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INTRODUCTION OF NEW SMART EXPORT GUARANTEE TO ENSURE PAYMENTS FOR HOUSEHOLDS WITH SOLAR BY UNLOCKING A SMARTER ENERGY SYSTEM

Dear Colleague,

I am proud to inform you that today we will be legislating for the introduction of a supplier led subsidy free Smart Export Guarantee (SEG). This will ensure that homes and businesses, who export their surplus low carbon electricity to the grid, will be able to receive payment from their energy suppliers. It will also complement the deployment of smart, flexible technologies, including storage and demand-side response. A smart and flexible system could save £17-40bn across the electricity system to 2050¹. The SEG will come into force in Great Britain from the end of December this year.

This is a significant step towards our vision of a sustainable small-scale and low carbon generation system, where future growth is driven by competition and innovation, and is commercially viable without subsidy. In line with our Industrial Strategy, our aim is to enable the small-scale low-carbon generation sector to fairly access the wider energy market and deliver clean, smart and flexible power. Reinvigorating the generation of low-carbon electricity and extending the benefits of a smarter energy system more widely will aid our ambitions to further reduce emissions.

¹ Carbon Trust/Imperial College, 2016: *An analysis of electricity system flexibility for Great Britain*.

The recent development of technology in the industry – supported by Government– has driven down the cost of small-scale low carbon electricity generation. Some projects can now be built without the need for any direct subsidy. As costs continue to fall, we must act to ensure a suitable route to market for small-scale generators whilst protecting consumers and ensuring value for money for bill payers in the long term.

We have considered the wide range of evidence provided by those who responded to the consultation in writing or attended public events to discuss the proposals. We recognise that small-scale generators can struggle to gain access to the electricity market to export to the grid, and some larger suppliers may be unfamiliar with dealing with smaller players in the sector. The SEG will address this by requiring that licensed electricity suppliers offer to buy electricity from small power producers (such as households with solar panels) who want to sell power back to the grid. This will help these small generators to take control of their electricity generation and fully participate in the UK electricity system. This new requirement will apply to suppliers with more than 150,000 domestic customers, although other smaller suppliers can also voluntarily participate in the SEG.

The SEG is market-led, other than a few core conditions, such as payments having to be greater than zero. The rates paid to the small power producers will be determined by the market rather than being set by the Government. This is unlike the previous Feed in Tariff scheme, which was funded through levies on consumers' energy bills.

The SEG provides a new entitlement for consumers to sell the electricity they export. We expect that as the electricity system becomes smarter and more flexible; consumers will be offered a growing range of innovative smart products. Overtime, we will be able to understand and control the electricity they generate and consume.

We will monitor the operation of the SEG to ensure that small-scale generators have access to a competitive market for the power they produce. If we consider that insufficient progress is being made, we will consult on reviewing the SEG.

I will place copies in the Libraries of the House of the 'Government Response to the consultation on proposals for the future development of small-scale low-carbon electricity generation' which sets out further information on the SEG.

A handwritten signature in black ink, reading "Chris Skidmore". The signature is written in a cursive style and is positioned above a horizontal line.

CHRIS SKIDMORE MP