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

19th May 2021

Dear Sir

Response to the Micro-generation settlement consultation published 19th March 2021.

General

What is the nature of your company's business?

INFRAM LLP ("INFRAM") provide Asset Management services for a renewable energy & infrastructure portfolio of over 7,000 energy installations across several technologies and countries. INFRAMs parent, Downing LLP, provides fund management services to the owners of the portfolio. Specifically, INFRAM represents 6,150 Microgenerators across Northern Ireland with a total installed capacity of c. 26.5 MW. INFRAM therefore represent a significant proportion of the Micro-generators in Northern Ireland.

The implementation of DR1202 would result in a considerable increase in costs and administrative burden for the owners. In addition, we do not believe there is sufficient infrastructure in place to support this move.

DR1202

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

Whilst the approach proposed in DR1202 would ensure more accurate data aggregation, submission and revenue payments, the change would have both a material financial impact as well as substantial administrative consequences for the companies owning these generators. Further to this, we have concerns regarding the need to complete site visits given the current situation relative to COVID-19 and its ongoing associated issues. A large number of these installations are located on social housing properties, where many tenants are considered vulnerable. Collecting manual readings under the current circumstances feels an unjustified increase in tenants risk exposure for both these tenants and our contractors who will be required to obtain such readings.

As understood, the deemed export regime was implemented as a temporary measure pending the development and roll out of a SMART Meter regime. Under this policy, such meters would have the capability to record actual electricity exported to the Grid. In this case, information could be remotely collected, stored, and relayed to the asset owner where physical meter readings will become obsolete. The progress on this regime has been minimal with respect to

Northern Ireland ("NI"), with no roll out of the scheme imminent. We are now six years into the deemed export regime and there has been no emergence of any new technology to justify and facilitate this move.

Investment decisions were made across the industry with respect to the deemed export model, where a considerable amount of money and time has been invested into the construction and build out of residential rooftop solar projects. The move to actual readings, without supporting infrastructure to remotely collect data, would be a disregard for the information these investments were made on where legal documentation for these projects were drafted and executed on such details. Property owners also entered leases based on this information where the implementation of DR1202 would create an interaction with contractors that would not otherwise be required. The implementation of DR1202 would also inflict extra costs on these companies, which would ultimately, negatively impact owners. It is estimated that the total cost of obtaining manual readings across the portfolio would be £246k per year, this compares to the annual forecast export payments of c.£380k per year. The cost of attaining these would therefore be 64.7% of export revenue.

Without SMART meters and the necessary supporting infrastructure, electricity suppliers and generators in NI would be required to physically collect actual meter readings from sites – whereby we believe NI electricity suppliers would transfer this cost and administration to the generator. Accessing these meters can often prove difficult given meters are located inside domestic premises, where suppliers and generators are dependent on holding direct contractual rights with or securing the consent of the owner of such property. In cases where occupants are unwilling to allow access, DR1202 would result in no revenue being claimed for these sites through no fault of our own. We do not deem this as reasonable and feel an alternative solution should be made available for such cases. Homeowners may also face difficulties retrieving meter readings in circumstances where they are physically impaired, and we believe alternative approaches should also be available in such instances.

Historic records of our portfolios indicate that when actual readings were introduced in 2017, out of the 3,210 systems within the portfolio at the time, only 2,784 received export payments. This indicates an 87% success rate. The main reason behind the sites which did not receive export payments were access issues, where homeowners were either simply unresponsive or confirmed they were not comfortable allowing operators into their homes.

2018 records of the same portfolio also indicate issues with submissions where only 1,926 systems received payments relating to export presenting only a 60% success rate in obtaining and submitting evidence. Having discussed this with our agent it became apparent that the implementation and subsequent removal of actual readings had caused confusion amongst the industry, whereby some

people believed that manual readings were still required. We therefore believe a stable and consistent approach is crucial in guaranteeing the success of any export settlement process.

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?

As mentioned, the implementation of SMART Meters is a crucial element of the export meter read arrangement. Without such meters, these companies would need to appoint a contractor to obtain manual readings. 6,150 visits in total would have to be conducted to cover the entire portfolio. If 30 visits were conducted per day this task would be completed across 205 days. These readings would then need to be prorated to align to the set period. As a result, the readings would still not be totally accurate. Therefore, whilst payments would be made on actual export and catch ups could be completed, the compliance periods in which they are settled may not align due to the fact readings are pro-rated. As a result, an appropriate timescale to provide readings would need to be implemented, such as the NIROC compliance periods. In this case, readings are provided for the period April to March and proof of export can be provided until the following December. As previously mentioned, an alternative method should be considered in cases where we are unable to access properties.

Where the micro-generators are owned by the homeowners these issues should be less extensive. Depending on the location of the meter in the house, homeowners can potentially easily access the meter to provide photographic evidence. This however, is reliant on the owner of the micro generator understanding the process and changes that are being made. If homeowners do not have sufficient knowledge and understanding of the process, then it could lead to several issues with regards to the submission process. There could also be confusion between the NIROC obligation period and the export period if clear and informative guidance is not provided. We would expect that substantial levels of assistance would need to be provided to homeowners as they adapt to the new export regime.

What do you see as the main benefits of the proposed changes to an export meter read arrangement?

A. **to the micro-generator?**

The main benefit of the proposed changes would be that micro – generators would be paid based on an improved level of accuracy in relation to export. Obviously, the implementation would likely result in some generators being paid more whilst others are paid less, which will likely net off. However, we would expect the administrative costs to outweigh the benefit of those systems exporting higher volumes.

B. **to your company?**

The SPV's would see the exact same benefits as the micro-generator. The benefits however are heightened due to the size of the portfolios and the fact that we are required to liaise with the homeowners to access the properties; compared to privately owned micro-generators who usually have direct access.

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

Without implementing the proposed changes Micro-generators will continue to be paid amounts which may not accurately reflect the level of export they provide, where both over payments and under

payments are mode. On a portfolio we would expect this to net off however we can understand that individual Micro-generators may prefer this approach.

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

In addition to the Northern Ireland portfolio, INFRAM have several residential systems located across, England, Wales and Scotland which benefit from the Feed-In-Tariff ('FiT') Scheme. These systems present similar issues to the NI Micro-generators where meters are not currently capable of calculating the actual amount electricity exported to the grid. The FiT scheme demonstrates a similar deemed approach to export payments whereby payments are based on 50% of the site's generation. As a result, unlike the NI deemed regime, the FiT scheme accounts for the following:

a. Sites of identical total installed capacity do not necessarily have the same generation across the year for various reasons including tilt, shading, or technical issues.
b. Sites of identical total installed capacity do not necessarily have the same export volumes across the year due to different consumption profiles.

In our view the FiT scheme mitigates the issues relative to part a) as it accounts for the fact systems of identical size do not necessarily have the same generation. Any sites with technical faults would receive lower payments as their export volumes would be based on actual generation. Generation meters measure the entire production of the system regardless of export. Readings of such meters are then submitted to FiT Licensees on a quarterly basis; FiT payments are paid on the full generation amount and export payments are then paid on 50% of this value; this is known as deemed export and only applies for systems below 30kWp. Where systems exceed this size, they would require a smart meter to receive export payments.

As Generation meters can be read remotely, this approach would not require the considerable administrative work and disruption to households that DR1202 would entail. In our view, this approach would provide an alternative and more accurate approach than the current, proposed methodology.

It would be beneficial to generators if DR1202 was implemented aligning the export settlement calendar with the annual NIRO Compliance Periods. For any sites where remote communication issues exist or OFGEM require further evidence to support submissions, site visits are arranged, and manual readings are taken. This typically applies to 5% of the portfolio each year. Generators then have until the following December to submit evidence to OFGEM. This proposal should therefore mean each site would only require one visit per year for administrative purposes.

Note 2.37 highlights that there is one supply company that currently requires the submission of an export meter reading along with a date stamped photograph, it does not specify who the supplier is or

who their customer base is. If their customer base is predominately individual homeowners who directly own the micro-generators, then this approach will clearly work well for them. It is unlikely that this is the typical scenario for micro generators across the region, we understand that the majority of these assets are owned by investors. As issue 2.44 outlines, this would be substantially more challenging when considering private companies that operate under the "rent-a-roof" model. It is therefore difficult to consider this point across all micro-generators without appropriate knowledge of the customer base in question.

DR1203

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

We are indifferent to aligning the export settlement calendar with the annual NIRO Compliance Period under the DR1203 proposal. As outlined above this would provide benefits if manual readings were required as it reduces the administration associated to each process as evidence collected could be used for both submissions. With respect to DR1203 however, the administration would simply double if both submissions were due at the same time, as export and NIROC submissions require different information and criteria. This could also result in administrative errors if homeowners do not understand the requirements for the two different submissions and therefore confuse meters.

Aligning the settlement period to April – March would remove the need for an amalgamation of two profiles and would ensure the kWh's claimed and subsequently settled display no discrepancies. This however would rely on accurate reads being provided on the last day of each subsequent year, which is obviously unfeasible given the size of this portfolio.

A review on the deemed profile value currently set at 45% of the declared net capacity seems appropriate; where data relating to the 17/18 export year indicates actual readings were on average 31% higher than the volume as per the deemed approach. This however makes no adjustment for irradiation levels given this is not considered in the deemed export calculation, where one year in isolation may not provide an accurate reflection of subsequent years. Irradiation levels are a factor that would be addressed if the FiT export regime were adopted. This value has been in place for several years and therefore unlikely to reflect current market conditions. We do however have concerns on how this review will be conducted, given actual export readings do not exist without considerable administration as outlined above, and the collection of such data would result in the same issues as outlined above.

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?

There are no additional elements of the deemed solution that we feel should be made, we do however feel that any new changes should be implemented at the start of an export year and not mid-way through a year. It is noted that if the export year were to be aligned to the NIROC compliance period, this would be unavoidable.

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 in our view functions well, ensuring Micro-generators are paid for export where the level of admin required is manageable and prevents the need to involve homeowners.

The consultation however that occurred in 2018, hindered the success of the Deemed Solution. Introducing a year of actual readings and subsequently retracting the implementation, resulted in confusion across the market where some agents continued to require manual photos when this was not mandatory.

Whilst the success of the Deemed Solution is difficult to measure, we believe that moving away from this approach would decrease the success rate of the number of systems claiming payment for their export, especially where readings are not easily obtained. The associated costs of obtaining readings for our SPV's could also impact the success rate of submissions; depending on contractor fees, it has potential to become uneconomical.

What do you see as the main benefits of the proposed changes to the Deemed Solution?

A) to the micro-generator?

The review of the deemed percentage will either verify the current 45% or result in more accurate reflection of the average percentage systems export – increasing the accuracy of settlement payments. It should be noted that given the differing time periods at the end of the export year, export will still not be 100% accurate.

B) to your company?

For our companies, the main benefit is the cost savings associated with providing actual meter readings for a portfolio of this size and the reduced admin associated with this process.

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?

We agree that a review would be appropriate given the number of years passed since this figure was originally calculated. We do not however have any evidence to support a figure as remote export readings cannot be easily obtained. We suggest that a random sample is conducted across systems registered for deemed export, where manual readings are obtained, and analysis of the data is conducted to calculate an accurate percentage.

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

If the proposed changes are not implemented, then the deemed export claimed will continue to not replicate the deemed export settled to suppliers and the amalgamation of two profiles will still be required. Payments will continue to be made on a figure of 45% where the figure has not been verified for several years and where it may no longer be an accurate average market reflection. However, as mentioned this point could be resolved through a review of the deemed %.

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

The 'Issues with the Deemed Solution' section notes that there is an incentive for micro-generators to consume all the electricity generated as export will be paid regardless. Whilst we cannot ignore the

possibility of this occurring, we do not believe homeowners would actively increase their consumption as they are already accustomed to habits, electricity usage is dependent on lifestyle.

Actual readings would also only mitigate this issue in cases where the owner of the system also occupies the property. In the case of the 'rent-a-roof' model the homeowner is usually not the recipient of the export payments and would therefore have no incentive to reduce consumption.

Note 2.34 in our view would also be mitigated if the 'FiT Export' method as outlined previously was implemented. Whilst this would not completely eradicate the issues with respect to sites that consume 100% of generation, it would result in out of service sites or sites running below capacity being paid less than those functioning perfectly.

Note 2.32 and Note 2.35 should be viewed as one issue rather than separate issues as one directly causes the other.

If you have any questions or would like to discuss this further, please do not hesitate to contact us.

Tom Moore

INFRAM LLP