Department of Energy & Climate Change

Government response to consultation on changes to financial support for solar PV

Part A: Controlling spending on large-scale solar PV within the Renewables Obligation

Part B: Promoting the deployment of mid-scale building-mounted solar PV in the Feed-in Tariff scheme

2 October 2014

Department of Energy and Climate Change
3 Whitehall Place
London
SW1A 2AW

Telephone: 0300 068 4000

Website: www.decc.gov.uk

For further information on this publication please contact:

Renewables Financial Incentives Team
Department of Energy and Climate Change
2nd Floor, Area C
3 Whitehall Place
London
SW1A 2AW
Telephone: 0300 068 5404
Email: SolarPV.Consultation@decc.gsi.gov.uk

Published by the Department of Energy and Climate Change.

Contents

Executive summary

Introduction

1. Solar PV is an important part of the UK's energy portfolio. The sector has seen very strong growth in recent years, due to support from the small scale Feed-in Tariff (FIT) scheme and the Renewables Obligation (RO), as well as from costs coming down rapidly as a result of global developments. Last year – 2013/14 – saw record levels of new capacity in the UK, with the industry maintaining strong levels of deployment at both domestic and large-scale. While this is good news, we are concerned in particular about the impact that rapid deployment under the RO could have on the Levy Control Framework (LCF) which sets annual limits on the overall cost of DECC's levy-funded policies.
2. On 13 May 2014, the Government published a consultation paper setting out proposals for measures to control spending on new solar PV capacity above 5MW within the RO, and to promote the deployment of mid–scale building-mounted solar PV in the small–scale FIT scheme.
3. Part A of the consultation set out proposals to take action to control costs of large-scale solar PV under the RO in order to ensure it is affordable in the context of our objectives for long-term decarbonisation of electricity and security of supply at the least cost to consumers. The consultation proposed to close the RO across Great Britain to new solar PV capacity above 5MW. This would apply from 1 April 2015, both to new stations and additional capacity added to existing accredited stations after that date, where the station is, or would become, above 5MW. A grace period designed to protect projects where significant financial commitments have been made to projects on or before 13 May 2014, i.e. the date on which this consultation began, was also proposed.
4. Part B of the consultation set out proposals relating to promoting the deployment of mid-scale building- mounted solar PV in the FIT scheme. These covered splitting the current FIT degression band for over 50kW installations into two separate bands: stand-alone and other-than-stand-alone.
5. This document is the Government Response to this consultation and sets out the Government's decisions on these matters.

Responses to the consultation

6. The consultation closed on 7 July 2014. In total, there were 65 responses on the RO proposals and 36 responses on the proposed changes to the FIT scheme. These were received from across the industry including electricity companies, independent generators, developers, manufacturers, trade associations, consultants and financiers. Responses were also received from outside the industry including local authorities, NGOs and individuals. Whilst the majority of responses addressed both parts of the consultation, 5 responses were specifically addressed at the FIT scheme proposals set out in Part B. A list of respondents can be found at **Annex A.**
7. A number of meetings with stakeholders, including with the solar PV industry, were also held during the consultation period. These meetings have also informed our thinking and final decisions.

8. The following is a summary of the consultation responses received. It does not capture every point made. We would like to thank all those who took the time to respond to the consultation and participate in stakeholder meetings around the consultation exercise.

Part A: feedback and decisions

9. A majority of respondents (57%), mostly from the solar PV sector, was opposed to the Government's proposal to close the RO early to solar PV projects above 5MW in scale from 1 April 2015. Many respondents also disagreed with our assessment of the deployment projections. A majority (54%) of respondents were in favour of not closing the RO to projects below 5MW. A significant majority (69%) were opposed to the proposal to introduce a grace period based on the stage projects had reached by 13 May 2014, though not to the idea of a grace period itself, while 86% of respondents did not agree with the proposed forms of evidence to demonstrate eligibility for the grace period. Nearly 81% of respondents who expressed a clear opinion on question 6 agreed that we should not introduce a capacity or supplier cap. Opinion was equally divided on whether a banding review would be a more effective means of controlling costs for this technology. There was a clear majority (89%) in agreement with the proposals not to change the conditions for a banding review and not to exclude new large-scale solar from the established grandfathering policy.

10. Having reviewed the evidence on the solar PV pipeline, our assessment remains that large-scale solar PV is deploying more rapidly than we previously estimated and poses a significant risk of breaching the LCF within the next two years. Our updated assessment indicates that in the absence of intervention, 6.6GW–10.0GW of solar PV could deploy under the RO by the end of 2016/17 and cost an estimated £400m per annum more than our EMR Delivery Plan projections. This would exceed the LCF cap in 2016/17 by approximately £40m in our central assessment. In view of this and the evidence and opinions from the consultation exercise, the Government has decided to take the decisions as summarised below.

11. **The Government has decided to close the RO to new solar PV generating stations above 5MW in scale from 1 April 2015, and to additional capacity added to existing accredited stations from that date, where the station is, or would become, above 5MW.**

12. **The Government has decided to keep the RO open to new solar PV projects at or below 5MW.** The closure date of 31 March 2017 will continue to apply for these smaller projects. We will continue to monitor the small-scale solar PV deployment pipeline and consider taking measures to protect the LCF if necessary.

13. **The Government has decided to provide a grace period designed to protect projects where significant financial commitments have been made on or before 13 May 2014, i.e. the day on which we published our consultation. We have also decided to maintain 13 May 2014 as the date by which the significant financial commitments must have been made**.

14. **The Government has decided to make a number of adjustments to the evidence that has to be provided in order to benefit from the grace period** to ensure the requirements are more aligned with the practical realities of solar PV project development processes and timelines.

15. **The Government has decided to carry out a further consultation on an additional grace period for grid delay.** Consultation proposals are published alongside this Government Response.

16. **The Government has decided not to introduce a capacity or supplier cap as these measures will not provide more effective means of controlling costs from solar PV.**

17. **The Government has decided not to undertake a banding review of solar PV at this time because it will not provide a more effective means of controlling costs from this technology.**

18. **The Government has decided that the conditions for a banding review should remain unchanged and that solar PV will continue to be covered by our grandfathering policy of maintaining RO banding levels for accredited capacity.**

Part B: feedback and decisions

19. A significant proportion of respondents (50%) did not agree that the proposal to split the FIT degression band would achieve the Government's aim of increasing building-mounted deployment, mainly arguing that more should be done. However, 53% of respondents either supported the proposal or believed it was better than a do nothing option. A number of respondents (43%) indicated that they did not agree that using the current stand-alone and other-than-stand-alone definition would increase building-mounted deployment. This included a proportion of respondents (29%) who were concerned that the definition may result in unnecessary buildings or stand-alone installations wiring through a building whilst not using the energy on site. The majority of respondents (60%) did not agree with the proposed split for stand-alone and other-than-stand-alone. A slight majority of respondents (53%) were not in favour of implementing the proposal in January.

20. **The Government has decided to split the >50kw and stand-alone band into two separate bands.** This will protect building-mounted installations from degression caused by stand-alone deployment. In addition, it will allow building-mounted deployment to increase as a result of the work being done on non-financial barriers without triggering a non-automatic degression.

21. **The Government has decided to link the tariff that applies to other-than-stand-alone projects that do not satisfy the energy efficiency requirement to the tariff rate for the >250kw other-than-stand-alone tariff band.** This amendment is to allow these projects to deploy and to make sure that building-mounted projects are treated consistently.

22. **The Government has decided to consult again on proposed amendments to the definition of other-than-stand-alone installations and stand-alone installations.** The consultation published alongside this Government Response sets out proposals which aim to ensure that the policy change, implementing two new degression bands, meets its aim of facilitating an increase in building-mounted deployment.

23. **The Government has decided to amend the proposed split for the degression triggers to: 65% other-than-stand-alone, 35% stand-alone**. This split will help ensure that any degression of tariffs for other-that-stand-alone will occur as a result of an increase in deployment of those installations, irrespective of levels of stand-alone deployment, and at the same time allow stand-alone schemes to continue to deploy at steady levels under the FIT scheme.

Implementation

24. Subject to Parliamentary approval, and if necessary, state aid clearance, we intend to implement our decision on the RO through an amendment to the Renewables Obligation Closure Order 2014, with the aim of the changes coming into force on 1 April 2015. Subject to Parliamentary approval, we intend to implement our decision on the changes to the FIT scheme by amending the relevant provisions of the FIT Order and Standard Licence Conditions with the aim of these changes taking effect from January 2015.

Contact Details

If you have any questions regarding this response, please contact:

Renewables Financial incentives Team
Office for Renewable Energy Deployment
Department of Energy and Climate Change
2nd Floor, Area C
3 Whitehall Place
London, SW1A 2AW
Tel: 0300 068 5404
Email: SolarPV.Consultation@decc.gsi.gov.uk

1. Part A – Controlling spending on large-scale solar PV within the RO

Question 1 asked for views on our projections for the amount of new solar PV capacity likely to deploy under the RO by 1 April 2015, and our deployment assumptions for 2015/16 and 2016/17.

1.1. The analysis for the consultation indicated that large–scale solar PV deployment was already significantly ahead of expectations and posed a substantial risk to our ability to manage the Levy Control Framework (LCF) budget, especially in 2015/16 and 2016/17 when there are limited methods to control deployment within the RO. The latest published data available at the time of the consultation showed that around 545MW of solar PV projects had already accredited under the RO by the end of March 2014. Based on figures supplied from Ofgem, there was an approximate 1.2GW further of new installed capacity awaiting an accreditation decision. Additionally, public commentary from sources in the solar industry suggested that a further 1.5GW of large-scale projects could be added during 2014/15, and that interest in the sector was unlikely to be slowed down by the scheduled reductions in ROC rates in 2015/16 and 2016/17. We estimated a range of deployment without action under the RO of between 2.8GW and 6.3GW of solar PV deployment by the end of 2017, potentially costing up to £200m more than the EMR Delivery Plan estimates and posing a risk to the LCF.

Main messages from responses

Q1 Responses	
Agreed	7
Disagreed	12
Indeterminate	16
No comment	30

1.2. A significant majority of respondents (71%) either did not answer this question or were unable to express a clear opinion either way, mainly because they had insufficient knowledge of the solar PV deployment pipeline overall to be able to make a definitive judgement.

1.3. Among the respondents who agreed with our projections, it was commonly cited that DECC's projections were consistent with their own past and future deployment plans, as well as growth forecasts. Others, while disagreeing with our proposal to close the scheme to new solar PV >5MW, accepted that the sector would continue to grow and that this should be seen as a success rather than a development that should be curtailed.

1.4. Most of the respondents who disagreed with the projections and deployment assumptions cited inaccuracies in the integrity of the data collected (i.e. the reliance on unverified third party data and industry anecdotes) and the subsequent analysis on which the consultation has been based. On the one hand, the projections were viewed as being too conservative for new solar PV capacity likely to deploy under the RO by April 2015, for 2015/16 and 2016/17, with growth of the solar industry believed to far exceed initial projections, while others viewed the projections as being grossly overstated with suggestions that the data could have been skewed by:

- 'Grid-banking'- Whereby large developers secure multiple grid connections whilst still searching for a potential site before planning is even considered;
- The inclusion of projects in the planning stage which, in reality, never achieve consent;
- The Renewable Energy Planning Database (REPD) not distinguishing between ground- and building-mounted solar PV.

Post-consultation analysis

1.5. Having considered the challenges to our projections, our assessment remains that large-scale solar PV is deploying more rapidly than we previously estimated and at a pace that poses a significant risk of breaching the LCF budget within the next two years. Indeed, we have observed that the pipeline has continued to increase since the consultation was published on 13 May 2014. For example, according to the September update of REPD, approximately 1.7GW of solar PV projects above 5MW in size have applied for planning permission since we published our consultation document[1]. This suggests there is still a strong appetite for investment in the large-scale UK solar PV sector in spite of our proposals for early closure of the RO.

1.6. Estimates at the time of the consultation suggested that, without intervention under the RO, between 2.8GW–6.3GW of large-scale solar PV could deploy under the scheme by the time it closes in March 2017. This compared with the range of 2.4GW to 4GW in 2020 projected in the EMR Delivery Plan published on 19 December 2013[2].

1.7. Our updated assessment indicates that significantly more deployment could come forward than was estimated when we published our consultation document. We now estimate that in the absence of intervention, 6.6GW–10.0GW of solar PV could deploy under the RO by the end of 2016/17. This would cost up to an estimated £400m per annum more than our EMR Delivery Plan projections and would cause us to exceed the LCF cap in 2016/17 by approximately £40m in our central assessment. Given the uncertainty about solar PV deployment, spend above the LCF cap in 2016/17 could be as high as £70m.

1.8. It is essential that the cost of levy-funded policies remain within the LCF cap. The LCF sets annual limits on the overall cost of DECC's levy funded policies[3]. DECC must set policy so that its forecast for levy-funded spending is equal to or less than the annual caps. As a result, we must carefully consider spending under levy-funded policies to

---

[1] https://restats.decc.gov.uk/cms/planning-database/

[2] https://www.gov.uk/government/publications/electricity-market-reform-delivery-plan

[3] The LCF covers the Renewables Obligation, the small-scale Feed-In Tariffs scheme, Investment Contracts for the Final Investment Decision Enabling for Renewables process, and Contracts for Difference. The LCF also includes the Warm Home Discount although this is not included in the £7.6bn trajectory to 2020/21.

ensure that it remains within the cap and take action if our forecasts show that the annual caps would be breached. As the LCF forms one overall capped amount, over-spending on one policy, or on deployment of one particular renewable technology, has a direct effect on the money available for other policies and other renewable technologies. Breaching the LCF caps would also have a direct impact on consumers because it is assumed that any costs incurred by licensed electricity suppliers in complying with the requirements placed upon them by these policies are passed on to consumers in their energy bills.

1.9. If DECC's actual spend exceeds, or is projected to exceed, the LCF caps, it must make robust plans to demonstrate that spending will be brought back down within the caps.[4] This mechanism ensures that costs to suppliers and, therefore, costs to consumers are closely controlled.

1.10. Our updated assessment is set out in the revised Impact Assessment accompanying this Government Response and has been taken into account in reaching our decision in relation to question 2, on early closure of the RO to new >5MW solar PV capacity.

Question 2 asked for views on the proposal to close the RO early to solar PV projects above 5MW in scale.

1.11. We said in our consultation document that because projected levels of deployment were higher than could be afforded, with a potential adverse consequence for the Government's management and use of the LCF as a whole, it was considered necessary to take action to control costs of large-scale solar PV to ensure it was affordable in the context of the RO and EMR. We proposed to achieve this by closing the RO across Great Britain to new solar PV capacity above 5MW from 1 April 2015. We proposed that the closure would also apply to any additional capacity added to an accredited solar PV station from 1 April 2015 where the station is, or would become, above 5MW.

Main messages from responses

Q2 Responses	
Agreed	12
Disagreed	37
Indeterminate	4
No comment	12

1.12. Respondents who agreed with the proposal to close the RO early to solar PV projects above 5MW acknowledged the issues associated with rapid deployment, notably the implications for the LCF. The proposal was therefore seen as appropriate and justified to ensure costs were kept under control both for the Government and for consumers. However, it was suggested that sufficient notice and grace periods should be applied to ensure that investor confidence was not lost. Some respondents within industry also

[4] "Control Framework for DECC levy-funded spending", paragraph 3.1

believed that projects above 5MW were sufficiently established in the UK in order to compete for funding under Contracts for Difference (CfDs). Some individuals and local councils contended that large-scale solar PV was expensive to subsidise and brought negative environmental externalities associated with its land take.

1.13. A significant majority of respondents disagreed with the proposal, with particular emphasis by developers being placed on the repercussions of closure for investor confidence, and the means of attracting foreign investment into the non-domestic solar PV sector. Furthermore, developers - notably small and medium-sized enterprises (SMEs) - anticipated increased financial risks and potential losses from having already invested significantly in developing project pipelines and the inherent inability to respond to changes given project development lead times. The transition from the RO to the CfDs was seen as one of the greatest risks, being regarded as far too uncertain to be considered as a viable alternative due to a lack of clarity in definition, including around the design parameters of CfDs, the frequency and methodology of auctions, and the available budget. Several respondents contended that rapidly decreasing costs in the large-scale solar PV industry would offset the anticipated implications of rapid deployment on the LCF and rising costs, although no evidence was provided to support this.

1.14. Of the minority who responded with indeterminate responses, it was proposed that the closure of the RO should be for all projects on the grounds that subsidies distort the market, or that keeping the RO open to projects below 5MW would lead to the proliferation of smaller projects, which would not address the Government's objective to control the cost of solar PV deployment.

Post–consultation decision

1.15. We have considered very carefully the arguments presented on both sides of this question. We acknowledge that bringing forward closure of the RO for large-scale solar PV projects represents a change of policy from that previously announced and given effect in the RO Closure Order 2014, and that the majority of respondents are against us doing so. We have taken into account the fact that large-scale solar PV developers expected that the RO would remain open until 31 March 2017. However, we cannot ignore the very clear evidence that large-scale solar PV is deploying faster than can be afforded and, in addition, that there is significantly more potential deployment of large-scale solar PV than estimated when we published our consultation less than five months ago, and the heightened risk that this poses to the LCF. The position of large-scale solar PV developers who have made significant financial commitments in reliance on their expectation of the previously adopted closure date is addressed by our proposals for a grace period, as discussed under question 4 below. **The Government has therefore decided to close the RO to new solar PV projects above 5MW in scale from 1 April 2015, and to additional capacity added to existing accredited stations from that date, where the station is, or would become, above 5MW.**

1.16. DECC has published alongside this Government Response the budget notice for the first CfD allocation round, which starts on 16 October 2014. Large-scale solar PV is an eligible technology for the CfD and we believe that CfDs will provide a viable route to market for some larger scale solar PV. With the sector's continuing drive towards subsidy free solar, we believe it will be well placed to compete in CfD auctions. As a number of large-scale solar PV developers have publically recognised, the inherent merits of a CfD actually make it more attractive in various ways than the RO despite the allocation risk.

Question 3 asked for views on the proposal not to close the RO to solar PV projects of 5MW and below.

1.17. Information available at the time of the consultation suggested that projects of 5MW and below formed a relatively small part of the expected future solar PV deployment under the RO, with the rate of deployment of these smaller solar PV projects posing a lower risk to the LCF when compared to the risk from projects above 5MW in size. We therefore proposed that the RO would not be closed before April 2017 to solar PV projects of 5MW and below.

Main messages from responses

Q3 Responses	
Agreed	35
Disagreed	3
Indeterminate	2
No comment	25

1.18. A majority of respondents agreed with this proposal. As solar PV projects of 5MW and below comprised a smaller proportion of forecast deployment (as laid out in the consultation document), it was generally agreed that such projects place a significantly lower burden on the RO budget. Several respondents also argued that continued RO support for projects of 5MW and below was essential in order to support mid-scale PV and larger roofs, which had largely failed to deploy under the FIT scheme.

1.19. Of the three respondents who disagreed, the proposal was considered unworkable due to the possible effects of developers and investors increasingly pursuing sub-5MW schemes, which raised concerns of 'splitting' large developments and project downsizing by developers in order to qualify for the RO. It was widely suggested that regulation be more clearly defined to prevent commercial entities from exploiting legislation in this manner. Furthermore, with the 5MW or below sector being viewed as the only sector left open for SMEs to be involved in, it was emphasised that such a restriction would have an adverse negative impact on investor confidence, including for developers who see the returns on such schemes as unattractively small.

1.20. One alternative suggestion put forward was a total closure to any commercial site built on land rather than rooftops, whilst a second respondent expressed a concern that the existing FIT support for rooftop solar PV would limit the amount that could be deployed in this way, suggesting that the FIT capacity for all solar PV over 50kW should be increased and that the FIT for 250kW solar PV should be split to give a 250kW to 1MW band, with further increases in capacity triggers.

Post–consultation decision

1.21. Our updated analysis indicates that deployment of small-scale solar PV projects of 5MW and below under the RO does not currently pose a budgetary risk. **The Government has therefore decided to keep the RO open to new solar PV generating stations at**

or below 5MW until 31 March 2017. However, consistent with our responsibility for managing RO expenditure under the LCF, and mindful of how quickly the solar sector has adapted to past policy changes, we will continue to monitor the small-scale solar PV deployment pipeline. As indicated in our consultation document, if this monitoring indicates that deployment is growing more rapidly than can be afforded, we will consider taking measures to protect the LCF.

Question 4 asked for views on the proposed grace period and eligibility date of 13 May 2014.

1.22. We proposed offering a grace period designed to protect existing significant financial commitments made in large-scale solar PV projects on or before 13 May 2014, the date on which the consultation began. It was further proposed that the grace period would also be available for existing significant financial commitments made in additional capacity to be added to stations that had already accredited under the RO on or before 13 May 2014.

Main messages from responses

Q4 Responses	
Agreed	15
Disagreed	34
Indeterminate	0
No comment	16

1.23. In addition to the consultation responses, we held several meetings with key stakeholders from the solar PV industry and investment community. The views expressed by stakeholders during these meetings are reflected in many of the consultation responses from the solar industry and investors, and have been taken into account in reaching our conclusions and making our final decision.

1.24. Of the 15 respondents who agreed with the proposal to introduce a grace period to protect significant financial commitments in projects made on or before 13 May 2014, more than half also agreed with the proposed evidence requirements set out in question 5. A small number of respondents who agreed with the proposal for a grace period and the 13 May 2014 date disagreed with some of the grace period evidence requirements. They considered the eligibility criteria were either unacceptable or inappropriate and should be adjusted in some way. Two of those who supported the proposal did not comment on the proposed grace period evidence requirements.

1.25. Several respondents supported a grace period to ensure that projects which have made significant progress are not disadvantaged. It was remarked that the proposals were consistent with previous RO grace period arrangements. Other points made in support were that development spend for solar PV projects is at risk for a much shorter time than for other technologies, and that therefore any grace period provisions can be limited in scope. It was also suggested that the proposed date of 13 May 2014 provided adequate lead time ahead of the proposed closure date of 31 March 2015.

1.26. However, around 69% of those who answered this question, mainly solar industry stakeholders, disagreed with the proposed grace period date and the evidence requirements, though not with the idea of a grace period itself. Comments on the eligibility criteria are summarised under question 5. The main criticism, expressed by the majority of those who disagreed, was that any projects that can meet the grace period evidence requirements are unlikely to need the grace period because they will already be sufficiently advanced to secure connection by the 31 March 2015. This is because once a project receives planning approval it can usually build out and commission within a matter of months. The grace period as proposed therefore, would not protect those which have made a significant investment but are unlikely to commission before March 2015. One respondent said that such projects are likely to be disadvantaged.

1.27. Approximately half of those who disagreed felt that the grace period would not protect projects that were well-advanced and had made significant investments during the development phase, i.e. pre-construction, for example, in respect of grid, land and planning fees, but which fell short of the proposed evidence requirements. A number of these respondents expressed the view that the level of cost incurred prior to construction would be significant for SMEs and should be regarded as a significant financial commitment and sufficient to be eligible for a grace period.

1.28. The view was expressed that the grace period was unworkable for most projects currently in development, and that the financial risk of failing to commission by 31 March 2015 would prevent investment in projects that were to be constructed in the first quarter of 2015. It was suggested that the exclusion of solar PV >5MW from the RO entirely left developers facing an unacceptable level of risk, since in the absence of an RO or a guaranteed CfD the potential losses for late completion amount to 100% of the project costs. Several individual developers said that the impact on their businesses would be considerable, and a number provided specific examples. They said that substantial parts of their project pipelines (up to 100% in one case, but typically around 80%) were at risk of not going ahead, and this would lead to substantial financial losses, and possibly liquidation, in some cases. Several developers said that they were finding it impossible to raise investment finance for projects unless they were due to commission before the end of 2014, though when looking at the evidence in the round, it is apparent that different types of investors have different risk appetites.

1.29. A total of fourteen respondents commented that basing the grace period on the stage projects had reached by 13 May 2014 amounted to a retrospective change or could be viewed as such. There was a strong sense among a number of these respondents that the proposals were ill-judged and unfair, and several responses were of the view that this left Government open to legal challenge.

1.30. Several of the respondents who disagreed stated that the proposals had not taken account of the lengthy development process, including in-built delays, many of which were outside of the control of developers, e.g. planning consent, obtaining grid connection, equipment lead times etc. Various examples were given of the development timeline, with some broad consistency around 12-24 months, with projects taking longer if planning decisions were appealed or depending on the size of voltage connection offered (with larger connections taking longer).

1.31. Many respondents suggested alternative dates for the application of the grace period. Thirteen called for the grace period cut-off date to be moved to 31 December 2014. Among the reasons given were that many elements of the development process, including planning consent and grid connections, were outside the control of developers, and that moving the grace period to a later date would give projects a reasonable amount of time to adjust. Five suggested re-setting the grace period eligibility date to

coincide with the date on which Government announces its decision, while two others suggested the end of October 2014 to overlap with the opening of the CfD auctions. Other suggestions included moving the date to the later of 7 days after publication of the Government Response or 30 September 2014, and reducing the grace period from 31 March 2016 to 30 September 2015. It was felt that this would give developers time to reassess their projects and manage risks. Another reply suggested re-setting the grace period to December 2015 to allow for delays in securing grid connections.

1.32. A small number of respondents suggested that there should also be a grid connection delay grace period, such as that provided for under the 2013 RO banding review, to help projects intending to commission by 31 March 2015 but delayed due to circumstances outside their control.

Post–consultation decision

1.33. Having considered all of the consultation responses to this question carefully, **the Government has decided to provide a grace period to projects that had made a significant financial commitment on or before 13 May 2014. Additional capacity added to stations with an accreditation date on or before 13 May 2014 will also be eligible for the grace period subject to fulfilling the evidential requirements for significant financial commitments made on or before 13 May 2014 in respect of the additional capacity.**

1.34. We have reconsidered our consultation proposal requiring stations wishing to benefit from the grace period having to submit evidence to Ofgem by 31 March 2015. This might involve stations first submitting evidence to demonstrate eligibility for the grace period, and subsequently submitting an application for accreditation, with Ofgem having to assess the same station twice. We wish to avoid placing unnecessary administrative burdens and costs on Ofgem and developers. **The Government has therefore decided that stations wishing to obtain a grace period will be required to submit the relevant evidence at the same time as they apply for accreditation.** We believe that this approach will also reduce the risk of speculative applications for a grace period being submitted to Ofgem. **The Government has also decided that stations that do qualify for a grace period must commission and accredit under the RO no later than 31 March 2016**.

1.35. We have considered whether we could move the grace period eligibility date to later in the year, as suggested by several respondents. We estimate that to do so would add around £110-120m per annum to the cost of our intervention option from 2016/17 onwards, and so we have decided not to adjust the grace period date from 13 May 2014. Moreover, the grace period is designed to protect those who had made significant financial commitments without knowledge that the Government proposed to bring forward the RO closure date for large-scale solar PV projects.

1.36. We note the points made in response to the consultation that the proposed grace period evidence requirements are unworkable for most projects in the pipeline, that only projects that were under construction as of 13 May 2014 would be able to provide all of the evidence required, but that these projects would be unlikely to need a grace period. Given the potential risk to the LCF, the grace period as proposed was intended to protect projects where existing significant investments had been made, not to enable new projects to reach final investment decisions. The conditions proposed for the grace period needed to be rigorous in order to ensure that only projects which had already made significant financial commitments would qualify. It may be the case, as has been suggested, that a majority of qualifying projects will eventually not need to rely on the

grace period. However, the grace period will have fulfilled its purpose if it protects eligible projects that subsequently encounter unexpected events or mishaps which delay their completion beyond the end of March 2015.

1.37. Nevertheless, the Government considers that several adjustments should be made to the grace period evidence requirements in the light of the consultation responses. The adjustments we have decided to make are described in the next section summarising the responses and decisions taken in relation to question 5.

Question 5 asked for views on the proposed forms of evidence to demonstrate eligibility for the grace period.

1.38. The consultation proposed that in order to demonstrate eligibility for the grace period, projects would have to have obtained preliminary accreditation under the RO on or before 13 May 2014 or present four forms of evidence to Ofgem. The four forms of evidence that we proposed were:

- a grid connection offer and acceptance of that offer, both dated no later than 13 May 2014 and a letter from the network operator estimating or setting a date for the grid connection which is on or before 31 March 2016;
- relevant planning consents dated no later than 13 May 2014;
- a Director's Certificate confirming that as at 13 May 2014 the developer or proposed operator of the station owns the land or has an agreement to lease the land;
- evidence in the form of invoices and payment receipts from the developer or proposed operator demonstrating that a minimum of £100,000 per MW of expected consented capacity in project pre-commissioning costs has been incurred by 13 May 2014, or proof that material equipment contracts have been entered into for the project by 13 May 2014.

Main messages from responses

Q5 Responses	
Agreed	6
Disagreed	38
Indeterminate	0
No comment	21

1.39. A small number of respondents (9%) agreed with the proposed forms of evidence to demonstrate eligibility for a grace period. Among the views expressed were that the forms of evidence should reflect the specific characteristics of solar PV and that it was important to ensure that the eligibility requirements minimised the need for subjective judgement by Ofgem. One respondent felt that the requirement relating to pre-commissioning costs was the only one needed to demonstrate a significant financial commitment, and that this criterion was fit for purpose having been derived from the approach used for CfDs. Another respondent suggested that they could accept all four grace period conditions if the effective date was moved to 31 December 2014.

1.40. A majority of respondents (nearly 86%) who answered this question disagreed with the proposed eligibility requirements to one degree or another, and several made alternative suggestions. A number of general comments were received, including that the requirement for pre-commissioning costs should be dropped, and that the requirements do not reflect the significant investment put into projects which fall short of the eligibility criteria that we have proposed.

1.41. Specific comments and alternative suggestions were received on each of the proposed eligibility criteria, and are summarised below.

Grid connection

1.42. The majority of respondents who commented on this condition said that it would not be possible for developers to comply with the requirement to obtain a letter from the District Network Operator (DNO) estimating or confirming a grid connection date by 31 March 2016. The reasons given were broadly consistent that network operators are not obliged to provide such a letter, DNOs do not provide confirmed connection dates that far in advance (i.e. as of 13 May 2014); that connection dates are usually not confirmed until after funding is committed, designs approved, construction is underway and the DNO has finalised the connection programme.

Planning

1.43. The majority of respondents who commented on this agreed with the proposal, although a few linked this to an eligibility date of 31 December 2014 or a date later in 2014. Two respondents were of the view that the eligibility requirement should apply to projects that had submitted planning applications while another had a contrary view that basing the requirement on a planning application would open the door to more projects deploying in 2014/15.

1.44. A number of consultation responses raised concerns that a developer has no control over what happens after they submit their planning application and because a developer who misses the grace period deadline because of non-determination, or because they have to appeal to get their permission, may have spent as much on development costs as one who is luckier in the approach of the relevant local authority and secured planning consent by 13 May 2014.

Land rights

1.45. There was a consensus from respondents who commented on this requirement that a lease would not normally be entered into until shortly before construction. An option to lease was common practice in the industry because once activated the developer becomes liable for payments to the landowner for the term of the project, which could be 20 years or more. For this reason an option would not be activated until after planning approval had been obtained.

Pre-commissioning costs

1.46. This proposal attracted the most comments, with a consensus that it was unrealistic given that the majority of players in the solar PV market were SMEs. The view was expressed by several respondents that this would require small companies to make very considerable outlays on developments, and would put them at a disadvantage to larger players, such as vertically integrated companies, that could easily meet these costs from balance sheet.

1.47. Several respondents argued that this requirement should be dropped because a reasonable financial commitment would have been made by demonstrating a grid offer,

planning permission and legal fees. A number of respondents said that by the time they have applied for planning permission, projects will have incurred considerable costs on securing a grid connection, land option and planning fees which may be short of the £100,000/MW requirement but which for them would represent a significant financial commitment. Various examples of pre-construction costs were given, with one estimating £5,000-£10,000 for securing grid and land option, with other examples indicating spend of £100,000, £150,000-£250,000 and up to £430,000 for the cost of securing grid, land and the planning application fee. One respondent said that pre-commissioning costs are site-specific and will vary between developments making any meaningful hurdle based on a cost per/MW impossible to achieve.

1.48. In commenting on the requirement for evidence to be provided in the form of invoices and payment receipts, one respondent said that this disadvantaged developers that used in-house resources for planning, legal and other work when compared to developers that contract these services from third parties. Companies that procure equipment and services centrally and only allocate these costs to individual projects may not be able to provide the appropriate evidence to ensure qualification.

1.49. Alternative suggestions included limiting the eligibility criteria to where the project has a grid connection offer and has applied for planning permission; or to completion of an option to lease land, a planning application and payment of the first milestone of a grid connection offer.

Post–consultation decision

1.50. In light of the evidence received through the consultation, **the Government has decided to make several adjustments to the evidence requirements for the grace period** to ensure they are more aligned with the practical realities of solar PV project development processes and timelines. Accordingly, the Government has decided to:

Grid connection

- **Remove the requirement on the developer to obtain a letter from the network operator estimating or setting a date for the grid connection to be made which is on or before 31 March 2016**. Several respondents suggested that it would be impossible or extremely difficult to obtain such a letter from their network operator. Our experience with the operation of the banding review grace period suggests that such difficulties are not insurmountable and under the consultation proposals, developers would have had up to 1 April 2015 in order to provide the letter. Nevertheless, because 31 March 2016 sets a clear deadline for accreditation in the case of stations that qualify for the grace period, we consider that a letter confirming that the station will be connected to the grid by then is not necessary for this grace period. Projects which are eligible for the grace period but fail to commission and accredit under the RO by 31 March 2016 will not, as proposed in our consultation, be able to enter the RO after that date;

Planning

- **Replace the requirement on the developer to have obtained planning permission by 13 May 2014 with the requirement for a planning application for the project to have been submitted to the relevant planning authority by that date**. This arrangement does not apply to any outline planning applications submitted by developers to the relevant planning authority. We accept the argument that a developer has no control over the outcome of a planning

application once submitted, and that where planning permission is rejected, it may be overturned on appeal. However, we wish to make it clear that making this change will not exempt a station from the requirement to have obtained the relevant planning permission before it can be accredited under the RO, and that it must have an accreditation date on or before 31 March 2016. All of the usual RO eligibility requirements would apply at that point. We also wish to make it clear that we are making this change because of the specific circumstances around early closure of the RO to new solar PV capacity above 5MW in size. It should therefore not be regarded as a precedent for other cases. Developers will be required to provide proof that a planning application was submitted to the relevant local planning authority on or before 13 May 2014. When applying for accreditation, it must also be demonstrated that the planning application which was finally approved did not represent a material variation from the original application. Ofgem will administer the solar PV closure and grace period process and, once legislation underpinning this policy has been finalised, a guidance document for prospective applicants will be published;

Land rights

- **Expand the ways in which the developer can demonstrate an interest in the land on which the solar PV project is to be located to include options to lease the land**, as this reflects common industry practice;

Pre-commissioning costs

- **Remove the requirement on developers to have spent a total of £100,000 per MW of installed capacity of total pre-commissioning costs or to demonstrate that all material equipment contracts have been entered into by 13 May 2014.** Removing this requirement will widen the range of projects that can qualify for the grace period, including some which might not have reached final investment decisions by 13 May 2014 and some where the investments made in the project before that date were more speculative (e.g. because they were made in advance of planning permission). However, we recognise the difficulty in setting a specific financial threshold given the wide variation in project costs, profiles and ways in which those costs are incurred (e.g. in house or external contracts). Therefore, we have decided to remove this requirement and rely solely on the other pieces of evidence (grid connection acceptance, planning application, land options) to demonstrate significant financial commitments. This is specific to large-scale solar PV under the RO, in the light of the consultation responses on the way in which projects are developed. It should not be regarded as a precedent for other cases.

1.51. The adjustments above mean that projects will be required to present the following three forms of evidence to Ofgem in order to access the grace period, unless they had obtained preliminary accreditation by 13 May 2014;

- A grid connection offer and acceptance of that offer, both dated no later than 13 May 2014;

- A Director's Certificate confirming ownership of the land, lease of the land or an option to lease or to purchase the land as of 13 May 2014; and

- Confirmation that a planning application had been received by the relevant planning authority in respect of the project on or before 13 May 2014.

Preliminary accreditation

1.52. The Government has decided to provide a separate grace period for projects which obtained preliminary accreditation under the RO by 13 May 2014, as proposed in the consultation. Projects qualifying for this grace period must commission and accredit under the RO no later than 31 March 2016.

1.53. Projects benefiting from any grace period will get the level of support that applies as at the date of their accreditation under the RO. The 2013 banding review set support at 1.3 ROCs per MW/h for ground-mounted and 1.5 ROCs per MW/h for building-mounted solar PV generating capacity accrediting in 2015/16.

Grid connection delay grace period – further consultation

1.54. An argument made by several respondents to the consultation and by industry representatives at stakeholder engagement events was that introducing early closure of the RO for solar PV creates a "cliff-edge" for projects after which no RO support will be available, and that the risk of missing this deadline would dissuade investors from committing investment to projects genuinely planning to deploy in the final quarter of 2014/15. They argued that the single biggest uncertainty for projects in the run up to the RO closure deadline would be grid connection delays. A grid connection grace period would protect projects against the risk of missing the closure deadline for accrediting under the RO due to a delay in getting connected to the electricity grid for specific reasons outside of their control.

1.55. Our consultation document did not include a proposal for a grid delay grace period. The Government has implemented similar grace periods as part of the full RO closure arrangements in 2017 and for the transition to lower ROC support levels in 2013 for certain technologies following the last RO banding review. We do not consider that these grace periods set a precedent in this case, particularly as we are already providing grace periods for projects where significant financial commitments were made by 13 May 2014. However, the Government is willing to consider offering an additional grace period designed to protect projects against the risk of missing the 31 March 2015 closure date due to delays in getting connected to the electricity grid, where the delays were not the developer's fault.

1.56. However, the LCF impact of offering this additional grace period is uncertain. We are therefore carrying out a further short consultation to gather views on offering a grid delay grace period and better data on the possible impacts and benefits, as well as specific arrangements, including evidence requirements. The consultation document is published alongside this Government Response, and the closing date for comments is 24 October 2014.

Question 6 asked for views on the proposals not to introduce a capacity or supplier cap in the RO on solar PV projects above 5MW in scale.

1.57. The May 2014 consultation invited views on the introduction of a capacity or supplier cap as alternative options for controlling the costs of large-scale solar PV deployment under the RO.

1.58. A supplier cap (also known as a compliance cap) would operate by limiting the proportion of their annual renewables obligation that electricity suppliers can meet using ROCs issued for a specific technology. If it were to be introduced, it would be done so for new ground- and building- mounted solar PV stations above 5MW in scale, entering the RO from 1 April 2015, as well as applying to any additional capacity added to an accredited solar PV station from 1 April 2015 where the station is, or would become, above 5MW.

1.59. A capacity cap would set out the maximum level of new build solar PV capacity that DECC considered affordable within the context of the LCF. Once the cap was reached, no more large-scale solar PV capacity would be eligible to come forward under the RO.

Main messages from responses

Q6 Responses	
Agreed	25
Disagreed	6
Indeterminate	7
No comment	27

1.60. The majority of respondents who answered this question (nearly 66%) were in agreement with the proposal not to introduce a capacity or supplier cap. They believed that a capacity cap would not deliver an effective means of controlling costs; would be burdensome and would represent change and uncertainty when what was required from Government policy was stability. Such a cap would also offer less protection for those who had made significant financial commitments and it was suggested that a closure date allowed developers to determine the likelihood of obtaining accreditation based on their own project timeline. It was suggested that the detrimental impacts of setting a capacity cap was illustrated by the dedicated biomass cap, set in 2013.

1.61. The main problems cited against the supplier cap were that it would lead to uncertainty in the level of income solar PV projects would receive which was likely to affect their ability to get finance. It was suggested that such a cap was inappropriate for solar PV and could inadvertently penalise innovative suppliers and also restrict an important route to market for developers who depend on PPAs. There was a suggestion also that whilst such a cap could be made to work in principle, given the uncertainty over Obligation levels which are set year to year, it would be extremely challenging to ensure the cap was set at the right level in order to effectively control the budget for solar PV. Some concern was also expressed about how a supplier cap would operate once the RO moves to a Fixed Price Certificate regime.

1.62. Those who disagreed with the proposal wanted to see the RO remain open as set out in the December 2012 Government response but felt that a capacity or supplier cap was more attractive than complete closure. It was noted that if there had to be a cap then a supplier cap would be considerably worse than a capacity cap as uncertainties around

the levels of support that would be available would be greatly increased. However, it was felt that if the intention was to use the caps to limit deployment to that modelled for the EMR delivery plan then it would offer little benefit. It was felt that either cap would constrain the market some distance from it being breached due to the uncertainty that sufficient support would be available once a project completed. Unless the cap was set a good margin higher than likely deployment, projects would find it difficult to reach financial close on this basis as the chance of success would depend not on Government policy or their own expertise but by the progress of others.

1.63. Some alternative suggestions to caps were put forward as more effective means of controlling costs and curbing the pace of solar PV deployment. One was that the primary inhibitor to solar PV was grid capacity and that alone was sufficient to limit capacity. Another was to apply the planning policy framework and ensure that all large-scale solar PV development was on brownfield sites with immediate effect. Our discussions with the DNOs suggests that their connection pipeline could be as much as 4GW of solar PV capacity in 2014/15 (across all capacities under the RO) while adjustments to the planning policy framework to require all large-scale solar PV developments to be on brownfield sites would take time to consult on and implement. We therefore consider that neither of these suggestions would provide an effective response to the budget risk that we need to address.

Post–consultation decision

1.64. **The Government has decided not to introduce a capacity or supplier cap. We consider that these measures will not provide a more effective means of controlling costs from solar PV.** Due to the speed at which solar PV projects deploy, there is a risk that the level of a supplier or capacity cap could be overtaken by the amount of generation that actually deployed before the cap came into effect. Whilst a capacity cap would place an absolute limit on the total amount of new solar PV capacity it would leave developers uncertain as to whether their projects will commission in time to deploy within the cap and would make it more difficult to access finance. It would also increase the administrative burden of the scheme.

Question 7 asked for views on the proposal not to undertake a banding review on the solar PV bands with respect to projects above 5MW in scale.

1.65. We invited views on our proposal not to carry out a banding review at this time for large-scale solar PV on the grounds that we did not believe this approach would prove an effective means of keeping deployment under the RO within affordable limits in 2015/16 and 2016/17.

Main messages from responses

Q7 Responses	
Agreed	14
Disagreed	14
Indeterminate	9

No comment	28

1.66. The same number of responses agreed and disagreed with the proposal not to undertake a banding review.

1.67. The majority of respondents who agreed with the proposal not to undertake a banding review made no additional comments. Those who did suggested that a banding review was less appropriate stating that it would take longer to implement and would give further on-going uncertainty to the sector. It was also suggested that this approach would not guarantee that the overall LCF budget would be protected. It was also suggested that there would be a difficulty in setting the right support level using this method because the market was fast changing. Some respondents felt that with the cost of solar PV proving hard to predict, there was a danger that any RO banding review could be out of date by the time it was applied, resulting in limited impact on spend under the LCF or more stringent costs control measures required later on for solar PV and other technologies. Experience from previous reviews had also suggested that support had been set too high because of the rapid change in costs.

1.68. For those respondents who disagreed, it was felt that a banding review was a more appropriate method of controlling costs than the proposed end date because a sudden and unexpected change in policy had wider detrimental effects on the renewables industry. It was suggested that if it was necessary to restrict the deployment of large-scale solar PV then it would be preferable to have a limited banding review to reduce the level of support. This would give a softer landing to investments already made rather than the absolute investment cliff edge that would result from closing the scheme early. It was also suggested that given the uncertainty, at that time, of how the CfD auctions would work and the unknown budget for Pot 1, keeping the RO open through a banding review could provide a smoother transition and maintain investor confidence between the subsidy schemes. This was particularly so for smaller projects which would no longer be viable under CfDs. It was noted that if the LCF was at risk then it should not be solar PV that bore all the risk and should be treated on a level playing field with other technologies. It was also suggested that retaining the RO post 2015 would also solve the challenging grace period proposals.

1.69. Respondents suggested a couple of alternatives to a banding review. One suggestion was that in the long term, making the CfDs work for solar PV by creating a competitive price discovery mechanism was the better way to achieve the Government's ambitions on renewables. Another suggestion was that a transparent formula should be introduced which links future solar PV costs to ROC levels but this was not supported with details on how this could be achieved.

Post–consultation decision

1.70. **The Government has decided not to undertake a banding review of the solar PV bands at this time.** We consider that a banding review would be an ineffective means of controlling costs from rapid solar PV deployment in the short period between now and full RO closure at the end of March 2017. In coming to this conclusion, we have also taken into account the length of time such a review would take and the past experience of banding reviews in setting the appropriate levels of support for this technology. However, the Government retains the option of carrying out a banding review of RO support for small-scale solar PV if new evidence on costs emerges or monitoring indicates that deployment is growing more rapidly than can be afforded under the LCF.

Question 8 asked for views on the proposals not to change the conditions for a banding review and not to exclude new large-scale solar PV from our grandfathering policy.

1.71. In addition to seeking views on a solar-specific banding review, we invited comments on our proposals not to change the conditions for a banding review and not to exclude new large-scale solar PV from our grandfathering policy. The consultation document raised doubts about whether any of the conditions were met to trigger a banding review, and we said that we could combine a solar-specific banding review with changes to the conditions to make it easier to hold a banding review. We also said that a banding review could be combined with changes to exclude new large-scale solar PV from our grandfathering policy.

Main messages from responses

Q8 Responses	
Agreed	25
Disagreed	3
Indeterminate	6
No comment	31

1.72. The majority of those who agreed with the proposals not to change the conditions for a banding review and not to exclude new large-scale solar PV from our grandfathering policy focussed their comments in support of the grandfathering policy. There was a consensus that grandfathering is a central aspect of a stable and sound regulatory framework which is vital in continuing to secure investment. It was considered that the policy was well respected amongst investors across the technologies and was one of the key elements that made the UK a less risky place to invest. There was a consensus that new solar PV should not be excluded from the grandfathering policy as this would be seen as a retrospective change which could undermine investor confidence and drive up costs. One respondent agreed with the reasoning set out in the consultation on banding reviews but stated that it did not make the proposed approach for controlling the cost of solar PV right.

1.73. Respondents did not see any argument in favour of changing the banding review conditions which they consider are deliberately stringent to give confidence to project developers that the risk of arbitrary change is manageably low. They also suggested that such a change would take some time to enact which would mean that the impact overall would be lessened. There was also a suggestion that higher than expected deployment was not a sufficient condition for a review under current legislation and that in itself was not evidence that costs were reducing significantly. One respondent was concerned that changing the conditions would qualify as a “change” under the new State aid guidelines which would have implications for the RO as a whole.

1.74. Of those who disagreed, one respondent suggested that a banding review should be amended to consider DNO costs as well, while another suggested that the conditions

should be amended to give industry a soft landing but did not indicate how this could be achieved.

1.75. One respondent put forward an alternative suggestion that support should fall in line with reduced costs and that grandfathering should be capped by linking it to an acceptable rate of return.

Post–consultation decision

1.76. The Government has decided that the conditions for a banding review should remain unchanged and has decided not to exclude new RO-accredited solar PV stations over 5MW from our grandfathering policy. We note the support for our grandfathering policy and that a significant majority agreed with our proposal not to change the conditions for a banding review. In reaching our decision in this issue, we have also concluded that the need for further consultation on the specific changes to the banding review conditions and to put these into legislation before they could be used as the basis of a banding review, means that we could not, in any case, implement changes to the current ROC levels for large-scale solar PV in time to have the desired impact on costs.

2. Part B- Promoting the deployment of mid-scale building-mounted solar PV in the FIT scheme

Question 9 asked for views on whether creating new degression bands as suggested would encourage more building- mounted solar PV deployment and allow continued steady deployment of stand-alone solar PV installations.

2.1. Government is committed to ensuring bill payers get value for money for the funds spent through the FIT scheme. Given the Government's intention to encourage the deployment of other-than-stand-alone PV, i.e. building-mounted, and the relatively high take-up of stand-alone PV, we are keen to ensure that the existing budget for over 50kW other-than-stand-alone PV installations is protected, to allow for deployment in this part of the sector. It was proposed that the current FIT degression band for other-than-stand-alone installations of a capacity over 50kW and stand-alone installations be split into two separate bands: one for over 50kW other-than-stand-alone installations and one for stand-alone installations.

Main messages from responses

Q9 Responses	
Agreed	13
Disagreed	17
Indeterminate	4
No comment	2

2.2. There were three respondents who did not agree with the policy objective of increasing building-mounted deployment and one respondent who did not agree with the objective of allowing continued steady deployment of stand-alone installations. Those that did not agree stated that building-mounted deployment is already increasing and stand-alone deployment is more important for reducing solar PV costs. There was also a general consensus from both those respondents who agreed and those that disagreed with the proposal that work is required on the non-financial barriers that building-mounted faces. Respondents who did not believe the proposal would achieve its objective raised concerns that current tariffs will not allow building- mounted to deploy sufficiently.

2.3. We have carefully considered all the consultation responses received, and remain of the view that the proposal to split the degression band will help to facilitate the deployment of mid-scale building mounted installations. An evidence base was not presented that indicated otherwise. In addition, although seventeen respondents disagreed with the

proposal, five of those respondents indicated that it was preferable to a 'do nothing' option. There were concerns raised from respondents regarding how installations wired to buildings that do not satisfy the Energy Efficiency Requirement (EER) will be treated. Respondents highlighted that these projects achieve low levels of returns and, as this proposal is likely to result in the stand-alone tariff degressing at a faster rate, this may make these projects unviable over the longer term.

Post–consultation decision

2.4. **The Government has decided that it will implement the proposal to split the >50kw other-than-stand-alone and stand-alone degression band into two separate bands**: one for other-than-stand-alone installations of a capacity greater than 50kW, and one for stand-alone installations. The new degression bands will inform any degression of the tariffs in the bands to which they relate. Consequential changes to how deployment data is determined under the FIT order, and reflected in all solar PV degression bands, will be made necessary.

2.5. Subject to the Parliamentary process, the degression band split will apply for the January to March 2015 Solar Deployment Period. Deployment in the January to March and April to June 2015 Solar Deployment Periods will determine any degression for the tariffs that apply in the July to September and October to December 2015 Solar Tariff Periods respectively.

2.6. From January 2015, we will also amend the FIT scheme so that the 'lower rate' tariff that applies to other-than-stand-alone projects that do not satisfy the EER is linked to the tariff for the >250kw other-than-stand-alone tariff band.[5] This amendment is to allow these projects to deploy and to make sure that building-mounted projects are treated consistently[6]. This proposal will not impact on how degression is calculated[7].

Question 10 asked for views on whether using the stand-alone/other-than-stand-alone descriptions as the basis for the new degression bands would achieve the aim of increasing deployment of building-mounted solar PV.

2.7. We consider that the majority of building-mounted solar PV installations will be considered as other-than-stand-alone, as they will wire through buildings to take advantage of the increased generation tariff income and energy savings achievable from using energy on site. Consequently, we believe that the majority of ground-mounted solar PV installations will be considered as stand-alone. Therefore, our preferred proposal was to use the current descriptions in the FIT scheme of stand-alone PV and other-than-stand-alone PV as the basis for the new degression bands, with the aim of aiding deployment of building-mounted solar PV.

---

[5] The 'lower rate' of tariff applies to installations of a capacity of 250kW or less where the installation does not satisfy the energy efficiency requirement (EER) (see paragraphs 4-6 in Annex 3, and Annex 5 of Schedule A to condition 33 of the Standard Licence Condition). Currently, the lower rate is linked to the tariff rate for stand-alone installations.

[6] This ensures that an other-than-stand-alone installation <250kW that does not satisfy the EER would receive the same tariff as a >250kW other-than-stand-alone installation which is not required to satisfy the EER.

[7] The deployment of installations that do not satisfy the EER will count towards degression in the other-than-stand-alone band that is appropriate for the size of the installation. i.e. 0-10kW, 10kW-50kW and >50kW

Main messages from responses

Q10 Responses	
Agreed	12
Disagreed	13
Indeterminate	3
No comment	8

2.8. The majority of respondents that did not agree with the proposal indicated that they do not believe the proposal will increase building-mounted deployment for the reasons set out in paragraph 2.2. There were eight respondents who indicated concerns regarding installations wiring through a building for the purpose of achieving a higher tariff. This included two respondents who indicated that this proposal may result in solar PV farms creating unnecessary buildings or amending the structure housing the inverters to qualify as an other-than-stand-alone installation. One of the respondents indicated that the definition should be amended to focus on on-site usage rather than location of an installation.

Post–consultation decision

2.9. Government shares the concerns of several of the consultation respondents regarding structures being created or amended to enable installations to meet the other-than-stand-alone definition. We consider incentives to do this could arise if/when the tariffs for stand-alone and >250kW other-than-stand-alone installations diverge. We propose intervention to ensure that the policy intent of the proposal of encouraging building-mounted installations is maintained along with the policy intent of the FIT scheme to encourage on-site use. **To ensure that stakeholders are able to feed in views on this proposed intervention, a consultation on an amendment to how the installation descriptions[8] apply to other-than-stand-alone installations and stand-alone installations is published alongside this document.**

2.10. The two new degression bands (as set out in paragraph 2.4 above) will apply for the January to March 2015 Solar Deployment Period, and will be based on the current descriptions of other-than-stand-alone and stand-alone installations. Deployment based on the current descriptions in the January to March and April to June 2015 Solar Deployment Periods will determine any degression for the tariffs that apply in the July to September and October to December 2015 Solar Tariff Periods respectively.

2.11. As set out in the consultation published alongside this document, it is proposed that amendments to how the installation descriptions apply to other-than-stand-alone installations of a capacity greater than 250kW and stand-alone installations will take

[8] The descriptions of Eligible Installations, which are used as the basis for the Quarterly Solar Tariff Tables, are presently contained in paragraph 4 of Annex 3 to Schedule A of Condition 33 of the Standard Licence Conditions for Electricity Suppliers ("SLC").

effect for the July to September 2015 Solar Deployment and Tariff Periods. This would mean that other-than-stand-alone installations of a capacity greater than 250kW with a Tariff Date[9] on or after 1 July 2015 would need to demonstrate any criteria introduced following the consultation published alongside this document. Installations that do not meet the criteria would be considered stand-alone.

Question 11 asked for views on whether the proposed split for the degression triggers for the stand-alone and >50kW other-than-stand-alone bands was appropriate.

2.12. Degression triggers were set based on the volume of funding available to the FIT scheme through the LCF. Ensuring value for money for bill payers through the FIT scheme is extremely important, so we have looked at splitting current triggers, rather than expanding degression triggers. Our preferred proposal was that the degression deployment triggers for the current stand-alone and >50kW other-than-stand-alone degression band is split, with 75% of the capacity under the existing trigger going to other-than-stand-alone solar PV of >50kW and 25% going to stand-alone.

Main messages from responses

Q11 Responses	
Agreed	7
Disagreed	18
Indeterminate	5
No comment	6

2.13. The majority of respondents do not believe the proposal to split degression bands will increase building-mounted deployment for the reasons set out in paragraph 2.2. There were six respondents who indicated that the impact of the proposed split was difficult to predict or would require monitoring to ensure that it remains appropriate.

2.14. There were also concerns raised by six respondents that the proposal would not achieve its aim of allowing continued steady stand-alone deployment. There was limited evidence provided to support this, but it indicated that the stand-alone tariff would fall too rapidly in the proposed split.

Post–consultation decision

2.15. **The Government has decided to amend the proposed split for the degression triggers to: 65% other-than-stand-alone, 35% stand-alone**. We consider that this proposed split will help ensure that any degression of tariffs for other-than-stand-alone

[9] For installations following the preliminary accreditation or pre-registration route, the Tariff Date is the date on which Ofgem received the application for preliminary accreditation or pre-registration. For other installations, the Tariff Date is the same as the Eligibility Date – generally the later of the date the installation commissioned or a written application for ROO-FIT accreditation was received by Ofgem. See Articles 10, 11 and 12 of the Feed-in Tariffs Order 2012 and the definitions of “Eligibility Date” and “Tariff Date” in Schedule A of the SLC.

will only occur as a result of an increase in deployment by these installations, irrespective of levels of stand-alone deployment. In addition we consider this will allow stand-alone to continue to deploy at steady levels and provide industry with more time to react to the proposal.

2.16. We will continue to monitor the deployment of stand-alone and other-than-stand-alone and (subject to any necessary consultation and the Parliamentary process) will amend the split if considered appropriate.

Question 12 asked for views on the proposed dates from which the new degression bands could apply (for both October 2014 and January 2015.

2.17. We stated in the consultation an aim to implement these changes by amending the relevant provisions of the FIT Order and Schedule A to Condition 33 of the Standard Licence Conditions for Electricity Suppliers (SLC), with a view to the new provisions applying from January 2015 (subject to consultation, state aid and the Parliamentary process set out in the Energy Act 2008). We also stated that we would monitor the deployment of stand-alone and other-than-stand-alone and if higher than expected stand-alone deployment resulted in successive non-automatic degressions being triggered, we would consider bringing forward the implementation date of the new degression bands to October 2014.

Main messages from responses

Q12 Responses	
Agreed	7
Disagreed	12
Indeterminate	2
No comment	15

2.18. The majority of respondents that did not agree with the proposal indicated that they do not believe the proposal will increase building-mounted deployment for the reasons set out in paragraph 2.2. Of the respondents that commented on the proposed timeline there were two respondents that indicated the proposal should be moved back, whilst three respondents that were in favour of the proposal indicated that implementation should be as soon as possible.

Post–consultation decision

2.19. Subject to the Parliamentary process, **we intend to implement the degression band split for the January to March 2015 Solar Deployment Period by making amendments to the relevant provisions of the FIT Order and Schedule A to Condition 33 of the SLC**. We consider that this timeframe will allow industry time to adjust to the proposals, and on this occasion there is no need, or advantage to be gained from, delivering the changes to a tighter timeframe. A periodic review of the FIT scheme is proposed for 2015 and we intend to review deployment as a whole as part of this review.

2.20. The consultation published alongside this document sets out our proposals for amending how the installation descriptions apply to other-than-stand-alone installations and stand-alone installations, and the proposed timeframe for introducing those changes. The consultation will close on 24 October 2014 and proposes that any new definitions will take effect for the July to September 2015 Solar Deployment and Tariff Periods.

ANNEX A: List of respondents to changes to financial support for solar PV consultation

Organisation	Part A	Part B
AEE Renewables	x	
AES Ltd		x
Atem Solar Ltd	x	
Belectric	x	
British Solar Power	x	x
Broughton Against Kronos (BAKS)	x	
Bryn Yr Odyn Solar Developments Ltd	x	
BWE Partnership	x	x
Cambridgeshire County Council	x	
Campaign to Protect Rural England	x	x
Carillion Plc	x	
Community Energy England		x
Cornwall Geo-environmental Ltd	x	
CPRE Northamptonshire	x	x
Energy4All		x
E.ON	x	
Ecotricity	x	
EDF Energy	x	x
Energiekontor UK Ltd	x	
Energy UK	x	x
Freewatt Group	x	
Friends of the Earth	x	x

GDF Suez	x	x
Good Energy	x	x
Green Sun Consulting Ltd	x	
Hampshire County Council	x	x
Investment Groups – Belltown Power, Bluefield Partners, Next Energy and Primrose Solar	x	
Lark Energy	x	x
Leeds Solar		x
Lightsource Renewable Energy	x	x
Livos Energy	x	x
Low Carbon	x	
National Farmers Union	x	x
New Forest Energy Ltd	x	
Octopus Investments	x	
Orta Solar Farms Ltd	x	
Push Energy	x	x
Renewable Elements	x	x
Renewable Energy Association	x	x
Renewable Energy Projects Ltd	x	
Renewable Energy Systems Ltd	x	x
ReThink Energy	x	
RWE npower	x	x
Scottish Power	x	
Scottish Renewables	x	
Simmons and Simmons	x	
SFW Communications	x	x
Smartest Energy	x	x

Solar Century	x	x
Solar Trade Association	x	x
SolarBIPV	x	
Solstice Renewables Ltd	x	
SunEdison	x	
Suncredit	x	x
Sustainable Energy Association	x	x
TGC Renewables	x	
The Solar Building Company	x	
Trina Solar	x	x
Vento Ludens Ltd	x	
Private Individuals(10)	x	
Private Individuals (6)		x
TOTAL	65	36

Department of Energy & Climate Change
3 Whitehall Place
London SW1A 2AW
www.gov.uk/decc
URN 14D/322