

REA Energy Storage Working Group meeting minutes

6 August 2020

Attendees – Tesla, Zenobe, Highview Power, Harmony Energy, Powervault, REA

Introduction

REA: Shifting narrative in Government, key documents (e.g. Energy White Paper, National Infrastructure Strategy) forthcoming offering an opportunity to influence policy.

Exploring options for how we should approach our influencing.

Seeking input from members on the kinds of activities we could pursue.

Background briefing from Powervault, VAT on storage working group chair

Significant constraints on market. Without the half-hourly settlement users are under-rewarded given the value it provides.

Double charging of final consumption levies another barrier. Resolved for large-scale storage but not for small-scale / domestic storage.

VAT still at 20% for domestic storage, even though other fuels (e.g. coal) for homes charged at 5%.

Data from IHS Markt indicates that domestic storage market not taking off in UK and has constricted following VAT increase.

Half-hourly settlement is estimated around 2024/25. Until then time-limited support will be key to move the market forward.

Background to 20% VAT hike

Different interpretations of the EU guidance. HMT took a view that 60% threshold of materials vs cost meant that full 20% VAT materials should apply.

The only solar & storage that ends up being at the 5% rate are smaller systems, particularly smaller batteries.

This results in market distortions and technology categories competing against each other based on policy and not on site suitability.

HMT said last year that post-Brexit UK would have control again of its own VAT rules.

Member: we need a specific government approach to support the deployment of these technologies that does not create distortions within a market until the wider regulatory changes (e.g. Half-hourly metering) are introduced.

Discussion

Business rates also crucial to workplace and commercial storage. Discussion on business rates issues.

For domestic, half-hourly settlement will be important, but isn't the absolute final goal. Needs to be complemented by transparent flexibility markets. If half-hourly settlement signals don't fully flow through to a customer they won't fully end.

Discussion on outcomes group seeking to achieve.

Could ask for VAT holiday between fixed dates.

Comment: there are a confluence of market failures resulting in slow storage growth. Plus there is a clear need for a green economic recovery. Time-limited economic support.

REA: do we need to analyse options and come up with top two, then get other trade associations on board with a couple key messages.

Comment: leave SEG, that's about creating a market framework.

Key message needs to be this is a jobs play to kick start green industry to support COVID. Direct subsidy like green homes grant reduces installation grant and VAT reduces unit price.

REA: what does Gov need to see to get them over the line on the green homes grant?

- Comment that we need to really lay out jobs aspect.
- REA stats need to be more specific to solar and storage.
- Comment that we should look at who said what during last VAT debate in Parliament. To memory there were Government figures who said they want to provide VAT reduction once they leave EU.
- Potentially make the case that the 60% threshold is an arbitrary rate.
- One company hasn't made a 5% VAT installation since the change came in

VAT: could go whole hog with wider VAT reduction on green products. Or could give short-term holiday to VAT on storage. Need to find out timelines for both.

Discussion on VAT and Business Rates treatment for storage on public-sector buildings.

Mention that there may be provisions in the VAT notice for public or charity buildings.

- Produce briefing.
 - o Find numbers indicating the impact of the VAT hike
 - o How many jobs we can create by VAT reduction and GHG inclusion
 - o Timelines and effort – identify Government's preferences for policy schemes

Use BEIS meeting to test our briefing then hone. Need to include MHCLG and Treasury – Isobel to action.