

Disclaimer: this is a discussion document and does not necessarily represent the opinion of the University of Nottingham

FEED-IN TARIFFS SCHEME

The FIT Consultation Workshop’s response to the consultation on Comprehensive Review Phase 1 – tariffs for solar PV

Overview

The Feed-in Tariffs Consultation Workshop was organised by the Accelerating a Low Carbon Economy (ALCE) Project to offer the opportunity to small and medium enterprises (mainly PV installers) from the East Midlands to respond to this consultation. The event was held on Friday 16th December at the University of Nottingham – Innovation Park and involved the expertise of Alan Simpson (former MP and independent advisor on energy and climate policies) and Tim Saunders (Regional Microgeneration Co-ordinator from Energy Saving Trust).

Participants

Nine participants from seven SMEs attended and discussed the changes to the feed-in tariffs, expressing their opinions and ideas.

First Name	Last Name	Client Name
Andy	Devine	Life Long Energy
Martin	Dowd	MG Renewables Ltd
Jeremy	Fisk	C Changes Ltd
Chris	Grimoldby	C Changes Ltd
Markt	Johnson	Torse Ltd
Mo	Kelly	SASIE Ltd - Renewable Technology Installers
Dan	Smith	MG Renewables Ltd
Mike	Siebert	Ecologic Homes
Suzy	Stephens	EvoEnergy

Outcome

The event concluded with a selection of responses to the consultation process that the ALCE Project has put together as a unified document. In the view of the ALCE Project this workshop has given the opportunity to businesses that might be most affected by this process to express their opinions and learn more about the proposed changes.

The East Midlands – Ready to deliver, but what now??

This response to the Feed in Tariff Review consultation was collated from responses from participants at the Accelerating the Low Carbon Economy Feed in Tariff Event

By Tim Saunders

Like much of the UK, the renewable energy sector in the East Midlands region has seen solid growth over the last two years. Much of this growth has been driven by installations of domestic micro generation technology, particularly solar photovoltaic systems. The uncertainty of grant regimes was replaced with the feed in tariff, providing a straightforward long term offer for both installers and customers. This enabled businesses to plan growth and expand as the market developed. Falling equipment prices in the photovoltaic sector have increased both the speed of fitting and the attractiveness of installations.

This increase in interest has been supported by local community groups, who have been able to galvanise interest at a local level. Local authorities – from county to parish council scale - have worked with agencies such as the Energy Saving Trust to deliver workshops to enable consumers to understand the pros and cons of the technologies and financial incentives. Some groups have even run open house events with local residents demonstrating technologies to others in their neighbourhoods.

Long standing exemplars in the region such as Leicester’s Ecohouse, the Braunstone Solar Streets scheme and more recent innovative community schemes in the Meadows in Nottingham have demonstrated the benefits that solar bring to communities. The advent of the feed in tariff has seen housing providers grouping together to form partnerships. Most notably, Efficiency East Midlands formed East Midlands Green, a consortium of local authorities and housing associations to deliver the benefits of lower electricity costs to thousands of social housing tenants, many of whom are classed as being in fuel poverty. Whilst a solar PV installation alone won’t alleviate this problem it makes a valuable contribution and helps to raise awareness of the energy issue amongst residents.

Delivery has started in Nottingham in the Aspley area of the city with further schemes across the city. The lower rate for aggregators will affect the viability of these schemes, with many already on hold now that the 12th December reference date has passed

To provide for these additional training needs, a network of colleges has developed courses through the National Skills Academy for Environmental Technologies. Training courses are now offered or being developed across nine further education colleges, with Stephenson College, Coalville as the lead hub college. At a higher level there are a number of universities – Nottingham, Loughborough and De Montfort - offering world class teaching and research expertise in energy and producing graduates with the design and business skills demanded by this sector.

Feed in tariff statistics for installed capacity show that across the region on the 19th December 2011, 12,344 photovoltaic installations with a total installed capacity of 38.574 MW had been installed.

In November 2009, 28 companies were registered as installers with the Microgeneration Certification Scheme (MCS) in the East Midlands. This has grown rapidly so that in December 2011, 373 companies are now certified to deliver renewable energy technologies, with approximately 80% of them offering solar PV. According to the categories of membership of the REAL Assurance scheme, the vast majority of these renewable energy installation companies are either SMEs or micro-businesses.

Whilst photovoltaic installations will continue after December 12th 2011 and 31st March 2012, they will clearly be at a much reduced level. Renewable energy installers in the East Midlands have provided cost effective installations for consumers and businesses but without a workable solution to the feed in tariff consultation, their capacity to deliver will be severely constrained.

Answers to questions

The responses represent the views of businesses, organisations and individuals in the East Midlands. The views were gathered through a workshop run by the Accelerating a Low Carbon Economy Project at the University of Nottingham and submitted on behalf of the attendees. **The views expressed do not necessarily represent those of the University of Nottingham or the project.**

1. Do you agree or disagree with the proposed new tariffs for solar PV? Give reasons to support your answer.

- Disagree.
 - Need to provide consistency for business to adapt/grow/manage margins.
 - Too much of a steep decline as sets a precedent to run the scheme to a low price per kWh.
- Disagree.
 - Impact on expanding green tech businesses
 - Potential to reduce fuel poverty using aggregated community schemes may go.
- Disagree.
 - Tariffs reduction undermines consumer confidence in industry.
 - Directly leads to job losses and stopping fastest growing industry.
- 25% reduction acceptable. Maintain structure of FIT for 10 years while industry grows and is training engineers, investing in home-grown manufacture.
- 21p right now, future rates should be related to market conditions.
- Disagree.
 - About how it has been suddenly implemented.
- Agree.
 - 41p was too high and too many companies are flooding the market leading to possible decline of standards.
- From a moral point of view agree. However more people unable to afford. Appears “regressive” to most.
- The 21p will work if used to grow the industry, not kill it.
- Agree.
 - Should be around 25p to be back to same return as envisaged (5-8%) but 21p is OK if prices go down a little more. Installation costs have come down approximately 35% since April 2010 so would expect a reduction to give some return levels (5-8%) but slightly too much reduction by bringing down 50%.
- The method of reduction is clumsy, knee jerk and damaging to the industry. Needed doing but with industry consultation.



2. Do you agree or disagree with the proposal of applying the new tariffs to all new solar PV installations with an eligibility date that is on or after a reference date that comes before the legal implementation of those tariffs? Give reasons to support your answer.

- The current proposal sets the tariffs too low to get the industry to a level of self sustaining.
- You should never change rates in the middle of a consultation.
 - It offends and discredits the process.
 - It fundamentally damages investor confidence.
- Government needs to plan more to give businesses and industry a chance.
- Disagree.
 - Eligibility date should be based on date that customer places an order not on commissioning date. This proposal dramatically distorts the market in a negative way for all.
- Disagree.
 - Decision outside the original framework.
- Disagree.
 - Makes a mockery of consultation process.
 - It's like providing a definitive answer before the question has been fully asked.
- Agree.
 - Given virtually impossible to restart now.
- Industry needs to know what is coming – 2 years programme – if they are going to survive.
- Agree.
 - Gives companies and individuals time to make informed decision.

3. Do you agree or disagree with the proposed reference date of 12 December 2011? Give reasons to support your answer.

- Disagree.
 - This provides too much of a surprise for the sector, should stick to review dates.
- Disagree.
 - Timescale doesn't fit with sensible wind-down.
- Disagree.
 - It has caused consumers and installer to panic.
 - A realistic time frame should have been implemented.
- Disagree.
 - This date means that industry and public no longer can trust Government.
- Disagree.
 - Too quick.
 - No time for business plans to change/plan.
- Disagree.
 - Not democratic.
 - You cannot bypass involving industry in the decision making process.
- Disagree.



- Reference date of 12th December is short term pain, long term gain. However changes customers attracted to market – marketing strategy change needed.
- Sudden change = customer confusion, varying prices, not a short buying process – may warn customers off the industry.
- Disagree.
 - Change needs to follow a consultation not pre-empt it.
- Disagree.
 - There should be some method of lodging a deposit (now) allowing for an installation to be carried out by a predetermined date.
- Disagree.
 - But too late to change now.
 - In future must change the date immediately but guarantee FIT rate to anyone who has placed an order (and registered deposit with REAL) prior to the date of change.
 - How a deadline day distorts market:
 - Customers under pressure to order so subject to profiteer + over pricing from cowboys.
 - Installers under pressure to install quickly – bad jobs and H&S issues.
 - Good installers with already full order books have to turn work away which goes to bad installers.
 - Government has no idea how many installations will happen between announcement and deadline.
 - Long term projects (e.g. those requiring planning permission: several churches we were planning to install on) need to be cancelled as can't get rates they expected.
 - Solution:
 - Register all deposits and orders on MCS Database and allow 4 months to install them.
 - Rate guaranteed at time you place an order providing it is installed in 4 months.
 - No market distortion occurs when it is announced that rate is dropped immediately – e.g. if you haven't placed an order before date "X", then you will get new rate.
 - This prevents all market distortion effects mentioned above.

4. Do you agree or disagree with the proposal to introduce new multi-installation tariff rates for all new solar PV installations that meet the definition set out above and have an eligibility date of on or after 1 April 2012? Give reasons to support your answer.

- Disagree.
 - Restricts the possibility of viable community projects that will provide saving and generate a community feel.
- Disagree.
 - Why penalise the social sector in light of increasing fuel poverty.



- Disagree.
 - Restricts the social sector.
- Disagree.
 - Negative impact on fuel poverty reduction.
- Disagree.
 - This is illogical and will restrict take up in this area this must not happen.
- Disagree.
 - CSLs need the additional tariff to compensate for the tenants benefitting from the energy use.
- Partial.
 - Rate should be lower for multi-installation sites because they have greater economies of scale so this makes rates of return similar in all cases.
 - However multi site rate should not apply to social housing schemes.
 - Solar schemes on social housing are a great way of helping to relieve fuel poverty and providing councils/RSLs with an income so should be given good support and excluded from multi site rates.

5. Do you agree or disagree with the proposed multi-installation tariff rates? Give reasons to support your answer.

- Agree.
 - Likely to have better access to finance/not community focused.
- Agree.
 - Rate should be lower by approximately amount indicated (due to economies of scale) but should not be applied to social housing.
- Disagree.
 - To avoid continued confusion, tariff should be as normal tariff and a concrete digression established (i.e. >1GW cap).
- Disagree.
 - Tenants get the benefit of the own use generation. This makes the ROI for the investor/owner non viable.
- Disagree.
 - Anything that would restrict the take up of this technology in the next 10 years should be avoided at all costs.

6. Do you agree or disagree with the proposal that for solar PV attached to a building, eligibility for the standard tariffs proposed in chapter 2 should be contingent on a minimum energy efficiency requirement being met? Do you have views on whether such a requirement should apply in relation to all buildings or just to dwellings or non-domestic buildings? Give reasons to support your answer.

- Disagree.



- Whilst energy efficiency is important this is a separate issue.
- Disagree.
 - This is a separate issue.
- Disagree.
 - People should be able to make their own choices.
 - Each case/property is individual.
- Disagree.
 - Just another roadblock to progress.
 - Should be treated as a separate issue.
- Agree.
 - Should apply to all buildings.
 - BPC requirements are a basic requirement.
- Disagree.
 - Limits consumers' choice.
 - Many people like solar PV in preference to insulation, changing boiler, etc and if they don't choose solar PV then it may be that they do not do energy efficiency measures at all, which is a worse situation.
- Disagree.
 - Unless you apply this to all energy suppliers it will just penalise renewable energy.
 - Any such obligation must apply to all buildings and all energy suppliers.
- Disagree.
 - Should only apply to non domestic buildings.
 - PV on domestic roofs must be encouraged regardless because it's a game change.
 - Just ask for basic requirement, e.g. loft insulation, draught proofing but nothing too expensive to prevent it happening.

7. Which of our two lead options for the energy efficiency requirement – requiring a building to achieve a specified EPC rating, or requiring the installation of all measures that are identified on an EPC as potentially financeable under the Green Deal - do you prefer for (1) dwellings, and (2) non-domestic buildings? Give reasons to support your answer.

- 80% of dwellings would not meet criteria.
- Green Deal should be made available to domestic as soon as possible. Better EPC rating leads to a better tariff.
- Green Deal for domestic. EPC rating for non domestic.
- Green Deal as this could be delivered in a package where PV doesn't sit well.
- EPC is simplest. Should apply to all buildings.
- Fund this as the Germans do, out of EU-ETS receipts.

8. Under the first option for the energy efficiency requirement, do you agree or disagree with the proposal that the EPC rating required to be achieved should be level C or above? Give reasons to support your answer.



- Disagree.
 - EE is a separate issue.
- Disagree.
 - Wrong place to talk about this.
- Disagree.
 - This persecutes people/properties particularity of solid brick construction.
 - It should simply be a number of criteria that has been met rather than a rating.
- Disagree.
 - Separate issue.
 - But if implemented better EPC = better tariff.
- Disagree.
 - EPC should relate more to the measures that impact on its value.
- More clarity about level C should be established as its relevance to PV is not clear but for all funding minimum performance applies.
- Too high a hurdle for domestic. Just need a basic level to be reached.
- EPC is the simplest mechanism if applied to all energy suppliers.
- Level C or above – a confident position to be in. Concern over now to achieve this level – only structured focused approach will work – pressure to achieve this puts RHI on the map and raise awareness on this issue, for longer term gain.
- Bringing EPC rating into it creates too much complexity for consumers. Also only 20% of houses are currently C or above. Solar PV is actually best measure and most cost effective for many old solid brick houses, blanket “must be C rating” creates far too much limitation on uptake of solar PV. Instead, just focus on basic measures (e.g. “in order to qualify for solar FIT, must have: cavity wall insulation (if applicable); 200mm + loft insulation (if applicable); condensing boiler (if applicable) and provide an EPC to prove that these are fitted.

9. Do you agree or disagree with the proposal that, for a transitional period only, all solar PV installations attached to a building should initially qualify for the standard tariff, and their continued eligibility for that tariff should be conditional on the building to which the PV installation is attached achieving the energy efficiency requirement within a specified period? Give reasons to support your answer.

- Agree.
 - More sensible and considered transition.
- Agree.
 - All buildings should be required to achieve a minimum energy performance.
- Must have a period to adjust therefore need to be staggered as per German scheme.
- Agree.
 - But how do you “police” it?
- Agree.
 - More reasonable.
- Agree.



- This would help to smooth out market for solar PV which has already been subjected to big distortion.
- Agree.
 - Gives people/companies a valid incentive.

10. Do you agree or disagree that this transitional arrangement should apply to installations with an eligibility date on or before 31 March 2013, and that the specified period should be 12 months from the installation's eligibility date? Give reasons to support your answer.

- Agree.
- A 5 year transition period is legitimate for EPC compliance.
- Agree.
 - Gives solar industry time to react to this change and explain impacts to consumers.
 - Transitional period should be a little longer, e.g. 2 years.
- Agree.
 - Industry won't survive on short term policies.
- Agree.
 - Should have long term policies, not "short-termism".
- Agree.
 - Set an acceptable criteria and stick to it.
- Disagree.
 - Should be longer, there could be a lot of expense involved.
- Agree.
 - The uplift of the existing property stock needs a given time frame for actions with exemptions were applicable.

11. Can you identify any other issues, besides those discussed in this chapter, in relation to the implementation of an energy efficiency requirement for (1) dwellings, and (2) non-domestic buildings?

- Green Deal for EE. FIT is about electricity.
- Green Deal. Government legislation on emissions.
- Don't let "the Big 6" penalise dual fuel users by skewing the cost at lower levels.
- Different properties have different potential to meet EPC. Should not be punished if they want a particular technology.
- Priority should be with domestic properties.

General comments

- Export rate at 3.1p was unfair and it should be raised to a higher level in line with the wholesale rate of renewably produced electricity. This would need to be a fixed amount with RPI; 7p is a fair amount. At 3.1p exported energy is literally being given away.
- Community definition needed.



- UK should give renewable energy preferential (first) access to the Grid (e.g. EU Renewable Energy Directive).
- What's going to happen to the RHI?
- UK should set annual PV target of minimum 1GW p.a. as the basis of annual 15% degeneration rates.