



## DECC Review of the Feed-in Tariffs Scheme

Below is a summary and Strutt & Parker reaction to the DECC consultation titled “review of the Feed-in Tariffs scheme” published on the 27<sup>th</sup> August 2015.

### 1. Revised Generation Tariffs & Mandatory Degression

Revisions to FiT tariffs aim for subsidy free solar PV in the small scale domestic market (<10kW) and large scale (>1000kW) by January 2019. This is considerably earlier than the industry has previously projected.

In the run up to no tariffs there will be mandatory degression each quarter for all FiT technologies. This will range from 4-5% for the PV 50-250kW band up to 8-50% degression for the small scale <10kW banding.

It is unlikely that wind or solar will have reached grid parity by these points although they may be on their way to it.

This reduction in support will almost certainly result in a decreased number of investors funding solar and wind installations. Proposals will not be as attractive as they have been as developers focus on high on-site consumption sites and seek PPAs at a value marginally less than grid electricity.

### 2. Wind larger than 1500kW will be entirely excluded from the FiT from January 2016.

This coupled with previous announcements for ROC's and planning for wind turbines will stop any wind project that does not already have planning and cannot connect by either 31<sup>st</sup> December 2015 if aiming for FiT's or 31<sup>st</sup> March 2016 for ROC's unless it qualified for the grace period giving some projects until 31<sup>st</sup> March 2017.

### 3. Hydro has been least effected with tariff reductions of 30% compared to today's levels.

### 4. Anaerobic Digestion

We are pleased to see a separate consultation is proposed although the one released today perhaps does not bode well for that.

### 5. Impact on Solar PV returns

Parsons Brinckerhoff have advised DECC on the tariff level changes aiming for a project to achieve in the region of 4-9% IRR under proposed FiT levels. We have reviewed our 3 most recently completed solar PV projects for their expected return and what this would be if they were accredited in January 2016 under the proposals:

County	System Size	August 2015	January 2016
Leicestershire	50kW	12.10%	4.55%
Buckinghamshire	50kW	11.01%	3.61%
Kent	80kW	11.12%	5.78%

### 6. Contingent Degression

Contingent degression on top of the mandatory would be a minimum of 5% where deployment exceeds projections with a further 10% when the cap is reached for both PV and non-PV

Deployment caps would be 8.8MW for the >50kW band in q1 2016 providing space for 176 installations if all at 50kw, however DECC estimates there will only be 34 installations in the >50kw band.

### 7. FiT Extensions

DECC will prevent extensions to accredited stations receiving the FiT. This is to encourage deployment of a sites maximum capacity in one go. We consider this to be a disappointment as a number of businesses have installed a 50kW PV system as an initial project and having been pleased with this then gone on to extend the installation once they are comfortable that it works for them.

## 8. Cost Control Measures

The Cost Control Measures propose the introduction of a quarterly budget cap that can be allocated to new installations. Two scenarios of how this could operate are given both of which create significant risk to deploying a project as you could find either you have not qualified and have to resubmit in the next quarter (under the first proposal) or the alternative proposed is a rolling system where if you miss out due to a cap being reached you qualify under the next cap which reduced the risk of not qualifying at all but will make financing a project difficult.

## 9. Future Proposals

All generation sites to be fully export metered in conjunction with smart metering legislation – these proposals coupled with other metering changes, such as P272 (see attached) are making the whole metering area more complex and expensive for users of electricity. For some sites export metering will not be viable.

All sites to have an EPC dated prior to the generator commissioning date – this proposals removes the benefit that installing a renewable generator has had in increasing the performance of a property and therefore focuses the 2018 Minimum Energy Efficiency Standards on to insulation and efficiency measures in a building.

## 10. Finally

DECC has proposed that if the FiT tariff alterations are not successful at creating an affordable and sustainable trajectory the FiT will be removed for all new applications from January 2016. This would be an immediate blow to the industry that has developed and must increase the likelihood of a rush to complete projects by the 31<sup>st</sup> December 2015.

## 11. Proposed Tariff Tables and Existing Tariffs

Proposed Generation Tariffs for Jan 2016 (p/kWh)		Ofgem Tariffs for installations with an eligibility date on or after 1 <sup>st</sup> October 2015 (p/kWh)	
Solar PV			
0-10kW	1.63	<4kW	12.47
10-50kW	3.69	4-50kW	11.30
50-250kW	2.64	50-150kW	9.63
250-1000kW	2.28	150-250kW	9.21
>1000kW	1.03	250-5000kW	5.94
Stand Alone	1.03	Stand Alone	4.28

Wind			
<50kW	8.61	0-100kW	13.73
50-1500kW	4.52	100-500kW	10.85
>1500kW	0.00	500-1500kW	5.89
		>1500kW	2.49

Hydro			
<100kW	10.66	>15kW	15.45
100-500kW	9.78	15-100kW	14.43
500-2000kW	6.56	100-500kW	11.40
>2000kW	2.18	500-2000W	8.91
		>2000kW	2.43