

Consultation response by government

Below are extracts from the Government response to the consultation available here: [5905-government-response-to-consultation-on-comprehensi.pdf](#). I have highlighted significant text in yellow. My initial comments are noted in red. Also appended are extracts from the Government impact assessment and from the update to data produced by the consultants Parsons Brinckerhoff.

POINTS FROM EXECUTIVE SUMMARY

Implementation

4. Changes as a result of this process will be introduced to Parliament after the summer recess and, with a few minor exceptions, will be implemented from 1 December 2012, subject to the parliamentary procedures.

The only exception relates to a new intermediate hydro band in the range of 100–500kW, with a generation tariff of 15.5p/kWh, which has been introduced to address a widespread concern about perverse incentives to undersize hydro projects because of the steep drop in tariffs between the existing bands.

This has not addressed 15kw break or the proposal to base tariff bands on energy generated rather than on capacity.

7. Two generation tariffs have increased from those in the consultation by 0.1p, due to a change to estimate of RPI-indexed tariffs. Generation tariffs for the largest capacity band for each technology will continue to be consistent with support under the Renewables Obligation, and will be adjusted in line with current support levels and the outcome of the RO Banding Review.

Table of generation tariffs

Technology	Band (kW)	Current generation tariffs (p/kWh)	Consultation tariffs from Oct 2012 (p/kWh, 2012 prices)	Final tariffs from 1 Dec 2012 (p/kWh, 2012 prices) ²	Community energy tariff (see explanation in paragraphs 148-151)
Hydro	≤15	21.9	21.0	21.00	21.00
	>15-≤100	19.6	19.7 ¹	19.60	19.60
	>100-≤500	12.1	12.1	15.50	15.50
	>500-≤2000	12.1	12.1	12.10	12.10
	>2000-≤5000	4.9	4.5 (2.2 from April 2013)	4.48 ³	4.48 ³

¹ 2012-13 tariffs in consultation calculated using previous RPI inflator to that used by Ofgem in determining final tariffs, hence slight discrepancies

² Current and consultation tariffs are shown to one decimal place as published. Final tariffs from December 2012 are shown to two decimal places for consistency with tariffs published in 'Government Response to consultation on Comprehensive Review Phase 2A: Solar PV cost control'

³ Tariffs for the largest wind and hydro bands from April 2013 will be adjusted if necessary to reflect changes to level of RO support as a result of RO Banding Review.

Cost control

9. The final cost control system is similar to that proposed in the consultation, but modified to take account of consultation feedback and final decisions on solar PV degression (Phase 2A). There will be a system of degression of generation tariffs annually from April 2014, with a baseline degression of 5% each year (in real terms). This will be adjusted according to deployment in the previous year, with a minimum annual reduction of 2.5% in the event of very low deployment (with the exception of some wind bands which would have a minimum reduction of 5%), and a maximum of 20% for very high deployment.

10. In exceptional circumstances where there has been extremely high deployment, there will also be a mechanism for six-monthly contingent degression: this is a safety net mechanism and would not take effect with normal deployment levels.

The proposed degression levels may have a negative impact on development of micro hydro schemes once they are applied since

- a. uptake is likely to be slow because of planning and environmental protection issues, and
- b. implementation of a few large-scale schemes may trigger early increases.

Preliminary accreditation

12. As proposed in the consultation, we are introducing a system of preliminary accreditation for certain prospective FITs generators. The system will primarily be available to solar PV and wind installations of greater than 50kW declared net capacity, and all AD and hydro installations. To be eligible, proposed installations must have planning approval and evidence of acceptance of a firm grid connection offer, if needed, and hydro installations must have any necessary environmental approvals. The system will provide a tariff guarantee for a fixed period of six months to two years depending on the technology. The tariff guarantee will apply only to the capacity that is included in the preliminary accreditation application.

Communities

- create a definition of “community energy projects” that includes installations where the FIT generator is one of a range of small scale not-for-profit enterprises, and reflect that definition in tariff tables
- facilitate greater access to FITs for community energy projects, recognising that the evidence from stakeholders is that their problems relate to upfront barriers rather than long term financing;
- put in place a system of tariff guarantees, similar to those provided for installations with preliminary accreditation, during the development phase for non-domestic community energy projects.

Administrative issues

16. We will be introducing a range of administrative measures that were put forward in the consultation. The following changes will be made:

- amending the definition of “site” to prevent abuse of the scheme and to ensure that installations that necessarily share network connections, e.g. park homes and remote hydro installations, can access FITs on an individual basis;
- amending the definition of “commissioned” to clarify that installations have to be operating in order to be eligible to claim FITs;
- extending the definition of “hydro generating station” to include small tidal projects such as tidal mills and tidal locks that use a mixture of fluvial and tidal power;
- extending the application of accreditation procedures administered by Ofgem (i.e. the ROO-FIT process) for micro-hydro installations to be accredited for FITs (rather than via the Microgeneration Certification Scheme). This will be implemented by 1 October 2012 to ensure that there is no gap in coverage.

Issues for further targeted consultation

17. The consultation raised a number of issues that deal mainly with the administration of the scheme and Ofgem’s powers to deal with generators, suppliers and the MCS. These include:

- the role of the Microgeneration Certification Scheme (MCS) or equivalent schemes in accreditation.

18. Implementing these changes requires further detailed consideration in order that the final provisions are as effective as possible. We will hold a further brief and targeted consultation with FITs licensees and Ofgem on these issues over the summer, with a view to implementing them at the same time as the other changes outlined here to take effect from the start of the 2013/14 FITs year.

19. A number of issues were raised in the consultation document on which we do not intend to make regulatory changes. There are also some issues that were covered in the Phase 2A consultation for PV that need to be implemented for non-PV technologies. Our final decisions on these issues are:

- to retain the system of index linking using RPI, and for non-PV technologies this will continue to apply to both existing and new installations;
- to raise the export tariff to 4.5p/kWh for new installations in all technologies from the time of the tariff changes, in line with the Phase 2A decision;
- not to extend energy efficiency requirements to non-PV installations;

FURTHER DETAILED DECISIONS

Timing of implementation

The changes to the microCHP tariffs, and to the newly created 100-500kW hydro band, are expected to take effect on 1 December alongside the other changes, but may be delayed slightly if we have not received state aid approval for the changes.

Tariffs for AD, hydro, wind and microCHP

30. However, we are introducing a restructuring of bands for hydro installations. There has been widespread industry concern about the possible perverse incentive to undersize projects because of the steep drop in generation tariffs between the 15-100kW band and the 100-2000kW band. We will address this issue by creating a new band covering the range 100–500kW, with a generation tariff of 15.5p/kWh.

- Two generation tariffs have increased from those in the consultation by 0.1p, due to a change to estimate of RPI-indexed tariffs. Generation tariffs for the largest capacity band for each technology will continue to be consistent with support under the Renewables Obligation, and will be adjusted in line with current support levels and the outcome of the RO Banding Review.

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³ Tariffs for the largest wind and hydro bands from April 2013 will be adjusted if necessary to reflect changes to level of RO support as a result of RO Banding Review.

Cost control and degression

See [main response document](#) - P16 onwards for full details

39. The tables below summarise the cost control system. Table 3 shows the expected tariff profiles if they progress at the baseline rate of degression. They generally show a default 5% degression rate except for those tariff pegged to the RO. In addition, tariff levels will need to be reviewed by 2017 to reflect interaction with the Electricity Market Reform (EMR) support mechanisms (i.e. they may need adjustment for new installations at the date when the EMR mechanisms take effect). It should be noted that these tariffs are shown in real terms. They will be adjusted each year for changes in the RPI as well as the degression percentages.

Table 3: Baseline generation tariff profile to 2020/21 based on default degression

Technology	Tariff band (kW capacity)	Generation tariff for new installations (p/kWh, 2012 prices)								
		2012/13 (from 1 Dec)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Hydro	≤15	21.00	21.00	19.95	18.95	18.00	17.10	16.25	15.44	14.67
	>15-≤100	19.70	19.70	18.72	17.78	16.89	16.05	15.24	14.48	13.76
	>100-≤500	15.50	15.50	14.73	13.99	13.29	12.62	11.99	11.39	10.82
	>500-≤2000	12.10	12.10	11.50	10.92	10.37	9.86	9.36	8.89	8.45
	>2000-≤5000	4.48	Tariff set at RO equivalent level							

Degression steps will be once a year (in April) and will be based on deployment in the previous calendar year. In addition, the mechanism allows for an additional October degression step if deployment in the first 6 months of the year significantly exceeds expected deployment.

41. Table 5 shows the numerical values for the degression rates that would apply for each degression band.

Table 5: Degression thresholds (from 1 April 2014)

Degression band		Level of annual deployment (January-December) required to prompt degression			
		2.5%	5%	10%	20%
Hydro	all	≤12.5MW	>12.5 – 25.0MW	>25.0 – 50.1MW	>50.1MW

This seems unreasonable for very small scale hydro which does not have its own band - e.g. a few 2MW installations will trigger degression for all micro hydro.

Energy efficiency

We have noted the views expressed in the consultation, and confirm our position that we will not introduce energy efficiency requirements for non-PV technologies at this time . . .

Index linking

We have decided that for non-PV technologies, we will maintain the status quo on index linking once installations have entered the scheme, i.e. no change will be made to the current system of RPI indexation. Annual adjustment to tariffs will continue to apply to both existing and new non-PV installations . . .

Export tariff

62. As announced in the Phase 2A response, the changes to the export tariff (to 4.5p/kWh for all new entrants to the scheme) will also be implemented for non-PV technologies as part of the changes outlined in this document (i.e. from 1 December 2012).

Eligibility

68. On the basis of responses received, we have decided to extend the definition of hydro to include tidal mills and locks. Beyond that we will not include additional technologies in the list of eligible technologies for FITs.

66. A small number of respondents claimed that the current banding structure creates a perverse incentive to artificially reduce the capacity of turbines (referred to as “de-rating”) to take advantage of smaller bands. They proposed that band boundaries should be based on a combination of swept area and electrical capacity.

69. In regard to the so-called de-rating of turbines. We have examined the proposal and we do not consider that the technical proposals put forward to address the issue would necessarily bring net benefits. and could potentially limit access to the FITs scheme. **However, we propose to keep open discussions with the industry about the issue in future. does this also apply to micro hydro?**

New equipment versus second hand

76. If second-hand equipment generally were able to be accredited for FITs there would be a risk that equipment that had already received a subsidy could receive another, leading to double subsidy and problems with state aid rules. Even those that supported a system to include second-hand equipment acknowledged that any such scheme would be complicated and difficult to administer, and there were diametrically opposed views on whether such equipment was more or less expensive. **We will therefore maintain the status quo for the time being, where there is no ban on second-hand equipment per se, apart from where it may have previously received support under FITs or the Renewables Obligation.**

Metering issues

82. Given the wide support for no change on this issue, we have decided not to make regulatory changes to metering at this time.
(i.e. no DC metering allowed - must use AC metering even for off-grid schemes)

Definitions

Site

... we are making amendments to the definition to ensure that: ... hydro installations that are physically separate are not treated as a single site because of DNO constraints that do not allow them separate connections.

Mobile/moving installations

95. The definition of site tends to preclude mobile installations from accessing FITs, but also allows some potentially mobile installations such as houseboats with permanent or very long-term mooring agreements. Since this reflects our policy, we will not be making any changes at this time.

Can some consideration be given again to this for hydro which would always be off-grid and whose owners could be traced through ROO-FIT?

Commissioned

98. We will therefore alter the definition very slightly to make this clear to remove ambiguity and to make it clear that installations must be operational.

Preliminary accreditation

108. Following detailed discussions with the industry and Ofgem, the system of preliminary accreditation will have the following features.

- Ofgem will administer a system of preliminary accreditation for all installations eligible for the ROO-FIT accreditation process, i.e. PV and wind greater than 50kW declared net capacity, and all AD and hydro installations.
- Entitlement to seek for preliminary accreditation will be narrower than it is for the RO. Proposed installations will be required to have planning approval (as for RO preliminary accreditation), and will also need to have met the following pre-requisites:
 - evidence of acceptance of a firm grid connection offer, if a grid connection is needed; and
 - for hydro installations: an environmental permit from the Environment Agency in England and Wales, including an abstraction licence, impoundment licence, flood defence consent and fish pass approval as necessary; and in Scotland, a Controlled Activities Regulation (CAR) authorisation from SEPA (Scottish Environment Protection Agency) for abstractions, impounding works (weirs and dams) and any other engineering works associated with the scheme.

This is not likely to provide a significant advantage for micro hydro schemes as the main issues concerning long lead times are with planning, agreeing design flows with the environment agencies, and obtaining a connection offer - all detailed design must be complete at this stage. The actual construction and commissioning stage of a development can often last only a small number of months.

- Operators will be required to have the relevant prerequisites in place before making an application for preliminary accreditation to Ofgem. If the prerequisites are not in place, an application cannot be made and preliminary accreditation cannot be granted.
- Once accredited, installations found to be eligible for preliminary accreditation, will receive the tariff that they would have received if they had accredited at the time they applied for preliminary accreditation. However, installations that are granted preliminary accreditation with an effective date in the period 1 January to 31 March each year will be eligible for the tariff that applies from the following April. Tariff lifetimes will apply from the eligibility date.
- Tariff guarantees will apply for a fixed period from application for preliminary accreditation. These will be (i) six months for PV, (ii) one year for AD and wind; and (iii) two years for hydro. Tariff lifetimes will still apply from the installation's commissioning date.

Tariff lifetimes should apply from the commissioning date - is there a conflict between the last two points?

- The tariff guarantee will apply only to the capacity, site and technology that is included in the preliminary accreditation application, i.e. changes to site or technology or increase in capacity will result in cancellation of preliminary accreditation, decreases in capacity will be permitted only if they are in the same tariff band.
- An application for (or approved) preliminary accreditation may be withdrawn.
- Installations with preliminary accreditation will count towards degression triggers. In order to ensure that the cycle of degression triggers is consistent with the cycle of preliminary accreditation, there will be a three-month lag in eligibility. For example, in order to be guaranteed the tariff for a particular FITs year (e.g. 1 April 2013 to 31 March 2014), an installation must have applied for preliminary accreditation in the period 1 January 2013 to 31 December 2013.
- In order to convert preliminary accreditation to final accreditation, installations must meet all other relevant eligibility criteria at the time. what does this refer to?

MCS or equivalent

115. This issue is technically complex. We will continue with the current system for the time being, and it will be considered as part of the summer consultation with Ofgem and licensees, which we intend to do to finalise the detail on a number of outstanding issues.

Certification of micro-hydro installations

Consultation proposals

116. Question 33 asked for views on the best way to accredit micro-hydro installations for FITs. When the FITs scheme started, the relevant standards were not ready and in June 2011 it was decided to break the link based on the fact that each hydro project is unique, and that lead-in times tend to be much longer than for other MCS technologies. An interim provision was made to use the ROO-FIT accreditation system until any final decision was taken on how to accredit these installations.

Stakeholder feedback

117. The majority of respondents thought that continuing to provide accreditation through the ROO-FIT accreditation process was most suitable for micro-hydro. 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.

118. A few believed that more effort needed to go into the development of an MCS process, building on work that has 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.

Way forward

119. Because the majority of respondents favoured continuing with the ROO-FIT accreditation process, **we have decided to extend the ROO-FIT accreditation for micro-hydro indefinitely. This will come into effect on 1 October** to ensure that there is no gap in the accreditation process for micro-hydro. This change to a **more permanent arrangement** also means that the eligibility date will be brought into line with other technologies, removing the transitional arrangement of using the commissioning date. **This does not rule out the development of an alternative accreditation system in the future if there was sufficient support for it.**

Sustainability issues

125. The government considers that it is important that the FITs scheme supports energy that is both renewable and sustainable, and this applies across all technologies. **It is therefore important that all FITs generation, including hydro, complies with the relevant environmental regulation.**

[126. In regard to AD and the use of crop-based feedstocks. We confirm at the government position is that we will implement a voluntary Code of Practice in the first instance.]

So why not do this with micro hydro? - this should be related to risk.

Community and Multi-installation projects

See [main response document](#) - P34

Compliance and enforcement

164. We believe that there is a strong case for giving Ofgem some additional powers in the areas indicated. However, to make sure that they are given the right powers to do the job properly, we will hold a further, more limited consultation with Ofgem and suppliers, on what exactly these additional powers should include.

Advice and support for generators

171. Although there was a general recognition that there is information available, we have noted a general feeling was that it was not sufficient and people did not always know where to go for it. Although **we do not think that this requires a regulatory solution**, we will assess the extent and quality of the information available, with a view to ensuring that it is easier to find and access and to fill in any gaps.

Statement of FIT terms

176. The evidence suggests that the Statement of FIT Terms is generally seen to be clear and reasonable. Many of the problems raised in response to this question were not about the Statement of FIT Terms itself, but about other problems people had with licensees. The majority were also satisfied with the three-monthly period for payment, so **we do not plan to make any changes to these at the moment** .

Complaints

181. Having considered the various views expressed, we agree that DECC might be able to do more to make sure that people know where to go when things go wrong and what recourse is open to them. We will therefore assess the extent and quality of the information available on the complaints process, with a view to ensuring that it is easier to find and access and to address any gaps.

Licensee Issues

see [main response document](#) p43

Data collection

189. The value of these data has been recognised and, as a first step, it is our intention to consult with all FIT licensees regarding the data they hold on generation at an individual installation level and to explore the potential cost and additional burden it would place on them to provide this data to DECC for analysis on a regular basis.

Licensee of last resort and mutualisation

192. This issue is one that primarily affects Ofgem and licensees, and will require further detailed consideration. We will therefore do more work on this over the summer, including further targeted, informal consultation with Ofgem and licensees, before introducing the changes.

GOVERNMENT ASSUMPTIONS FROM IMPACT REVIEW

See <http://www.decc.gov.uk/assets/decc/Consultations/fits-review/5903-impact-assessment-govt-response-to-consultation-f.pdf>

72. Table 9 to Table 11 below set out projected uptake figures for Option 1 (Do Nothing) and Option 2. It should be noted that these figures do not include installations that have transferred from the RO to FITs since FITs started in April 2010. Both the Do Nothing and Option 2 figures therefore underestimate uptake slightly by the same amount, but this does not affect the comparison of Option 2 against the Do Nothing. Installation and MW capacity figures are cumulative, i.e. 2012/13 projections include all 2010/11 and 2011/12 uptake. All figures have been rounded.

Table 9- Projected cumulative installations

		2012/13	2013/14	2014/15	2015/16	2020/21
Do-nothing	Hydro	270	320	380	430	770
	Wind	2,830	3,670	4,440	5,150	7,940
	AD	50	60	80	100	180
Option 2	Hydro	280	340	390	440	610
	Wind	2,850	3,310	3,730	4,090	5,390
	AD	50	60	80	100	180

Table 10- Projected cumulative MW capacity

		2012/13	2013/14	2014/15	2015/16	2020/21
Do-nothing	Hydro	30	50	70	90	200
	Wind	90	130	170	220	470
	AD	30	50	70	110	220
Option 2	Hydro	30	50	70	80	160
	Wind	90	120	150	170	290
	AD	30	50	70	110	220

Table 11- Projected GWh generation

		2012/13	2013/14	2014/15	2015/16	2020/21
Do-nothing	Hydro	80	130	180	230	560
	Wind	120	200	280	370	870
	AD	140	260	420	620	1550
Option 2	Hydro	80	130	190	240	460
	Wind	120	190	250	310	600
	AD	140	260	420	620	1550

73. Hydro uptake under Option 2 is slightly higher by 2014-15 than under the Do Nothing option. This is due to additional uptake under the new, higher 100-500kW tariff. Uptake to 2020 is lower under Option 2. This is because hydro tariffs are degressed at 5% annually from 2014-15 onwards under Option 2, whereas under Do Nothing, it is assumed that there is no degression of hydro tariffs, in line with policy at the time of FITs launch.

74. Projected hydro uptake is lower than estimated in the consultation Impact Assessment¹⁸ due to increases in capex and opex in PB's latest update of assumptions.

¹⁸ In the consultation IA, cumulative hydro capacity by 2020/21 was estimated at 190MW under the lead option.

PARSONS BRINCKERHOFF DATA

See [5900-update-of-nonpv-data-for-feed-in-tariff-.pdf](#) - P46:

These figures do not seem typical for 0-50kW



Load factor

	Low	Central	High
<15kW	30%	35%	45%
15–50kW	30%	35%	45%
50–100kW	30%	35%	45%
100–1,000kW	30%	35%	45%
1,000–2,000kW	30%	35%	45%
2,000–5,000kW	30%	35%	45%

Technical potential (total MWh/yr)

	Total MWh/yr
<15kW	230,000
15–50kW	46,000
50–100kW	138,000
100–1,000kW	2,898,000
1,000–2,000kW	644,000
2,000–5,000kW	644,000

Lifetime (years)

	Low	Central	High
<15kW	25	25	25
15–50kW	25	25	25
50–100kW	25	25	25
100–1,000kW	25	25	25
1,000–2,000kW	25	25	25
2,000–5,000kW	25	25	25