

ECO3 obligated suppliers,
installers, and trade bodies

Email: ECO@ofgem.gov.uk

Date: 7 April 2021

Dear Stakeholder,

Open letter on deemed scores for Solar PV measures

In accordance with the requirements of the Energy Company Obligation Order¹ (the 'ECO3 Order'), Ofgem developed and published the deemed scores methodology² on 30 November 2018. This methodology includes scores for all major measure types (except district heating systems) and is used to determine the contribution measures make towards a supplier's Home Heating Cost Reduction Obligation (HHCRO).

As part of our ongoing administration, we are considering revising the Solar PV deemed score to exclude exported generation for the reasons outlined below and would welcome industry views.

Deemed scores for Solar PV

The deemed scores have been calculated in line with the Standard Assessment Procedure (SAP) 2012³. They are based on the cost saving likely to be achieved by a qualifying action when installed in a domestic premises, over the lifetime of the measure. The scores are fixed for each measure type.

Under the ECO Scheme, Solar PV is an eligible measure where electric heating is the primary heat source of the premises, currently and in future⁴. Any electricity generated by a Solar PV installation which exceeds the current demand of the property is exported to the grid. Even with domestic scale installations which generate less annually than the total electricity demand of the house, a proportion will be exported because it occurs at times where there is low demand – eg, in the middle of the day. Solar PV users may receive income from selling

¹ Article 33(3) of the ECO3 Order.

² <https://www.ofgem.gov.uk/publications-and-updates/eco3-deemed-scores>

³ [Standard Assessment Procedure 2012](#)

⁴ Chapter 6 of the ECO3 Guidance: Delivery - <https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-2018-22-eco3-guidance-delivery>

this surplus electricity back to the grid, in addition to the primary benefit of using a proportion of the electricity themselves.

The current Solar PV deemed scores include both the cost saving associated with the proportion of generated electricity used by the property, and the income from the export of surplus electricity to the grid.

Why are we considering revising the Solar PV deemed score?

In administering the scoring regime, we must ensure that the scores attributed to a qualifying action are correctly calculated. Where the measure results in the generation of electricity, the cost saving is defined by the ECO3 Order⁵ as *"the money that would be saved by the measure over its expected lifetime in generating electricity for use at those premises"*.

It is our view that the ECO3 Order provides that only the money saved from electricity generated for use at the premises can contribute to the cost saving of a measure. Electricity exported to the grid is not used at the premises at which it was generated. This means the current Solar PV deemed score, which includes the income from the export of surplus electricity to the grid, is incorrect.

The current Solar PV scoring methodology has regard to the Standard Assessment Procedure (SAP) 2012. SAP 2012 makes the following assumptions regarding microgeneration:

- For Solar PV installations, it is assumed that 50% of generation is exported.
- The tariff for export is assumed to be the same as the tariff for purchasing electricity (16.55p/kWh standard tariff, 19.47p/kWh 7-hour tariff high rate).

Export tariffs, based on Feed-in-Tariff and Smart Export Guarantee rates, are currently lower than the tariffs for purchasing electricity. SAP 2012 therefore over-estimates the income from exports, meaning the current ECO3 deemed scores are likely to be further exaggerated.

We are currently minded to revise the Solar PV deemed score to bring it into alignment with the ECO3 Order, ie to ensure that it does not include income from the export of surplus electricity to the grid. Revising the score will result in a more realistic representation of the heating cost saving achieved by the measure. This will ensure the Solar PV score is fair and does not contain an unwarranted advantage in relation to other ECO3 measures.

Next steps

We are currently minded to introduce a revised Solar PV deemed score and are seeking views on our approach. The table below sets out the ECO3 score for a typical 2.5kWp Solar PV measure. As shown in the table below, there is a significant difference between the current scores 'with export' and the revised scores 'without export'.

Example	Score
Solar PV current score (with export)	£7,521
Solar PV revised score without export	£3,761

⁵ Article 2 of the ECO3 Order.

As obligated by our duties under ECO3 Order⁶, we will republish any revised deemed scores. Accordingly, should we decide to revise the deemed scores in line with our current minded to position, we intend to publish the new revised Solar PV score on 7 July 2021 through our online guidance and communications. All measures notified from 7 July 2021 would be required to use the new revised score. However, Solar PV measures notified before 7 July 2021 would retain the current score.

The proposed date for publishing the revised Solar PV score will allow a reasonable lead in time, such that currently planned measures may be installed by reference to the old score, whilst also ensuring the Solar PV score is accurate and brought into alignment with the Order.

Industry engagement

We would welcome stakeholder views by 7 May 2021. We would also welcome any comments you may have on our proposals set out in the 'Next steps' section above. Any submission should be a clear, evidence-based analysis that we will review before publishing a final position on this matter. Please send any comments to ECO@Ofgem.gov.uk.

We may publish any non-confidential responses we receive alongside a decision on next steps on our website at Ofgem.gov.uk/consultations. If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential.

Yours sincerely,

ECO team

⁶ Article 33(3) of the ECO3 Order.