



Response to the Public Consultation on the Microgeneration Support Scheme in Ireland

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www.westerndevelopment.ie

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Introduction

The Western Development Commission (WDC) is a statutory body operating under the aegis of the Department of Rural and Community Development, promoting economic and social development in the Western Region of Ireland (the counties Donegal, Sligo, Leitrim, Roscommon, Mayo, Galway and Clare). The WDC¹ is involved in policy analysis, the promotion of regional initiatives and the operation of the Western Investment Fund and continues to work on the development of renewable energy in the Western Region.

Since 2004 the WDC has been working in the area of renewable energy and supporting communities and enterprises to become involved in generation, fuel supply and energy services². We have also recently published a report on the key issues for Rural Dwellers in 'Making the Transition to a Low Carbon Society in the Western Region'³. Given the WDC experience in renewable energy we are pleased to respond to the consultation the Microgeneration Support Scheme (MSS).

The benefit of supporting microgeneration goes beyond the monetary value of the sale of exported electricity and is important for involving consumers in the energy transition. While potentially only making a small contribution to meeting Ireland's overall renewable energy targets in quantity terms, microgeneration can play an important role in increasing public understanding and acceptance of low carbon technologies, and associated infrastructure, and facilitate a shift in system demand. The WDC welcomes the development of the MSS, and believes it will provide important opportunities for rural dwellers to contribute to the low carbon transition and to the generation and management of some of their own energy needs while increasing their participation in the energy transition. At the same time we are conscious that microgeneration will not be an option for many living in our region (for a variety of reasons, including the cost of investment, knowledge, understanding of technologies among other things). We therefore welcome the focus on ensuring that those not participating in the MSS do not face a burden of additional costs.

Based on our experience we first highlight some more general issues in relation to the consultation document on the Microgeneration Support Scheme and then address some of the questions outlined in the consultation document

¹ See www.westerndevelopment.ie for more information

² See www.westerndevelopment.ie for information on our other projects and for publications on renewable energy www.wdc.ie/publications/renewable-energy-reports/.

³ <https://www.westerndevelopment.ie/policy/publications/making-the-transition-to-a-low-carbon-society-in-the-western-region-key-issues-for-rural-dwellers-august-2020-full-report/>

If you would like more information or to discuss any of the issues raised in our response please get in touch.

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Comments on the Consultation paper

The consultation is on the microgeneration support scheme (MSS), which is due to start in June 2021. There is, however, a lack of clarity in the consultation paper. The high level design details of the proposed scheme are not clear and the way it will be operated is not clear. It is therefore often difficult to comment on the options proposed when it can be difficult to understand what is being proposed.

The coverage of the MSS is quite broad, ranging from domestic installations to farms and SME installations. It is likely that the operation of the MSS will vary, at least slightly, among these groups and across some of the technologies but this is not made explicit in the paper. Similarly it is not clear that the identical scheme will apply in all these cases.

The CRU, DECC and electricity suppliers, along with ESB networks, all have roles to play in the MSS. It is important that the policy and the roles of the different organisations are clear, with all of these participants working together to have a coherent scheme, with their timelines coherent. For example the CRU will be consulting on, and regulating, a number of issues which could impact the MSS but it seems their decisions will be after the start of the MSS. Likewise the roll out of smart meters by ESB networks could have an important role to play in the MSS (for example prioritisation of those planning to export) but this is not specified in the paper.

Finally, it seems that the MSS is trying to address a very wide range of objectives and has a variety of underlying principles, it will apply (as noted above) to a variety of participants across a range of technologies. Having such a wide range of objectives, participants and technologies makes scheme design very complex.

The high level design using the CEG and the CEP rather than continued grant aid, means that the investor is required to make a significant up front investment. This is likely to reduce participation, for domestic participants in particular.

Q1. Do you agree with the approach to introduce the CEG in order to provide an export payment that reflects the fair market value of the electricity in compliance with the recast Renewable Energy Directive? If not, what alternative model would you propose and why?

The CEG should provide a fair market value for microgeneration but the proposed MSS seems to combine both the CEG and a CEP. The lack of clarity about how these will work together, the likely

payment rates, the potential differences in rates among electricity suppliers (i.e. those who will purchase the exported electricity) and the practicalities of the operation of the MSS make it difficult to comment on whether this is the appropriate model. While in the principle of the CEG may be a good option it is not possible to say whether it is the best one given the level of uncertainty in its operation. Similarly as it is proposed to combine the CEG with a CEP the increased complexity involved in having two models may mean that this is not the best option.

Q2. Do you agree that initially the CEG should be a fixed, minimum tariff provided by Suppliers as a pass through cost based on the annual average Day Ahead Market (DAM) wholesale electricity price? If not, what alternative model would you propose and why?

Given that it appears that the MSS operation will be evolving over the next few years, it would appear that a fixed minimum tariff approach may be the best option in the short term. There needs to be more clarity about how long this will operate.

Likewise a fixed tariff might remain the best option for domestic microgenerators, being simpler for both the household and for the electricity supplier (purchaser) but for farms, SMEs and communities who may have higher levels of generation it might be best to include a variable option from the beginning.

Q3. A common 3.75% discount rate across all sectors assessed was chosen as an input to the viability gap assessment. Do the respondents agree with this approach? If not, what alternative would you propose and why?

While it was necessary to select a discount rate in order to assess the viability gap, it is likely that, in the domestic situation, other factors will have a much more significant influence on the decision to install domestic microgeneration and small variations in the discount rate would not be significant.

For others in the MSS (SMEs, farms, larger scale community installations) the discount rate and rates payable are likely to be more important. This demonstrates the difficulty of having a single MSS which is applied to all microgenerators, even though the policy objectives in relation to the different groups are likely to be different.

Q4. The emerging policy includes a measure whereby all Renewables Self-Consumers who install micro-generation technology after 30th June 2021 can access a payment of a fixed, minimum Clean Export Premium tariff for exported electricity determined by the lowest cost technology for each sector. Do the respondents agree with this approach? If not, what alternative model would you propose and why?

While it is recognised that the combination of both a CEG and a CEP will increase uptake and help to meet more of the MSS objectives, it also complicates the MSS significantly. As noted in relation to the CEG, the lack of information on how it will operate and the likely rates payable, and the ways that the two rates will be paid complicates both the administration of the scheme, and the issues for the

scheme participants in monitoring their payments mean that it is difficult to comment on the combination of the two mechanisms into the MSS.

It appears (but is difficult to say without more detail) that it over complicates the scheme particularly in relation to domestic microgeneration which is likely to function best as a straightforward scheme. It is not clear whether the higher administrative burden and associated costs will be justified in terms of the benefits of this approach.

Q5. The proposed Clean Export Premium tariff for exported electricity will be offered for a maximum duration of 15 years for all technologies. Do the respondents agree with this approach? If not, what alternative model would you propose and why?

There is little information on how long the CEP is *likely to be* in place. While a maximum period of 15 years is mentioned this appears to align with the commitment to the MSS and therefore makes sense as a maximum duration. However, it is indicated that the CEP is expected to be in place for a shorter time but there is no indication of the likely duration or the minimum duration of the CEP element. It is not clear what the criteria for the decision on the ending of the CEP element of the scheme will be.

Q6. The high level design includes a measure whereby a Clean Export Premium tariff for exported electricity will be capped by exported volume related to the installation size in order to prevent over-remuneration. Do the respondents agree with this approach? If not, what alternative model would you propose and why?

It is difficult to comment on the cap without having a better understanding of how it would operate in practice.

The mechanism of operating the 30% cap needs to be developed. It is not clear if this 30% cap is to apply on the basis of installed capacity, and if so whether there is a notional capacity factor to be applied or whether the cap will be on actual generation. If it is to be on actual generation then it is not clear if it is to be on an annual basis or over what period it would apply. If it is on an annual basis, and relates for example to solar, it is likely to be complex to administer. Similarly are payments likely to be made until the 30% is reached and then stopped?

It is not clear if this 30% cap applies only to the CEP. It seemed from the consultation document that it applies to all microgeneration supports not just the CEP and the not in the consultation document (pg 35) appears to suggest this.

The total amount of support will be capped by exported volume related to the installation size in order to prevent over-remuneration. A cap based on 30% of the total generation will be in place for all technologies and all sectors.

If it is just CEP and not CEG it is not clear how this difference will operate in practice.

The notion of capping the CEP tariff on exports microgeneration is presumably to increase self consumption, and in encouraging investment in systems which use more electricity on site. However the prices received and the cost of import should incentivise self consumption although the detail of how it will work in practice and the timing of the application of the 30% cap could make a difference.

In addition the cap is another instance where the MSS might usefully vary according to the type of supplier (i.e. domestic microgeneration vs that from farms, communities and SMEs) and what is being incentivised.

Q7. The high level design proposed 4 eligible renewable technologies listed above. Do the respondents agree with this proposal? If not, what alternative would you propose and why?

It seems that the four eligible technologies are currently the most likely renewable microgeneration technologies. In future, should another technology emerge there should be a mechanism to allow for its inclusion in the MSS.

Q8. There is a range of renewable technology that can be deployed in domestic and SME premises and can facilitate high levels of renewable electricity self-consumption. The definition of micro-generation is therefore proposed to be “micro-generation technologies including micro-solar PV, micro-hydro, micro-wind and micro-renewable CHP with a maximum electrical output of 50kW”. Do the respondents agree with this proposal? If not, what alternative would you propose and why?

A maximum electrical output of 50kW seems appropriate for the MSS at least in its initial stages. There should be a mechanism for the review of the operation of the MSS every 5 years which would provide the opportunity to consider whether this limit (and any others such as the technology restrictions outlined above) continue to be appropriate. However this does mean that there could be renewable generation opportunities between 50kW and 500kW (where communities can participate in RESS) which will not be supported.

Q9. Applicants will be required to have an export connection from the Distribution System Operator. Do the respondents agree with this approach? If not, what alternative model would you propose and why?

This seems reasonable in order to allow the distribution system to operate effectively. It is important that the cost of the export connection is reasonable, and the process is straightforward and timely.

Q10. The CEP will be available to existing buildings only. Do the respondents agree with this approach?

The CEP appears to effectively be a top up to allow a retrofit of microgeneration technologies to existing buildings. As noted in the consultation document the costs of installation at new build time is significantly lower it seems reasonable that these installations should be remunerated through the CEG only. There is however little information on the costs used and how this decision was arrived at.

Q11. Occupied buildings will need to achieve a minimum post-works BER C rating. Do the respondents agree with this approach? If not, what alternative model would you propose and why?

Although the stated aim of energy policy is to achieve efficiency saving first and there is a fabric first approach to available supports, by requiring occupied buildings to achieve this BER rating there will be a very significant number of buildings (homes in this instance) which will be excluded from payment for microgeneration exports because of their BER rating. This disincentives investment in microgeneration such as solar PV which might be used for hot water heating and other forms of energy storage as well as potentially for charging EVs.

Some homes require such significant investment to achieve a BER C rating that the home owner will not be able to afford the deep retrofit, but might, nonetheless, be able to make good efficient use of microgeneration options in their home.

In the Western Region about half of the homes which have a BER rating achieve a C rating (this ranges from 47% in Sligo to 53% in Galway, (Q3 2020)). However, as the CSO notes, homes which have a BER rating are likely to be in the higher BER categories than those which have not been rated. This a significant proportion of homes would not be eligible for the MSS.

This will further restrict those who can participate, and means that it is likely that those who will benefit from the MSS are already likely to be involved energy citizens and the MSS will not be effective in involving a wider group.

Q12. The minimum BER rating for the MSS will be increased over time to align with other Government energy efficiency retrofit programmes. Do the respondents agree with this approach? If not, what alternative model would you propose and why?

In line with our response to Q11 we feel this would further limit the numbers who can participate in the scheme.

Q13. Community groups must conform to the definition of a Renewable Energy Community and be registered with SEAI. Do the respondents agree with this approach? If not, what alternative model would you propose and why?

As this is in line with other policies and supports for communities this seems appropriate.

Q14. The emerging policy proposes that Suppliers recover the costs of the Premium support through the PSO. DECC welcome the respondents' views on the funding mechanism supporting micro-generation. Do you think the PSO should support micro-generation or should this be through Suppliers retail rates or other mechanism?

If the MSS is funded through the PSO this means that those who are not participating in the scheme are paying for those who are participating. As the PSO is flat rated even those who use very little electricity pay the same as larger users.

A payment that is in line with other user consumption would be fairer. Alternatively using some of the finances collected through the carbon tax might be more appropriate.

Q15. DECC welcomes the respondents views on how to manage the scheme costs and the frequency of changes in the support arrangements.

Manual administration of the MSS before the installation of smart meters will be very cumbersome and expensive. It would be appropriate to install smart meters in those places where the MSS will operate. The numbers are not likely to be so significant that it would be very expensive to do so.

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