

# Forward Work Programme: Consultation 2019-2021

*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

Respondent Name:	Gemma Stanley (Policy Analyst)
Email Address:	consultations@solar-trade.org.uk
Contact Address:	Greencoat House, Francis Street, London, SW1P 1DH
Contact Telephone:	0203 637 2945
Organisation Name:	Solar Trade Association
Would you like this response to remain confidential?	No

## Response

The STA welcomes the opportunity to comment on Ofgem's draft Forward Work Programme 2019-21. The intent of this workstream is commendable in its efforts to provide a 'clear statement of intent and forward vision'. The priorities settled upon by Ofgem to meet their 'core purpose and principal objective to protect the interests of current and future consumers' are as follows:

1. Making retail markets work for all
2. Enabling future markets and system arrangements
3. Network preparedness and performance
4. Excellence in statutory and core functions

There is also a final overarching priority concerning the 'UK planned withdrawal from the European Union'.

Firstly, the shift from a one year forward plan to a two year focus is welcomed. The industry as a whole is now well aware of the unprecedented change rapidly making its way through the entire energy system, driven both by policy (faster switching programme and the smart meter roll out) as well as by industry (e.g fully unsubsidised large-scale solar emerging as one of the most cost-effective generation technologies available in GB). This two-year vision from the Regulator will help to diminish the uncertainty and risk arising from this seismic shift– especially when considering the political changes that are also likely to have a significant impact moving forward.

Underlying most of the feedback we have provided to Ofgem in response to consultations on specific work streams the idea that the approaches to these separate projects are not holistic in their approach or vision, or aligned with Government’s own initiatives and overarching policy objectives. This Forward Work Programme exemplifies yet another case of this fragmentary approach, as the vision put forward appears distinct from core policy decisions being made within other areas of Ofgem. Whilst a high-level oversight of Ofgem’s priorities is undoubtedly useful, unless this feeds back and is reflected in the other policy and regulatory decisions, this consultation on the Forward Work Program is of limited value.

Cited on page 4 of this consultation are the benefits that Ofgem’s priorities and purpose hope to bring about (see right). It is right that these outcomes for consumers are prioritised, yet it is unclear from recent decisions whether they remain a focus for Ofgem. For instance, the recent launch of the Significant Code Review into Access and Forward Looking Charges, which aims to incentivise more efficient usage of network infrastructure, did not include a principle relating to environmental sustainability. Similarly, the Targeted Charging Review (TCR) minded-to position did not provide any analysis on how the proposed changes to residual charges or non-locational Embedded Benefits could dampen investment and delay deployment of renewable technology. These extremely significant changes to energy market structure (in this case how network charges are recovered) seem entirely at odds with the Ofgem’s stated ‘lower environmental impacts’ ambition. By approaching each element of Ofgem’s vision for efficiency, low cost and renewable energy separately, the regulator risks undermining and delaying the achievement of each of them.

-  Lower bills
-  Lower environmental impacts
-  Improved reliability and safety
-  Better quality of service
-  Better social outcomes

Renewable energy, flexibility and lower consumer costs are frequently cited as advantageous in Ofgem’s communications materials and reports. For instance, within Ofgem’s own [‘value of baseload capacity in low-carbon GB electricity system’](#) report in August 2018, the first key finding highlights that ‘the value of system flexibility in low-carbon power system scenarios is found to be significant and increases with the level of carbon ambition’. This is in tandem to renewable generation such as large-scale PV being one of the most affordable forms of generation in the UK. Many reform proposals, such as the TCR, seem to infer the cost of renewable generation to the system without any research in to the values and benefits it affords to customers, especially in the medium to longer-term. If Ofgem is commissioning reports looking into the ‘value of baseload capacity’, it is completely reasonable to expect equivalent analysis of the value of flexible and decentralised generation.

### **Making Retail Markets Work for all**

Within this priority, the focus on the micro-business retail market is commendable. This market has often been overlooked despite the information asymmetry between suppliers and microbusinesses not being drastically different to that of domestics and suppliers in many circumstances. It is important that the signals businesses receive from government are aligned with those which the regulator is targeting. Businesses have been encouraged over the past few years to become more energy-efficient, and to install onsite generation in order to lower their import from the grid. This has been completely overlooked by Ofgem in their minded-to positions on the TCR, which includes examples indicating those with onsite generation could pay up to 5x the amount on their residual charges.

The retail market will not work unless the regulator and government work together appropriately to ensure the interests of energy efficiency and environmental concerns are prioritised. See the [STA's response to the TCR](#) for full rebuttal of the changes to residual charges for both MBC and Domestic consumers.

Particularly welcome is the focus Ofgem have placed on consumer engagement through innovation. The rise of smart technology and home management systems (all facilitated through the roll out of smart meters) brings in a new era. It is clear that ownership of renewable technology such as solar PV will continue to drive consumer engagement with energy, and the STA looks forward to seeing outcomes of this innovation project.

Finally, midata in the energy sector represents yet another distinct workstream regarding data collection from the regulator and government. The STA calls for Government and Ofgem to consider all aspects of data collection which are problematic. See here for the STA's position paper on deployment tracking of solar PV.

### **Enabling Future Markets and System Arrangements**

The value that Ofgem perceive these future markets to have is important to clarify. Renewable energy such as solar will no doubt play an increasingly important role in the future energy markets and system arrangements. The focus on 'ensuring appropriate regulatory response to the future challenges of decentralising energy system, including through engagement with local and community energy schemes' is encouraging however, we challenge the reactive regulatory approach that has been taken so far. Storage remains inhibited through the regulation ascribed to it, despite the issues associated with being considered both demand and a generator having being known for a substantial amount of time. Further to this point, a forward-looking plan is required for the Innovation Sandbox. These pilots are business cases which could be successfully incorporated into the UK energy system, providing potentially significant savings to consumers and system-wide benefits. It is important the Ofgem expedites this opportunity.

Within the consultation it is cited that stronger price signals will become available to generators. These will be facilitated through Ofgem concluding their 'electricity settlement reform project'. Whilst mandatory HHS will undoubtedly facilitate the smart, flexible system, these stronger price signals could be severely dampened through the residual charges element of the TCR changes proposed. The minded-to position seems to contradict not just Government ambitions for a smart, flexible energy system but also Ofgem's own other workstreams and priorities, despite 'Network Preparedness and Performance' being a key priority subsection of this consultation.

### **Network Preparedness and Performance**

Despite the concerns aforementioned, with regards to RIIO2 the proactive nature Ofgem has taken to this significant piece of work is welcome. The STA has supported initiatives such as Flexibility First and continue to advocate for the inclusion and prioritisation of flexibility within these price controls.