable of measuring exported electricity, which could lead to more meter replacements being required. As this extension had not been announced at the point of this consultation release, it is likely to not have been considered in full.

Additionally, not considered within the consultation are the additional costs this might impose on suppliers if import and export HHS are not aligned. Whilst we see MHHS as imperative for the offering of export TOUTs (something that has not yet emerged, mainly due to the complexities and resulting costs of this process), the costs of such a fundamental change in terms of consumer bill impacts should be considered fully. These complexities and costs are acknowledged in point 2.70 which highlight the costs of HHS including: 'The registration of export sites (by assigning an export MPAN) which have previously not been registered for settlement under the BCS, the registration of new export sites and ongoing costs related to settling export sites'. Despite asking numerous organisations and companies to quantify this cost there has been no concrete answer known – we urge Ofgem to clarify this. Later in 2.70 is the statement 'smart meters enable the recording of export data, so there should not be extra costs related to metering'. Whilst this is true for domestics, it should be acknowledged that microbusinesses are able to be charged for the installation of smart meters at the discretion of the supplier. It is uncertain how much this occurs in practice. We uphold that all smart meter installations should be freely installed during the roll out to ensure the uptake is universal.

Finally, the STA sees it as important to engage as much as possible with these changes and consultation processes. It was concerning to find firstly that very few we engage with were aware that this consultation included questions regarding whether or not MHHS of export should be within the scope of these reforms, and secondly, nearly all those highlighted their assumption that export HHS was to be included the same as import. It is concerning that HHS of export is only being consulted on in the outline business case. This is indicative of the extent to which less consideration and progress has been made in this work stream, which, given the implications and added complexity compared to HHS of import, is particularly worrying. We urge greater clarity and engagement on this topic.

<p>What are the impacts for your organisation of implementing market-wide half-hourly export settlement?</p>	<p>NA</p>
<p>What are the impacts for consumers of implementing market-wide half-hourly export settlement?</p>	<p>We envisage more consumers moving from passive to active with the emergence of the benefits highlighted (innovative new business models, P2P trading, EVs, smart tariffs and TOUTs). This is likely to occur alongside continued technological progress, development of IOT and automation of services that will facilitate some of those currently disengaged from the market to becoming engaged through these mediums and platforms.</p> <p>The STA sees MHHS as a critical step in facilitating the transition to a smart, flexible energy system. The benefits of this we have outlined in the STA's previous consultation responses, including our response to the Call for Evidence: The Future for Small-Scale Low Carbon Generation and the Consultation on the Feed-In Tariffs Scheme</p>
<p>What are the impacts for small scale generators of implementing market-wide half-hourly export settlement?</p>	<p>The impacts for small scale generators could be substantial. Currently, the majority of domestic solar installations spill their export onto the grid unmetered. It is important for progress to be made away from this in the transition to a smart, flexible future.</p> <p>We agree in principle with 2.68: 'From a policy point of view, [MHHS] would also facilitate the implementation of future policy relating to sites with small-scale, based on real electricity generation rather than on estimates'. The end of the feed in tariff scheme means that alternative revenue streams for solar installations are becoming increasingly important. These predominantly rely on flexibility services, TOUT, or other models which have metered export as an integral feature. Metered export is thus a core feature of the future of the solar industry and a core reason we support the move to MHHS. Our letter to Claire Perry highlights the commitment we have to facilitating the move to metered export, suggesting an interim incentive tariff at a higher rate for those opting to meter their export.</p> <p>However, it must be emphasised that MHHS of export being implemented is too far off for 2.68 to be of meaningful benefit for small-scale generators. The industry has not yet progressed to a point where domestic or even commercial export is fully mainstreamed, and the ending of the FIT scheme, along with the export tariff, in March 2019 would severely damage the solar industry. For 2.68 to be at all applicable, it is absolutely imperative that the export tariff must be maintained as a bare minimum.</p> <p>It is important that MHHS is not considered by Ofgem as a sufficient incentive alone to bring forward new deployment of small-scale renewables. As in our FIT consultation response, we urge Government and Ofgem to progress toward a supportive and proactive regulatory framework, extending beyond solar to storage and other renewable technologies also. Stability in government policy is critical for the benefits to small-scale generation to occur.</p> <p>The policy instability and uncertainty of the past few years has led our industry to lose confidence in this governments support for small-scale low carbon generation, leading to reduced investment and lost jobs across the sector. While Smart tariffs emerging as the result of MHHS would be an important step toward restoring confidence, MHHS alone would not be sufficient. Tariffs on the smaller scale are typically short-term compared to PPAs, lasting a year or perhaps two. Suppliers</p>

	<p>falling out of the market or removing tariffs frequently will mean these smart or TOUT export tariffs alone will not drive investment, as there is still not yet a guaranteed route to market. A baseline government guaranteed export route is important for this security in investment.</p> <p>A further requirement for the benefits of MHHS to be realised by small scale generators is alignment of industry timelines. Of particular concern are the current implementation dates of MHHS, TCR and Access and Forward Looking work streams. As mentioned in the consultation regarding the TCR, 'If the residual charge is recovered from network users in such a way that it does not send a time-related signal, it could dampen incentives on consumers to shift their consumption, or on suppliers to offer time of use products'. It is imperative that all of Ofgem's work streams take a holistic approach to the benefits small scale generators bring to the grid through balancing services and peak-shaving.</p> <p>We see MHHS as one aspect of a supportive regulatory framework that could aid deployment of small scale generators. This is something which would significantly feed into the benefits highlighted in the consultation of decarbonisation and enabling innovative new business models.</p>
<p>Have we identified the right commercial drivers? Are there others that we have not identified and should consider? How can we look to either capitalise on the positive impacts of these drivers or mitigate any negative impacts?</p>	<p>We agree with point 4.5 on the dangers of delays to the implementation of reformed settlement arrangements. We also concur with the need for the identified transitional period and the importance of early clarity on the shape of the new settlement reforms, which will be needed as soon as possible, to mitigate transitional risks and reduce costs of errors. We are pleased to see the acknowledgement of other work streams and lessons learnt from these.</p> <p>Whilst the commercial drivers and push and pull factors seem sufficient in scope, it is important from our perspective to emphasise that we see it as necessary for MHHS to become an obligation supported through a code change as opposed to an elective HHS requirement. Whilst commercial considerations will be a driver, the costs and complexities for residential customers have thus far prevented this from materialising, indicating that a regulatory approach is required. This is the same for the highlighted 'pull factors'. An obligatory license code will provide uniformity in application and limit regret spend.</p>