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# **Consultation on a Smart Export Guarantee**

## **Response from Whitby Esk Energy**

### **Question 1 Will the SEG as described provide a suitable and practical route to market for exported electricity?**

We opposed the ending of the export tariff and closure of the Feed-in Tariff scheme together with 314 other respondents out of a total of 345 responses to the consultation last year. In this context the SEG is welcome and will be better than nothing but there is a lack of clarity on whether or not exporters will receive a fair market price.

As an existing generator of renewable electricity from hydropower Whitby Esk Energy will not be directly affected by the proposals. However, we do want to see continuing opportunities for expansion of renewable energy generation by other community groups.

[Whitby Esk Energy](#), run by Esk Energy (Yorkshire Limited), has generated over 700 MWh of renewable electricity since our operation began in 2012, using an Archimedes screw turbine on the River Esk near Whitby. In addition to electricity generation we have worked closely with the local primary school to develop [Key Stage 2 resources](#) and had visits from secondary schools and local community groups of various kinds (often combined with talks to them), all helping to spread the message of the benefits of renewable energy. We have facilitated research on the influence of hydropower on fish migration and projects by university students. We have provided government funded [peer mentoring](#) to help other community hydro groups establish their projects. Interest paid on some of our loans for construction has been used to help set up other renewable energy schemes and sustainable development projects.

Many members of the Whitby Esk Energy team have installed their own energy saving and renewable energy projects at home and have then gone on to promote wider adoption in our local area and nationally, both as individuals and as members of other organisations. These additional activities are typical for a community energy group. These wider contributions have been analysed and reported by Community Energy England & Community Energy Wales in the latest annual [State of the Sector Report](#) published in June 2018.

**Question 2 Will the SEG support innovation towards the ‘smart’ energy transition and if so how?**

The potential to use smart meters to obtain a fair price for electricity generated will help to encourage the uptake of smart meters. If domestic consumers decide to install solar PV or other renewable electricity generation systems and the only way of obtaining payments for export to the grid then they will automatically arrange for a smart meter to be installed if they do not have one.

However, we are not happy with the proposal that payments should be made only for those with smart meters from the beginning of the scheme. See also our answer to Question 3. Even if payments are allowed on a deemed export basis of 50% initially there will still be an incentive to upgrade to a smart meter, certainly for householders with solar PV systems. The Solar Trade Association in their [Proposal for solar export payment](#) notes that “the current assumption that solar homes exports 50% of their generation is, based on more recent evidence, an underestimation with >60% more frequently being cited”.

Whether or not there is an insistence on smart metering for all generators from the beginning the proposals should help to encourage the ‘smart’ energy transition.

**Question 3 Given the options set out above in table 1, what type of SEG tariff would be appropriate at this point? Please provide justification for your answer.**

While the options lower down the table are more desirable in encouraging the development of renewable energy that better matches times of higher demand it may not be practical to insist on better options too early. It is desirable to implement SEG as soon as possible to prevent a total loss of industry capability to supply and install renewable energy systems following the end of the Feed-in Tariff scheme.

We propose that at the start of SEG generators should be able to choose between tariffs of types A to C. There should be an obligation on electricity suppliers to offer tariffs of those types.

Until there is more reliability and certainty with smart meters we support the Solar Trade Association suggestion that generators with less than 30 kW should have the option of being paid for 50% deemed export instead of entering into payment arrangements of types A to C. See also our answers to Questions 2 and 14.

Option B should be modified to include seasonal variability in prices as well as day/night and weekday/weekend. This will give more encouragement to the uptake of generating technologies that have a better match with seasonal variation in demand, such as wind power and hydro rather than solar PV.

Option C would do more to encourage matching supply and demand and may do more to encourage renewable generation combined with storage. It should be available as an option from the start of SEG.

Options D and E would be less useful to community and home generators at present. Future income would be harder to estimate. These two options could be useful in future when there is a better understanding of how SEG operates in practice. We suggest that

electricity suppliers should not be compelled to offer tariffs of types D and E at the start of SEG.

In a few years it would be appropriate to end the 50% deemed export option for new entrants. There could be a gradual change to the more advanced tariffs and removal of the simpler tariffs for new entrants over time. All generators who began with one particular tariff type should be able to retain that tariff indefinitely even if that tariff is no longer available to new entrants.

**Question 4 Do you agree that Government should not take a role in price setting, e.g. through a fixed discount against a 'wholesale price', as this would detract from the objective of the SEG, for example by reducing location and time specific price signals?**

If the 50% deemed export option does continue Government should set that at the same rate as the FiT export tariff. The export tariff from 1st December 2012 to the closure of the FiT scheme is 5.24 p per kWh so that should continue.

According to Table 1 an option A tariff should be above-zero. That is not good enough and Government must set a minimum. It could also be set at 5.24 p per kWh.

We agree with the SEG principle of encouraging location and time price signals as a means of encouraging more renewable energy at the times and places of maximum electricity demand. It is acceptable for there to be no Government intervention beyond setting the minimum price payable.

**Question 5 Should the SEG have a fixed end date or not? Please provide justification for your answer.**

As with the FiT scheme there needs to be a guarantee for generators that electricity sales can continue on a similar basis for many years to come. This is important for community energy groups in some sectors such as hydro that require long periods to recover the capital expenditure. If SEG is commenced it will need to continue to be available unless it is replaced by something more advantageous for generators.

**Question 6 Will the SEG allow the market to innovate and bring forward additional routes to market, and create a competitive market to provide generators with the best tariffs?**

It probably will.

**Question 7 We are aware that whilst segments of the small-scale sector (e.g. commercial rooftop PV) are able to deploy without direct support, others, particularly some of the less mature technologies and more complex community developed schemes are still often marginal at best in delivering commercial returns. Do the proposed arrangements create additional challenges for certain segments, e.g. through reducing access to finance, and how can these be effectively mitigated through the SEG?**

The variability of FiT tariff rates by technology always has reflected the fact that some technologies have higher capital costs. The switch to SEG means a very different system and there is no obvious way to give additional support to technologies that need it such as

hydro. Varying payments by technology would make SEG more complex and we can appreciate that simplicity is a benefit as that will help to keep down administrative costs. Government has acknowledged the benefits of Community Energy and should continue to listen to and act on other proposals to help community energy groups.

The minimum pricing that we have suggested in our answer to Question 4 will help in obtaining access to finance as that will enable budgeting and business plans to be prepared.

According to Paragraph 2.3 it is proposed that “Suppliers determine the tariff per kWh for remuneration, and the length of the contract”. There needs to be a minimum length of contract specified in the new scheme, to help community organisations and schools to set up generation and obtain finance. The minimum contract length could be applicable only to community organisations, schools and domestic consumers. There may need to be further consultation but one possibility would be a 20 year contracts as with the FiT scheme. That could apply only to a basic tariff as in Option A or to a tariff based on deemed export (if that proposal is accepted).

Generators should have the option of switching from a basic Option A tariff to a tariff based on one of the more advanced options at any time.

As many hydro schemes generate more in the winter than the summer higher seasonal payments should be available from the start. There is also a need for the continued existence of the scheme to be guaranteed as in our answer to Question 5 to help with obtaining finance.

SEG should commence as soon as possible. There are community groups unable to proceed with their plans because of the closure of the FiT scheme. Companies involved in installation are at risk of going out of business as a result of FiT closure but the chances of them surviving and maintaining the supply chain will be enhanced by commencement of SEG as soon as possible.

We are in the fortunate position of having started to generate in December 2012 and have the inflation linked Feed-in Tariff that was available to us from that date. The costs involved in establishing a hydro scheme have changed little in the last six years. If we were trying to raise finance based on the returns available now (or after the commencement of SEG as proposed) it would be impossible to do so. Mitigation through SEG would not be sufficient so Government needs to encourage community energy by other means. See also our response to Question 33.

**Question 14 Do you agree with the proposed metering requirements for the SEG? If you disagree with the proposal, please explain why and provide reasoning.**

We do not have any direct experience of smart meters but we note concerns that have been expressed by those with more knowledge. In April 2018 the YouGen blog included a post [Get smart about smart meters](#). That suggests that not all SMETS2 meters would be compatible with solar PV depending on whether or not a home has one or two MPANS (Meter Point Administration Numbers). More recently the Solar Trade Association in [Proposal for solar export payment](#) in December 2018 noted that the DCC communication infrastructure that will provide more reliable communication with smart meters is uncertain for export.

In our answer to Question 3 we suggested that generators should be able to obtain SEG payments on a 50% deemed export basis. This could be for a limited time period until there is certainty that reliable smart meters that will measure exports as well as imports are available to all. It would be reasonable to expect all generators to switch to smart metering at a future date that should not be too far away.

**Question 26 Do you agree that the threshold for mandatory SEG suppliers should be set at 250,000 or more domestic electricity customers? If not, what alternative threshold would you suggest? Please provide any useful information or evidence to support your suggestion.**

We propose an additional mandatory requirement regarding SEG suppliers. All electricity suppliers that offer a “green” or 100% renewable energy tariff must offer SEG payments to generators.

**Question 33 Are there any other issues you would like to raise as part of your response to this consultation?**

BEIS should be well aware of the additional benefits that can be gained through the activities of community energy groups and how they need to be helped in future as can be seen in the [State of the Sector Report 2018](#) published by Community Energy England. We hope that BEIS will continue to work with Community Energy England to help promote the development of community energy. It is also important to help schools and individual home owners. Such help will promote a greater understanding of climate change and what individuals can do to help save energy and move towards a carbon neutral UK energy system.

We urge you to take on board the points raised in the [Manifesto for Community Energy](#) prepared by the Green Alliance, which includes Community Energy England of which Esk Energy is a member.