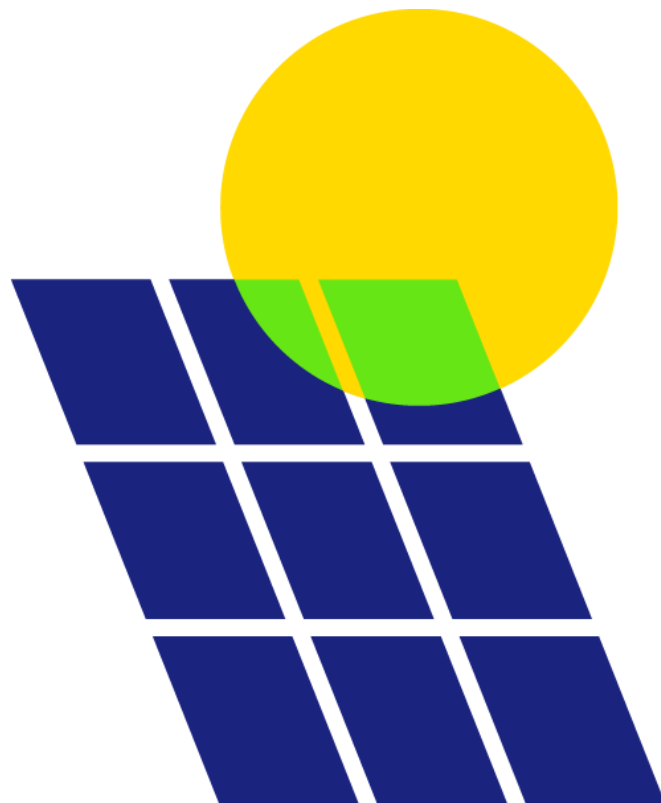




# **Solar Energy UK Response**

## **RIIO-2 NIA Governance**



## About us

Since 1978, Solar Energy UK 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 catalysing our members to pave the way for 40GW of solar energy capacity by 2030. We represent solar heat, solar power and energy storage, with a proven track record of securing breakthroughs for all three.

## Respondent details

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Would you like this response to remain confidential? No

## Introduction

Solar Energy UK welcomes the opportunity to respond to this consultation. The objectives of the Network Innovation Allowance (NIA) are welcomed and needed. However, our members have raised concerns that as currently designed the NIA presents significant barriers to participation, particularly for the types of transformative solutions and technologies it is intended to attract.

The solar and storage industries are highly innovative and are continuing to evolve. Solar Energy UK is keen to support innovation, and the recommendations and improvements to the NIA set out below will help to push forward the transformative changes needed to enable decarbonisation in line with the Government's net zero ambitions.

## Recommendations

- 1. Funding requirements must be revised to reduce the risk burden on participating companies.** Members have expressed concerns that the current requirements are untenable, particularly for smaller, start-up and R&D oriented businesses.

For example, Solar Energy UK has previously expressed concerns that the RIIO-2 proposals to reduce the Network Innovation Allowance (NIA) and totex allowance will make it more difficult for PV projects to compete in a post-subsidy environment. The costs of connecting new large-scale PV generation are now almost always affected by transmission capacity, fault levels, lack of connections, or system complexity. Solar PV developers now often must pay significant costs not just for distribution studies but also for transmission studies and reinforcements. In many instances, this can double grid access timescales, and increase the upfront costs and risk for developers. The consequence of this in a subsidy-free landscape is to stifle investment and bias development towards the very largest projects. Reducing the totex allowance and the NIA may worsen this situation for large-scale PV projects, and the governance document should address this. We recommend increasing the totex allowance under the NIA for RIIO-2.

2. **Penalties associated with participating projects are onerous and stifle innovation.** Solar Energy UK members have raised concerns that historically the network innovation incentives have failed to reach their full potential because the penalties to operators if the innovation was not completely successful exceeded any possible benefits. The NIA must be designed to recognise that deploying innovation is not risk-free, and that there are risks of Ofgem undermining potentially successful innovations coming forwards through the conditions it establishes under this determination. Any associated risk mitigation or penalties to operators in the interest of maintaining lowest cost should be balanced with a view towards not stifling innovation by being overly punitive.
3. **Ofgem should consider allowing other bodies beyond Electricity Transmission licensees to administer NIA funding.** Solar Energy UK appreciates the need for Network Operators to minimise risk. However, our members have suggested that the result of this approach in the administration of a scheme intended to pursue the commercialisation of new and innovative strategies and technologies is that the prioritisation of minimising risk presents a significant barrier to participation for truly novel approaches. Members have indicated from previous experience that Network Operators often approach the NIA along the lines of a standard procurement framework. Solar Energy UK recommends that Ofgem consider allowing other bodies which are less risk averse and more familiar with operating in a start-up environment, such as the Energy Systems Catapult or the Carbon Trust, to administer NIA funding and allow these projects to come through.