

Albert Shaw
Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

13th May 2021

Subject: Response to Micro-generation settlement consultation

Dear Albert

Action Renewables welcomes the opportunity to respond to this consultation and has consulted with a number of stakeholders in the preparation of this response. Action Renewables represents approximately 6,000 renewable generating stations in its capacity as an agent.

Action Renewables aims to create a Northern Ireland which recognises the serious impacts of climate change and will take measures to prevent and mitigate against those impacts, through using renewable energy, energy efficiency, renewable transport and renewable products.

Please find enclosed our response to the consultation.

Yours sincerely



Jonathan Buick
Chief Operation Officer

General:

What is the nature of your company's business?

Action Renewables Energy Trading Ltd (ARET) is the trading subsidiary of the registered charity 'Action Renewables Limited'. Action Renewables aims to create a Northern Ireland which recognises the serious impacts of climate change, and will take measures to prevent and mitigate against those impacts, through using renewable energy, energy efficiency, renewable transport and renewable products.

ARET engages in commercial activities in line with ARs charitable aims. ARET acts as an agent for approximately 6,000 microgeneration clients in Northern Ireland and as such has an interest in the settlement process for microgeneration export. Use of the term "Action Renewables" in our response refers to Action Renewables Energy Trading Ltd.

Response to DR1202 proposal:

Do you agree with proposed changes to move to an actual export meter read arrangement as set out in DR1202? Please provide rationale.

Yes, Action Renewables supports DR1202 and agrees that a change to 'actual' metered export meter readings is the fairest method for market settlement.

The challenge with this settlement solution is not with the market settlement but with the physical collection of the export readings from a range of consumer groups, some of which experience challenges in collecting physical meter readings. Action Renewables has consulted with various consumer groups which it represents and has developed a preferred option for collecting and settling export readings, presented below:

Option 1 – NIEN read – preferred option

Action Renewables believes that the responsibility for reading NIE Networks' (NIEN) meters lies with, and can be accommodated through consultation with NIEN. NIEN takes its own physical import meter readings, and at the same time takes export readings which are available to a client's nominated import supplier. Meters have a nominated 'import supplier' and it should therefore be considered that MPRNs should be able to have a nominated 'export supplier', which could be a different supplier. We understand this would require a system separation and therefore the proposed timescale for implementing DR1202 should reflect this.

NIEN could share the export reading taken during the year with a nominated export supplier once per annum to allow them to make payment. They may be paid up to the last reading, or the readings could be prorated to 30th September if necessary. Action Renewables would be satisfied that a client be paid up to the last actual reading and any remaining export in that period would be redeemed in a subsequent year.

Option 2 – Customer read

This option places an obligation on consumers who have installed small renewable generators and presents challenges in collecting and verifying the data to produce a reliable dataset.

As part of its export submission verification each year, Action Renewables already collates actual export readings and a declaration from clients. Action Renewables is satisfied that it can comply with the proposal presented in DR1202 for clients who do submit readings, however many clients are unable to submit due to incapacity, through disability and/or age. Additionally many multi-station

portfolio owners are Housing Associations who experience difficulty accessing properties each year due to being denied access by tenants. Therefore this consumer group is not protected under 'Option 2 - customer read'. Many private clients often read the incorrect meter, or the incorrect channel of the meter and this may result in their reading not being accepted. Option 1 would resolve both of these challenges.

It should be noted that 'actual export meter reads' do not represent a closing reading as on 30th September as meter readings currently have to be with NIEN 20 days in advance of the end of the settlement period. In practice the export reading for non-half-hourly export meters has to be taken in July or August to allow for verification queries to be addressed by an agent or service provider, be assessed by a licenced supplier and then provided to NIEN 20 days in advance.

Therefore the reading representing a close read on 30th September must be taken up to two months in advance, see Table 1 below. In this event a reading taken under the solution in Option 1 would mean that a reading taken by a professional meter reader could be accepted as verified.

Key dates based on current 2021 period	Action
Most of July	Required to collect readings from station owner operators
5 th August	Agent or independent service provider require 10 working days to conduct checks
19 th August	Supplier requires 10 working days to conduct due diligence on readings received
2 nd September	Readings to be with NIEN 20 days before settlement period ends
30 th September	Settlement period end date

Table 1

Are there any other elements of an export meter read arrangement that you feel should be made? Please provide rationale. What timescales might be applicable in each case?

Timescales:

While the ROC settlement period and export settlement period are of course different, many clients have a ROC and export agreement and challenges exist in separating these contractually. This is a consumer issue as it places a barrier to clients wishing to switch supplier. On the whole ARET is content to retain the export settlement period as 1st October – 30th September each year, however a move to actual readings would require ROC and export contracts to be separated.

In order to protect the end consumer, while refining the market settlement of export, our proposal clearly identifies three key considerations that will take time to implement:

- Consult and constructively engage with NIEN to facilitate access to the actual export readings held by them – timescale currently unknown.
- Enable consumers to be nominated to an export off-taker which may be done via a supplier or agent – timescale currently unknown. This may require a further Decision Request submitted at the Central Design Authority.

- Suppliers and agents will require time to separate ROC and export contracts to facilitate consumer choice and protection – AR would work to address any contractual conflict for the settlement period ending 30th September 2022.

On the basis of these considerations above AR believes that the earliest timescale for implementing the change to actuals is for the settlement period 1st October 2021 to 30th September 2022. Therefore the current period ending 30th September 2021 should be settled via deemed export.

Allowance for clients unable to submit:

ARET has approximately 100 individual clients who are unable to take a physical meter reading due to age or disability. They should not be prevented from participating in the market and being fairly remunerated for their electricity exported to the grid. ARET also represents a number of Housing Associations which experience difficulty accessing their tenants' meters. Furthermore these associations are keen to expand the number of PV installations and would need to be compensated for the exported energy. The inability to retrieve export readings is currently a barrier to further expansion of solar rooftops in NI by these Housing Associations.

What do you see as the main benefits of the proposed changes to an export meter read arrangement: A) to the micro-generator? B) to your company?

This solution will futureproof against changes in consumer behaviour. Electric vehicles, battery storage and electrification of heating are more common now which means the way in which consumers are interacting with their microgenerator has evolved since the deemed solution was introduced.

a) Fairness. Generators will receive payment for a more representative amount of energy exported during an eligible period, and will not have the potential to pursue a deemed payment for the wrong reasons -. This may encourage further investment in microgeneration. The proliferation of indigenous renewable generation has reduced the cost of energy to consumers in NI and ARET believes actual readings presents a better settlement for this increasing volume of generators.

b) This solution requires a lot of internal administration for ARET, however in the interests of fairness this is the preferred solution.

What potential problems could arise from not implementing the proposed changes to an export meter read arrangement?

Why deemed settlement is not sustainable:

Deemed export settlement was intended as an interim solution until smart metering was introduced. It is noted that Smart metering has not yet been introduced however with a fixed 45% being claimed for each station, this means the volume of MWh settled in the market may not be accurate in a given year and will be either too much or too little. Settling too much or too little power in the market will indirectly affect the consumer cost of electricity in NI; whereas accurate export settlement, managed to ensure efficacy, is the most equitable method and should not skew the price of electricity to the consumer.

Do you have any other comments in relation to the proposal?

Future inward investment:

The Northern Ireland consumer has benefited from lower electricity costs due to the proliferation of microgenerators. A large number of solar PV installations in NI are third party owned and operated, known as 'rent-a-roof'. This attracted substantial inward investment with the benefit experienced by

the local consumer. However third party portfolio owners do not have access to NIEN's electricity meters. The cost of retrieving these meter readings through independent meter readers is prohibitive and it is therefore possible that this exported energy may not be accounted for. This is a disincentive to future inward investment if DR1202 is implemented under the current conditions.

Protection of consumer groups:

As referred to previously, clients who are unable to take a physical meter reading lose out on an annual export claim. These consumers are not protected within the market. Furthermore we do not believe that microgenerators should have to self-read their meters for export in the long-term, since they do not have to do so for their import reading. We propose that consideration is given to a solution for these often-vulnerable clients. Housing Associations also experience difficulty in gaining access to clients homes to collect a reading and therefore incur the cost of attempted reads which can result in no reading being taken.

We propose a trial of a technological solution in partnership with NIEN for these consumer groups, which may be a smart meter, half-hourly meter or form of pulse-based telemetry. While a smart or half-hourly meter on a typical import only property may not benefit the wider consumer, better knowledge of how a microgenerator is performing in real-time has future benefits for how microgenerators participate in the market and opens up potential new opportunities for small generators, active consumers and is in line with the four D's, particularly digitisation and democratisation. Action Renewables would be keen to collaborate with the Utility Regulator, NIEN and others on such a trial and would also be willing to part-fund costs.

Suppliers or agents who have to collate and verify physical export readings will inevitably experience increased operating costs which will be passed on to customers. ARET is aware that NIE Networks collects physical export readings at the same time as collecting import meter readings. In this event it is worth considering a solution whereby suppliers can access the export reading against an MPRN.

Response to DR1203 proposal:

Do you agree with proposed changes to the Deemed Solution as set out in DR1203? Please provide rationale.

ARET does not agree with DR1203 and believes that actual settlement (DR1202) provides a better solution for market settlement.

Are there any other elements of the Deemed Solution that you feel should be made? Please provide rationale. What timescales might be applicable in each case?

In the event that deemed settlement solution is to continue, ARET would call for the deemed percentage to be reviewed annually by NIE Networks. Based on Action Renewables data this deemed percentage changes each year. Only NIEN can independently verify the percentage exported based on its meter reads. However NIENs access to the relevant data presents a justification for actual readings instead of deemed.

What is your view on how successful the Deemed Solution has been since it was introduced in NI in 2015? Is there anything that could have been improved?

The deemed solution is successful, was correct at the time and is a pragmatic solution to enable suppliers to receive a wholesale market settlement and therefore for our clients to receive payment for exported energy. Since then, iSEM has gone live and customer habits have developed to include battery storage, heat pumps and electric vehicles. Action Renewables would like to have seen the deemed export percentage being reviewed throughout the time since 2015.

The pandemic has also demonstrated that working with assumptions is not sustainable, however it is difficult to imagine how certain consumer groups would be able to take actual meter readings during the Covid pandemic when accessing properties would be impossible. The Deemed Solution allows the value of exported electricity from those “impossible to read meters” during 2020/21 to be settled, albeit imperfectly.

However, increasing consumer interest in energy storage, electrification of heat and electric vehicles has meant that the Deemed Solution should evolve to ensure it does not itself become an incentive to store energy. Whilst Action Renewables supports and encourages energy efficiency and energy storage as tools for decarbonising our society, we believe it would be the wrong approach to allow DR1203 to potentially reward those micro-generators that employ energy storage to the detriment of those who do not. This would be the result if electricity suppliers were to remunerate clients using a deemed value rather than actual readings. The fact that DR1203 and DR1202 are wholesale market settlement solutions and not retail solutions means that this interaction with consumers should be managed carefully to ensure fairness.

What do you see as the main benefits of the proposed changes to the Deemed Solution: A) to the micro-generator? B) to your company?

The benefits to the microgenerator are that they will not have to take their own reading to supply to their chosen electricity supplier and this would result in a reduced administrative load. However it raise an issue with how to make a fair payment to microgenerators. We believe that this difficulty outweighs the benefit.

Do you consider that the deemed profile value of 45% needs reviewed. Can you provide any evidence to support this figure or assist in its review?

If deemed were to continue, the percentage should be reviewed annually. Action Renewables believes that NIEN should have the data required to evidence the deemed profile value.

What potential problems could arise from not implementing the proposed changes to the Deemed Solution?

Deemed should be retained for the period ending 30th September 2021 but change to actuals thereafter.

If deemed is retained and the changes are not implemented, then changing consumer behaviour may create market pressures that will see those consumers who have energy storage potentially moving towards electricity suppliers who will pay them a deemed amount. This can also present a dilemma for suppliers who would face difficulty claiming a deemed amount while paying actuals to a client base that may increasingly be installing energy storage technologies.

If deemed is retained, the dates should be aligned with the NIRO obligation period to align generator contract periods, so as not to present a barrier to customer switching.

Do you have any other comments in relation to the proposal?

None