



## The Future for Small-Scale Low Carbon Generation: Government Response to the Smart Export Guarantee consultation

June 2019

### Background

In January, the Department for Business, Energy & Industrial Strategy (BEIS) published proposals for a “Smart Export Guarantee” (SEG). The SEG 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.

Well over 3,000 responses to the consultation were received from a range of stakeholders. 182 were individual responses from energy suppliers, renewable electricity developers, trade associations, community energy organisations, NGOs, local authorities and members of the public. CEE submitted a [joint response](#) to the consultation with Community Energy Scotland and Community Energy Wales.

### Government Response

Government plans to introduce the SEG in Great Britain from 1 January 2020. It will be available to technologies up to a capacity of 5MW, including:

- Solar photovoltaic
- Hydro
- Micro-combined heat and power (with an electrical capacity of 50kW or less)
- Onshore wind
- Anaerobic digestion

Licensed suppliers with 150,000 or more domestic customers will need to provide at least one export tariff which must always be above zero. Other suppliers may participate on a voluntary basis.

Exported power must be metered, with a meter capable of reporting exports on a half hourly basis, with the possibility of suppliers allowing periodic manual meter readings where smart meters have not been implemented. Export meters must also be registered for settlement.

The obligation under the SEG only applies to low-carbon electricity exporters, however the SEG provides suppliers with the flexibility to purchase power from more complex systems including small-scale storage, and other forms of generation, if they choose to do so (and provided they are co-located with a SEG installation).

To benefit from the SEG, projects must be compliant with relevant consumer protection standards, and those using anaerobic digestion must meet relevant sustainability criteria and feedstock requirements.

The government does not plan to require a central register of SEG installations, on the grounds that it would create additional burdens while offering limited benefits.

Guidance will be issued by Ofgem for suppliers in the run up to the new requirement becoming mandatory, setting out what they will need to do to ensure that they are compliant with the SEG requirements. Guidance will also be published for exporters who may be able to benefit from the SEG. The date when all relevant suppliers will need to be compliant with SEG requirements is expected to be 31 December 2019.

Ofgem will report annually on provisions by suppliers and government will keep the SEG under review.

You can read the full response [here](#).

### **Comment**

CEE understands that energy suppliers will need time to put in place the necessary systems and processes to operate the SEG, but the decided start date will see a 9-month period whereby projects not registered in time for FiTs will receive no payments for exported electricity.

As part of our response to the SEG consultation, CEE called on government to develop measures specifically designed for community energy projects and are encouraging government officials at BEIS to work with us to scope how a 'Smart Community Energy Export Guarantee' or alternative support mechanisms could work. We are pleased to see that BEIS responded stating that they recognise the value of community energy projects but the SEG is not designed in a way that will support community models for energy generation.

We are disappointed that government have decided to not set a reasonable minimum tariff-price stating it would not be a competitive market-based solution. They will however consider reviewing the SEG if it becomes clear that small generators are not able to access a competitive range of export tariff options. Nevertheless, there is a lack of transparency on what circumstances would trigger a change to the policy following a review. Additionally, BEIS have also decided to not introduce a minimum contract length to the SEG, as it is a more 'market-driven mechanism'. Even though this will negatively impact the viability of projects for the community energy sector, as generators will not be able to secure financing without a minimum length contract.

In May, CEE launched a [SEG call to energy suppliers](#) asking them to provide a route to market for community energy. We are happy to update that we have received positive responses from Coop Energy and Bristol Energy.

### **Next steps**

Members can continue to lend their support by reaching out to their supplier to ask them to show meaningful support for community energy. Responsible businesses do not need to wait for the 1 January 2020 to operate a SEG tariff; instead they can provide measures to allow community energy schemes to access a route to market now, bringing a broad range of additional benefits to communities and businesses.

CEE gives thanks to the community energy organisations that responded to the SEG consultation and would like to ensure them that we will continue our ongoing discussions with BEIS to develop further support mechanisms.