



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

We are concerned that the SEG will not provide a suitable or practical route to market for exported electricity for any small-scale hydropower generators. While we anticipate that SEG may be of value to some rooftop PV installations (part-filling the gap that the removal of FIT deemed export and government export rate leaves), we do not see this working at all for small-scale hydro scheme as the mechanism fails to deliver the certainty required to finance projects.

This is very concerning for several reasons. Firstly, small-scale hydro generation plays a key role in decarbonising the economy. As projections show, the UK is not on track to meet the 4th and 5th carbon budgets and the lack of ambition around bringing new generation at this scale forward is disappointing. Additionally, small-scale low-carbon generation offers a number of socio-economics beyond energy, which totally fail to be recognised through this proposal.

### BHA proposal

The BHA proposes uses the Standard Variable Tariff [SVT] as a benchmark to ensure a fair proportion of the energy costs charged to consumers is passed on to small-scale renewable generators.

In brief the SEG would be modified such that a fixed percentage of the suppliers SVT is paid to the generator. This proportion should initially be determined from the data held by OFGEM on the costs of operating distribution, transmission and marketing of energy. The proportion should be fixed on the SVT paid by consumers, independent of the standing [daily] charges. The generator also paying standing charges for connection as currently.

Full details on this proposal are in the covering letter, point 2, page 1.

## **2. Will the SEG support innovation towards the 'smart' energy transition and if so how?**

The SEG may encourage some suppliers to offer new tariff formats which, for example, link rooftop PV and EVs. However, we question whether the SEG is the real driver of this transition.

We believe that a range of renewable resources is required to operate a balanced smart and flexible energy system.

This range of renewable technologies is paramount to a balanced smart and flexible energy system. This will need a mix of wind, solar and hydropower to reduce the burden of weather gaps, with the existing/planned large proportion of offshore wind in the energy mix hydropower need an investigable route to market to deliver a sustainable electricity network. As the SEG is not designed to bring forward generation of this type, or other enabling assets such as DSR, we do not believe the SEG will deliver the scale of transformation our energy system requires.

**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.**

It is our view that B – a Simple Variable Tariff is the most appropriate tariff offering at this point. We would however welcome the continued protection against negative pricing. We believe that more advanced tariffs (C,D,E) may emerge naturally over time.

**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?**

We disagree fundamentally with the government position of no subsidy which demonstrates absolutely there is no real significant support for or commitment, from them, to renewables.

Given the implications of climate change and Public expectations for the government to act on climate change, along with the low impact that existing support (FIT) has had on consumer bills, the government position is perverse.

But given the government position, there is still much more that can be done with the SEG giving some route for market to renewables. This should be to ensure that small-scale generators receive a fair price for the export. The energy suppliers are able to pay far too little already for electricity supplied by low-carbon decentralised generators and the SEG proposes nothing at present to address this.

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

Experience with the Feed-in Tariff has shown that markets can be severely damaged when mechanisms come to an end if this is not well-foreseen and understood by all participants. We would welcome an approach where SEG reviews were committed to in advance, such as is happening with EMR.

**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?**

Tariffs and consumer packages may well develop following the SEG, though we question whether this will happen naturally in time alongside the increased penetration of EVs, household storage and other emerging technologies.

We are very doubtful that the SEG will bring forward additional routes to market for small-scale hydro generation. Even for rooftop solar PV the current SEG is far too moderate and requires more helpful and meaningful support than this current SEG proposal. Given climate change, the carbon targets and the value that decentralised generation brings it is disgraceful that the SEG is as proposed.

**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 SEG proposals deliver no assurances for the majority of technologies formerly supported by the Feed-in-Tariff.

Hydropower is a well-established technology and these small-scale renewable energy developments have a fundamentally different set of project economics to other technologies and therefore cost reduction profiles are very different.

The SEG is a very uncertain mechanism for these types of projects. Without a set time-frame and floor price we believe the SEG is too volatile to act as a route to market for hydro technology.

**8. How long will it take for suppliers to put systems in place in order to administer the SEG, and what would the associated administrative costs of the SEG be? Please provide justification for your answer.**

No comment

**9. We would welcome views on whether the SEG can and should be linked to any similar mandatory communications requirements.**

We note a dependency on smart meters for the SEG to reach its full potential. We would welcome join-up in that regard.

**10. Do you agree that appropriate guidance on the administrative arrangements that suppliers will need to consider in order to set a SEG tariff should be issued? Please provide your reasoning.**

We would support a level of consistency across the market and would welcome guidance. From a hydro generator point of view simplicity is paramount. Anything complicated will not be taken up and this is shown clearly in the PPA market, where hydro generators don't have the time or capacity to benefit the most from PPAs for this reason and the SEG needs consumer facing simplicity if it is going to be used and be effective.

**11. What factors would suppliers consider when setting a SEG tariff and what additional costs do suppliers expect might be incurred as a result of providing a SEG tariff?**

No comment

**12. Do you agree that an annual market condition report should be published for the SEG? Please provide your reasoning.**

We believe it is important the SEG is reviewed on a regular basis to assess its effectiveness. These review periods must be set and well-communicated in advance. We also believe an annual review may be useful for policy-makers. For consumers a comparison type website may be more useful, though we would anticipate existing third party comparators may move address this over time.

**13. Do you agree with our assessment of the impacts of the SEG on certain consumer groups such as those in or at risk of fuel poverty or energy intensive industries?**

We fundamentally disagree with the analysis that for on-site generation and projects brought forward by community groups the "proposals for the SEG will ensure that a route to market remains available for projects of this type".

While this may be true for some technologies, we do not believe the SEG offers a route to market for the suite of small-scale renewable energy assets, especially hydropower, which these groups have benefited from.

**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 agree that net rather than deemed metering is more practical. It makes sense for some funding to be used to supply free metering to hydro generators under a certain capacity.

Again, we note dependencies to the roll out of smart metering

**15. Are non-SMETS stand-alone export meters, with an ability to record half-hourly export, currently available on the market? Please provide information on the costs for stand-alone export meters, such as capital and installation costs.**

No comment

**16. Do you agree that installations entering into the SEG should not be required to meet a certain energy efficiency standard? If you disagree with the proposal, please explain why and provide evidence.**

We agree that by imposing standards, the SEG is likely to be viable for only a particularly small pool of participants and that there are other avenues better suited to pursuing energy efficiency

**17. Do you agree it is the correct approach to allow applicants eligible for further local or regional support to also be potential SEG applicants?**

Yes, we agree.

**18. Where storage is co-located with an eligible generation technology, should SEG payments be made on 'brown' electricity exported from storage or limited to exported 'green' electricity? Please explain your reasoning.**

Measuring the detail of this would require detailed metering arrangements which would act as a disincentive to participation in the SEG, though we would anticipate that this becomes easier with technology advancement in time.

We also anticipate that SEG payments for 'brown' export would constitute a very small amount of exports.

It is worthwhile to support both brown and green electricity when it comes to upstream storage. This is due to storage currently being barely economic for a generator with the high upfront costs of installation, with returns often over the working life of the project.

Storage has extensive value to ensuring a balanced network. Therefore the more it is supported the better, and utilisation is essential to realistic returns on investment. To ensure continued utilisation, 'brown electricity' has to be used when no 'green electricity' available.

**19. Do you agree with the metering arrangements when co-locating storage with generation technologies eligible for the SEG? If you disagree with the proposal, please explain why and provide reasoning.**

No comment

**20. If SEG payments were to be made on 'brown' electricity exported from a co-located storage device, are there any potential opportunities for gaming? If so, please provide details.**

In line with the consultation proposals, it is our understanding that opportunities for gaming would be minimal.

**21. Should the SEG make provision for installations where an eligible technology is co-located with a non-eligible technology and/or storage? If so, what would the necessary metering arrangements need to be?**

No comment

**22. Do you agree or disagree that AD installations newly accredited under any future arrangements to support small-scale low-carbon generation should be subject to the same sustainability criteria and feedstock requirements as AD installations under the FIT? Please provide your reasoning.**

We agree that this would be appropriate

**23. Do you agree that the current FIT reporting requirements and administration process, including the arrangements for payment adjustment for ineligible electricity, would be appropriate and practical for the SEG? Please provide evidence for your answer.**

The FIT reporting and Microgeneration Certification Scheme is inappropriate for the SEG given that it is not providing support of any significance. This additional burden would mean that the already likely minimal uptake of SEG would be reduced to hardly any uptake of any meaningful value.

**24. Do you agree with the proposed obligations and functions on each of the other parties involved in the SEG - BEIS, Ofgem, and suppliers - including the enforcement action required by suppliers and Ofgem? If not, why?**

We broadly agree with these requirements.

**25. Do you agree with the review process proposal for the SEG? If not, what alternative approach would you suggest?**

Please see question 12.

**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.**

No comment

**27. Do we need to set out arrangements for the event in which a supplier either loses its supplier licence or goes into administration? If so, what provisions need to be made?**

It is important to have the right protection in place for SEG participants.

**28. Do you agree with our preferred approach to help ensure consumer protection? Is it practical and are there other factors that should be considered and why?**

No comment

**29. This policy is focused on power generation, however increasingly we anticipate that installations will be integrated with battery and vehicle-to-grid technologies. What additional technical challenges might we need to consider,**

**for example relating to installation standards, and how would this effect the development of the market?**

Along with the deeper integration of electricity-based technologies at a household level, is it important to consider the decarbonisation of heat in the home, which may or may not be achieved through electricity generating technologies.

It is important that the SEG can relate to these technologies and we agree that in doing so areas such as installation standards will increase in their importance.

**30. Is the process for applying to the SEG practical, and will it ensure only eligible generators are able to participate in the SEG?**

No comment

**31. Should deployment of installations through the SEG be submitted to a central register administered by Ofgem?**

Yes. We strongly feel that a central register of installations should be kept, be frequently updated and be accessible to the public.

**32. Are our proposals for the treatment of settlement practical for suppliers to implement, and compatible with the Balancing and Settlement Code? If not please explain why.**

No comment

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

Please see the covering letter.