

## FACT SHEET

### **Feed-In Tariff scheme: decision on deeming in relation to Smart Meters**

On 1 February 2010, the Government published its response to the Summer 2009 consultation on the Feed-In Tariff (FITs) scheme. In the Government's response document, we confirmed our intention that all FITs payments should be made on the basis of electricity metered in accordance with the strict requirements of the Electricity Act 1989 and subsequent legislation and regulations. This is because there is a need to ensure that all electricity flows benefiting from FITs, including exports, should be subject to accurate measurement to ensure value for money and the integrity of the scheme. This will become increasingly important as exports from small scale generators will become a larger part of the electricity market.

The Government also noted, however, the points raised by electricity suppliers and others in regard to the expense of providing export meters for small scale generators and potentially stranded costs arising from the installation of export meters in advance of the roll-out of smart meters. The Government therefore stated that, strictly as an interim measure, at the very small scale, the amount of exports for the payment of export tariffs could be deemed.

The arrangements for deeming of exports has been included in the FITs Order, which was recently laid in parliament.

Strictly as an interim measure, payment of export tariffs to generators of 30kW or less of total installed capacity will be made on the basis of deemed or estimated exports. The amount of electricity deemed to be exported will be based on a proportion of the metered generation output of these generators. The percentage of exported electricity generation that will deemed from eligible technologies is as follows:

- 50% of exports for solar PV, wind and microCHP installations; and
- 75% of exports for hydro and AD installations;

These arrangements will not apply if export meters exist already, or are provided at the generator's expense.

Unlike metered exports, suppliers paying FITs will not have the opportunity to benefit directly from the purchase of that deemed electricity. Payment of deemed exports will therefore be included in the levelisation process as part of the total cost of the FITs scheme. However, because these exports will be spilled onto the electricity system, there is a benefit to electricity suppliers through lower grid correction factors. This benefit will be estimated as part of the levelisation process based on the BSC system sell price and will be netted off the value of deemed export payments according to market share.

These arrangements will apply for the first year of operation of the scheme. Further consideration will be given to metering requirements in light of the detailed work emerging from Phase 1 of the smart metering implementation programme, which started in December 2009. Small-scale generation has been and will continue to be considered within the broad functionality design of smart meters, so once rolled out they will support the metering requirements of FITs installations and the reporting of that data. The smart-metering programme team will produce a prospectus in summer 2010, this will include a statement of design requirements for smart metering systems with more detail on how small scale generation is to be catered for.

Following the publication of that prospectus, we will review the arrangements for deeming of exports from FITs generators, and will set a longer term trajectory for moving towards the accurate metering of all electricity flows that benefit from FITs.

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