



COMMUNITY
ENERGY PLUS

Response to Feed-in Tariff Review Consultation October 2015

35 River Street, Truro, TR1 2SJ | www.cep.org.uk | 01872 245566 | Registered charity 1068990

Department of Energy and Climate Change consultation on a review of the Feed-in Tariffs scheme

In August 2015 the government launched a consultation on a proposed set of measures to control costs under the Feed-in Tariff, including revised tariffs based on updated technology cost data, a more stringent degression mechanism and deployment caps leading to the phased closure of the scheme in 2018-19. It proposes that if such measures cannot put the scheme on an affordable and sustainable footing then there should be an end to generation tariffs for new applicants as soon as legislatively possible, which we would expect to be January 2016. It also proposes other measures to ensure the scheme is more closely aligned with other DECC policy measures

Introduction to Community Energy Plus

Community Energy Plus is a charity and social enterprise providing services to help householders and communities in Cornwall enjoy warmer, more energy efficient homes. Since the charity's formation in 1998 we have worked in partnership with a wide range of public, private and third sector organisations to support a variety of innovative projects relating to energy efficiency and renewable energy in Cornwall. Before 2014, a significant focus of our charity's work has been the delivery of energy efficient home improvements and we are proud to have installed loft, cavity wall and external wall insulation and heating improvements in over 25,000 Cornish homes.

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

Disagree. We anticipate that the levels of FiT reduction proposed under this review will significantly reduce the deployment of renewable technologies across all scales as we have not yet reached grid parity.

Panel cost reductions have encouraged many householders to harness the energy generating potential of their roofs but this has largely been driven by the financial incentives offered by the FiT. For householders without their own capital to pay for the installation of a PV system, an 87% reduction to the FiT will offer insufficient financial returns to make debt finance worthwhile.

We work with a number of community energy groups across Cornwall who often take a number of years to become established and develop their plans for community owned renewable energy projects. We expect that the proposed changes to the FiT will result in community projects not being able to obtain the level of return required to attract investment. This will mean that the environmental, social and financial benefits to local communities offered by community owned renewable energy projects will be lost.

In recent months we have been developing plans for a community solar PPA which had the potential to provide a long-term income stream to support our charitable activities. The returns projected from installations after January 2016 are insufficient to secure the commercial investment necessary to bring our plans to fruition.

We believe the rationale of the FiT review in order to *“place policy costs on a bills on a sustainable footing, improve bill payer value for money, and limit the effects on consumers who ultimately pay for renewable energy subsidies”*, is fundamentally flawed. The proposed measures are anticipated to save the average household just £6 a year on its energy bill by 2020/21, whereas fossil fuel subsidies currently cost every person in the UK £400 per year. Subsidies for Hinkley Point Power Station are anticipated to add an additional £14 to average energy bills in addition to the costs of dealing with the UK’s nuclear waste at a further £79.

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.

Disagree. We have been involved with the development of a number of community owned wind projects where the proximity of a proposed wind turbine to neighbouring properties has meant that direct supply has not been feasible.

From our experience of developing medium scale community wind projects, we are aware of the high costs associated with creating new three phase connections compared to single phase connections. It does not appear that the variable costs associated with grid connections at different scales have been factored into the assumptions produced by Parsons Brinckerhoff.

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

No. The majority of the technologies used in renewable energy installations are manufactured overseas and their prices are driven by global markets, therefore technology costs in the UK are unlikely to be affected by changes to the FiT.

Question.4. Do you consider it appropriate to harmonise the triggers for contingent degeneration 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.

No. The development time needed for renewable energy projects, and particularly community led schemes, mean that quarterly contingent degenerations will make it very difficult to carry out financial modelling and secure finance. The removal of FiT pre-accreditation means that the level of risk associated with developing projects on this basis will have a direct impact on community energy groups' ability to make clear, justified decisions in progressing renewable energy developments that can provide far reaching benefits for our local communities.

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.

None. A stable export tariff, set at a level which encourages energy to be produced by renewable sources is essential in order to enable householders, community energy groups and commercial developers alike to understand the returns associated with an installation and have the confidence to attract investment and bring projects to fruition.

Instead of looking at options for withdrawing or reducing the export tariff in the future, we believe that a higher export price should be considered in order to incentivise clean, and green renewable energy generation and create a genuine level playing field for the renewables sector as the comparisons made against the wholesale electricity prices do not factor in the generous subsidies currently enjoyed by nuclear and fossil fuelled energy producers.

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.

Disagree. This change will further reduce the financial viability of renewable energy projects.

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.

Agree. In order to achieve a viable zero subsidy future for renewables, FiT support should be focused on supporting the deployment of proven renewable technologies.

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

Disagree. Deployment caps will make it incredibly challenging to plan projects and bring them to fruition. The uncertainty regarding the level of FiT that can be secured by a project will increase the level of risk associated with developing renewable energy projects which will have the effect of creating further instability in the sector.

Cornwall and the wider South West of England have excellent solar and wind resources and thanks to the introduction of the FiT, our region's renewable energy sector has enjoyed significant growth in recent years. If brought into their full effect, the proposed reductions to the FIT will have severe consequences for the deployment of future renewable energy projects and will lead to significant job losses in the sector.

After January 2016 if there are still opportunities for projects to provide sufficient returns to attract investment, the introduction of deployment caps will create further insecurity and uncertainty in the sector and will prevent all but the largest scale projects from being commissioned.

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 57 your answer is different for different technologies or sectors.

Disagree. The level of uncertainty created by a system of caps will make it difficult to carry out financial modelling and secure finance and therefore places significant barriers to the future deployment of renewables.

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.

Disagree. Applications submitted after a cap has been reached should not be expected to resubmit their application in the following quarter as it will establish a lottery based system where they could potentially face missing out subsequent opportunities to qualify for the FIT. If it is necessary to introduce a cap, it is important that it enables applications to be carried over.

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.

Although the industry is close to competing without subsidy, it has not yet reached grid parity. Ending the provision of a generation tariff for new entrants to the scheme from January 2016 would have devastating effects on the renewable energy sector, leading to large scale job losses.

In terms of the impact on community energy projects, it will effectively erase the excellent progress that has been made by hundreds of communities across the country. We are working with a number of community energy groups in Cornwall who are at various stages of planning renewable energy projects which will no longer be financially viable and will consequently not deliver the financial, social and environmental benefits that the communities had aspired to achieving.

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.

The effects of pausing applications to FITs for new generators will be similar to the effects of ending the provision altogether.

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.

Unless export tariffs are increased, an export-only tariff system will not offer sufficient returns to make projects viable. A more gradual reduction in support is needed in order to reach a point where the industry can become subsidy free and to prevent it from collapsing when it is so close to realising the ambitions that the FIT sought to deliver.

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.

We strongly oppose the use of competition on tendering as the process is biased towards large scale developers who are able to enjoy economies of scale and operate on much tighter margins than community organisations.

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

Solar PV has enjoyed the highest deployment rates and is consequently close to reaching grid parity, therefore if a technology focused approach is taken it would be prudent for solar PV to continue to be eligible for the FiT. Although onshore wind is further away from grid parity, it forms an important part of the country's green energy mix and is a popular technology choice for community energy projects. Further support from the FiT for onshore wind will help improve the technology and install costs.

We would welcome the introduction of measures to safeguard the future of community energy projects and enable communities to continue to develop and deliver their own solar and wind projects which bring deliver a triple bottom line of social, environmental and economic benefits.

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

No comment.

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.

Agree, but it is important that these do not incur any additional costs for householders or community projects as this would form a further barrier to deployment.

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

No comment.

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

No comment.

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?

Agree. The task could be performed by installers and would contribute to a clearer picture of grid capacity.

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 colocated with demand or storage?

Disagree. While storage offers exciting opportunities for the renewable energy sector and will undoubtedly play an increasingly important role in creating a secure and sustainable energy future, the developing technology is currently expensive and should therefore be eligible for financial incentives to increase its take up in order to drive down delivery costs. Making it mandatory for new installations to include storage capabilities will increase installation costs and further erode the financial viability of projects.

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?

Disagree. Grid infrastructure investment is integral to gaining a secure and sustainable energy supply in the future, therefore these costs should be borne centrally and not by individual developers.

The proposed changes to the FiT will severely impact the deployment of future renewable energy projects and each set of additional expenses imposed on developers will further erode the viability of projects.

Question 23. Do you agree or disagree that payments to newly accredited AD installations, at all scales, are conditional on meeting the proposed sustainability criteria? Please provide your reasoning.

Agree. The rationale proposed in this consultation seems sensible.

Question 24. Do you agree or disagree that the proposed criteria and GHG trajectories set out above would set the necessary bar to meet our objective to incentivise the multiple benefits from waste-fed AD? Can you suggest alternative criteria which would help to achieve this goal? Please provide reasoning and evidence for your answer.

No comment

Question 25. Do you agree or disagree with the proposed reporting system to underpin sustainability criteria? Please provide your reasoning.

No comment

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 comment

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?

Agree. In order to support the UK's own renewable energy sector the amount of renewable energy imported from other countries should be limited.

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?

Agree.

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.

Agree, however we believe that the administrative changes to the scheme are unnecessary and the FIT should not be restructured.

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.

Disagree.

While it is appropriate for the government to aspire for all homes to be of the highest energy efficiency standard, in reality there are currently very limited options for householders to access any financial assistance to improve the energy efficiency of their homes. This is affecting householders' ability to install measures to improve the EPC rating of their property.

In Cornwall 35% of homes have been constructed with solid walls (the national average is 29.9%). These 'hard to treat' properties are difficult and expensive to insulate and will therefore changes to the EPC threshold would preclude a large number of households from being able to undertake the necessary energy efficiency improvements to bring their homes up to a band C before the installation of a PV system in order to qualify for the FiT.

It is likely that this change, as with the other proposed changes to the FiT, will heavily restrict future installations to affluent property owners and will severely limit the future deployment of solar PV.

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.

Disagree. Requiring properties to achieve an EPC band C, alongside the other changes proposed in the FiT review, will severely reduce the number of properties which are able to take advantage of the high levels of solar irradiation that we enjoy in Cornwall and the wider South West of England. If implemented to their full extent, the changes will no doubt result in a significant number of job losses in an economically disadvantaged part of the country.

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.

Agree. It is important that schools and community groups continue to be able to enjoy the full range of financial, social and environmental benefits made possible through the FiT. In addition to providing a 20 year income stream to support other activities in communities, the installation of renewable technologies in community settings is an important educational and energy engagement tool.

Cornwall currently ranks as having the twelfth worst problem with energy affordability in the country due to a combination of low incomes, a high number of homes with solid walls and high proportion of properties which are not served by the gas network which are reliant on expensive forms of heating. The latest report on fuel poverty in England has shown that 14.4 percent of households in Cornwall, which is almost 35,000 homes, have above average energy costs. The 2013 figures for Cornwall show a 3% rise on the previous year, meaning that over 7,000 additional households in Cornwall have found it harder to keep their homes warm in 2013.

We support any actions which help people living in fuel poverty to achieve more energy efficient homes, however it is unlikely that fuel poor households will have the funds to install solar PV unless they participate in a 'rent a roof' scheme or benefit from the installation being funded by a social housing provider. In both of these instances we believe that there is a case for allowing qualification for FiT for fuel poor households, regardless of the EPC rating of their property.

