DEPARTMENT OF ENERGY & CLIMATE CHANGE

Feed-in Tariffs Scheme

Government Response to Consultation on Comprehensive Review 2B: Analysis of consultation responses

July 2012

Contents

Introduction

1. We received 303 responses to the consultation published on 9 February – Feed-in Tariffs Scheme – Consultation on Comprehensive Review Phase 2B: Tariffs for non-PV technologies and scheme administration issues. A list of the respondents to that consultation can be found in Annex B of the Government Response, published on 17 July and available at http://www.decc.gov.uk/en/content/cms/consultations/fits_rev_ph2b/fits_rev_ph2b.aspx.

2. This document, which is published alongside the Government Response, contains a summary of those responses, arranged by individual question.

The Financial Aspects of the Scheme

Question 1: Do you have any comments on the data used to develop these tariffs?

1. There were a number of comments that the Parsons Brinckerhoff Report on technology costs in non-PV sectors was badly researched and did not therefore give accurate costs, particularly in the wind sector. It indicated that the capital and operating costs will increase, but did not appear to have taken into account the revised FIT rates including the proposed degression.

2. It was claimed that costs for the 5kW wind turbines were not correct, which, including VAT, were double the cost given. An independent study carried out by Element Energy consultants in relation to wind costs for the range of 0-500kW, referred to within consultation responses, showed that the average was 20% higher than that in the FIT model. It was argued that the costs had increased for material prices and certification costs and it appeared that the capital costs had not factored in the cost of gaining of planning permission for medium to larger wind projects. Since there had been a lower take up of small wind projects with the capacity and numbers, respondents believed that the support should not be reduced. However some believed that the rate of return was higher than the stated 8% because all applicants took advantage of the inherent distortion within the banded system.

3. Some responses from the hydro sector believed that not enough account had been taken of the rising costs in their sector. These were high as there have been increased costs across the board, with steel prices, equipment costs, legislative costs, and costs of assessment/studies all rising. It was also argued that the Environment Agency were increasing the restrictions on water licenses, which had an effect on load factors.

4. Grid connection was another cost that was claimed to have not been factored in satisfactorily. To connect a wind system could be 30% of the total development cost. It was also stated that the smaller wind systems and small hydro systems (i.e. 20kW) grid costs are more than £25,000. Where the grid connection was weak, upgrade works for medium sized wind projects and hydro could be 30-40% of the total project cost.

5. It was claimed that the data for AD was incorrect as there had not been sufficient data gathered on small AD plants. There were several suggestions to limit the upper limit to 1.5 or 2MW, which would help support small-scale AD plants (<100kW). It was also argued that the overall cost for agriculture had gone up for rents, machinery, fertiliser and fuel. Evidence presented suggested that the rents paid on an acre of land was £200, but was £130 three years ago.

6. On microCHP there was a general consensus that the cost assumptions were too low, particularly for the capital costs. It was believed that the costs for installing a stirling engine microCHP is around £8,000. It was also argued that fuel cell microCHP units were not commercially available. Therefore it would be difficult for the prices to be estimated accurately, but looking at products that were very similar from Japan and Europe the products would be 2-3 times higher than the costs assumed in the report. There were different types of fuel cell technology with different cost drivers. Information presented from Japan suggested the costs per unit installed for fuel cell microCHP could be in the range of £20,000 to £30,000. The restriction of acceptable fuels to diesel and natural gas was also challenged. It was suggested that if microCHP running on waste cooking oil for 2kW and above were incentivised under the FITs scheme, there would be much greater uptake as there would be multi-site clients eager to install systems. This could lead to around 300 sites over the next 12–24 months and an installed capacity of 10kW. Others thought that raising the cap for microCHP from 2kW to 50kW would create greater take-up.

Question 2: Do you agree with the proposed tariffs?

7. About 75% of those responding to this question disagreed with the proposed tariffs in one way or another, the general view being that the proposed cuts were too aggressive to encourage positive growth. It was stated that capital costs had not reduced, and in many cases had increased. Respondents cited data in the consultation that showed only solar PV installations had exceeded their expected deployment; all other technologies had fallen considerably short of their predicted deployment. This suggested that support under FITs at the proposed level was not enough to generate the interest needed, and/or the planning process may have been hindering and/or preventing their deployment, which meant that there was no reason to cap all tariffs at the small PV rate. There were also complaints that reductions triggered by additional uptake were not matched by increases where uptake was lower than anticipated.

8. It was claimed that there was already evidence within the hydropower industry and in the wind generation that some schemes were being implemented at lower-than-optimum capacity to secure a better rate as a result of the bands that have been implemented. In addition there has been a general increase in the cost of hydropower hardware, including the cost of cement.

9. It was claimed that for wind, capital costs had not reduced and materials such as steel and copper used in the construction of turbines were rising. An argument was put forward that a gradual tariff reduction between 2012 and 2014 as opposed to an immediate tariff cut to 21p/kWh would sustain the growth of the sector and deliver necessary cost efficiencies. The gradual tariff reduction would allow industry to adjust to changes without having a substantial negative impact on businesses and jobs. On the other hand, some organisations who were against more onshore wind supported the cuts and would like to see them cut further. There were other very specific proposals on bands and tariffs.

10. On microCHP respondents did not feel that a cap of 2kW was reasonable, and suggested that increasing it to 50kW would increase uptake, especially if the tariffs were raised to a similar level to other technologies. 15p/kWh was seen as the sum needed to kick start the microCHP, market.

Question 3: Do you agree with the proposed timing for implementation?

11. Those who responded to the question on timing, were fairly evenly divided. There were some who agreed that October was a suitable implementation date. Those who disagreed mostly thought that October was too soon for change, particularly given that some of the proposed changes were quite considerable. A large number wanted to postpone the changes until April 2013, to take account of the long lead-in times for some technologies, and to allow projects already in train to complete before the tariffs changed. A number of people also commented that changes were usually made to tariffs in April, and that an earlier implementation date was arbitrary and only done to try and align with solar PV. Nearly everyone was agreed that the announcements should be made as soon as possible.

12. There were some comments that any increase for microCHP should be implemented before October.

13. On degression, there was a fair degree of understanding as to why this had been proposed, but views were divided on when it should be implemented. Some thought it was being done too quickly and without sufficient thought to the impact on some technologies such as the emerging smaller scale AD sector. Others felt that the proposed timing for implementation was reasonable but wanted the changes resulting from the consultation to be announced as quickly as possible to give forward visibility for the customers and industry.

Question 4: Do you agree that the cost control mechanism should apply across all technologies?

14. The majority of respondents agreed with the principle of a degression mechanism that was fair and transparent as it would provide investor confidence. However, because of the big differences between the various technologies, people thought that timings and trigger points should be specific to the technology. There was also support for the idea that tariffs could go up if they are clearly too low and there was little or no uptake.

15. Those who disagreed with the principle argued that in some technologies, such as hydro, costs were rising and that automatic degression of 5% would lead to a 50% cut in ten years. It was felt that, because of the long lead-in times for most of these projects, a cost control mechanism of this sort was not suitable. There was broad agreement for the idea that there should be no reductions until deployment actually reached the trigger.

16. There was considerable concern expressed over the existence and level of triggers for additional degression, with most respondents who commented, suggesting a higher level of predicted deployment for the trigger e.g. 125%.

17. It was felt by some that Ofgem should have sufficient information on their website including regular updates on tariff levels and the cost control mechanism. It should publish updates on the frequency and speed of applications and projects accredited, which would allow generators to forecast deployment and plan ahead.

18. Some thought that the degression mechanism would mean that hydro projects would no longer be able to benefit from FITs because of increasing costs for project implementation, raw materials and longer lead times. Operating costs generally will also rise because of inflation which will affect other costs like labour, trash disposal, business rates etc. A number of respondents felt that the degression mechanism was just not suited to non-PV technologies because of their longer lead-in times.

19. A few respondents thought that microCHP should not be included in the cost control mechanism.

Question 5: Do you agree with the proposal that all tariffs will be subject to a minimum degression rate of 5% per year beginning in April 2014?

20. 75% of those responding to this question were against the minimum degression rate suggested and there was general agreement that this should only apply to technologies where predicted take-up was matched by actual take-up. Otherwise a technology that was already failing to meet its targets, would fall even further behind. Degression should be based on the cost-benefit analysis for each technology and not be time based. It would only work if it was directly related to price reductions in the market, rather than being based on a theoretical model.

21. Those in favour argued that there is a case for degression in tariffs because in the long term all renewables should become market competitive. It should allow for expected reductions in the costs of the technologies as technology advanced and uptake increased.

22. This would mean that the degression mechanism should not apply to the microhydro industry, for which evidence was presented that the costs had increased recently by about 20% . Costs were less likely to fall in the microhydro industry because it was mainly bespoke so its technology would not benefit from mass production.

23. Most thought that it would be better to use a capacity trigger than an annual degression, because tariff degression should be based on market conditions, which would mean that there was no need to set a minimum degression rate. The important thing would be to introduce tariff reductions gradually, with plenty of warning for consumers and industry.

Question 6: Do you also agree that there should be an element of capacity-based triggers that could accelerate the degression mechanism? Do you agree with the proposed triggers?

24. Respondents were fairly evenly divided on whether there should be an element of capacity based triggers accelerating degression. Those who agreed thought that triggers were necessary so that decisions could be made. However they thought that timescales needed to be set so that everyone had a definite date when tariffs would be reviewed and tariffs changed.

25. Each technology had their own thoughts on what constituted a suitable trigger. Hydro had substantial lead-in times and therefore the hydro industry felt that the imposition of degression at the same rates as all other technologies would be unfair. It was thought that using a capacity based system would get over this problem.

26. The wind industry felt that the proposed triggers were too low to allow wind to get anywhere near the volumes of PV and therefore achieve the same economies of scale. Capacity triggers needed to be many times larger than proposed and some thought that >500kW turbines needed to be in a separate band.

27. Community interests also felt that, with continued degression, the danger was that community schemes would lose out over individual or commercial schemes, given the longer lead times involved in community projects. The degression mechanism was likely to lower the proportion of community-owned schemes. For this reason it was thought that there should be a different, or zero rate of degression and different trigger levels for community schemes, to allow a greater number of community schemes to develop.

Question 7: If not can you propose an alternative model, e.g. contingent degression or quotas that would deliver certainty for investors and confidence that we can meet our Levy Control Framework obligations?

28. A number of respondents stated that there should be a pre-accreditation process for technologies that had longer lead times, for example hydro and AD. Others suggested that there should be annual degression, adjusted to the level of capacity deployed from the previous year against the floor levels and target cap. This would mean that if the capacity had gone over the cap, then the degression rate should be higher and if the deployment had dropped under the target floor capacity then the degression rate should be reduced, perhaps to 2.5%, or even zero. One respondent stated that the degression rate should be reduced by the percentage it has under-achieved by; for example, if the deployment is 90% of the target then the planned degression should be 4.5% i.e. reduced by 10%.

29. A number of respondents believed that capacity-based triggers were best for contingent degression, as they gave an amount of generating capacity which is confirmed in each band. Some AD developers thought there should be no degression trigger for under 500kW and a band for AD under 100kW should be implemented as this would provide greater benefits for the environment with farm AD. It would also allow smaller AD plants to develop.

30. A few respondents believed that there should be no degression until the threshold had been reached for community FIT schemes. It was also suggested that community FIT projects should have different degression levels, for example PV would degress at a quicker rate than wind as wind projects took longer to implement.

Question 8: Do you agree that it should be a longer term objective to have an energy efficiency requirement for some or all non-PV technologies? How could this be done?

31. The majority of responses disagreed with the aim of applying an energy efficiency requirement to all or some non-PV technologies in the future. Most non-PV technologies were not necessarily linked to buildings: an example raised was a community hydro scheme which would export all of it output. Without a direct link to buildings it was difficult to see how an energy efficiency requirement could be applied.

32. A number of responses thought this to be a complex issue without a simple solution. In principle it was thought to be reasonable and desirable to insist on a high standard of energy efficiency if benefit was to be drawn from a subsidised tariff, and for an owner-occupier it may make sense, but landlords or owners of non-residential property may simply opt out if required to make such an investment. Also, it was claimed that in practice it did not take account of circumstances. For historic public buildings, especially churches (12,500 of 16,000 of which are listed) an EPC was an inappropriate method for assessing energy efficiency. It was claimed that it was difficult to adapt EPCs to listed buildings and automatically advised measures such as solid wall insulation which would not only damage the character of the building but could cause serious harm to the fabric. The same sort of comment was made about community PV schemes on buildings like sports centres, which did not require an EPC under the EPC Regulations and to obtain one would be exorbitantly expensive.

33. Others believed it to be a huge complication and that proposals for improving energy efficiency should be dealt with through other mechanisms.

Question 9: Do you consider that equivalent energy efficiency measures to those required for solar PV should be applied to microCHP and wind installations?

34. On the specific issue of whether energy efficiency requirements should be applied to microCHP and wind, respondents were generally against, although there was some support for building-mounted wind. This would only apply to wind turbines mounted on domestic buildings, and several respondents thought that the requirement for a D should be lowered for older buildings.

35. Some respondents argued that microCHP should not be included in the energy efficiency requirements as it competed with other primary heating technologies that did not have these requirements, including conventional gas boilers. It was also suggested that the added factor of a boiler generally being a distress purchase would deter consumers if there were additional efficiency requirements, although others were in favour of applying the energy efficiency requirement as it would be installed in a domestic building. Because of the additional cost of an energy efficiency requirement, some thought this would further deter people, and that any energy efficiency requirements should be brought in as part of the Green Deal. Another suggestion was that a grace period of twelve months should be given, at the end of which time FITs payments would be reassessed to see whether the energy efficiency requirement had been met.

Question 10: Do you think that tariffs should continue to be index-linked for all technologies?

36. The overwhelming response here was for no change. The FITs scheme was attractive in the first instance partly as it was an investment protected from inflation. Removing index-linking would be totally against what was originally set out and would be seen as unfair.

37. Some thought that it made most sense where installations are subject to high operating costs in terms of labour and transport, as they would also increase over time. However, if the removal of

index linking allowed the removal of the degression mechanism for some technologies at the smaller scale, this was also thought to be acceptable.

Question 11: If index-linking is maintained what would be the best model? RPI, CPI, or another model e.g. time-limiting of indexation?

38. A large majority would prefer to see the continuation of RPI indexation to keep the scheme consistent. RPI was considered the most suitable tool for this task, as it was the cost of goods and services required in the ongoing maintenance and operation of the scheme that needed to rise and the RPI is easy to understand and recognise.

39. Some did think that a shift from RPI to CPI would be a good compromise, recognising that generally, Government has been moving from RPI to CPI increases across the board.

40. A small number suggested a manufacturer/industry based index (PPI) or a link to energy prices, which often fluctuated more significantly than RPI or CPI.

Eligibility and Accreditation

Question 12: Do you agree that the 5MW cap remains the appropriate limit or should a lower limit apply?

41. About 50% of those responding to the consultation answered this question, and the majority of those (approximately 65%) agreed that it remained the most appropriate limit given all other factors. Of those who agreed with the general principle, a number wanted changes for particular technologies. The reasons given for remaining at 5MW were the need to provide consistency, stability and certainty; and as the scheme is working, there is no need for change which could potentially cause a gold rush on the Renewables Obligation (RO). Some people also took the view that lower tariffs in the upper bands disincentivised installations at the larger scale. Some respondents also expressed concerns that the EMR proposed mechanism (feed-in tariff based on contracts for difference) would be unsuitable for generators at the small scale, so the current cap of 5MW should be retained in the short-medium term to support as many installations as possible.

42. Those expressing views that the 5MW cap was no longer appropriate and needed to be lowered presented arguments that the RO was already in place for large scale installations, with FIT rates at the upper bands at the same level as the RO. In general, those supportive of a lower FITs cap were of the view that FITs should focus on domestic and community/farm sized installations and that it would be highly unlikely for non-energy professionals to own installations at such a large scale. Various caps were suggested ranging from 250kW to 3MW capacity. Some were of the view that a cap of 2–3 MW would still enable community groups and farmers to provide clean energy for onsite use, reduce carbon emissions and protect a proportion of their cost against future increases. However, there were also suggestions that the cap needed to be technology based rather than a fixed cap across all installations (e.g. 500kW to 1.5 or 2MW for wind; 2MW for AD; 250kW to 10MW for hydro). The FITs budget and protecting the money available for micro installations were also stated as reasons to reduce the cap.

43. On the other hand, a small minority suggested that the cap should be increased up to 10 or 20MW for wind and hydro schemes. Reasons given were that a higher cap would cause community schemes to be more ambitious; would enable some hydro schemes to be realised; and would result in a decrease in risk for some projects which would only have access to the RO.

Question 13: Are there other technologies you think should be supported under the FITs scheme?

44. Of the small number of respondents in support of including new technologies, the majority supported the inclusion of tidal mills and locks, as specified in Question 14. Views were varied, ranging from stating that all of the technologies that could be are already supported, to extending support to a wide variety of technologies; even that all renewable energy technologies up to the cap of 5MW should be supported by FITs.

45. In general, the number of respondents wanting to extend the FITs scheme to include other technologies was small. Some focussed on extending the existing support for technologies such as microCHP and AD by extending the eligibility requirement for these technologies. Those in favour of more support for microCHP suggested lifting the cap and extending support for up to 50kW capacity. There were also suggestions to consider extending the energy source to biofuels including cooking oil. Those in favour for the extension of AD support suggested that AD plants using solid biomass and sewage should be supported under FITs.

46. Others favoured wave and tidal technologies, with a majority of supporting tidal mills and locks. Other technologies mentioned were microbial fuel cells (above 2kW), small scale marine

technologies, geothermal, waste incineration and waste water recovery (suggesting 1ROC equivalent for stations up to 250kW).

47. Other views expressed included keeping under review the possibility of extending the scheme to other technologies based on their own merits. There was also a suggestion that all innovative technologies should be supported until at least commercial deployment of the technology was achieved.

Question 14: Should the definition of hydro generating station be extended to include small tidal projects such as tidal mills and tidal locks that use a mixture of fluvial and tidal power?

48. A large majority of those responding to this question responded positively to extending the definition of hydro generating station to include small tidal projects such as tidal mills or locks. They thought the suggestion was logical and would encourage further investment in renewable energy in the UK. Most of the support for tidal mills and locks to be included was because they are more likely to be similar to hydro schemes and it was thought that they were much more promising in comparison to other tidal schemes.

49. However, some respondents who agreed with the proposals suggested that tidal projects be given their own band and tariffs because of their higher load factor and reliability in comparison to hydro schemes. Other arguments for why they should be supported were around the social benefits of providing low carbon electricity to rural and coastal communities.

50. A few respondents disagreed. The arguments presented were mainly around the difficulty in providing a workable definition without adding complexity to the FITs scheme. There were also concerns that the cost of tidal projects was notoriously high; and even if considered favourably, it should have its own tariff band and not be included as part of hydro schemes. One respondent was of the view that the potential in this category (tidal mills/locks) was too low to warrant consideration as a natural provider of energy.

51. There were not many suggestions on definition, though one was to move away from using a definition around “mixture of fluvial and tidal flow” to one which uses the geographical limit around the coast as potentially that could be easier. Another suggestion was to split the definition of hydro for specific definitions for high head, low head and tidal.

Question 15: Should second-hand and refurbished equipment be permitted for FITs accreditation?

52. The majority of respondents took the view that second-hand and refurbished equipment should be permitted for FITs accreditation. This was particularly the case in the hydro industry. Some of the reasons given in support of this proposal were that: allowing the accreditation of such equipment would facilitate a cheaper option for generating renewable energy; recycling equipment would lower the environmental impact linked to the production of equipment; and it would allow the moving of poorly sited technology to a better-suited location in order to optimise output and free up finance tied into such installations. Most respondents favoured the inclusion of equipment that is remanufactured rather than that which is refurbished to be eligible for FITs, and some felt that allowing second-hand and refurbished equipment would also encourage the growth of skills development. Many said clear standards on quality, and penalties for faulty equipment would need to be set for second-hand and refurbished equipment.

53. Many of those who disagreed with the proposal also raised concerns on quality control because they thought it would be too difficult to set a standard for second hand equipment. Many also felt that effective administration of such equipment would be too difficult. Several of the respondents said that the inclusion of second-hand and refurbished equipment in the FITs Scheme would increase the risk of fraud, lead to unnecessary relocation of equipment in order to receive FITs

payments and potentially in theft of equipment. Some of the respondents also stated that allowing second-hand or refurbished equipment could suppress the use and development of new and more efficient technology. There was also the view that second-hand equipment is available cheaply on the open market; hence there is no need for a subsidy as the investor would be able to achieve a reasonable return on his investment. Otherwise there is the risk of overcompensating. It could possibly reduce overall renewable capacity (use of less efficient machines with a shorter lifetime), increase operational cost, and undermine confidence.

Question 16: As this equipment has a different cost base, would you support the payment of lower tariff for such equipment, and how much lower should tariff be compared with the standard tariffs? How would this tariff be calculated?

54. The majority of respondents agreed that a lower tariff that takes into consideration the lower cost base of second-hand equipment should apply, and various tariff reduction rates from 25% to 50% were suggested. Several respondents said that second-hand and refurbished installations would still incur costs linked to consent, refurbishment, transport, disassembly and reassembly and that these costs needed to be taken into account when considering what tariff reduction should apply. Some respondents also argued that the age and efficiency of the technology should be taken into consideration when setting tariffs.

55. The respondents who disagreed with a lower tariff for second hand equipment argued that the associated costs of refurbishment, higher operating costs for older, less efficient equipment and higher cost of insurance and difficulties in securing supplier warranty could outweigh any expected savings from using second hand equipment and that the costs of second-hand installations could often equal the costs of a new installation. The majority of respondents who disagreed with this proposal also felt that it would be too difficult to calculate a tariff for second-hand equipment and that it would add further complexity to the FITs scheme. Another suggestion was to reduce the period for the FIT payment rather than the price to coincide with the life expectancy of the second hand/refurbished equipment.

Question 17: Do you think the position relating to metering should be changed?

56. The majority of those responding to the question on metering were of the view that the position on metering should not be changed.

57. While the majority supported things remaining as they are, there were concerns that there was no available listing of the approved meters and this lack of information added further complication for the non-energy professional. There were also suggestions for the strengthening of metering requirements under MCS.

58. Although fewer were of the view that the position on metering should be changed, they presented more pointers in support of this view compared to those who think it should not change.

59. The points made in support of a change were:
    - DC meters were more efficient, particularly for off-grid users and should be allowed. It is hugely inefficient to convert DC to AC and back to DC again.
    - DC meters were available that met FITs requirements were unable to gain approval by Ofgem because of lack of guidance for approving DC meters
    - Allowing DC meters would encourage take-up of off-grid installations.
    - Rules on metering should be reviewed. There are frequent instances where meters are running backwards following installation.
    - Off-grid installations must comply with the relevant accreditation standards for FITs.

- Some trials were already taking place to demonstrate feasibility of DC networks and battery storage with Low Carbon electricity technologies without the conversion to AC in grid connected systems.

Question 18: Do you agree that FITs should only be payable for useable energy and that metering installation standards should reflect this?

60. There was general support that FITs payments should be for useable energy although some expressed concerns about calculating this given the difficulty in ascertaining transmission losses. Also, those expressing this view were supportive of the view that exports should be measured and the level of the export tariff should be increased to reflect the true value of the electricity.

61. There was also wide support for the use of smart meters and the potential benefits.
    - FITs is about generation power so rules should be strengthened to reflect this and explicitly allow for the use of local power including in the DC domain.
    - Meters should always be downstream of the transformer that feeds into the grid. Generators should be looking to maximise the energy produced by good design.
    - Energy must be connected to the grid or property to make use of the power; FITs should only pay for useable power.
    - Generators should be paid for what that actually export by doing away with deeming and increasing the export tariff; increasing export tariff would encourage licensee to fit export meters to avoid the extra cost.
    - The planned roll out of smart meters should be FITs enabled; this would simplify the process for FITs.

Question 19: Is the existing definition of site sufficient? Do any of the criteria require further definition?

62. A large proportion of respondents who agreed with the current definition of site said that further clarification is required to address issues linked with multiple installations on private wires networks linked to the public electricity grid a single meter point (MPAN) and Anaerobic Digestion technologies supplying gas to multiple sites. Some of these respondents felt that a preliminary accreditation process would provide further clarity and alleviate some of these issues.

63. The majority of respondents who disagreed with the current definition of site referred to the same issues. Some said that whilst they felt that the current definition was not sufficient, they recognised the difficulties in finding a definition that could be applied to all of the technologies eligible for FITs and doing so would further complicate the FITs scheme. Several of these respondents also believed that a preliminary accreditation process would alleviate some of the issues raised. There was a question of fairness because the first installation on a private wire would get the standard rate, but any additional ones would be treated as extensions to the first and the tariff would be set accordingly.

Question 20: What additional criteria or definitions could be used?

64. A number of respondents felt that including ownership as a criterion would address the issue of multiple generators on a single MPAN. Others suggested grid location, separate planning and Controlled Activity Regulation (CAR) licences, no shared civil works, separate generation meters and local generation meter. Several respondents did not offer alternative criteria or definitions but did say that the criteria should allow anaerobic digestion plants to supply gas to other premises. One of the perceived problems was that the definition of the words and terms used in legislative documents can be inappropriately used or interchanged. Some believe this was what had

happened with the words 'site' and 'installation'. They argued that rather than re-defining words later, it would be preferable to ensure that definitions were agreed at the outset, in legislation.

Question 21: How would you resolve the private wire issue? Should there be a separate definition?

65. On the issue of private wires, suggestions to address this issue included assessing projects on a case by case basis, metering generation at the inverters or supply point for each building with an MCS certificate for its installation, defining sites by the generation meter and ownership of an installation.

Question 22: Do you think that the definition of stand-alone needs to be clarified, for example to specify a minimum amount of onsite use?

66. Respondents were divided in their views on the definition of stand-alone installations with a slightly higher percentage saying further clarification is required. Many of these respondents felt that the definition should ensure that the higher FITs tariff applied only to installations which provided electricity to a building for consumption onsite. Suggestions on the minimum amount of onsite use varied from 5 to 50%.

67. Those who disagreed argued that consideration needed to be given to installations that may be classified as standalone but provide electricity to nearby energy-consuming sites and structures such as roofed car parks with electrical charging points or vehicle battery charging. Others argued that it would be too complex and burdensome to administer a scheme where minimum onsite use was monitored and verified. Several respondents said that special consideration needed to be given to hydro installations, which were often classified as standalone installations as they were located in remote locations. An alternative approach was mentioned of implementing an additional eligibility check for systems over 30kW, where an export meter was mandatory.

Question 23: Should consideration be given to the use being made of the building, such as whether it is occupied?

68. Of those who responded to this question, a higher proportion felt that consideration should not be given to the occupancy of a building. Many of these respondents felt that doing so would disadvantage installations on unoccupied industrial and agricultural sites with high energy use such as water utility sites, milking parlours and buildings housing data servers. Other respondents felt that such an approach could disadvantage schools, public buildings, churches and community centres that may not be classified as permanently occupied. A number of respondents who felt that consideration should be given to the occupancy of a building said that only installations on structures that have no energy use feeding electricity straight to the grid should be excluded from the higher rate.

Question 24: Do you agree with DECC's position on mobile installations? If not, what alternative would you propose?

69. The majority of those who responded to this question showed support for DECC's position on mobile installations. Many respondents stated that the effort required to administer mobile installations would be disproportionate to any benefit that could be achieved by including them, as well as increasing the risk of fraud.

70. Of the respondents who argued that mobile installations should be included in the FITs scheme, several argued that installations requiring containerised or movable components such as anaerobic digestion plants should not be excluded from the FITs scheme. Another respondent said that consideration needed to be given to moored turbine systems so that they are not

excluded from the FITs Scheme. Other respondents felt that mobile sites switching from diesel generators to renewable energy generation should be supported by the FITs scheme.

71. Some respondents felt that there was no good reason to exclude boats, trains or portakabins. In the context of meeting the UK's renewable energy and climate change targets, if these buildings were suitable for the installation of renewable energy technology, then they should also be able to benefit from FITs. Another view was that as long as the mobile structure upon which the installation was sited was metered, it should be irrelevant that it was mobile

Question 25: Do you think that the definition of "commissioned" needs to be clarified, for example to specify that the installation needs to be in operation and generating electricity on which FIT generation/export payments can be made?

72. Many respondents believed that the definition of "commissioned" should be further clarified and agreed that this should be the date that the installation in question is in operation and generating electricity. However, some respondents felt that the definition needed to take into consideration wind, hydro and anaerobic digestion installations that may be fully functional but unable to generate energy due to a lack of adequate wind, water flow or long lead-in times. These respondents argued that the definition needed to take into account when such installations are capable of generation. For instance, if a river is frozen, a hydro plant may be capable of generating in theory, but not able to in practice because of the lack of water flow.

73. Several others argued that delays in obtaining a grid connection on an otherwise complete installation would lead to an unfair delay in the commissioning of a system. They identified the problem that the network company, which is effectively a monopoly, has to check it and sign it off even if able to get a third party to undertake the grid connection works. Therefore it would be possible to have had equipment installed and connected but it would still not eligible because it had not been signed off.

Question 26 Do you agree with our proposal to allow a preliminary accreditation process for certain defined installations in the FITs Scheme?

74. 93% of respondents answering this question were strongly in favour of a preliminary accreditation process saying that it would create a stable platform and provide more certainty for projects with long lead-in times such as anaerobic digestion, hydro, wind and community scheme projects.

Question 27: Do you agree that preliminary accreditation be limited to ROO-FIT installations and not allowed for PV developments?

75. A small majority of the respondents (about 56%) felt that pre-accreditation should be limited to ROO-FIT installations and community scheme projects for all technologies, because they felt that the PV developments had shorter lead times and would not really need the pre- registration.

76. Those who disagreed argued that a system which would encourage investor confidence should be made available to all technologies including solar PV at all scales. They could not see any reason why any system to encourage investor confidence should not be made available to all technologies.

Question 28: Should preliminary accreditation also involve the fixing of tariffs for a set period of time at the point at which preliminary accreditation is achieved?

77. Nearly 90% of those giving views on this question felt that the preliminary accreditation process should involve the fixing of tariffs for a set period of time. This would remove uncertainty and allow projects to go ahead with greater certainty on their expected tariffs and returns to balance against their cost information. Suggestions on the period the tariff should be guaranteed varied from six months up to four years depending on the complexity and scale of the installation and technology in question.

78. A key concern raised relating to the proposal for a fixed tariff was that it may encourage speculative applications which did were never completed, making it difficult to track level of deployment and forecast the FITs budget.

79. In a similar way to planning law, which requires a project to be started within three years of consent, it was suggested that projects with preliminary accreditation should start before a certain number of months/years has elapsed, depending on the technology. For hydro it needs to be a meaningful period reflecting the real lead in times for planning and licensing, say four years, and be capable of being renewed.

Question 29: What are your views on the key design issues for preliminary accreditation i.e.,

(a) at what stage would projects be eligible e.g. with planning approval, grid connection offer? or other factors?

80. The vast majority of respondents felt that eligibility for preliminary accreditation should occur when planning approval and grid connection permission is granted. A considerable number of respondents felt that only planning approval should be considered because of the costs and validity period of grid connection permission and the substantial financial burden such a requirement might place on large scale wind projects. A few respondents felt that the eligibility date should be the date a financial commitment or contract is agreed by the investing party.

81. Specifically on anaerobic digestion projects, a number of respondents felt that planning approval would not be appropriate because of the high proportion of anaerobic digestion sites which received planning permission but did not move from planning to completion because of lack of feedstock security or other unforeseen costs. Data from WRAP was cited that highlighted that there was over 200MW of AD capacity with planning permission, but conversion from planning to construction is only around 1–10 %.

(b) how long should the guarantee of tariffs last?

82. Respondents varied in their response on how long the guarantee of tariffs should last quoting between six months to four years depending on the complexity and scale of the technology in question. Many of the points made were the same as those made for Question 28.

(c) should there be a penalty for uncompleted projects to prevent speculative applications?

83. The responses generally suggested that a penalty for uncompleted projects was not necessary, as robust criteria for preliminary accreditation should help prevent speculative applications so that significant investment would have already been made before reaching the point of eligibility. It was also suggested that any penalties for uncompleted projects may deter community groups from establishing a project.

84. A few felt that some kind of deterrent would be necessary and suggestions varied from loss of a deposit to being made ineligible for other preliminary accreditation applications.

(d) what modification to the original application should be tolerated and still receive the tariff guarantee?

85. The majority of respondents felt that only modifications which would be allowed within the planning consent granted at the preliminary accreditation stage should be allowed. There was also strong support for the tolerance of modifications currently permitted under the Renewables Obligation. A number of respondents felt that as long as a project kept within the tariff band assigned at preliminary accreditation any modifications should be allowed.

Question 30: Should MCS continue to be the route for FITs accreditation for micro-generation under the scheme or should there be a new body?

86. The majority of those responding to the question on the use of MCS or equivalent supported the continued use of MCS as the route for accrediting micro- installations. There was a general recognition of the benefits of using MCS; it was already well established, it functioned well, it met industry criteria, consumer protection, product quality issues. Nonetheless some respondents in support of the MCS process also stated that the system was flawed and wasn't necessarily stringent enough but could be improved instead of introducing a new process.

87. There was very little support for not using MCS other than those who took the view that it wasn't suitable for bespoke installations such as microhydro installations; and a view that it should be dropped entirely as there are regulations already in place to protect consumers.

Question 31: Are the criteria listed above sufficient to be used to determine if a scheme is equivalent to MCS? Are there alternative criteria that could be used?

88. There were very few respondents to this question (about 20%) and amongst them there was less support for an equivalent scheme than there was support for MCS. Many of those in support of an equivalent scheme indicated that the list of criteria presented in the consultation for an equivalent scheme was sufficient. On the other hand, some thought that the list should include cost, independence or reference to national/international standards, or even an element of insurance; also that the success of MCS depended largely on the development and maintenance of standards and processes that were specific to the technologies and industries that the scheme supports.

89. It was very important that any accreditation scheme was able to demonstrate a high degree of independence in the development and issuing of standards and processes. MCS did that through involvement of all interested parties in the development of standards via technology workgroups, the administration by an independent licensee (presently Gemserv) and the assessment of installers and products by independent certification bodies.

90. Some of those respondents who expressed support for an equivalent scheme also supported the continued role of MCS for FITs accreditation. In that regard, the view was that it should be an avenue for non-MCS technologies and must not be too complex to validate.

91. Those against an equivalent scheme expressed concerns that it would add complexity to the process of accreditation with added cost.

Question 32: Do you have any other comments on the current operation of the MCS-FIT accreditation system?

92. Views on the MCS accreditation process itself included statements that although it worked well, it was too lenient, had not enough rigorous checks on installations, and needed to be more proactive on fraud and mis-selling. There was also a general view that MCS was more suited to

technologies that are easily deployable, hence more appropriate for mass-market technologies than for the more bespoke technologies such as hydro.

Question 33: What do you consider the best way for microhydro installations to be accredited for FITs?

93. There was a 30% response rate to this question. The majority of respondents thought that continuing accreditation through the ROO-FIT accreditation process was most suitable for microhydro. It was generally accepted that MCS standards are more geared towards standardised rollout of a technology that is not always appropriate for such bespoke systems. There were also suggestions for additional industry-based criteria.

94. A few believed that more effort needed to go into the development of an MCS process, building on work that had already been done. Others thought that a post-installation certification scheme (PICS) offering an alternative mechanism for individual generators to demonstrate the quality of their hydro project and its performance via a third party inspection and audit process could be used. Another idea was for all installers to be accredited members of a trade body in the same way as in the building trade and other trades and professions. It was also suggested that the BHA would be an ideal body to implement this as long as it was affordable for installers of small scale projects. The site owners would then have some assurance on installer quality and have a body to go to if problems arose.

95. Another idea was that a FITs installation should be signed off by an accredited hydro system installer who would be held accountable for ensuring that all appropriate permissions are granted and that the scheme is suitable for FITs, though this idea runs contrary to the view that a recognised industry/Government standard should be used, rather than allowing the industry to set the standard.

Question 34: Do you support the principle of a voluntary approach to ensuring sustainable use of purpose grown crops in AD plants that benefit from FITs and to prioritise plants using waste feedstocks? If not, what alternative controls should be put in place?

96. Just over 20% of respondents gave views on this question. The majority were not in favour of purpose grown crops as a feedstock because far greater benefit could accrue to the nation by using the land to produce food. However, others pointed out the important role of purpose grown crops as a feedstock used in co-digestion with food- and most typically, agricultural wastes to improve the economic and in some cases, technical viability of AD plants. In some cases it was also true that low grade/marginal agricultural land could be more usefully applied to AD feedstock crops than for pasture or arable use.

97. There was general support for a voluntary approach, at least to start with, although some pointed out the difficulties of enforcing such a code. It was generally believed that farmers and growers of crops have successfully adopted and abide by many voluntary codes of practice already and they could see no reason why purpose grown crops for AD should be any different.

98. A few wanted more control than a voluntary system offered and thought that plants should be inspected regularly, and even a fee charged. For instance, plants above 1MWe should require an annual feedstock audit to ensure that they were not growing or importing a significant percentage of feedstock.

Community and Multi-Installation Projects

Question 35: Which organisations do you consider should be included in the definition of "community" installations? Should the definition include social enterprises? Charities? Non-profit social housing providers? Any other groups?

99. About 50% of respondents replied to the questions about definition. Overall there was support for a definition of "community" installations that included social enterprise, charities and social housing. However, the general view was that the definition should be broader to also specifically include schools, co-operatives, community buildings, village halls, local clubs (leisure centres), council led consortia and social landlords, though there was also recognition of how complex this could be, with support for something clear and easily enforceable.

100. It was recognised by about 50% of those responding to this question that social enterprises was possibly rather a wide definition and that it would need to limited in some way to capture the right participants. The remainder favoured a wide, inclusive definition.

101. There was some support for a proposal put forward by the Co-operative Group and Co-operatives UK for a set of criteria based on legal form and ownership rather than via a community benefit test, including community interest companies, industrial and provident societies, Northern Ireland IPSs, registered charities and their wholly owned subsidiaries, and Scottish charitable incorporated organisations. It pointed out that all of these have community benefits and limited or no profit distribution, guaranteed through a statutory regulator.

102. Another proposal was to start with the HMRC definition referred to in the consultation document. A common view was that all proposals for a community benefit test, based on for example articles of association, would be too subjective, overly restrict the notion of what constitutes community benefit and were open to abuse. There was also expressions of the need to be consistent across other DECC policies such as RHI, RHPP and ECO.

103. However, there was also some agreement with the position in the consultation document that it would be difficult to justify including all charities regardless of their purpose. Another view was to keep things simple and not to appear to discriminate as this would be going against the intention of the policy.

Question Q36: Should other factors be taken into account e.g. scale and primary purpose?

104. Respondents had mixed views on this although there was a general concern that it would be difficult to implement. There were a number of suggestions of how to refine the broader definition proposed in response to Question 35, such as:

- application only to non-profit making entities;
- ensuring that the electricity/income produced was used by or for the community;
- conforming to the small enterprise criteria set out in the Companies Act 2006;
- a requirement that the primary purpose of the organisation was the generation of renewable energy; or
- excluding installations in any building that is part of or constitutes a commercial enterprise.

105. Several respondents thought that the important message was to keep it simple and not overly bureaucratic, so that community aspiration was not limited.

Question 37: Do you agree that non-community multi-installations should receive a basic stand-alone tariff? Should the energy efficiency requirement still be applied to these installations once they are receiving the stand-alone tariff?

106. On the question about the tariff that non-community multi-installations should receive, there was a fairly even split between those that agreed that they should only receive the stand-alone tariff and those that disagreed. Several respondents said community installations have been identified as a special cases because they provide direct investment that is likely to disproportionately benefit the fuel poor. Usually they were more difficult and more costly to plan, administer and deliver and the benefits from economies of scale were substantially diluted. These respondents believed that non-community installations did not provide these benefits nor did they experience the additional complications of installation. On this basis they argued that there was no rationale for any form of enhanced tariff for non-community installations, although an exemption was suggested for social housing including multi-installations. On the other hand the argument was also made that commercial aggregators were also potentially providing benefit for the fuel poor, who did not have the capital to pay the upfront investment needed, and, considering the FITs objectives, there was no real distinction between single and multi-installations when set against energy produced and behavioural change. Therefore non-community installations should not have their rates reduced.

107. There was general support for keeping the energy efficiency requirement consistent across the policy. However, there was a view that applying this requirement would be a further penalty to those who have already been penalised and that there is no logic in applying it if they were already receiving the lowest tariff. Having this requirement would potentially further restrict access to FITs as it would increase costs.

108. There were also a number of respondents who related the question to technologies other than PV, which we have disregarded as the energy efficiency requirement does not apply to non-PV technologies and was therefore not relevant.

Question 38: Do you agree that “community” multiple installations should receive a higher rate of multi-installation tariffs than commercial installations?

109. About 70% of respondents agreed that community multiple installations should receive a higher rate of tariff than commercial ones. Some wanted the 80% tariff applied. Others thought that the full individual FITs rate was more appropriate because of the extra consultation costs and longer lead in times for community schemes, particularly since they were benefiting the wider community in the long run and should be encouraged. Other arguments included their ability to address fuel poverty, not having the same economies of scale as commercial installations and time taken for the planning and actual delivery of projects (including negotiating finance).

110. Those opposed had varied views. Incentivising community installations with a higher tariff could give rise to commercial entities “adopting a charity” to get the higher tariff. Others felt that tariffs should be based on cost and not on ownership or purpose of the organisation owning the installation. There was also the view that both would have similar costs and low carbon benefits and would be more economical than single installations so there was no logic in offering different tariffs.

Question 39: Would it be possible to design a cost effective mechanism that would allow community projects to “fix” their FITs tariff for a set period of time at some point earlier in the development process?

111. About a third of all respondents put forward views. However, the majority were giving a view on whether fixing tariffs would be a good idea rather than answering the question set, which was about designing a cost-effective system. Those who did, felt the preliminary accreditation process including tariff guarantees that was being proposed would be adequate if implemented. Because of the degression mechanism, it was argued that the reduction to the FIT created an uncertainty, which could lead to non-profit organisations losing money.

112. Views on when to "fix" the tariffs elicited a number of suggestions, including that the tariff should be fixed:

- before significant project costs have been incurred;
- when committed to the project e.g. on appointment of a contractor;
- before installation and registration;
- before the roof agreement has been finalised and a share offer is made;
- after planning approval.

113. Another idea was that a timetable could be introduced for changes to FITs payments, with a booking system for capacity and a window to complete e.g. 6 months for small projects and 12 months for medium projects. If it has not been commissioned by the date then the capacity is put back in to the pool for others to book. Putting up a bond or paying a refundable deposit was another suggestion for ensuring that only serious projects were allocated fixed tariffs.

114. There were not many suggestions for how any such scheme might be administered, but some suggested that the projects could be registered through Ofgem.

115. Of those who disagreed, a few respondents stated that this would create extra administration costs. One respondent believed that there would be a risk with many schemes being registered but never reaching completion.

Question 40: Should this apply to just solar, or also to wind projects up to 50kW (DNC)?

116. The majority of the respondents (about 90%) believed that any proposal to fix tariffs should also apply to wind projects up to 50kW, with some suggesting that it should apply to all technologies as they should be treated equally. There were a small number of respondents (around 10%) who believed the proposal should just apply to solar. The general view was that it should apply to both wind and PV projects below 50kW with planning permission, grid connection and those securing finance with minimum period for delivery of 6months to a maximum of 2 years.

Question 41: What other ideas do you have for helping one-off community projects?

117. There were a number of suggestions for how community projects might be helped outside the FITs scheme. A popular suggestion was for support services such as step by step fact sheets to help communities to understand all stages of the process, which could be provided by Ofgem, Carbon Trust or the Energy Saving Trust. Another suggestion was for a helpline which could cover legal and tax issues or workshops for community projects for energy, making people aware of energy use in the homes and improvements. General support could be provided by the Government, local authorities or trade bodies and could be introduced to the community in relation to issues with noise, appearance and the necessary skills to promote energy schemes.

118. A significant number of respondents thought that there should be a higher FIT. It was argued that communities had no savings to invest and would be unlikely to have a good credit history, therefore their loan interest rates would be higher. It was also believed that lenders were stretched with only a few banks willing to lend money and many banks would only lend a minimum of £500,000–1,000,000, which would makes it harder for smaller projects to find finance. There were proposals for community tariffs to stay at 41p/kWh until April 2014 with no degression.

119. Because of volunteers' worry that they might have personal liability for loans and large debts with their community organisations, it was suggested that 0% interest loans or similar from the Government could be introduced. One respondent suggested that costs for community energy groups could be between £7,500 and £15,000 just for upfront costs. Alternatively, a low interest loan could be available through either the Green Investment Bank or in partnership with the Co-operative bank.

120. Other suggestions included the availability of grant funding through either the lottery, LGA, Defra and DCMS, a special; provision exempting projects from the ability to benefit both from grants and FITs payments, and the removal of any energy efficiency requirement for community projects.

Consumer Issues

Question 42 – Do you believe that the current enforcement provisions of Ofgem's powers are sufficient?

121. A small majority of the total respondents to this question were of the view that Ofgem already had sufficient powers with the current enforcement provisions. Some thought that even if Ofgem already had enough powers, it may have a resource problem and noted that in order for Ofgem to be effective the resource must match the power. There were also comments that there was too much bureaucracy now which could be simplified to make the running of the scheme more efficient and less time consuming.

122. There were concerns from some suppliers that any further powers for Ofgem would mean it may need to alter its systems further in order to meet additional requirements. Along with other changes as a result of FITs consultations, this would be an additional burden to suppliers. However if new responsibilities do not affect suppliers then they would be of less concern.

123. While some respondents were of the view that Ofgem powers were sufficient, there was a concern about the clarity between its role as administrator of the FITs scheme and its role as regulator for the industry. There were also some comments about the actual extent of Ofgem's powers not being clear.

124. On the question of fraud, some people were of the view that it should not be up to Ofgem to police. Policing FITs generation should lie with the Licensee with Ofgem having the right to audit and impose sanctions on them. Another view was that Ofgem should not police planning and safety issues of MCS installations. This should be done within MCS.

125. A small minority were of the view that Ofgem powers were not sufficient, and that Ofgem should be able to remove a generator from the FITs Central Register if proven to be operating unlawfully or for the generator to be closed down once legal judgement had been made in its favour. Some were of the view that current provisions could be improved. Suggestions were around the need to ensure they had enough powers to deal with incidence of fraud which could potentially increase with more changes in the requirements for FITs. Also, there may be a need to increase powers of enforcement particularly where this would be beneficial to customers. They also were of the view that Ofgem needed additional powers so it could investigate unlawful installations and post-accreditation fraud so licensees would be able to act in instances where Ofgem had made judgement. They should have powers to immediately stop non-compliant schemes once they are discovered.

126. A number of respondents thought that Ofgem needed more powers to require FITs Licensees to make payments to generators in a timely fashion.

Question 43 – Do you believe that a power to remove individual installations post-accreditation would provide a more proportionate penalty to deal with cases of malpractice ?

127. The question related to a potential provision for Ofgem to remove installations from the central FITs registry (CFR), though it was misinterpreted by a number of respondents who believed it was about removing (decommissioning) the actual installation.

128. Respondents were generally supportive of the view that fraudulent installations should not receive FITs. But most respondents were in favour of a more lenient approach and were of the view that an initial warning might be appropriate in some instances. This would give the operator the chance to remedy the problem if it were a case of error rather than outright fraud or

malpractice. This they felt was important to maintain quality and customer confidence. If such powers existed, they must be clearly defined, and malpractice would need to be clearly defined in order to be effective.

129. They were also of the view that fraudulent installations should also lose their MCS accreditation. Others felt the issues here could be complex and difficult to ascertain who or what the fault was. Therefore it was proposed that the powers should accommodate this and penalties should only be applied as a last final resort when the end user was found to be at fault. It was proposed that where the generator is the innocent party, project cost recovery should also be part of the process. It was generally proposed that such powers needed to be accompanied by some safeguards such as enforcement notices to company to rectify the problem before losing the FITs.

130. A few respondents did not support this view as they felt that it was the supplier rather than the generator who should be responsible. They thought such actions could unfairly punish the end user in cases such as ignorance of the law, and other factors outside their control. They further indicated that this could potentially lead to insolvency and a huge waste of resources. They suggested a softer option with a process of notification and allowing time for the issue to be rectified with removal as last resort if remaining non-compliant. They were of the view that such an installation could gain access to FITs again but would have to be re-accredited. Some thought removal was too drastic and could be a disproportionate punishment for minor transgressions. Some suggested that a system of financial penalties would be more appropriate. Another suggestion was to reduce FIT payments until the issue was resolved. Some respondents were also of the opinion that they should be kept on the register to ensure they were not reaccredited at a later date.

Question 44 – If further provisions are required, what form might these take?

131. Respondents made various suggestions about further provisions:

- A period of suspension or withheld payment for a period with complete removal if the generator remains non-compliant. This would be a more flexible and proportionate way to deal with it instead of complete removal. It could be applied with recovery of FITs payment for the period during which the installation was unlawful.
- There should be a minimum penalty, with multi-generators it should be extended to their whole portfolio where the malpractice is substantial. They should be prevented from claiming FITs for future installations. Installers too should have their licence revoked if found not be following good practice.
- Fines should be appropriate in most cases though there could be legal implications
- Microgeneration malpractices should be referred to the MCS licensee who would then investigate and remove the product or installer if evidence of malpractice is found.
- Record-keeping for MCS installers, with audit and civil action automatically triggered after a certain number of instances of non-compliance.
- Ofgem to levy a financial penalty if an entity is found to be operating unlawfully in addition to removal for the CFR.
- If fraud, unlawful operation or any impropriety is discovered, all FITs payments received should be repaid as part of the penalty.
- Converting any payments deemed to have been received unlawfully into a debt against the FITs account to be paid off from future FITs receipts due once/if the installation is rectified.

132. In general, respondents were of the view that some action was needed if malpractice was detected. However most were of the view that a period of investigation, time for remedial action and an appeals process must be included in the process. They thought that Ofgem should be allowed to penalise non-compliant generators and that this would incentivise the appropriate behaviour from installers. However, in doing so care should be taken not to penalise those customers who have been victims themselves.

Question 45: Do you believe that the current provision of information and advice regarding FITs is adequate?

133. About half of those responding to this question said that they thought the provision of information regarding the FITs scheme was not sufficient. Although respondents agreed that information was available, feedback suggested that this information was diffuse and a single source of information managed by either DECC or Ofgem would be useful. Several respondents stressed the importance of making technical, environmental and planning information available since this information is not available through FITs channels and because DECC was not able to provide advice on specific projects. Some respondents said that a simple guide should be available for each FITs technology and should also cover other topics such as compliance criteria and guidelines on timescales for accreditation.

134. Many respondents raised concerns over the future availability of the advice and support provided by Consumer Focus, the Energy Saving Trust and the Carbon Trust. One respondent said that preliminary accreditation should help with project-specific issues that were not covered in the general guidance.

135. Of the respondents who agreed that the current availability of information for prospective generators was adequate, several also said that the recent FITs consultations have caused confusion and more clear and concise information was required to ensure understanding of the recent changes to the Scheme.

Question 46: Who do you think should have the responsibility for drawing up and providing advice to Generators?

136. The majority of respondents felt that Ofgem should be responsible for drawing up and providing advice to generators. Several respondents said that although Ofgem should be responsible for drafting this advice it should be the responsibility of installers and licensees to provide the advice to prospective generators. Others who agreed that Ofgem should be the overall responsible organisation also said that DECC should be responsible for ensuring that the information was readily available and accessible. Other suggestions included MCS, Real, FITs licensees, industry bodies, the Energy Saving Trust, the Carbon Trust and specialist consultant engineers and companies for each of the technologies.

137. Several respondents made the case that any advice should be drawn up through close collaboration and input from industry associations and installers as it was they who were often the main source of information on a technology for a prospective FITs information.

138. Other respondents argued that a number of different organisations and parties interacted with a prospective generator at different stages of the installation. These respondents said that each relevant body and party should be involved in the drawing up of advice . Some of the respondents stressed the need for such guidance to be accessible at one point of access with the information signposted by all other relevant parties.

139. A minority of respondents raised concerns around the cost of providing any more advice than was currently available and the impact this might have on the FITs Scheme. One respondent said that this responsibility should be left to those willing to provide such advice although MCS installers and FITs licensees should be held to their obligations. Another respondent said that advice centres established by Government had been characterised as short lived and costly and therefore not particularly effective and suggested that advice should be made available through sponsorship placements of experienced practitioners.

Question 47: How should the dissemination of advice be monitored, and who should have the responsibility for ensuring this is carried out correctly?

140. Although the responses to this question varied, the majority of respondents felt that Ofgem should be responsible for monitoring the dissemination of advice followed closely by suggestions that MCS, DECC and Ofgem in collaboration with industry bodies should be responsible . Other respondents suggested that the responsibility should sit with REAL, the National Audit Office, and Trading Standards. A number of respondents felt that the Energy Saving Trust and Carbon Trust should continue to provide advice with monitoring oversight from DECC and/or Ofgem.

141. A number of respondents suggested monitoring through spot-checks, review of complaints and periodic testing. Other respondents suggested that monitoring could be conducted through the FITs registration process where questions are asked of the prospective generator to help identify poorly performing installers. Others said that DECC should contract a monitoring function to a third party such as the Energy Saving Trust and the Carbon Trust and put in place clear performance standards against which to monitor the dissemination of advice. Other suggestions included the use of questionnaires, including a mandatory requirement on advice and guidance as part of the existing audit processes under MCS accreditation, a quarterly reporting structure detailing materials prepared, organisations advised and progress updates on past installations.

142. A minority of respondents felt that the dissemination of advice should not be monitored at all. These respondents raised concern over the cost and effort required in monitoring advice and questioned whether this should fall within the remit of the FITs Scheme at all. Others said that in cases where customers may be unfairly coerced into poor quality or poor performing installations through hard selling and misleading claims, these customers should follow the normal customer protection rules and procedures.

Question 48: Are the FITs terms set out in the Summary of Terms appropriate and sufficiently clear or are they too complex or onerous, requiring the Generator to accept too many obligations?

143. Of the 302 respondents, 94 replied to this question, 80% (75) of whom agreed that the Statements of Terms were sufficiently clear and appropriate. However a few respondents pointed out that it was difficult for off-grid generators to secure FITs payments with suppliers as they are not already customers.

144. The remaining 20% were of the view that Statement of Terms were too complex. Respondents commented on the length and the wording of documents which they thought may be unappealing, particularly to non-energy professionals and the general public. Some of the larger suppliers thought it might be possible to simplify them for non-energy professionals, but that they were always likely to be complex because of what they needed to cover.

145. Some respondents believed that they were too complex, and in some cases onerous and that recent changes to the scheme have only added to the complexity. The changes to the scheme meant the declarations that Generators will have to make have become very complicated. This was an added burden on Suppliers who have to inform customers of the changes to the FITs scheme. Respondents were also of the view that the process for selecting and changing Suppliers should be made simpler.

Question 49: Is payment to generators at least every 3 months reasonable? Should it be obligatory to make payments more or less frequently?

146. Of the 40% responding to this question, 79% were of the view that three-monthly payments were reasonable. Supporting arguments for this were that quarterly payments keep costs under control; it was in line with interest payments on loans; and it reduced the administrative burden on suppliers. They also felt that three-monthly was fair as it aligned with the levelisation period for suppliers. They were of the view that a longer time frame for payment could compound problems around payments although there could be the added benefit of reduced administration costs to suppliers.

147. In general, although the views were that quarterly payments were reasonable, a few respondents suggested some flexibility in the arrangement. Some respondents were of the view that licensees should be permitted to make payments more or less frequently on a voluntary basis provided that it were communicated to Generators in a timely fashion.

148. Respondents also stated that there should be a system in place to safeguard generators against persistent late payments from suppliers. Some suggestions were made about improving the efficiency of payments and aligning payment with expectations, particularly around larger schemes with debt finance arrangements. The view is that smaller generators (e.g. up to 4kW) could be paid three-monthly or even annually while larger installations could be paid on a monthly basis. Suppliers should be required to make payments within a specific timeframe after a meter reading is received, otherwise they should be required to pay compensation.

149. They also noted that the impact of time it took for the accreditation of an installation for FITs, coupled with quarterly payments, could result in a generator not receiving payments during the first year of the installation. However, the view was that with the roll-out of smart meters, and the improvements in the process of accrediting installations, making payments would become more cost effective and the administrative process of making payments would become less burdensome so suppliers would be able to make more frequent payments.

150. The remaining 21% of respondents were of the view that three-monthly payments were not adequate and more frequent payments should be made, preferably monthly. The arguments presented were similar to those who were of the view that three monthly payments were adequate although taken from a slightly different perspective. For example, some were of the view that, if suppliers require payment by their customers on a monthly basis, then it is only fair for generators to require payments from suppliers promptly on a monthly basis. Others cite the upfront costs associated with installations, in particular large projects, which would make it preferable to receive monthly payments instead of having to wait for long periods, especially by those with debt finance. Again, this issue was compounded as accreditation of new installations usually took 6–8 months. They also felt that monthly payments would improve cash flow and financial reporting for developers.

Question 50: Are there any issues that are not taken account of in the DECC guide?

151. A few respondents appear to have misinterpreted the question or used the opportunity to comment about other FITs issues, some of which were not part of the Phase 2B consultation; for example, energy efficiency requirements for solar PV installations and FITs and grid connection.

152. Of those making relevant comments about the complaints issue, a few expressed concerns that there was no guidance on the complaints procedure concerning hydro products and suppliers. As there is no certification process for microhydro, these complaints are dealt with under normal consumer protection measures hence guidance is needed. Some respondents also felt that the guidance document could refer to complaints procedure regarding grid connection

issues, planning regulation and environmental and heritage regulation. There was also a view that the guidance should also contain information on what to do if an Installer is no longer in operation, for instance, how to claim compensation for negligence, or for whatever reason, doesn't respond to queries.

153. In general, respondents indicated that the DECC guidance was useful, and appeared reasonably comprehensive and well laid out. However, it would need to be updated to cover the various types of disputes being registered as the scheme develops.

154. Some of the specific points made were:

- that the guide was unclear about the scope of contracts it seeks to cover about the Microgeneration scheme. Clarity is sought on whether a lease contract for roof space was included in the current guidance.
- that the DECC guide should, for completeness, cover examples of complaints which would be directed to REAL.
- The periods for a customer to complain need to be aligned as there is an 8 week period for the Ombudsman and 12 weeks if taking it to court. It would be less confusing for customers if these were to be aligned.
- that there should be a route of appeal against Ofgem decisions especially in cases where they have deemed an installation ineligible for FITs. The view is that this should be undertaken by DECC or an independent body.
- that DECC should set up an oversight body to address any outstanding issues with the scheme and to provide clarity for all parties.

Question 51: Do you think that the current complaints/dispute resolution arrangements for the FITs Scheme are adequate?

155. Responses showed that the majority who answered this question agreed that the current complaints and disputes procedure of the FITs Scheme was sufficient. However, some of these respondents said that as several organisations were responsible for the different types of complaints that might arise from installing, registering and receiving payment for a FITs technology, clarity on where each type of complaint should be directed was required. Another respondent said that greater ownership was required to stop generators from these bodies passing complaints or disputes between each other.

156. While a minority view, some respondents disagreed and said that the current arrangements were lacking and gave varied reasons as to why they thought this was the case. For example, one respondent said that there was confusion between the function of REAL and MCS and argued that complaints should be handled by one organisation. Another respondent said that FITs licensees were very slow at responding to complaints and also that it seemed Ofgem did not have the powers to regulate licensees. One respondent suggested that spot checks might address complacency.

Question 52: If the current arrangements are not adequate, what changes should be made?

157. Responses to how the current arrangements could be improved included the following suggestions:

- Making available guidance on how to take forward claims against installers no longer in operation.
- A strengthening of the current self-regulation system and Government involvement in resolving complaints.
- Clear guidance on the remit of MCS and REAL.

- Penalties imposed by Ofgem on underperforming FITs licensees.
- A requirement for FITs licensees to make payments within 30 days of a meter reading received. A fine imposed on FITs licensees that do not respond to a complaint within 14 days.
- Staff or contractors within trade bodies and REAL with the technical knowledge that would allow them to understand the details of a complaint and make judgements on them.

Licensee Issues

Question 53: Do you support changing the thresholds for mandatory licensees to 250,000 residential consumers? If not, what alternative do you propose?

158. Only 15% of those responding to the consultation had views on this issue. Of those who agreed, the majority believed that it would be helpful in bringing the thresholds in line across the board. A few respondents stated that the proposal would encourage competition and would help the smaller suppliers grow within the energy market.

159. Most of those who disagreed argued that the threshold should not be increased as it was believed that it would not encourage competition. A few respondents argued that many small suppliers were voluntarily becoming FIT licensees; therefore the threshold should not be increased. It was stated that other models should be considered; for example for the smaller suppliers there could be an obligation that was made for them as the customer accounts grow or to have an option at a set cost to buy out of obligations or that any customers that are over the threshold should count towards it.

Question 54: Should individual installation data be collected centrally, and what do you think the most cost-effective way of doing this would be?

160. Overall, 68% of respondents answered the first part of this question, 46% agreed that generation data should be collected, 14% disagreed and the remainder had a mixed view. A number of respondents felt that making this data available would be beneficial to the whole industry as it would allow an accurate assessment of technology performance and enable a clearer picture of standards to form and how individual installations were performing against these. However, some of these respondents stated that the collection of this information would have to be economically viable and not pose too much of a burden. Of those respondents that disagreed with the collection of this data, their main concern was the potential cost.

161. Only 35% of respondents gave suggestions on methods to collect individual installation level data. The most frequently suggested method was to obtain the data directly from FIT licensees as they collect meter readings on a regular basis in order to issue payments. Other suggestions included collecting the data directly from generators via an online form, collecting the data via a third party such as the MCS, and creating a survey to be sent to a representative sample of generators only. There was also a broad consensus that the collection of this data would be more straightforward once smart meters have been rolled out.

Question 55: Do you support the establishment of provisions equivalent to the supplier of last resort arrangements for FITs payments?

162. There were very few responses to this question (about 10% of the total number of respondents), but the majority of those responding thought it would be an excellent idea to give some certainty to investors that they would receive their FIT payments without a break. As payments may only happen quarterly, they could amount to an appreciable sum for some of the larger generators, which would have serious consequences for the generator especially if they were relying on the cash to repay a loan.

163. Respondents cited evidence that a vast majority of FIT installations were domestic, and a significant minority used a different FIT licensee from the property's import supplier. There needed to be a mechanism and process on what happened when a FIT licensee went into administration.

164. On the other hand, the view was expressed that Generators were effectively businesses benefiting handsomely from FITs, which were paid for by electricity users. If a generator was not paid for his electricity for a short period while he transferred to another licensee, it may incur a loss, but this would be the same for any business. As the generator was subsidised by the rest of society, it seemed unnecessary to protect it further from the unlikely event of its licensee going out of business.

Question 56: Do you support the mutualisation of shortfalls within the FITs levelisation arrangements among licensees?

165. Again the response rate on this question was very low, with only just over 13% giving their views. However, those that did reply were overwhelmingly supportive of the mutualisation of shortfalls within the FITs scheme. This would mean that the levelisation arrangements among licensees would spread the risk and cost of supplier failure more evenly between the supplier community.

166. There was recognition that there were already mechanisms in place for other schemes such as the Warm Homes Discount, which could be adapted and applied to the FITs scheme, providing a low risk solution that would be easy and cost effective to implement.

167. However, respondents would also welcome further work and more detail on any final scheme.

Question 57: Do you support the continuation of the current arrangements on the frequency of levelisation, i.e. at least quarterly but more frequently at the discretion of Ofgem? If not, what alternative do you propose?

168. This was another question that attracted very few responses, and the majority thought that the current arrangements were still fit for purpose, especially during a period while licensees are moving towards more automated processes. Levelisation still required a significant amount of manual intervention and the current proposed changes to the treatment of tariff rates would require a period of bedding in before it would be possible to consider a more frequent periodic of levelisation.

Annex A – List of Respondents[1]

#	**Organisation Name**
1	: B.Spoke eWaterpower Company Limited
2	1 Stop Renewables Ltd
3	3R Energy Solutions Ltd
4	A Shade Greener
5	Aberdeenshire Council
6	Action in rural Sussex, Community Action Surrey, Community Action Berkshire, Rural Community Action Kent, Community Action Hampshire
7	Action with Communities in Rural England
8	ADAS
9	Aegis Energy Ltd
10	Agri Energy
11	Alternative Energy Store UK Limited
12	AlternEnergy / F.T Gordon Building Services Ltd
13	Ampair
14	Anglesey Against Wind Turbines
15	Angling Trust
16	Ardtornish Estate
17	Baldowrie Renewables (800) Ltd
18	Bates Wells and Braithwaite London LLP
19	Bath & West Community Energy (BWCE)
20	Beneco Energy Ltd
21	Bespoke Community Development CIC
22	Big Green Jewish
23	Bluenergy
24	Brighton Energy Co-op
25	Bristol Energy Cooperative
26	British Gas
27	British Hydropower Association
28	British Photovoltaic Association
29	British Property Federation
30	Broadland Properties Limited,
31	Broadland Renewable Energy Ltd
32	Brooklinn Hydro Limited
33	Burdens
34	Campaign to Protect Rural England
35	Carbon Leapfrog
36	Cardryne Farm
37	Carillion
38	Cattle Holderness Ltd
39	Central Association of Agricultural Valuers (CAAV)
40	Ceres Power

[1] Respondents are only listed here if they did not request anonymity

41	Charities' Property Association (CPA).
42	Chartered Institute of Housing
43	Chemical Industries Association
44	Chesterfield Borough Council
45	Church of England (Shrinking the Footprint)
46	Combined Heat and Power Association
47	Community Energy Scotland
48	Community Energy Wales
49	Community Energy Warwickshire
50	Community Power Cornwall
51	Community Transition City group working with University of Lancaster
52	Co-operatives UK
53	Coriolis Energy LLP
54	Cornwall Council
55	Council of Mortgage Lenders
56	Country Land and Business Association (CLA)
57	Craigiebank Farm
58	Cymric Ltd
59	Dane Valley Renewable Energy Products
60	Davies Implements Ltd
61	DC Associates Ltd
62	Derwent Hydroelectric Power Limited
63	Dorrell Renewables Limited
64	Dorset County Council
65	Dragon Power Services
66	Dulas Ltd
67	Dunbar Community Energy Company
68	Dwr Cymru Welsh Water
69	E.ON
70	Earthmill
71	East Bridgford Community Energy IPS Ltd
72	Ecolectric ltd
73	Ecotricity Ltd
74	Ecowave Systems…Hydro Turbine and equipment manufacturers
75	EDF Energy
76	Electrical Contractors' Association
77	Elexon
78	Empirica Investments Limited
79	Endurance Wind Power (UK) Ltd
80	Enercon GmbH
81	Energetix Group plc
82	Energy Agency
83	Energy Alton
84	Energy4All Ltd
85	Engensa Ltd
86	Envirolink Solar PV Special Interest Group
87	Environmental Justice Foundation (EJF)
88	Esk Energy (Yorkshire) Limited
89	Fine Energy Limited

90	First Utility
91	Friends of the Earth
92	Future Biogas Limited
93	Gaia-Wind Ltd,
94	Gamlingay Community Turbine
95	G-CEL
96	Gemserv Limited (MCS Licensee)
97	Global Developments Holdings International Ltd
98	Gloucester City Council
99	Good Energy
100	Gormack Energy Ltd
101	Green Generation Ltd
102	Greenearth Energy Ltd
103	Green-Tide Turbines
104	Guto Owen
105	Hallidays Hydropower
106	Hallmark Power Ltd
107	Hart District Council
108	Health Facilities Scotland (on behalf of NHS Scotland Boards)
109	Heating & Hotwater Industry Council (HHIC)
110	Herefordshire Hydro Group
111	Highland Eco-Design Ltd
112	Highland Hydro Services
113	Hydro-Gen Ltd T/A Hydroplan UK
114	ICE Renewables
115	Inazin (Formerly Low Carbon Developers)
116	Inherent Energy Ltd
117	Inspirit Energy Ltd
118	Investment Renewables
119	iPower
120	J. C. Hydro Ltd
121	Johnson Matthey Fuel Cells
122	Just Power for Communities CIC
123	juwi Renewable Energies Limited
124	Keep Britain Tidy
125	Kingussie Community Development Company
126	Kirklees Council and Kirklees Neighbourhood Housing (Joint response)
127	Kiwa GASTEC at CRE
128	Leeds City Council
129	Lind Management Limited
130	Lithgow Energy Ltd
131	Local Government Association (LGA)
132	Longhurst Group
133	Maolachy Hydro
134	MEG Renewables
135	Mendip Power Group
136	Messrs J & W Wilson
137	Methanogen UK Ltd.

138	Micro Hydro Association
139	Micro Hydro Services
140	Mill Green Renewable Energy Trust
141	MMC Engineering Services Ltd
142	Mor Hydro Ltd / Inverliever Hydro Ltd
143	MORE Renewables
144	Myriad CEG
145	National Farmers' Union
146	National Housing Federation
147	Natural Generation
148	New River Corporate Finance LLP
149	NFU Scotland
150	NICEIC
151	North London Waste Authority (NLWA)
152	North Wales Hydro Power Ltd
153	Northumbrian Water
154	On behalf of an association of residents and business people from Anglesey
155	On behalf of C&F Green Energy Limited
156	Origin Energy CIC
157	Orkney Micro Renewables
158	Osspower Limited
159	Our Community Enterprise
160	Oxford City Council
161	Oxfordshire County Council
162	Partnerships for Renewables Development Company Limited
163	Peel Energy Limited
164	Pembrokeshire South East Energy Group
165	PETERBOROUGH CITY COUNCIL
166	Potential Energy Projects Ltd
167	Priorletham Farm
168	Puragen
169	Regeneco
170	Renewable Energy Association (REA)
171	RENEWABLES DIRECT LTD TRADING AS WIND DIRECT
172	Renewables First Ltd
173	RenewableUK
174	RES Group
175	Retrofit For Housing
176	Ribble Fisheries Consultative Association
177	Rinibar Wind Turbines
178	River Energy Networks
179	Roof Energy Ltd
180	RWE
181	Scottish Energy Installers Alliance
182	Scottish Federation of Housing Associations Ltd
183	Scottish Land & Estates Limited
184	Scottish Natural Heritage
185	Scottish Renewables

186	Scottish Water
187	SEPEL
188	SmartestEnergy Limited
189	Solarcentury
190	South Brent Community Energy Society Limited
191	South Somerset District Council
192	South Somerset Hydropower Group
193	Southern Solar Ltd
194	SSE
195	Stockport Hydro Ltd
196	Sykamore Small Wind Ltd
197	TGC Renewables Ltd
198	TGVHydro
199	The Anaerobic Digestion and Biogas Association (ADBA)
200	The Association for the Conservation of Energy
201	The Baptist Union of Great Britain, the Methodist Church, the United Reformed Church
202	The Churches' Legislation Advisory Service (CLAS)
203	The City of Edinburgh Council, Services for Communities
204	The Community Energy Practitioners Forum (CEPF)
205	The Co-operative Group
206	The Low Carbon Hub
207	The Micropower Council
208	The Minister's Community Energy Contact Group
209	The Royal Agricultural Society of England (RASE)
210	The Scotch Whisky Association (SWA)
211	The Wise Group
212	Tidy Planet Limited
213	Transition Town Letchworth
214	UK Hydrogen and Fuel Cell Association
215	Via Verde Limited
216	W & F Webster
217	Warrington Borough Council
218	Welsh Government
219	WESSEX WATER SERVICES LTD
220	West Tytherley Village Store Association
221	Wind Harvest Limited
222	Windberry Energy Operations Limited
223	Windcrop Ltd
224	Windflow Technology Limited
225	WindScout
226	Wood Farm (Hatfield) Limited
227	World Wide Wind Turbines b.v.

Department of Energy & Climate Change
3 Whitehall Place
London SW1A 2HD
www.decc.gov.uk

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