

23 October 2015

# Energy Saving Trust response to the Feed-in Tariff Review

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Energy Saving Trust (EST) is the leading, impartial sustainable energy organisation. We work on behalf of governments and businesses across the UK providing services in the area of data, assurance, consumer engagement, advice and grant administration.

For DECC EST delivers the telephone-based Energy Saving Advice Service in England and Wales. We also undertake other research and awareness-raising work for DECC on a project-by-project basis. Prior to the coalition government, for over 15 years, EST ran national energy advice services for DECC and predecessor departments as a grant-funded organisation.

In Scotland EST is the principal delivery partner of the Scottish Government for home energy efficiency. We run comprehensive local and national advice and support programmes.

The Energy Saving Trust Foundation supports the development of a strong and vibrant community energy sector in the UK through research and support projects.

Public engagement on energy is at the heart of our work. In total each year EST handles just over half a million energy efficiency advice calls on behalf of UK and Scottish governments. We have 5m visitors annually to our website and reach 80% of the UK population through the media.

EST has a unique relationship with the public and communities around energy saving and renewable energy and our response reflects that consumer-facing perspective.

## Key points of our consultation response:

- The proposed cuts (overall cap and changes to tariff rates) are having and will have a significant negative effect on the current renewable energy industry in the UK, and on future investment in low carbon in the UK.
- The proposed tariffs have been based on modelling undertaken for DECC by Parsons Brinckerhoff. We contest several of the assumptions made in this modelling and believe that the analysis fails to take account of some important evidence.
- We have modelled DECC's proposed tariff rates for PV, wind and hydro for community scale projects, and PV for homes. For homes, we believe the proposed tariff rates are too low to make PV attractive, even with substantial price falls.
- The tariff rates for communities are also too low to achieve the return rates required for successful finance and the proposed changes would undermine investor confidence in the sector
- We also believe that re-instating pre-accreditation for communities is crucial to provide stability for community energy groups. It is vital to helping the sector overcome negative perceptions and secure finance.
- We want to see subsidy-free renewable energy technologies for homes, schools and communities. The focus should be on using FiT to achieve an affordable, systematic and smooth transition for wind, solar and hydro for homes and communities to the point of grid parity.
- We have modelled a revised FiTs programme for solar PV for homes, and for a range of community scale projects, and have calculated the net cost to households of implementing this programme over the next five years, under a number of different scenarios. We estimate that every gigawatt of new generation capacity installed would add around 8 pence per year to the average household electricity bill, averaged out over the life of all the systems supported. While different assumptions can be made, we believe this demonstrates that a FiT programme benefiting homes, schools and communities can be delivered for significantly less than £1/household/year, while providing sufficient incentive and uptake to facilitate a move to grid parity for both PV and wind systems in many situations.
- We support technology and quarterly caps, but a more flexible degression process is needed, better allowing for both above- and below- anticipated levels of installations.
- We are strongly opposed to a minimum Energy Performance Certificate "C" standard for entry to the scheme, or a higher energy efficiency threshold. This is particularly in light of the recent cuts to energy efficiency support programmes that might help homeowners reach this standard.
- DECC has not, in its impact assessment, modelled the likely (and already evident) job losses resulting from its proposals.

- We are concerned that – if cuts proceed as planned – many householders may believe that the financial returns of installing a cheap, low-quality solar system PV may be similar to, or even less than, an MCS certified system with the benefits of a much reduced FiT. Customers choosing uncertified installers and systems will have long term impacts for quality, trust and safety. Furthermore there may be a risk that non-MCS certified systems do not complete DNO applications with issues for the management of local grid capacity.
- With a more limited FiT budget we are strongly in favour of support being directed towards the community (including schools) and household sector. We have focused on a target of 3GW of installed solar capacity because this is the figure referenced in DECC’s Community Energy strategy. A focus on homes and communities in line with the original intent of the FiT policy: “[to] *enable broad participation of individuals and communities, as well as energy professionals, in the “big energy shift” to a low carbon economy*<sup>1</sup>.”

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<sup>1</sup> <http://www.fitariffs.co.uk/library/regulation/090715ImpactAssessment.pdf> Impact Assessment of Feed-in Tariffs for Small-Scale, Low Carbon, Electricity Generation, DECC 2009

## **An alternative proposal for a lower cost Feed in Tariff Scheme for Homes, Schools and Communities**

- We do not believe DECC's proposals are adequate to support an effective transition to subsidy-free small scale renewable energy for homes and communities (see question 1 below).
- As an alternative we have modelled the cost of a FIT tariff that (for domestic PV under 4KWp) starts at 5.25 pence per kWh and degresses in a straight line to zero generation tariff by January 2021. If one gigawatt of new capacity is installed under this tariff band over the five year period, then the total net cost to consumers over the lifetime of all the systems installed is £220 million. On average, when divided between energy users across Great Britain, this equates to around 8 pence per year per household.
- For all community solar projects we have assumed the same straight line degression to zero by 2021 as outlined above for domestic PV projects. For hydro projects and smaller wind projects this is clearly not achievable, and so we have assumed tariffs degress more slowly, typically by around 50% by 2021. The larger wind projects are modelled as degressing to zero generation tariff by mid-2018.
- In modelling the cost to consumers we have attempted to take into account the true value of the electricity exported to the grid – that is the wholesale cost of the electricity that would otherwise have to be generated. Recent research suggests that this is considerably higher than the average wholesale price, and is particularly likely to be higher in the future than the current average wholesale price (at a time of low oil prices). We have therefore taken DECC's mid-level projected wholesale electricity costs as a proxy for future avoided costs, and used this in calculating the net cost to consumers of future Feed-in Tariff installations.
- We appreciate that this is a far from perfect mechanism for predicting future costs, but we believe it to be more credible than the process currently used in the Levy Control Framework. We are happy to project costs on this basis for the purpose of demonstrating that the apparent need to massively reduce payments to protect householders' bills is unfounded.
- To minimise the required generation tariffs, and hence keep costs to households down, we have calculated rates for return over the full 30 year life expectancy of the installations. However this is only realistic if export payments are guaranteed for the full 30 year life, as bill savings from year 21 to year 30 are in reality very small. We therefore propose that **export tariffs are made available for 30 years from commissioning date**, rather than 20. All our modelling is based on the assumption that this is implemented in order to spread the cost of each project more evenly, and that exports are metered, and our proposed generation tariffs rely on this<sup>2</sup>.

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<sup>2</sup> We are aware that other organisations have modelled generation tariffs on the basis of 20 years of export tariff, and 20 year rates of return. These organisations therefore propose higher initial generation tariffs than ours, highlighting the importance of this issue. It is vital that our proposed tariffs are not quoted out of context to suggest differences between our modelling and that of other organisations, or to suggest that lower generation tariffs are achievable with only 20 years of export.

- It is also important to note that we make very different assumptions about the proportion of energy generated used in homes (see Q1 below) and assume that every new entrant to the scheme will have an export meter.
- For households, on the basis of these assumptions we consider a generation tariff for PV systems up to 4kWp of around 5.25 pence per kWh can offer a 4% IRR at current installation costs (we do not support the merging of the 4KWp and 10KWp tariff bands - see Q1 below). Our model assumes installation costs for a typical 4KWp system come down from just over £6,000 currently to just under £3,500 in 2021.
- We are not arguing that this rate of depression is necessarily achievable. We are not able to predict the rate of future installation price decreases. Our point is merely to highlight that the cost to householders of this scale of implementation is negligible, and some flexibility in tariff rates, both now and going forward, can be incorporated without risking any noticeable impact on bills.
- At community scales, we have modelled a range of tariffs that could achieve an average 7.5% IRR at current installation costs. These tariffs are listed in the table below:

Solar PV	FIT rate required (p)
25kWp	5.04
75kWp	4.6
175kWp	3.91
5MWp	5.82
Wind	
50kW	9.04
250kW	6.62
1MW	1.11
1.5MW	1.11
Hydro	
50kW	13.96
100kW	13.49

- Using these tariff rates we have calculated the additional cost to the average household bill of delivering even the ambitious target from the community energy strategy by 2020 as being 24p/year. This scenario is based on PV installations at a variety of scales delivering just under 2GW of supply, wind energy installations at a variety of scales delivering just under 1GW of installed capacity and small hydro power installations delivering a combined capacity of 18MW.
- This model calculates the IRR on a 20 year basis as this is more realistic for raising commercial finance than arguing a 30 year IRR (which, for example, would be

inappropriate for wind energy projects which might be removed or repowered within 20 years).

- These tariff rates should be regarded as being illustrative as we would recommend further analysis given the complexity of modelling tariff rates for a wide variety of scales and situations. We would be happy to discuss our modelling in more detail following the end of the consultation period.

## Consultation questions

### Securing value for money

#### **Question 1. Do you agree or disagree with the proposed generation tariff rates set out above? Please provide reasons to support your answer.**

The proposed FiT changes will have a major impact on the UK's renewable energy future for a very limited benefit in terms of energy bill savings. According to the estimates in your Impact Assessment, under the government's proposals the UK misses out on 6GW of renewable energy capacity by 2020/21 for a saving of around £6/year/household.

The Energy Saving Trust believes that we can and should be aiming for small scale renewable energy generation to operate in the near future on a largely subsidy-free basis<sup>3</sup>.

We believe the cuts proposed to the FiT are too sudden and too sharp and put at risk the transition to grid parity for small scale renewable electricity technologies. The cuts – as proposed - risk undermining the substantial investment that the UK has already made through the FiT scheme. The evidence for this is already apparent in companies closing and pulling out of the UK solar market.

We base our view that the cuts to rates are too steep on the following:

#### *Households*

- Research that EST Scotland commissioned to assess the returns of investing in renewables - based as far as possible on the assumptions contained in your own Parsons Brinckerhoff analysis - found that small scale solar PV and wind are not viable in Scotland, with IRRs of 3.39% and 5.99% respectively, below the domestic average hurdle rates. This indicates that the rates of return are not sufficient to ensure uptake and therefore the move to zero subsidy will be set back.
- Furthermore we do not agree with assumptions made in the modelling more generally. The DECC proposed tariff rates are based on assumptions outlined in the Parsons Brinckerhoff report, some of which are inaccurate, or not relevant to the domestic sector. In particular, the proportion of total generation that used in home, rather than exported to the grid, is taken to be 47%. This appears to be based on evidence from non-domestic installations, and there is no logical argument for assuming any similarity between these two situations given the likely very different load profiles. The only robust evidence we have seen on this is the analysis of NEED data for households with solar PV which indicates an average bill saving of 450 kWh per year post installation. We have taken this as a proxy for in-home use of generation and assumed that the remainder is exported.
- Primarily as a result of this erroneous assumption, we find that the proposed tariff of 1.63 pence per kWh gives a negative rate of return (for under 4kWp systems) – that

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<sup>3</sup> Subsidies will continue to have an important role in supporting fuel-poor and harder to improve households to install renewable energy and energy saving measures.

is, the installation will never pay for itself, even with no discounting of future income. A 4kWp systems cost on average £6,700. Investing in a 4kWp system under the new proposed FiT payments leaves a shortfall of £2,300 after 25 years (20 years of FiT generation and export tariffs and 25 years of energy bill savings).

- If costs for a 4kWp system can be brought down to £4,000 then the proposed rates give a payback around year 15 and an IRR of 6% which is similar to the returns currently available through FiT. However, this is a long way from current prices and we are at the very least likely to see a significant hiatus as the market readjusts to this price level. Also, the trend of falling PV prices is likely to be interrupted by massive contraction in the solar industry due to the spending cap.
- Furthermore we do not support the proposal to merge the 4kWp and 10kWp bands. There are clear economies of scale within the 0 to 10kWp range which would tend to favour projects at the higher end if the two bands were merged. Many houses in Britain have insufficient roof space for systems over 4kWp, so merging the tariff bands would increase the tendency to favour larger, wealthier households rather than spreading widely the benefits of the technology.

#### *Communities:*

- For the community sector, we note the Community Energy England survey of 80 projects has found that 90% of community groups said their developing projects are completely (67%) or partially (23%) at risk due to the FiTs review<sup>4</sup>.
- Our experience of delivering community renewable energy support schemes for Scotland and Wales and consultation with the community energy sector in England suggests that community share issues to date have generally needed a rate of return of between 5-8% (before inclusion of EIS or SISR support) to be successful. The majority of projects are at the higher end of this scale. As community energy is still generally regarded as an immature market, projects need to achieve a reasonable rate of return to be able to overcome perceptions of high risk.
- On this basis, we do not believe the FiT levels quoted in the consultation would enable returns that would allow the majority of community renewable energy projects to progress (as evidenced by Community Energy England's survey). See above for our modelling of an alternative set of tariffs to achieve a rate of return of 7.5%, which we suggest would enable community energy to maintain its current momentum and continue to grow.

**Question 2. Do you agree or disagree that the updated assumptions produced by Parsons Brinckerhoff are reflective of the current costs of deployment for UK projects in your sector? If you disagree, please set out how they differ and provide documented evidence, such as invoices and/or contractual agreements to support this evidence. Please also mark this evidence as commercially sensitive where appropriate.**

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<sup>4</sup> Community Energy: Generating More than Renewable Energy. Quantum for Community Energy England. October 2015.  
<http://communityenergyengland.org/wp-content/uploads/2015/10/CEE-Survey-2015.pdf>



No response

**Question 3. Do you consider the proposed default depression pathways fairly reflect future cost and bill savings assumptions in your sector? Please provide your reasoning, supported by appropriate evidence where possible.**

No-one knows what future technology costs will be. Our view is that the depression method needs to be made more flexible to reflect technology costs as they are realised in the market, see question 4 below.

**Question 4. Do you consider it appropriate to harmonise the triggers for contingent depression across all technologies, and do you consider the proposed triggers will ensure tariffs reflect falling deployment costs? Please provide your reasoning, supported by appropriate evidence where possible.**

Government needs a system that can effectively support the costs of technologies to the point at which they can compete with fossil fuels. Costs trajectories cannot be accurately predicted and therefore we need a flexible mechanism.

We believe the trigger mechanism for depression needs to allow for both above- and below-anticipated levels of installations. The system should aim for depression as suggested, but allow a mechanism for expected depressions to be skipped if minimum installations rates are not reached, as well for higher depression rates if installation rates exceed expectations. In this way, the budget is still protected and the sector is protected from the risk of excessive depression killing off installation and effectively ending the drive for further cost reductions.

We believe there is a need for additional protection from depression for the community energy sector. They often require more time than commercial developers to complete schemes and quarterly caps will place high levels of risk of a project not being granted FiT upon completion. This problem is compounded by the recent axing of the pre-accreditation process, which provided additional confidence to community groups that they would receive the feed in tariff that they planned for when they created the budget for their project. We argue that [pre-accreditation for communities](#), as defined in the FiT order, should be reintroduced from January 2016.

**Question 5. Which of the options for changing the export tariff outlined above would best incentivise renewable electricity deployment while controlling costs and enabling the development of the PPA market? How should we account for the additional and avoided costs to suppliers associated with exports in setting the export tariff? Please provide reasons to support your answer.**

The value of the export tariff to a prospective generator is primarily the certainty it gives about future income, and the justification for investment this brings. Reducing the export tariff, or adding flexibility to it for existing generators, reduces this certainty and so increases the risk for the investor. This increases the hurdle rate, and hence the necessary generation tariff to reach the hurdle rate, hence negating any benefit to consumers.

It is also extremely difficult to assess the value of the electricity exported. The formula of wholesale cost, plus avoided costs, less transaction costs, is incorrect as it is based on average wholesale costs, not the cost of the electricity that would otherwise have been generated. This issue has been highlighted in the recent Good Energy report<sup>5</sup>, which suggests that the value of the electricity generated by renewables is considerably higher than the average wholesale cost.

Given the first point, we recommend that no changes be made to the export tariff for a given technology and size until the generation tariff has successfully degressed to zero. This way, unintended increases in the cost to consumers will be avoided. It will then become possible to look at degressing the export tariff (for large scale bands and for new installations only) if evidence at the time suggests this may be necessary. New projects will then be increasingly encouraged to opt for a PPA as time goes on and the export tariff reduces.

If degression of export tariffs is considered in the future, we strongly recommend that this starts with the largest size bands (where moving to PPAs will be less challenging), and is applied to medium scale projects only gradually as the PPA market matures at this scale. We anticipate that domestic and small scale community projects will always require an export tariff in order to keep transaction costs at an acceptable level.

We would also like to see a new, lower export tariff introduced for small scale renewable projects that are unable to claim the full export tariff for some reason. This would include any existing FIT project that have come to the end of their tariff life, but are still able to generate. These projects currently have no route to market, and hence little or no incentive to continue operation after the end of their FIT period. This limits the lifetime benefit of the project, hence increasing the cost of the scheme to householders.

**Question 6. Do you agree or disagree with the proposed changes to the indexation link under the FITs scheme? Please provide reasons to support your answer.**

No comment

**Question 7. Do you agree or disagree with the proposal not to include any additional technologies in the FITs scheme? Please provide reasons for your response.**

No comment

**Consultation Question 8. Do you agree or disagree with the proposal to introduce deployment caps under the FITs scheme? Please provide your reasoning.**

As explained in our response on degression we believe that the trigger mechanism for degression needs to be flexible and allow for both above- and below- anticipated levels of installations. As such we believe that any under deployed capacity should be carried forward

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<sup>5</sup> Wind and solar reducing consumer bills - An investigation into the Merit Order Effect (Good Energy, 2015)

into the next quarter to ensure that all potential capacity can be deployed, this should be incorporated into any deployment cap system that is put in place.

We accept the introduction of caps, but we do not agree with the cap proposed, which we see as far too low.

Community energy is also likely to be disproportionately affected by the caps suggested in the consultation. Not only are these caps too low to allow continued growth and investor confidence in the renewable energy sector in general, but the longer timescale of community projects will disadvantage them in securing their share of the capped installations. We feel that pre-accreditation should be re-instated and that the caps should be set considerably higher.

**Consultation Question 9. Do you agree or disagree with the proposed design of the system of caps (i.e. quarterly deployment caps broken down by technology and degression band)? If you disagree, are there any alternative approaches? Please provide your reasoning, making clear if your answer is different for different technologies or sectors.**

We support quarterly deployment caps for technology and degression bands.

**Consultation Question 10. Do you agree or disagree with the proposed approach to implementing caps? If you disagree, are there any alternative approaches that you'd suggest? Please provide your reasoning, making clear if your answer is different for different technologies or sectors and provide any views on what should happen to applications for FITs for installations which miss out on a cap.**

No response.

**Consultation Question 11. If it is not possible to sufficiently control costs of the scheme at a level that Government considers affordable and sustainable, what would be the impact of ending the provision of a generation tariff for new entrants to the scheme from January 2016, ahead of the 2018-19 timeframe or, alternatively, further reducing the size of the scheme's remaining budget available for the cap? Please consider the immediate and broader economic impacts and provide your reasoning.**

We believe that our proposed approach to managing degression (see above) will ensure better control of costs.

The ability for the UK government to close the FiT scheme completely if deployment is deemed too high will produce a tremendous amount of uncertainty for investors. Previous steps taken in the past few months have already produced a lot of uncertainty as recognised by all industry players, as well as the CBI and the Committee on Climate Change.

EST is concerned that whilst asking about the "*immediate and broader economic impacts*" of proposed changes DECC has not, in its impact assessment, modelled the expected job losses from its proposals. This is true of both the FIT review but also of the pre-accreditation

consultation which was implemented as part of cost control measures - no modelling of the cost savings was provided to justify the proposed changes to pre-accreditation.

In addition it is likely that the rush to pre-accredit brought about by the announcement of this review and the removal of pre-accreditation will have absorbed most, if not all of the remaining budget within the LCF, leading to early closure of the scheme altogether. The risk of this is already being reflected in the closure of solar installation companies and community energy projects being abandoned or “put on hold”.

Our modelling suggests that even the ambitious 3GW target from the community energy strategy could be achieved at a cost per household energy bill of 24p/year. We therefore believe that the LCF could be increased to enable the growth and commercialisation of community renewable energy without creating an undue burden on household energy bills.

**Consultation Question 12. What would be the impact of pausing applications to FITs for new generators for a short specified period to allow the full implementation of the cost control mechanisms? Please consider the immediate and broader economic impacts and provide your reasoning.**

We note that this Feed in Tariff review has already led to the collapse of one Solar PV company and other companies withdrawing planned investment from the UK market. Continuity of support is essential to rebuild market confidence and keep the UK moving towards the point where small scale renewable generation can compete against fossil fuel generation without subsidy.

As stated in our answer to question 1, we do not support the £75-£100m cap and we believe that the emphasis should be on a cost effective programme that can support small scale renewable generation to the point where it researches grid parity. A pause in support- as we have already seen with the market response to this consultation - will immensely damage investor confidence.

**Consultation Question 13. What would be the impact if FITs continued as an export-only tariff for new generators on reaching the cap of £75-100m additional expenditure? Please provide your reasoning.**

See our response to Question 1. We do not accept that £75-£100m is sufficient to provide the support that renewable electricity generation needs in the community and household sector.

Nonetheless, as part of our proposal (see “our revised approach” at the start of this consultation response) we do argue for a very substantially reduced generation tariff, and see that much more of the benefits from the FiT scheme should in future arise from the export tariff. We do not agree with assumptions that are made about the costs and arrangements for the export tariffs for small-scale generators in the Consultation

We argue that:

- The export tariff should be guaranteed for thirty years to provide a sufficient case for investment with a lower cost FiT scheme

- Finally, we believe that the costs of the export tariff have been overestimated; and have not factored in the "Merit order" effect (see Question 5)

**Consultation Question 14. Do you have any views on the use of competition to prioritise applications within a system of caps? What do you think are the advantages and disadvantages of this approach? What forms of competition may be appropriate and is this different for different sorts of installations? Please provide your reasoning.**

As described in question 15 we support the prioritisation of community groups and households within the scheme. We do not support the use of competitions to decide between households who could benefit from the scheme. We are not opposed to the use of competitions to decide between community applications, for example based on the number of householders and community members involved in and likely to benefit from the project.

**Consultation Question 15. Should FiTs be focussed on either particular technologies or particular groups (e.g. householders)? Please provide your reasoning.**

We propose focusing FiTs on householders, communities and schools. This is in line with the original intention of the policy. The original state aid request<sup>6</sup> said "16. *The beneficiaries of this scheme are non-energy professionals and include for instance households, community groups and schools. The expected number of beneficiaries is over 1,000.*" We believe this supports the view that a revised FiT for communities, schools and households could be delivered under the existing state aid permission.

The business sector is better able both to raise financing and to participate in larger scale renewables programmes funded under Contracts for Difference.

#### *Community Sector*

Community energy brings together entrepreneurship and philanthropy to deliver dynamic local businesses that put profits from renewable energy generation back into community projects. There is a clear rationale for community energy to be treated differently to commercial development as the community funds generated deliver social benefit that frequently delivers against government priorities such as fuel poverty. These projects also contribute to development of business skills in the community, including within deprived communities as evidenced by the work of Repowering in London and our own work with Swansea Council on the emerging "CREES" project

Community energy projects typically have less access to long term commercial and institutional finance at low rates, are slower acting due to their democratic nature and generally have less capacity overall than commercial developers. This makes the sector especially vulnerable to sudden changes in support mechanisms. Investment in community energy should be seen as addressing a market failure and enabling this sector to grow to a point where it is able to compete on a more level playing field with commercial developers. We would refer DECC to our submission to the pre-accreditation consultation for further evidence of the additional cost of community energy (e.g. Evidence from the

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<sup>6</sup> [http://ec.europa.eu/competition/state\\_aid/cases/235526/235526\\_1104588\\_39\\_2.pdf](http://ec.europa.eu/competition/state_aid/cases/235526/235526_1104588_39_2.pdf)

ClimateXChange comparative costs of community and commercial renewable energy projects in Scotland<sup>7</sup>)

The proposed changes are likely to have a greater negative impact on the community energy sector which does not yet have the capacity to weather such dramatic changes in policy. A sector that was beginning to break its grant dependence through social enterprise developed around the highly investable model provided by FiT, will once again become grant dependent. The substantial social benefit derived from community funds from FiT installations will be lost and the model of delivering renewables through social enterprise will be severely damaged at a time when it was beginning to gain traction as a viable part of the sector.

Feed in Tariffs have enabled community energy groups to build sustainable social enterprises to sustain their work and break their grant-dependence. The modest returns on these projects typically serve 2 purposes:

- Generating a community fund to help community social enterprises deliver their social aims (typically addressing fuel poverty, reducing carbon emissions, education or improving community facilities)
- A relatively safe, long term investment for local people in uncertain times. It should be noted that community energy share issues typically have a maximum investment level (and often a very low minimum investment level) so are about access for all rather than high returns for a small number of people.

In order to provide a definition of “community” projects that is not open to abuse we would suggest the following:

- DECC retains the existing definition for ‘Community Energy’ projects but temporarily restricts accreditation by Community Interest Companies (CICs) whilst a review is undertaken to assess whether additional safeguards are required. As there has been a spike in registration of CICs for solar projects since the introduction of the community FiT and some evidence that commercial developers are responsible.
- Getting this definition correct will not only avoid abuse of the system but could help to foster valuable joint ventures between community energy groups and the private sector by creating an incentive for developers to engage with community energy groups.
- Community Energy Scotland commissioned a report for Scottish Government to appraise appropriate legal forms that should qualify for community FiTs<sup>8</sup> and we would recommend referring to this for further information.

**Consultation Question 16. Do you agree or disagree with the proposal to remove the ability of new installations to extend their capacity under the FITs scheme? Please provide your reasoning**

<sup>7</sup> <http://www.climatexchange.org.uk/reducing-emissions/comparative-costs-community-and-commercial-renewable-energy-projects-scotland/>

<sup>8</sup> Burness Paull & Williamsons LLP “Eligibility for Community Feed-in Tariffs – Appraisal of Qualifying Legal Forms” (2013)

We agree with this in regard to households as we think it is important to engage as many households as possible under FITs. As such rather than allowing households with installations already in place to increase their capacity it is preferable to allow new households to sign up to the scheme.

We do not support this for community groups as there is a strong argument to be made that community energy groups extending their capacity can get more people from the community involved. We believe that the benefits of community energy projects – as explained in question 15 – continue to grow as capacity is extended as this has the potential to draw more people in and generate further income for community benefit.

### **Metering export and generation – smart meters and other options**

**Consultation Question 17. Given our intention to move to fully metered exports for all generators, do you agree with the proposal that new and existing generators should be obliged to accept the offer of a smart meter (or advanced meter) when it is made by their supplier? Please provide reasoning for your response.**

Our “alternative model” for a FIT scheme (see start of this consultation response) is based on the assumption that the proportion of total generation that is exported is much higher than is currently widely assumed (see answer to Question 1). When this is taken into account, in combination with a significant reduction in the generation tariff, the income from exported electricity becomes the biggest source of income for the householder, provided export is metered.

Our modelling suggests that a householder installing a 4kWp system will be around £2,000 better off with an export meter than with deemed export payments for the full life of the system. We consider this gives ample incentive for a householder to accept a smart meter at the earliest opportunity. If for some reason they decline the offer, then it is the householder alone who will lose out financially, while the cost of the scheme to others will be reduced by a tiny amount.

Information on in-home use for other FIT eligible technologies is sparse, but there is no evidence to suggest that households would commonly export significantly less than the deemed amount of electricity in practice. There would therefore be no financial benefit to the scheme from greater use of smart meters in generators’ households.

We therefore see no need to oblige FIT eligible householders to accept a smart meter at any point, as this will do nothing to further achieve the objectives of the scheme, or those of the consultation.

Electricity users other than households will have very different electricity usage patterns, making it impossible to generalise about likely export fractions. There may therefore be some benefit in requiring applicants for systems wired to non-domestic buildings to accept a smart or advanced meter, if there is no approved export meter already fitted, in order to avoid the risk of long term over compensation.

**Consultation Question 18. Do you agree or disagree with the alternative proposal that new applicants must have a smart meter (or advanced meter)**

**installed before applying to the FITs scheme, with existing generators being obliged to accept the offer of a smart meter (or advanced meter) when it is made by their supplier? Please provide reasoning for your response.**

We do not agree with this proposal, even for generators with non-domestic buildings. Some small financial savings for the scheme could potentially be made through requiring some non-domestic existing generators to accept a smart or advanced meter, where they are exporting less than 50% of generation. However, any benefit from this is likely to be outweighed by the negative impact of making a meter change obligatory when it currently is not. It is also possible that the obligation would mean some existing generators who export more than 50% would receive a smart or advanced meter when they otherwise would not have accepted one. This would add to scheme costs without providing an incentive for any new generation.

**Consultation Question 19. Do you have any views on possible approaches to introducing remote reading for generation meters? Please provide reasoning for your response.**

No response

**Consultation Question 20. Do you agree or disagree that recipients of FITs should be required to notify the relevant DNO of new installations as a condition of the scheme?**

The application process to FiTs is already complex and as the information is already being provided to Ofgem and we feel that it would be more straightforward to explore the data protection issues more thoroughly and find a way for Ofgem to coordinate with the DNOs through its Central FiTs Register, seeking permission from the applicant as part of the application process if necessary.

**Consultation Question 21. Do you agree or disagree the FITs scheme should be amended to include requirements that help mitigate and limit the impact on grids such as requiring generation to be co-located with demand or storage?**

No – If the current connection regulations do not provide ample protection for local networks from extremes of supply in certain locations, then those regulations should be amended accordingly, to allow DNOs to manage connections in those areas where this can be shown to be necessary. Making changes to the support mechanism instead will add unnecessary complexities to the scheme without targeting the areas of concern.

**Consultation Question 22. Do you agree or disagree that the FITs scheme or wider networks regime should be amended to ensure generators pick-up the costs they impose on the network?**

EST is concerned that if this were implemented it sends the wrong message to generators and would act as a significant disincentive to the adoption of renewable technologies. For householders installing renewables and applying for the FiTs scheme is already a relatively complex and costly process and this should not be added to.



We understand that this issue will remain a challenge as we move forward and as the proportion of electricity generated by renewables increases and as such it will be important to invest in the grid infrastructure. Placing additional costs on small renewable generators does not seem like a long term, sustainable solution.

### **Questions 23 – 25 Ensuring sustainability for anaerobic digestion**

Anaerobic digestion is not a significant technology for homes and community sector and the Energy Saving Trust will not therefore be responding to these questions.

**Consultation Question 26. Do you agree or disagree that only imported renewable electricity produced by generators in other EU Member States that are under 5MW and commission on or after 1 April 2010 should be used to offset levelisation costs? Please provide your reasoning.**

No response

**Consultation Question 27. Do you agree or disagree that we should introduce a cap on the amount of overseas generated renewable electricity that can be exempt from the costs of the scheme? Do you agree that the cap for 2016/17 should be calculated based on the number of GoOs recognised in 2013/14, increased by 10% twice to match the cap under the CFD Supplier Obligation?**

No response

**Consultation Question 28. Do you agree or disagree with the proposed change to the FITs legislation to refer to specific versions of relevant MCS standards? Please provide your reasoning?**

From our understanding of the proposals within the consultation we do not agree with this proposal as this will impede changing standards as the current proposal is being very prescriptive by referencing document versions. What happens if version 3.3 of the solar PV (MIS 3002) standard needs to change due to (for example) health and safety reasons? Version 3.4 would no longer be recognised in the FIT Order and would therefore mean that the installation would be sub-standard. We cannot see any sensible reason why DECC would want consider this as it would not allow standards to evolve over time.

**Consultation Question 29. Do you agree or disagree with the Government's proposal to use interest accrued on the FITs Levelisation Fund to part-fund administrative changes to the scheme which would otherwise be borne through public funding? Please provide your reasoning.**

No response

### **Energy efficiency criteria**

**Consultation Question 30. Do you agree or disagree with the revision being considered to increase the energy efficiency threshold to EPC band C for anyone with an installation to which the criteria apply? Please provide your reasoning.**

We do not support this proposal for the reasons explained in Question 31. We would be supportive of retaining energy efficiency threshold of “D” as currently, with an additional requirement that households must install cavity wall insulation or loft insulation if these measures are recommended in the EPC.

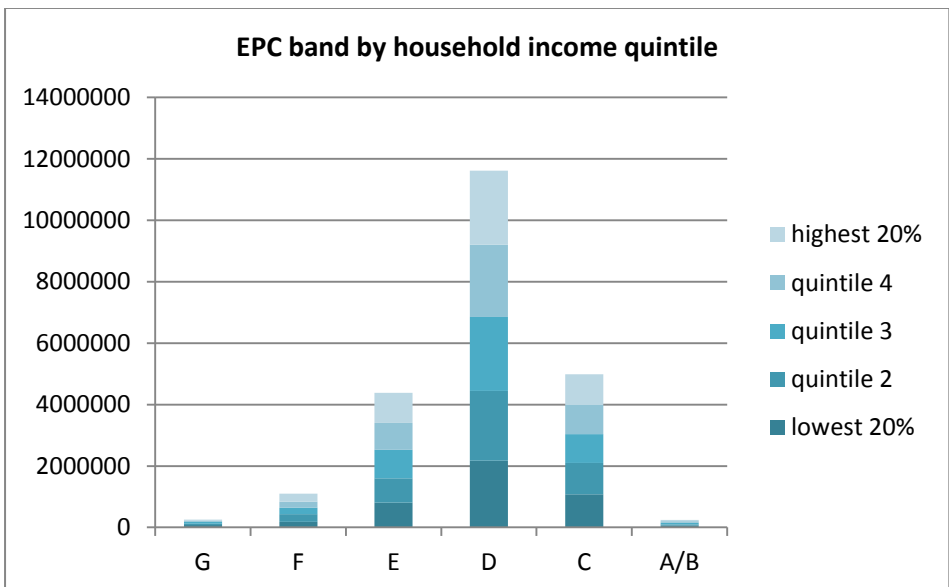
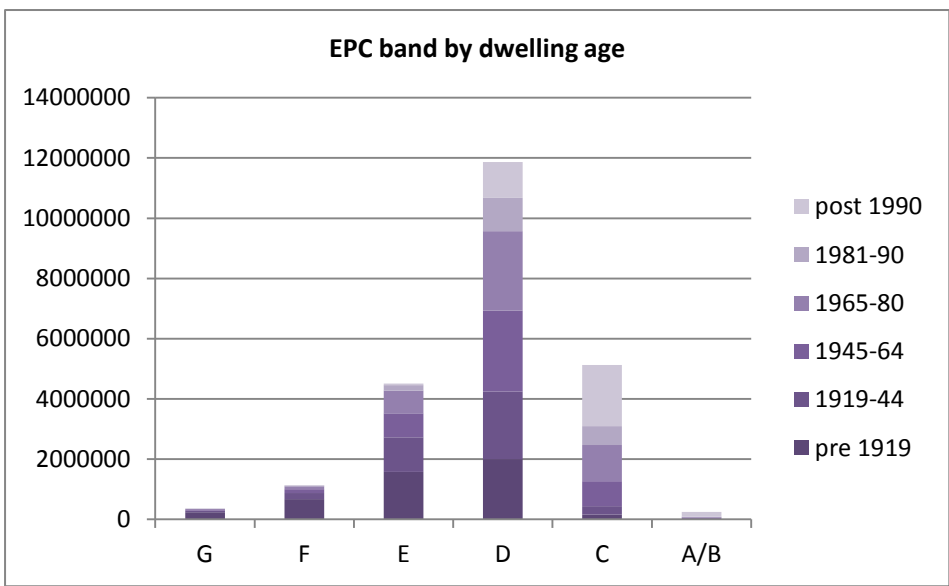
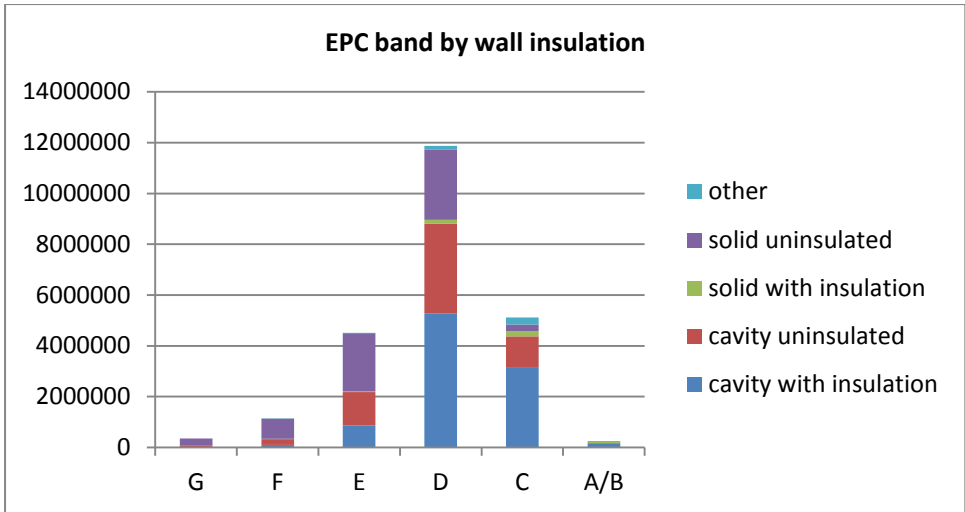
**Consultation Question 31. Do you agree or disagree with the revision being considered to remove FITs eligibility from anyone with an installation to which the criteria apply who does not have at least an EPC band C? Please provide your reasoning.**

We are strongly opposed to this proposal. While we accept the broad principle of “fabric first” in making energy and carbon saving improvements, we also recognise that renewable energy can be an important measure for homeowners where energy efficiency improvements are unfeasibly expensive or impracticable.

This proposal will tend to exclude those in older properties and those on lower incomes who most need to benefit from the scheme. This is particularly the case as the government has axed any financial support for solid wall insulation which is a key measure to bring older properties up to a C standard. As can be seen from the charts below, from English Housing Survey (2013-2014) data, there are over 13m homes in England built before, 11.8m of which are EPC band D or lower. Removing FITs eligibility for properties that do not have at least an EPC band C therefore excludes a very large group of households that may want to install renewable energy system – and these are the homes that are most in need of lower energy bills.

Equally in the consultation document it is stated that “*on average, about 75% of all homes already fall within bands A-D, with about 25-30% of all homes falling within bands A-C*”. This means that there is a substantial group of homes that fall within the band D requirement under the current FITs scheme and that removing eligibility for this group would in all likelihood have a significant effect on future applicants too. This is clearly seen in the charts below where a large proportion of properties have an EPC D rating.

We would be supportive of moving to an energy efficiency requirement similar to that operating in the Renewable Heat Incentive. Under this requirement households must install cavity wall insulation or loft insulation if these measures are recommended in the EPC. This mechanism would take into account the fact that for certain, particularly older properties energy efficiency improvements are not feasible. This is demonstrated by the large number of properties in the first chart below under the ‘solid uninsulated’ category.



**Consultation Question 32. Do you agree or disagree with the exceptions for community groups, schools and fuel poor households to the revision to the energy efficiency criteria being considered? Please provide your reasoning.**

As identified in our introductory statement, we believe a revised Feed in Tariff should be concentrated on homes, schools and communities.