

127 Baggot Street Lwr.
Dublin, D02 F634

Date 29TH October 2021

Mr. John Lynch
The Grain House,
The Exchange,
Belgard Square North,
Dublin 24, D24 PXW0

RE: CRU 21117 Remuneration of Renewables Self-consumers' exported electricity: Interim Clean Export Guarantee Consultation Paper

Dear John,

Our members are keen to play a constructive role in the development of solutions to achieving compliance with the 2019 Clean Energy Package (CEP) and we welcome the opportunity to respond to the CRU's consultation on the matter. Simplicity and equity for both customers and suppliers and encompassing the objective that suppliers will be kept whole for any costs incurred are fundamental and we welcome the step change from the Departments initial consultation on how suppliers will be able to develop competitive tariffs to offer customers.

At the same time, as we transform our energy system over the coming years it is imperative that we do not waste investments – in terms of financial, capital and human resources – and that we maximise any value creation as we progress from an interim to an enduring regime in line with the National Smart Metering Programme(NSMP).

Timeline for implementation of CEG

Article 21 of the RES Directive requires that, Member States shall ensure that renewable self-consumers, either as individuals or via aggregators, are entitled to “receive remuneration, including, where applicable, through support schemes, for the self-generated renewable electricity that they feed into the grid, which reflects the market value of that electricity and which may take into account its long-term value to the grid, the environment and society.”

This legislative timeline has put significant pressure on DECC, and the relevant stakeholders (CRU, ESN and suppliers) to finalise and implement at a minimum a Clean Export Guarantee. Meeting the compliance objective is further complicated by the absence of the infrastructure (metering solutions and market systems) required to realise the full market value of any electricity produced by microgenerators and has necessitated an interim approach to be developed pending availability of the necessary infrastructure in 2024.

The final CEG design, and the potential benefits to all electricity customers, will need to be capable of clear articulation and communication in advance of any formal introduction or implementation. Whilst the compliance imperative is important, the overall objective of empowering customers should not be lost or jeopardised by the premature introduction of a scheme before it has undergone adequate and appropriate consideration.

A well-functioning scheme is in the interests of all stakeholders. Whilst EAI would prefer the introduction of a Clean Export Guarantee (CEG) in tandem with appropriate systems and smart meter capability, as part of an enduring scheme, we understand the necessity of meeting the requirements of the EU Renewable Energy Directive on an interim basis in the first instance, and we cautiously welcome the proposal that for at least MCC01 customers the intention of the consultation is that ESN Networks will be required to provide a Smart Meter to that customer cohort who requests one so as to facilitate these customers receiving CEG payments.

The interim approach proposed by the CRU, however, requires refinement to ensure near cost neutrality for suppliers and requires further detail in relation to the treatment of other MCCs' and the chronology of how the scheme will be communicated and launched. Therefore, EAI advocates for further engagement and consideration in order to develop a well-functioning interim MSS in the limited time remaining.

Role for DECC, CRU, & ESN in Customer Messaging

As the scheme is launched, and to ensure its success, it is important that customers have a good experience and that their expectations are managed. Although suppliers will have direct interaction with customers, EAI considers that DECC, ESN Networks and CRU have important roles to play in this regard. It is likely that the first payments or credits customers receive will be some time after the necessary legislation is enacted by government and therefore the management of customer expectation is essential.

Customers may have to wait a period for the installation of a smart meter before they are eligible for remuneration. Hence the importance for consistency of messaging from the system operator and suppliers.

Customers may also expect the tariff rate to be in line with retail rather than wholesale rates. To manage expectations centralised and realistic messaging which educates the customer is required. EAI recommends that in anticipation of the launch CRU develop a landing web page with detailed FAQs. This will ensure that the reputation of the scheme is protected and that customer engagement with the energy transition is maintained. As part of this, suppliers and EAI could also play a role where we agree information made available either through the CRU or a workstream within the Microgeneration working group (similar to the NSMP Communications & Engagement Working Group).

Development of Supplier Microgeneration tariffs & implementation timeframe

EAI members note that in comparison to the DECC consultation in February whereby the CEG would be set by government and based on the Day Ahead Market Price, the CRU's proposals differ significantly in that they aim to facilitate suppliers setting their own tariffs independently.

Whilst EAI members support this change to the tariff mechanism for the CEG, it does mean that market participants will now face two challenges in implementing the interim Microgen scheme; operationalising the flow of data from ESB Networks for each individual customer and developing our own competitive tariffs to offer to customers as the scheme launches.

There remains a possibility that the date of transposition and date from which remuneration to the customer is intended will precede the date by which the customer is aware of a supplier's tariff offering or indeed will likely precede the finalisation by suppliers of a suitable customer tariff offering.

The CRU must ensure that regardless of the date of transposition of the enabling legislation, suppliers are given sufficient lead in time to develop tariffs, in particular given that the introduction of Microgen tariffs will be a new product that many suppliers will have developed for the first time. Given the compressed delivery timeframes suppliers ask for CRU to take a flexible approach to implementation, allowing suppliers adequate time after the legislation is introduced to ensure processes are put place to sign-up customers to each supplier's suitable tariff.

The CRU should be aware that any back-dating of payments to a customer where there is no contract in place is not in line with contract definition, whereby a customer and supplier must undertake offer and acceptance, an issue that has been raised at industry fora.

In addition, at Day 1 Suppliers will have no insight into the customer settlement and market settlement of the exported Microgen that is on their portfolio. The CRU's proposals suggest that

we remunerate customers with whom we have no contractual relationship and that we take on the burden of market settlement with no actual market data given to us.

To address these issues, we suggest that 'customer receipt and acceptance of supplier terms and conditions' is added as an eligibility criterion. Electricity market offers typically work through supplier release of terms and conditions, followed by customer review and acceptance. We believe this good practice should continue for the Microgen CEG. Agreement of terms and conditions offers both parties clarity on the operation of the scheme from the outset, which we feel is vital for consumer awareness. It also ensures adequate commercial protection for suppliers.

Deemed Export Value

The principles of the Directive are that the intended purpose of Microgen is to first and foremost satisfy the electricity demands of a dwelling with only the excess generation being exported to the grid.

The mandating of an export factor is therefore important for customers who do not have a smart meter and an aspect that suppliers will inevitably need to detail to customers on such deemed export values. Given the limited analysis, we would request that the CRU provide additional analysis in the decision paper on this proposed export value. In addition, we would request that as actual data from meter is collated the figure should be reviewed to ensure it is fit for purpose.

In addition, although the CRU has confirmed that the intention for the 4-month installation is for MCC01 customers we request that the CRU give clarity on, given we the treatment of MCC02 and above as to whether they are mandated or not to move from deemed export to actual, as they transition toward eligibility of a smart meter in line with the NSMP.

Without such clarity there could be circumstances where customers with less efficient microgeneration installations would benefit from a deemed export value that would be higher than actual export. This would not align with the CEP, whereby the payment of microgeneration must reflect its value to the network. EAI members would welcome confirmation that these customers will move towards an export meter similar to the treatment of MCC01 customers.

Ricardo Analysis

We request that the CRU provide a clear roadmap for other MCC's that progresses them towards the installation of a smart meter and resulting in actual export data. In addition, EAI members note that the four-month timeframe being proposed is ambitious. As such, further details on outline what contingency measures will be put in place by ESB Networks in

circumstances where the four-month timeframe may not be met would be welcome. This is particularly significant given that in our view, we have limited understanding as an industry of the level of MCCs that may have Microgen installed but have not registered via the NC6 form.

This point is appropriate as, there remains a difference in the data on microgeneration installations from different sources. For example, it is reported within ESB Networks that there could be in the region of over 30,000 existing PV installations in Ireland. To the contrary, in the CRU's consultation it is assumed that the scheme will benefit 23,000 renewable self-consumers across Ireland.

Eligibility for Deemed Export

1) Specific Smart Meter Customers

There are instances where customers where there may be issues with the connectivity of the customer's smart meter and they cannot provide export read data reliably e.g., the communications connectivity of the meter would not support the proposed CEG design. We believe these customers should be eligible for "deemed" payments (provided all other CEG criteria have been satisfied).

2) MCC02 Customers

EAI welcomes comments by CRU at recent industry forums that MCC02 customers will be eligible for remuneration for CEG based on the deemed calculation until such time as there is an industry networks led solution in place for exchange of MCC02 meters for smart meters. We request that this is explicitly referenced in the decision paper.

Settlement

For the interim scheme suppliers are willing to accept that processing of microgeneration export volumes through settlement will occur at M+13. However, for the enduring solution this will need to be done closer to real time. There are additional cash flow and balancing market risks that suppliers are exposed to by settlement only occurring at M+13. These costs will impact on the market value of this electricity and should be eliminated in the enduring solution.

Conclusion

The EAI welcomes the opportunity to respond to this consultation on the microgeneration support scheme for Ireland. The EAI sees microgeneration as having a key role in the transition



to a low carbon energy system. EAI advocates for further engagement and consideration in order to develop a well-functioning interim MSS in the limited time remaining.

EAI members welcomes CRU's commitment to the principle of suppliers setting competitive tariffs but note that it is critical that a clear, consistent roadmap is developed with industry on how customers will be communicated with and in turn paid. We welcome further discussions with the CRU in this regard both bilaterally and through the Microgen Working Group.

Yours Sincerely

A handwritten signature in black ink, which appears to read 'Dara Lynott', is written over a horizontal line.

Dara Lynott

CEO

Electricity Association of Ireland