



Date: 8 January 2019

BEIS consultation on a Smart Export Guarantee

The Department for Business, Energy & Industrial Strategy (BEIS) has today published [proposals for a "Smart Export Guarantee"](#) (SEG). This consultation follows on from last year's call for evidence on future support for low-carbon small-scale generation and is intended to act as a replacement for the FIT export tariff. Under the SEG, government would legislate for suppliers to remunerate small-scale low-carbon generators for the electricity they export to the grid.

Key proposals:

- The scheme would be open to all the technologies currently eligible for the FIT scheme up to 5MW in capacity;
- Larger electricity suppliers (>250,000 domestic electricity supply customers) would be mandated to offer small-scale generators a price per kWh for the electricity they export to the grid. Smaller suppliers can opt to voluntarily provide a SEG tariff;
- Suppliers would determine the tariff per kWh for remuneration, and the length of the contract;
- Remuneration must be greater than zero and at times of negative pricing generators must not be required to remunerate suppliers for electricity exported to the grid;
- Electricity exported to the grid from eligible generators must be metered – for domestic installations, BEIS expect smart meters to enable this;
- There will be no eligibility requirements related to EPC criteria;
- Installations in receipt of support through the FIT scheme will be ineligible for the SEG. The receipt of RHI payment will not in itself preclude an installation from registering for the SEG. Neither will other forms of Government support, including local or regional;
- Where storage is co-located with low-carbon generation, BEIS is seeking views on whether SEG payments should be limited to 'green' electricity, or also paid out on any 'brown' electricity exported from the storage device.

The important role that community energy plays in decarbonising local energy whilst delivering social and economic benefits is referenced (see sections 1.14-1.18) and the Government is considering further measures to support the sector. Question 7 of the consultation seeks views on how to mitigate the additional challenges that community energy projects may face.

BEIS update 11th February 2019:

Minimum supplier size threshold: Based on feedback received to the consultation so far, the government is proposing to change the minimum supplier size threshold to 150,000 customers. Previously, the proposal was that larger electricity suppliers (those with greater than 250,000 domestic electricity supply customers) must offer small-scale generators a price per kWh for the electricity they export to the grid. It suggested that smaller suppliers may opt to voluntarily provide a SEG tariff but must adhere to the rules and guidance associated with the SEG. The lower threshold

of 150,000 domestic customers would be in line with the obligations placed on suppliers in respect of other BEIS schemes such as the Energy Company Obligation scheme. An alternative proposal is for no minimum size threshold to be applied so that all suppliers are included.

Comment:

CEE, alongside other organisations such as the Solar Trade Association, 10:10 and Regen, has been calling for the reinstatement of an export tariff and so we welcome government's proposals to ensure that small-scale generators are paid for their contributions to the system. We are also pleased that, following ongoing discussions with BEIS, the value of community energy has been noted and we will continue to work with government to develop further support mechanisms. However, an initial read-through of the document has raised some areas for concern.

It is not clear whether generators will receive a fair market price for their exported electricity, with the consultation only proposing that tariffs must be greater than zero. Contract lengths agreed by suppliers may also vary, making it difficult for community organisations to develop financial models or secure finance.

Without additional support mechanisms for community energy, the continued focus on market-based solutions will significantly increase the risk and reduce margins for many community-led projects. The proposed SEG is also heavily dependent on the effectiveness of smart meters.

The consultation doesn't give a timetable for implementation and there will be no retrospective payments. Best case scenario for implementation of the SEG would be Autumn, but 12 months is more likely. There will therefore be a significant period from the FIT closing from 31 March whereby projects not registered in time for FITS will receive no payments for exported electricity.

Closing date: 5 March 2019. CEE will be submitting a response. Any members wishing to feed into our response, please email emma.bridge@communityenergyengland.org

Further info:

Open consultation on the future for small-scale low carbon generation ([Smart Export Guarantee consultation document](#))

[CEE's submission](#) to BEIS' 2018 call for evidence on the future for small-scale low carbon generation

[CEE's briefing](#) on the closure of the FIT scheme

[Targeted Charging Review](#) - Ofgem is consulting on changes to the way in which they recover the costs of the networks used to transport electricity to homes, public organisations and businesses. The results of this will have an impact on the effectiveness of the SEG is ensuring a route to market for small-scale low carbon generation projects. The deadline for this is 4th February. CEE is currently drafting a response which it will share with members shortly.