



# 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 midscale  
building-mounted solar PV in the Feed-in  
Tariff scheme

# General information

## **Purpose of this consultation**

This consultation proposes measures to control spending on new solar PV capacity above 5MW within the Renewables Obligation and to promote the deployment of mid-scale building-mounted solar PV in the small-scale Feed-in Tariff scheme.

**Issued:** 13 May 2014

**Respond by:** 7 July 2014

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Consultation reference: URN 14D/114

## **Territorial extent:**

Great Britain: England, Wales and Scotland only.

## **How to respond:**

Your response will most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Responses should be emailed to: [SolarPV.consultation@decc.gsi.gov.uk](mailto:SolarPV.consultation@decc.gsi.gov.uk)

## **Additional copies:**

You may make copies of this document without seeking permission. An electronic version can be found at: <https://www.gov.uk/government/consultations/consultation-on-changes-to-financial-support-for-solar-pv>.

Other versions of the document in Braille, large print or audio-cassette are available on request. This includes a Welsh version. Please contact us under the above details to request alternative versions.

## **Confidentiality and data protection:**

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information legislation (primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

If you want information that you provide to be treated as confidential please say so clearly in writing when you send your response to the consultation. It would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic

confidentiality disclaimer generated by your IT system will not, of itself, be regarded by us as a confidentiality request.

We will summarise all responses and place this summary on our website at: [www.decc.gov.uk/en/content/cms/consultations/](http://www.decc.gov.uk/en/content/cms/consultations/). This summary will include a list of names or organisations that responded but not people's personal names, addresses or other contact details.

**Quality assurance:**

This consultation has been carried out in accordance with the Government's consultation principles, which can be found here:

<https://www.gov.uk/government/publications/consultation-principles-guidance>

If you have any complaints about the consultation process (as opposed to comments about the issues which are the subject of the consultation) please address them to:

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# Executive Summary

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) and to costs coming down rapidly as a result of global development and deployment in large markets like Germany and China.
2. The Government's Solar PV Strategy<sup>1</sup> set out our ambition to achieve a step change in the deployment of solar PV in the UK by 2020, with a focus on opening up the market for mid-scale building-mounted, commercial and industrial onsite generation and a new drive to work with industry to scale up domestic deployment.
3. Appropriately sited large-scale solar PV also has the potential to play a significant role if there are continued cost reductions and innovation; the Electricity Market Reform (EMR) Delivery Plan<sup>2</sup> set out a potential range of 2.4-4GW for large-scale solar by 2020.
4. However, large scale solar PV is deploying much faster than previously expected. While this is good news, we are concerned about the impact this speed of 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<sup>3</sup>. If spend in one area of the LCF increases unsustainably, it will increase pressure on bills unless it is matched by cost reductions elsewhere.
5. As the costs of the levy-funded schemes are paid for through consumers' energy bills, the Government takes potential risks to the LCF very seriously and will act where necessary to ensure that costs are contained and that consumers receive value for money from programmes supported by the LCF.
6. The Government therefore considers it necessary to take action to control the costs of large-scale solar PV to ensure it is affordable in the context of the RO and EMR. **Part A of this consultation sets out our proposals to achieve this by closing the RO across Great Britain<sup>4</sup> to new solar PV capacity above 5MW. This would apply from 1 April 2015, both to new stations and to additional capacity added to existing accredited stations after that date, where the station is, or would become, above 5MW.** We propose to provide a grace period designed to protect solar developers that have made a significant financial commitment to projects on or before 13 May 2014, i.e. the date on which this consultation begins. However, solar PV installations above 5MW in size will be eligible to apply for support under the new Contracts for Difference (CfD) auctions. The first allocation round is expected to open in October 2014. In addition, projects of 5MW and below will continue to be eligible for support under either the RO or small-scale FIT scheme.

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<sup>1</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/300885/UK\\_Solar\\_PV\\_Strategy\\_Part\\_2\\_4\\_April\\_2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/300885/UK_Solar_PV_Strategy_Part_2_4_April_2014.pdf)

<sup>2</sup> <https://www.gov.uk/government/publications/electricity-market-reform-delivery-plan> (published on 19 December 2013).

<sup>3</sup> The LCF covers the Renewables Obligation, the small-scale Feed-In Tariffs scheme, Warm Homes, Investment Contracts for the Final Investment Decision Enabling for Renewables process, and Contracts for Difference.

<sup>4</sup> England, Wales and Scotland.

7. The Solar Strategy also set out the various potential barriers faced by building-mounted solar PV and set out a range of actions intended to address these barriers and we expect to see increased deployment of commercial and industrial building-mounted solar PV as a result. But given the under-deployment of other than stand-alone PV to date, and the relative success of stand-alone PV, we are keen to ensure that the existing budget for over 50kW other than stand-alone PV is protected to ensure deployment in this part of the sector<sup>5</sup>.
8. **We therefore propose to split the current FIT depression band for over 50kW and stand-alone installations into two separate bands to assist in realising the Government's ambition to increase deployment of building-mounted solar PV. Our proposals on changes to the FIT depression band are set out in Part B of this consultation.**
9. Also published today is the Government response to the EMR Consultation on Competitive Allocation, which sets out the Government's response to the January consultation on competitive allocation and proposals for managing the first CfD allocation round, and the further Consultation on the use of technology groups and minima and maxima in the allocation of Contracts for Difference<sup>6</sup>, which now seeks views on further policy proposals including the treatment of Biomass conversion and Scottish Islands projects under the enduring CfD regime and the use of minima and maxima within technology groups. Please note that responses to the EMR consultation are invited from all interested parties by 10 June 2014 (i.e. the closing date is earlier than for this consultation) and should be submitted to [secondarylegislation@decc.gsi.gov.uk](mailto:secondarylegislation@decc.gsi.gov.uk).

## Next steps

10. We will aim to publish our decisions as soon as possible after the consultation closes on 7 July 2014, following careful consideration of consultation responses and evidence received.
11. Subject to this consultation and Parliamentary approval, and if required, state aid approval, we intend to implement our decision on the RO through legislation later this year, and our decision on FITs by amending the relevant provisions of the FITs Order and Standard Licence Conditions with the aim of these changes taking effect from January 2015. This may be brought forward as set out in paragraph 74.

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<sup>5</sup> See Paragraphs 67 and 68 for an explanation of the terms stand-alone and other than stand-alone.

<sup>6</sup> <https://www.gov.uk/government/consultations/electricity-market-reform-further-consultation-on-allocation-of-contracts-for-difference>

# Context

12. Solar PV is an important part of the UK's energy mix. 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) and to costs coming down rapidly as a result of global development and deployment in large markets like Germany and China. Last year - 2013/14 - saw record levels of new capacity, with the industry maintaining strong levels of deployment at both domestic and large scale.
13. The second part of the UK Solar PV Strategy, published on 4 April, sets out the Government's ambition to achieve a step change in the deployment of solar PV in the UK by 2020, with a focus on opening up the market for commercial and industrial onsite building-mounted generation and a new drive to work with industry to scale up domestic deployment. Government is keen to support the commercial and industrial building-mounted sectors for a number of reasons, as set out in the UK Solar PV Strategy. For example, this type of solar PV has a greater potential for the energy generated to be used on site. It reduces demand for imported energy, thereby minimising energy loss and reducing pressure on the electricity grid. Furthermore it can support significantly more jobs per MW than ground-mounted solar PV and represents a new industrial supply chain.
14. Appropriately sited large-scale solar PV also has the potential to play a significant role if there are continued cost reductions and innovation. The Electricity Market Reform Delivery Plan, published on 19 December 2013, had a potential range of 2.4-4GW for large-scale solar supported through the RO and CfDs by 2020. This range was assessed as being affordable within the constraints of the LCF.
15. The LCF sets annual limits on the overall cost of DECC's levy funded policies<sup>7</sup>. As the LCF forms one overall capped amount, if spend in one area of it increases unsustainably, it will increase pressure on bills unless it is matched by cost reductions elsewhere. As the costs of the levy-funded schemes are paid for through consumers' energy bills, the Government takes potential risks to the LCF very seriously and will act where necessary to ensure that costs are contained and that consumers receive value for money from programmes supported by the LCF.
16. In January 2014, we issued a consultation on our preferred approach to competitive allocation for CfDs in which we said that we were also considering whether any amendment to the RO for technologies such as solar PV may be required in order to manage calls on the overall LCF budget.<sup>8</sup> We said that if we did identify that amendments are required, they would be subject to consultation, and we would seek to protect developers who have made significant investments in projects from the impact of those changes. We reiterated this position in the *Government Response to the consultations on the Renewables Obligation Transition and on Grace Periods*, published on 12 March<sup>9</sup>.

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<sup>7</sup> The LCF covers the Renewables Obligation, the small-scale Feed-In Tariffs scheme, Warm Homes, Investment Contracts for the Final Investment Decision Enabling for Renewables process, and Contracts for Difference.

<sup>8</sup> <https://www.gov.uk/government/consultations/electricity-market-reform-allocation-of-contracts-for-difference>.

<sup>9</sup> <https://www.gov.uk/government/consultations/transition-from-the-renewables-obligation-to-contracts-for-difference>

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

## The Problem

17. Our latest analysis indicates that large-scale solar PV deployment is already significantly ahead of expectations and poses a substantial risk to our ability to manage the LCF budget, especially in 2015/16 and 2016/17 when there are limited methods to control deployment within the RO. At the conclusion of the last comprehensive banding review of RO support in December 2012<sup>10</sup>, Government announced the ROC levels for solar PV projects accrediting under the RO, or adding capacity, from 1 April 2013. In doing so, we made it clear that the levels of ROC support were intended to encourage slow but steady deployment. The revised ROC levels were set in the expectation that they would bring on up to 20% of the then assumed technical deployment potential of 4.6GW, i.e. approximately 900MW of new large-scale deployment by the end of 2016/17.
18. The latest published data shows that around 545MW of solar PV projects were already accredited under the RO by the end of March 2014. Based on figures supplied from Ofgem, there is approximately a further 1.2GW of new installed capacity that awaits an accreditation decision from Ofgem. In addition, recent public commentary from sources in the solar industry suggests that a further 1.5GW of large-scale projects could be added during 2014/15, and that interest in the sector remains buoyant and is unlikely to be slowed by the scheduled reductions in ROC rates in 2015/16 and 2016/17. The majority of large-scale solar PV deployment to date has been in the south and south west due to the higher irradiation levels and better financial returns. However, we are also seeing increasing levels of deployment further north, (e.g. in the East Midlands) suggesting that projects are viable at lower irradiation levels and hence load factors.
19. If industry's projections are correct, we could see around 3.2GW of large-scale solar PV deployment under the RO by April 2015. This means that solar could reach the mid-point<sup>11</sup> of the projected deployment range for large-scale developments identified in the EMR Delivery Plan five years before the end of the period covered by the Delivery Plan and before any solar PV deployment through CfDs. Taking a conservative estimate of an additional 1GW of large-scale solar PV deployment in each of 2015/16 and 2016/17, we could see more than 5GW by 2017, which exceeds by some margin the upper end of the potential range set out in the Delivery Plan for 2020.
20. This is more than we can afford and would have adverse consequences for Government's management and use of the LCF as a whole. The proportion of the LCF which is available for deployment under CfDs would be reduced, as a higher proportion of the LCF would necessarily be allocated to the RO to cover the costs of the additional solar projects. Government's view is that the CfD is a more cost-effective mechanism than the RO. Because the CfD provides for earlier certainty of support levels than the RO and greater stability of revenue streams by providing a fixed strike price, investors are protected from wholesale price volatility and should therefore be able to reduce the cost of capital, making the development of low carbon generation cheaper for both investors and consumers.

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<sup>10</sup> <https://www.gov.uk/government/consultations/levels-of-banded-support-for-solar-pv-under-the-renewables-obligation-for-the-period-1-april-2013-to-31-march-2017>

<sup>11</sup> 3.2GW is the mid-point of the range for large-scale solar PV in the Delivery Plan, which is 2.4-4GW by 2020/21.



## Proposed Policy

21. The Government therefore considers it necessary to take action to control the costs of large-scale solar PV to ensure it is affordable in the context of the RO and EMR. **We propose to achieve this by closing the RO across Great Britain<sup>12</sup> to new solar PV generating stations, both ground- and building-mounted, above 5MW from 1 April 2015.** 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. This would mean, for example, that a station which is already above 5MW in size could not add additional capacity under the RO after 31 March 2015 unless it qualified for a grace period in respect of the additional capacity. Similarly, a station currently of 3MW, for example, could add up to an additional 2MW of capacity after 31 March 2015 without requiring a grace period. However, such a station could not add an amount of capacity after 31 March 2015 that would take the total installed capacity above 5MW unless the additional capacity that took it above the 5MW threshold qualified for a grace period. The 5MW limit would be based on the total installed capacity of a station.
22. Regardless of the changes proposed in this consultation document, solar PV installations above 5MW in size will be eligible to apply for support under the new CfD auctions. The first allocation round is expected to open in October 2014. In addition, projects of 5MW and below would continue to be eligible for the RO (see below), and support for small-scale solar PV projects will continue to be available from the FIT scheme.
23. In order to seek to protect developers that have already made a significant financial commitment to projects, we propose the following grace period arrangements. New solar PV stations above 5MW would continue to be eligible to enter the RO after 31 March 2015 if one of the following conditions is met:
- a) preliminary accreditation under the RO has been obtained for the station on or before 13 May 2014 (i.e. the date of publication of this consultation); or
  - b) evidence as described in paragraphs 32-33 is provided to Ofgem demonstrating that significant commitments have been made on or before 13 May 2014 in respect of the project. The evidence must be provided to Ofgem by 31 March 2015.
24. We propose that the above grace period would also be available for additional capacity added to stations accredited on or before 13 May 2014.
25. In addition, in order to benefit from the grace period, the station must be commissioned and accredited by 31 March 2016 and all of the other usual RO eligibility requirements must be met. In the case of additional capacity, it must be added to the station by 31 March 2016. The grace period lasts for 1 year following closure of the RO to larger solar PV projects because the relatively fast deployment times for solar PV leads us to expect that those projects which have already incurred significant financial commitments should be able to commission and accredit by 31 March 2016.

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<sup>12</sup> England, Wales and Scotland.

26. Projects benefitting from a grace period would receive the ROC level in force on the date of accreditation, i.e. the grace period would not protect the project from the scheduled reductions in the level of ROC support.
27. Before the 1 April 2015 closure date, new solar PV stations above 5MW can continue to be accredited under the RO if they have commissioned and submitted an accreditation application before 1 April 2015 and meet all the other usual RO eligibility requirements. This also applies to additional capacity added to existing accredited stations before 1 April 2015. Solar PV projects above 5MW in scale which for any reason are not eligible for the grace period and do not accredit by 31 March 2015, will not be eligible to enter the RO after that date. They will, however, be eligible to apply for support under the CfD once that process opens for applications, subject to the rules of that scheme.
28. As from 1 April 2015, solar PV installations supported under the FIT will no longer be allowed to enter the RO when they exceed the maximum 5MW threshold under the FIT.
29. The RO is already closed to solar PV microgenerators. The RO would remain open to new solar PV stations up to 5MW (other than microgenerators) until 31 March 2017. The grid connection delay grace period set out in the Government Response to the consultations on Renewable Obligation Transition and on Grace Periods<sup>13</sup> would remain available to solar PV stations up to 5MW. The 1 April 2017 closure date and grid delay grace period would continue to apply to additional capacity added to RO accredited solar PV stations, as long as the entire station remains at 5MW or less total installed capacity.
30. Because solar PV is a fast moving sector and projects can deploy very quickly, it is possible that our deployment estimates may change as the consultation unfolds, through evidence and data gathered in response to this consultation and from other sources of deployment data, e.g. the Renewable Energy Planning Database. **Therefore, we may need to consider applying stricter controls than those proposed in this consultation document if evidence indicates that solar PV deployment poses a bigger budgetary threat than we estimated at the time that we launched this consultation.**

#### State aid considerations

31. The European Commission adopted new guidelines on environmental protection and energy aid on 9 April 2014 and they will come into effect on 1 July 2014. The new guidelines introduce several changes in the eligibility requirements for aid for renewable energy developments, including aid delivered through Member States' existing support schemes. As such, they may influence the final decision on which method of cost control we implement. Depending on the outcome of the consultation, and our further analysis of the new state aid guidelines, including any wider implications for the RO, we may implement instead one of the alternative non-closure options described from paragraph 40.

#### Evidence requirements for the grace period

32. Due to the speed at which solar PV projects can deploy and the need for cost control, the evidence requirements need to be rigorous to ensure that only those projects that have already made significant financial commitments are able to qualify for the grace period. In drawing up the evidence requirements, we wish to ensure that they enable Ofgem to

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<sup>13</sup> <https://www.gov.uk/government/consultations/transition-from-the-renewables-obligation-to-contracts-for-difference>

assess the evidence quickly and objectively, and with confidence that their decisions are unlikely to be subject to subsequent legal challenge; and that they minimise the risk of gaming. This implies that the evidence needs to be defined in detail and involve minimal subjective judgement or evaluation.

33. We propose that four categories of evidence will be required, and that developers will need to present all four types of evidence in combination to Ofgem in order to demonstrate eligibility to enter the RO after 31 March 2015. The categories below draw on our experience of, and responses from, the consultations on RO grace periods associated with closure of the RO in April 2017<sup>14</sup> and DECC engagement with stakeholders on the evidence to demonstrate progress against delivery milestones set out in contracts for difference. The proposed forms of evidence are:

- a) 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; or confirmation that no grid connection is required;
- b) Relevant planning consents dated no later than 13 May 2014, evidenced by either planning permission under the Town and Country Planning Act 1990 or the Town and Country Planning (Scotland) Act 1997, consent under section 36 of the Electricity Act, or development consent under the Planning Act 2008; or confirmation that planning approval is not required. We consider it unlikely that operators will necessarily be able to comply with all outstanding conditions precedent in advance of construction. We therefore propose not to require that conditions precedent set upon the planning consent are fulfilled in advance of construction;
- c) A Director's Certificate confirming that as at 13 May 2014 the developer or proposed operator of the station owns the land on which the station is to be situated or has an agreement to lease the land. We do not consider that an option to purchase or lease land is a sufficient indication that a project has made a significant financial decision and is as committed to proceeding as a project which has actually purchased or leased the land;
- d) Evidence in the form of invoices and payment receipts from the developer or proposed operator of the station that demonstrate that a minimum of £100,000 per MW of expected consented capacity in project pre-commissioning costs (PPC) has been incurred on the project by 13 May 2014, OR proof that all material equipment contracts have been entered into for the project by 13 May 2014. For the purposes of this consultation, PPC refers to the costs of the initial development of a plant including planning, pre-development costs, and equipment and construction costs. With regard to solar PV developments >5MW, £100,000 per MW of capacity represents 10% of the total project pre-commissioning costs quoted in the CfD agreement<sup>15</sup>. For example, a 6MW project would have to provide invoices and payment receipts for expenditure of at least £600,000

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<sup>14</sup> <https://www.gov.uk/government/consultations/renewables-obligation-ro-grace-periods>

<sup>15</sup> The PPC costs above are consistent with the figure of £1,000,000 per MW of installed capacity of solar PV >5MW quoted in the table of Total Project Pre-Commissioning Costs (TPPC) on pages 32-33 of the CFD Agreement, published by DECC in April 2014 URN 14D/118. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/305539/cfd\\_agreement.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/305539/cfd_agreement.pdf). The electricity generation cost of various technologies are used as inputs into strike price setting and DECC's dynamic dispatch modelling. The TPPC will be set according to those costs predicted to occur pre-commissioning (i.e. pre-development and construction costs). For each technology a low to high range of pre-commissioning costs is used, which for renewable technologies represents substantial variability across potential sites, i.e. the range of levelised costs represents a supply curve of potential projects. It is proposed that the lower end of the range of cost averages for each technology is used. As such, the TPPC will be consistent with estimates already used in DECC's electricity modelling and are presented in £/MW 2012 prices.

incurred by 13 May 2014. For solar PV developments >5MW, we propose that ‘material equipment contracts’<sup>16</sup> means contracts for the key electricity generation plant and apparatus used at a solar PV station, and includes photovoltaic panels, inverters, switch gear and mounting structures.

#### Treatment of solar PV at or below 5MW

34. We have considered whether to close the RO to all new solar PV capacity from April 2015, including projects of 5MW and below. Our current information suggests that at present, projects of 5MW and below are a relatively small part of expected future solar deployment. This suggests that the rate of deployment of these smaller solar PV projects poses less of a risk to the LCF when compared to the risk from projects above 5MW in size. **We therefore propose to keep the RO open to solar PV generating stations of 5MW and below in size.**
35. However, we are mindful of how quickly the solar PV sector can expand, as evidenced by the rapid growth in deployment under the FITs in recent years, and more recently of larger scale projects under the RO. We consider that one possible consequence of closing the RO early to solar PV projects above 5MW is that some developers will look to split larger projects into separate stations of 5MW and below in order to ensure that they can access RO support, potentially undermining some of the control that we are aiming to achieve. Ofgem have well established guidance as to how a generating station is defined and this will help guard against the carving up of large projects into smaller units. **However, despite this we propose to monitor closely deployment of projects of 5MW and below, and will consider taking action,** through whichever of the options set out in the consultation document we consider most effective, to protect the LCF should it be necessary to do so.

#### Alternative closure options considered

36. We have considered a range of alternative options for early closure of the RO to large-scale solar PV. In summary, these have involved providing more generous protection terms, such as requiring evidence to be in place by 31 March 2015, or providing more notice by closing the RO later than April 2015. **However, in all cases, these options would increase the risk of more projects deploying at greater cost to the LCF than the option we propose, and for that reason we have rejected them.**

#### Considerations with regard to other technologies

37. The proposal in this consultation to close the RO early relates only to solar PV projects above 5MW in scale. We are proposing this action because we believe that early closure of the RO as described above is both the most effective and proportionate means of controlling risks to the RO and LCF from the higher than expected deployment of large-scale solar projects.
38. The RO does not have an in-built degression mechanism and so cannot react as quickly to rapid changes in deployment as can the small-scale Feed-in Tariff scheme. The rapid growth in large-scale solar capacity in the last year, along with the lack of flexibility of the RO, leads us to conclude that the RO is not an effective mechanism for controlling large-scale solar PV. We believe that the CfD process, which allows for competitive price

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<sup>16</sup> The proposed meaning of “material equipment” is consistent with the same definition in Annex 6, paragraph 15 (page 26) of the CFD Agreement, details as above.

discovery, is a more appropriate scheme for ensuring that large-scale solar PV is supported in a way that offers better value for money for bill payers.

39. The Government does not believe that there is a similar case at this time to consider closing the RO to other technologies before the scheduled scheme closure date of 1 April 2017. This is because we have greater clarity and visibility of the pipelines of other technologies, and are therefore able to anticipate potential deployment levels and budget impacts with greater confidence than we can for large-scale solar PV. In the case of enhanced co-firing of biomass and biomass conversions, which can also deploy relatively quickly, the relatively small number of stations means that the voluntary reporting process introduced in October 2012 is able to provide greater visibility and predictability of future co-firing and biomass conversions, and allows us to monitor this information for budgetary purposes and inform the need for any additional cost controls to be applied to this sector<sup>17</sup>.

## Other non-closure options considered but not preferred

40. We have also considered two other options for intervention on large-scale ground-mounted solar PV as alternatives to early closure of the RO, as follows:

- a) a capacity or supplier cap on new solar PV installations above 5MW in scale entering the RO from a particular date; and
- b) a solar-specific banding review.

41. We consider that both these options have a number of disadvantages in comparison to our preferred option of early solar-specific closure of the RO.

### *Supplier cap*

42. A supplier cap (also known as a compliance cap) operates by limiting the proportion of their annual renewables obligation that electricity suppliers can meet using ROCs issued for a specific technology. A supplier cap on solar PV would be similar to the working of the bio-liquid generation cap, currently set at 4%, and the former co-firing cap, which was removed in April 2013.

43. If we were to introduce a supplier cap, we would do so for new ground- and building-mounted solar PV stations above 5 MW in scale, entering the RO from 1 April 2015. The cap 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. As with the early closure option, the 5MW limit would be based on the total installed capacity of a station. The cap would apply to electricity suppliers in England and Wales. Scottish Ministers would be responsible for any supplier cap in Scotland.

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<sup>17</sup> As we indicated in paragraph 7.12 of the Government Response to the consultations on the Renewables Obligation Transition and to Grace Periods, published on 12 March 2014. The Government continues to believe that a mechanism to increase stability across the biomass co-firing and conversion bands, and to ensure budgetary predictability and control within the RO, will be required, and that we may consult on proposals for such a mechanism later in the spring or summer: <https://www.gov.uk/government/consultations/transition-from-the-renewables-obligation-to-contracts-for-difference>

44. A supplier cap would need to be set at a level which is broadly equivalent to the amount of electricity we estimate would be generated in a year by the maximum amount of new solar PV capacity above 5MW in scale that can enter the RO from 1 April 2015 while remaining consistent with the LCF. The legislation for the RO requires the cap to be expressed as a percentage of each supplier's renewables obligation. In addition, the level of the cap must be fixed in advance in the legislation, whereas the size of each supplier's renewables obligation will vary from year to year. Therefore, in order to limit new large-scale solar PV capacity in the RO, we consider it would be necessary to set the cap to replicate the deployment expected under the central scenario of the preferred option of 3.2GW total solar PV deployment by the end of 2017. This is within the potential range set out in the Final Delivery Plan.
45. Due to the speed at which solar PV projects can deploy, however, there is a risk that the level of a supplier cap could be overtaken by the amount of generation that actually deployed before the cap came into effect. If this was to occur, and the Government chose to implement a supplier cap, then we might consider setting the cap at a different level to that suggested above to take account of that extra deployment. We would welcome views, ideally supported by evidence, on the level at which such a cap should be set if we were to introduce one.
46. A supplier cap is more straightforward to operate than a capacity cap and would be more straightforward and cheaper to administer. The main drawback of a supplier cap for developers is that ROCs subject to it may be less valuable to suppliers because of the limit placed on the proportion of such ROCs that may be used to fulfil a supplier's obligation. This option would cause uncertainty for both Government and industry because:
- There would be considerable uncertainty over the price paid for solar PV ROCs. This may mean pipeline deployment under the RO between 2015 and 2017 dries up completely;
  - This option may have a disproportionate effect on independent generators as they are entirely dependent on suppliers to buy their ROCs;
  - Supplier caps may leave developers uncertain as to whether there will be demand for their ROCs. There would be no certainty for projects that have made a substantial financial commitment;
  - The cap is fixed in legislation; therefore, the amount of generation allowed under the cap varies each year with the size of the obligation. There may also be more or less large scale solar PV deployment than can be afforded within the LCF, if the outturn obligation level is different to that forecast in any given year (and therefore the number of solar PV ROCs the suppliers are allowed to submit against their obligation is different in absolute terms to that forecast).
47. The legislation for the RO includes an alternative way of setting the supplier cap, where the limit could be expressed as a maximum number of solar PV ROCs from stations above 5MW that a supplier can use each year to meet their renewables obligation. If we were to implement a supplier cap, we would not be minded to set it in this way, as changes in the number of suppliers could lead to large falls or increases in the size of the cap.
48. **Whilst there are some advantages to a supplier cap option, for the reasons given above, it is not our preferred option to introduce one on new solar PV deployment above 5MW from 1 April 2015. However, we would welcome views from stakeholders**

**on whether they would prefer a supplier cap as a way of constraining deployment of large-scale solar PV capacity.**

#### *Capacity cap*

49. 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. If we were to introduce a capacity cap, we would apply it to all new ground- and building-mounted projects above 5MW accrediting from 1 April 2015 and to any additional capacity added to an accredited solar PV station from 1 April 2015 where the station is, or would become, above 5MW. Once the cap is reached, no more large-scale solar PV capacity would be eligible to come forward under the RO. The cap would apply to England & Wales. As with a supplier cap, a capacity cap would be set to replicate the deployment expected under the central scenario of the preferred option of 3.2GW total solar PV deployment by the end of 2017. This is within the potential range set out in the Final Delivery Plan.
50. The main advantage of a capacity cap is that it would place an absolute limit on the total amount of new solar PV capacity above 5MW that could accredit under the RO. But it would leave developers uncertain as to whether their projects will commission in time to deploy within the cap. As such, a capacity cap could act as an effective control on deployment levels. However, a capacity cap would provide less protection for developers who had made substantial financial commitments in relation to projects, as they would have no assurance that their projects would be covered by the cap.
51. In order for developers to access finance they require some certainty over the revenues they expect to receive. As a cap is approached some projects may find it more difficult to access finance. Therefore, at any level the cap could be set, it is expected that less capacity would come forward in practice than the capped level, creating uncertainty for Government around how much solar would deploy under any given cap.
52. A further drawback of this option is that the time it would take to introduce a capacity cap means that the level chosen could be overtaken by deployment before the cap came into effect. It is difficult to set a threshold for 2015/16 and 2016/17 at this point in time, given the uncertainty over the pipeline in 2014/15. For instance, in order to remain within the potential EMR Delivery Plan scenarios of 2.4GW to 4GW of solar PV deployment by the end of 2016/17 it is likely that we would need to take an optimistic (high-end) view of deployment in 2014/15 so as not to exceed the amount of solar PV we can afford under the LCF.
53. Because each project would have to satisfy eligibility criteria to enter under the cap, a capacity cap would also increase the administrative costs of the scheme. It would also create risks in determining the last project to enter under the cap.
54. DECC currently operates an administrative cap of 400MW for new dedicated biomass capacity that will be allowed to enter the RO from 1 April 2013. This cap is administered by DECC because of the comparatively small number of new dedicated biomass stations that our data suggests will look to deploy under the RO before April 2017. In contrast, a capacity cap on large-scale solar PV projects could generate a significant administrative burden because the number of individual projects in the solar PV pipeline is substantial. For that reason we believe that Ofgem would be the appropriate body to administer a capacity cap. As such, it would be necessary to set out the requirements in legislation.
- 55. For the reasons given above, it is not our preferred option to introduce a capacity cap on new solar PV deployment above 5MW from 1 April 2015. However, we would**



**welcome views from stakeholders on whether they would prefer a capacity cap as a way of constraining deployment of large-scale solar PV capacity.**

Solar-specific banding review

56. The Government has the powers to carry out a banding review of RO support in England and Wales for any technology at any time if certain legislative conditions are met<sup>18</sup>. However, we have repeatedly made it clear that we would only carry out ad hoc banding reviews if the circumstances and evidence justified one.
57. It is not clear that any of the conditions are met to trigger a banding review of solar support at this time. It may be that the reason for the higher than expected deployment of large-scale solar PV is that the costs of such projects have already fallen further and faster than projected during the 2012 comprehensive banding review. If so, one possible solution would be to hold a further banding review to test this assumption and revise support levels accordingly. However, the fact that costs may be significantly different now compared to two years ago suggests that another banding review at this time would not be the most effective way of controlling the costs of large-scale solar PV deployment within the RO.
58. This option could be combined with changes to the conditions for banding reviews for solar PV to make it easier to hold a review. It could also be combined with changes to exclude new large-scale solar PV from our grandfathering policy. This would mean that new solar PV stations over 5MW accredited after 1 April 2015 would not be covered by our policy of maintaining the banding level for the accredited capacity of a solar PV station after it has accredited.
59. The speed of deployment and volatility of solar costs, along with the uncertainty around how costs will be affected from the end of 2015 once EU anti-dumping measures on Chinese panels end, would make it very difficult to know where to set the RO support rates one and two years ahead. For new ROC rates to be effective, they would have to be based on reliable evidence of what costs and deployment potential is likely to be in 2015/16 and 2016/17. This requires a degree of foresight that we currently do not have and we could not guarantee that we would obtain the sufficiently robust evidence that we need to set support in 2015/16 and 2016/17 at levels that would constrain large-scale solar deployment within affordable limits. Furthermore, because solar costs tend to move more quickly than costs of other technologies, even if we could correctly estimate solar costs at one point there is no guarantee they would be right six months later. **We therefore do not propose to carry out a banding review for large-scale solar PV, or to change the conditions for a banding review or to exclude new large-scale solar PV from our grandfathering policy.**

## Next Steps

60. We will aim to publish our decision as soon as possible after the consultation closes on 7 July 2014, following careful consideration of consultation responses and evidence received. Subject to consultation and Parliamentary approval, and if required, state aid approval, we intend to implement our decision through legislation later this year.

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<sup>18</sup> The legislative conditions for a banding review are set out in Article 33(3) of the Renewables Obligation Order 2009: <https://www.gov.uk/government/publications/renewables-obligation-order-2009-as-amended-by-the-renewables-obligation-amendment-order-2011--2>



## Consultation Questions

1.	Do you agree with 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? Please give reasons and provide evidence to support your answer.
2.	Do you agree with the proposal to close the RO early to solar PV projects above 5MW in scale? Please give reasons for your answer.
3.	Do you agree with the proposal not to close the RO to solar PV projects of 5MW and below? Please give reasons and provide evidence to support your answer.
4.	Do you agree with the proposed grace periods and the date from which eligibility would apply, i.e. 13 May 2014? Please give reasons and provide evidence to support your answer.
5.	Do you agree with the proposed forms of evidence to demonstrate eligibility for the grace period? Please give reasons and provide evidence to support your answer, specifying the form(s) of evidence to which each comment relates.
6.	Do you agree with the proposals not to introduce a capacity or supplier cap in the RO on solar PV projects above 5MW in scale? If you think that either a capacity or supplier cap would be a more effective means of controlling costs from this technology, or whether you would prefer a cap, please indicate which along with your rationale and any supporting evidence.
7.	Do you agree with the proposal not to undertake a banding review on the solar PV bands with respect to projects above 5MW in scale? If you think that a banding review would be a more effective means of controlling costs from this technology, please give reasons and provide evidence to support your answer.
8.	Do you agree 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? Please give reasons and provide evidence to support your answer, specifying to which proposal your comment relates.

# Part B – Promoting the deployment of midscale building-mounted solar PV

## The Problem

61. As set out in the Solar Strategy<sup>19</sup>, published 4 April 2014, we wish to maximise the potential of building mounted and building integrated solar PV projects on commercial and industrial rooftops. The Strategy outlines that building mounted and building integrated solar PV (referred to in this document collectively as building mounted solar PV and considered to closely equate to ‘other than stand-alone’ PV installations under the FIT<sup>20</sup>) can have major advantages in terms of; the ability to use the power generated on site, minimising energy losses and reducing pressure on the national grid<sup>21</sup>, and potentially lower impacts on landscape and visual amenity. Furthermore, initial analysis for the Solar Strategy suggests that building mounted solar PV can support significantly more jobs per MW than ground mounted solar PV<sup>22</sup>, and building integrated PV represents a new industrial supply chain.
62. The commercial and industrial building-mounted market is performing poorly against forecast levels of deployment. FITs data shows that deployment of other than stand-alone solar PV declines significantly as capacity exceeds 50kW<sup>23</sup>. Analysis for last year’s EMR Delivery Plan projected other than stand-alone would account for 75% of cumulative over 50kW solar PV deployment under FITs by March 2016, with the proportion reaching 90% by 2020. The current ratio for cumulative deployment in the 50kW+ other than stand-alone and stand-alone FITs tariff bands is approximately 45% other than stand-alone to 55% stand-alone<sup>24</sup>.
63. The Solar Strategy set out the various potential barriers faced by commercial and industrial building-mounted solar PV, including potential barriers presented by the planning system, lease conditions and the difficulties some experience during the ROO-FIT application process. The Strategy set out a range of actions intended to address these barriers, and where these actions are implemented, we would expect to see increased deployment of commercial and industrial building-mounted solar PV as a result.

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<sup>19</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/300885/UK\\_Solar\\_PV\\_Strategy\\_Part\\_2\\_4\\_April\\_2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/300885/UK_Solar_PV_Strategy_Part_2_4_April_2014.pdf)

<sup>20</sup> ‘Other than stand-alone’ refers to solar PV installations wired to provide electricity to a building - see Annex 3 to Schedule A of Condition 33 of the Electricity Supply Licence Standard Conditions. Paragraph 68 sets out our view that ‘other than stand-alone’ installations will generally equate to building mounted installations.

<sup>21</sup> Energy losses in the UK electricity system are significant: according to the Digest of UK Energy Statistics (DUKES) losses comprised 7.7% of energy demand (28.9TWh) in 2012. Building mounted PV has a greater potential for the energy generated to be used on site, so minimising energy losses and reducing pressure on the grid. Savings are significant even compared to other renewable technologies which feed into the distribution network rather than the transmission network (e.g. stand-alone PV).

<sup>22</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/300885/UK\\_Solar\\_PV\\_Strategy\\_Part\\_2\\_4\\_April\\_2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/300885/UK_Solar_PV_Strategy_Part_2_4_April_2014.pdf)

<sup>23</sup> Deployment to date is 364.6MW in the 10-50kW band but only 20.4MW in the 50-150kW band: <https://www.gov.uk/government/publications/monthly-small-scale-renewable-deployment>

<sup>24</sup> However, in January to March 2014: 40MW of stand-alone deployment has driven 50kW+ other than stand-alone and stand-alone deployment above 50MW, meaning that there will be a 3.5% degression in July 2014. <https://www.gov.uk/government/statistical-data-sets/monthly-mcs-and-roofit-statistics>

64. There is no additional funding available for technologies under the FIT scheme. Given the under-deployment of other than stand-alone PV to date, and the relative success of stand-alone PV, we are keen to ensure that the existing budget for over 50kW other than stand-alone PV is protected to ensure deployment in this part of the sector. We therefore propose to split the current FIT depression band for over 50kW installations into two separate bands: one for other than stand-alone, and one for stand-alone. The purpose of this proposed change is to help ensure that the future deployment of other than stand-alone installations can be more in line with forecast levels. This change will also increase certainty over building mounted tariffs for building mounted PV, which will help to realise the Government's ambition to increase deployment of building-mounted solar PV.

## Proposal Policy

65. Depression is an essential mechanism to control FITs costs, helping to ensure that small scale renewables can deploy in a way that is cost effective. There are currently three separate depression bands for solar PV with associated triggers based on quarterly deployment<sup>25</sup>. In addition, solar PV is subject to automatic depression which means that there is a minimum of 3.5% depression for every solar PV tariff every nine months. The three depression bands were intended to represent distinct market segments<sup>26</sup>, with generators in each band considered likely to experience similar trends in installation costs. However, we consider that the non-financial barriers that other than stand-alone faces (outlined in paragraph 63), along with other than stand-alone deploying below projected levels while stand-alone deployment has been healthy, is evidence that other than stand-alone and stand-alone are also separate distinct market segments.

66. The current structure of the depression mechanism provides one depression band for a) all other than stand-alone installations of a capacity greater than 50kW but not exceeding 5MW and b) stand-alone installations. In order to give the industrial and commercial building-mounted solar PV sector more confidence in the level of the tariff they will receive, and to ensure tariff depressions reflect the amount of deployment seen in this part of the sector, we propose splitting the current depression band to create two new depression bands: one for other than stand-alone installations of greater than 50kW but not exceeding 5MW and one for stand-alone installations. The purpose of this change is to prevent depression for the other than stand-alone sector being triggered by high levels of deployment of stand-alone solar PV. This is done with the intention of allowing other than stand-alone deployment to be closer to the levels that were forecast, with non-automatic depression only triggered when other than stand-alone costs have fallen or barriers to deployment have been removed, as indicated by increased levels of deployment.

67. FITs legislation<sup>27</sup> does not expressly define installations with regard to their physical location in order to distinguish between building-mounted and ground-mounted installations. Rather, it refers to 'stand-alone' installations which are those 'not wired to provide electricity to a building'<sup>28</sup>. Installations 'other than stand-alone' are those that are wired to provide electricity to a building.

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<sup>25</sup> See Annex 3 to Schedule A of Condition 33 of the Electricity Supply Licence Standard Conditions.

<sup>26</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/43085/5386-government-response-to-consultation-on-comprehensi.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/43085/5386-government-response-to-consultation-on-comprehensi.pdf)

<sup>27</sup> The FITs scheme is comprised in the Feed-in Tariffs Order 2012 ("**FITs Order**") and Conditions 33 and 34 of the Electricity Supply Licence Standard Conditions ("**SLC**").

<sup>28</sup> See paragraph 4 of Annex 3 of Schedule A to Standard Licence Condition 33.

68. 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<sup>29</sup>. Consequently we believe that the majority of ground mounted solar PV installations will be considered as stand-alone. Therefore, our preferred proposal is 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.
69. We have also considered options for creating a new definition specifically targeting building-mounted solar PV, for example, by using and adapting the definitions for building-mounted<sup>30</sup> and ground-mounted<sup>31</sup> solar PV within the Renewables Obligation<sup>32</sup>. However, subject to this consultation, we consider that the aims of the proposal outlined in this consultation could be achieved without the introduction of new definitions.
70. There is the potential that some stand-alone solar PV may wire through a building and thereby count towards the capacity thresholds of the new other than stand-alone degression band. The ability to obtain a higher tariff by wiring through a building currently exists for installations of a capacity of 250kW or less. For installations of a capacity greater than 250kW we believe that it is questionable whether there will be sufficient incentives to do this in the medium term. This would be dependent on any differences between the 250-5000kW other than stand-alone and stand-alone tariffs that developed once split degression bands were introduced. Our intention is to minimise changes to the FITs scheme and, subject to consultation and any further evidence on this risk, we propose to base amendments around the existing descriptions of 'stand-alone' and 'other than stand-alone'. We welcome views on whether the description of other than stand-alone sufficiently matches the characteristics of the installations we are aiming to incentivise through these proposed changes.
71. Degression triggers were set based on the volume of funding available to the FITs scheme through the Levy Control Framework (LCF). There is no additional funding available under the LCF so we are looking at splitting current triggers, rather than expanding degression triggers. Our preferred proposal is that the degression deployment triggers for the stand-alone and >50kW other than stand-alone is split, with 75% of the capacity under the existing trigger going to other than stand-alone solar PV of 50kW and above, and 25% going to stand-alone. This split is based on the cumulative projected deployment under FITs for stand-alone to other than stand-alone by March 2016 in modelling for the EMR Final Delivery Plan. This split is preferred (other options considered are outlined below), as it

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<sup>29</sup> Other than stand-alone installations of a capacity of 250kW or less are currently entitled to a higher tariff than the stand-alone tariff, provided the energy efficiency requirement is met— see Annexes 3 and 5 to Schedule A of Condition 33 of the SLC. As a result, there will be other than stand-alone installations of a capacity of 250kW or less that will only be entitled to the stand-alone tariff rate due to the energy efficiency requirement. However encouraging energy efficiency is a key aim of the FIT and the reduction in tariff is there to encourage a more efficient use of energy.

<sup>30</sup> For the purposes of the RO, building-mounted solar PV means “electricity generated from the direct conversion of sunlight into electricity by equipment not installed on the ground either: (a) directly; or (b) on a frame, plinth or other structure installed – (i) on the ground, and (ii) wholly or mainly for the purpose of supporting that equipment.” (Renewables Obligation Order 2009, as amended).

<sup>31</sup> For the purposes of the RO, ground mounted solar PV means “electricity generated from the direct conversion of sunlight into electricity by equipment installed on the ground either: (a) directly, or (b) on frame, plinth or other structure installed – (i) on the ground, and (ii) wholly or mainly for the purpose of supporting that equipment.” (Renewables Obligation Order 2009, as amended).

<sup>32</sup> For example, the RO definition for building mounted solar PV could be adapted to incorporate reference to an installation being wired to provide electricity to a building.

reflects uncertainty around future deployment, and allows for continued steady deployment of stand-alone installations. This will protect other than stand-alone installations from deployment by stand-alone installations, with non-automatic degression triggered once projected deployment has reached levels that are more in line with those forecast. Stand-alone installations will be able to continue deploying at a moderate rate. This split will be reviewed in the comprehensive review to ensure the ratio is still appropriate.

Levels of quarterly deployment (MW) necessary to trigger degression for current degression band	Proposed levels of quarterly deployment (MW) necessary to trigger degression for new degression bands		Degression triggered
	Stand-Alone	Other than stand-alone, above 50kW	
Not more than 50MW	Not more than 12.5MW	Not more than 37.5MW	0%
More than 50MW but not more than 100MW	More than 12.5MW but not more than 25MW	More than 37.5 but not more than 75MW	3.5%
More than 100MW but not more than 150MW	More than 25MW but not more than 37.5MW	More than 75MW but not more than 112.5MW	7%
More than 150MW but not more than 200MW	More than 37.5MW but not more than 50MW	More than 112.5MW but not more than 150MW	14%
More than 200MW	More than 50MW	More than 150MW	28%

72. We also considered other ratios for the stand-alone to other than stand-alone split, for example:

- a) a 90% other than stand-alone / 10% stand-alone split based on the respective sectors' share of forecast cumulative deployment under FITs by 2020/21. This option is not preferred because it could potentially result in steep degressions for stand-alone installations following the introduction of the policy, and potentially very low deployment subsequently under the FIT scheme.
- b) a split based on actual deployment so far under the FIT scheme (which would result in a split of 45% other than stand-alone / 55% stand-alone) is not preferred as it could result in steeper or more frequent degressions for other than stand-alone installations if the sector began to deploy more, which would run contrary to the objective of encouraging other than stand-alone to deploy to the level that it has been budgeted for.

73. We welcome views on the proposed split to the depression triggers for the new depression band.
74. Subject to consultation and the Parliamentary process set out in the Energy Act 2008<sup>33</sup>, we aim to introduce these changes by amending the relevant provisions of the FITs Order and Schedule A to Condition 33 of the SLC, with a view to the new depression band and depression triggers applying from January 2015 (as set out in further detail in the next paragraph). However, we will monitor the deployment of stand-alone and other than stand-alone in the 2014 Solar Deployment Periods. If higher than expected stand-alone deployment results in successive non-automatic depressions being triggered, we will consider bringing forward the implementation date of the new depression band. Under this scenario, the new triggers would operate from 1 October 2014, with the intention that non-automatic depression is not triggered for other than stand-alone before barriers to deployment have been removed or costs have fallen for this segment of the market. The introduction of these changes is also dependent on the Government being satisfied that the state aid implications for the FITs scheme as a whole are acceptable<sup>34</sup>.
75. If the changes are applied from January 2015, the depression rate for the Jan-March 2015 and April-June 2015 solar tariff periods would be determined by deployment in July-September 2014 and October-December 2014 solar deployment periods respectively using the current depression bands and triggers. If deployment immediately after the policy's introduction follows the pattern observed in January and March 2014, it is likely that a significant depression would be triggered for tariffs that apply to stand-alone installations in the tariff period of 1 July to 30 September 2015. This is the first point at which the tariff rate will be affected by this change to the depression bands. However, there is considerable uncertainty about future overall levels of stand-alone deployment, given that projects of this scale are able to, and under the proposals outlined in this document will remain able to, deploy under either the RO or FITs.
76. If the policy change is applied from October 2014 as opposed to January 2015, this would mean the first depression rates affected by the new depression triggers would be the ones applied to determine tariffs in the April-June 2015 solar tariff period.
77. We considered creating a new tariff band for midscale (250kW-500kW) other than stand-alone PV to help increase building-mounted PV deployment to the levels more in line with those forecast and budgeted for in a cost neutral way. However, we consider at this stage there could be value-for-money concerns with raising the tariff. The feedback from industry has been that non-tariff barriers are acting as the key barriers to deployment in this sector, which implies that increases in deployment could be delivered without increasing tariffs if these other barriers are addressed. In addition a tariff increase would almost certainly increase the costs of the FITs scheme, not only by bringing on new installations but also by potentially paying more to projects that would have deployed anyway under current tariffs.

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<sup>33</sup> This consultation incorporates the statutory consultation on the proposed modifications to the SLC required by s.42 of the Energy Act 2008.

<sup>34</sup> For example, having regard to the revised guidelines on environmental protection and energy aid which are to take effect from 1 July 2014.

## Next Steps

78. We will aim to publish our decision as soon as possible after the consultation closes on 7 July 2014, following careful consideration of consultation responses and evidence received. Subject to consultation, the Parliamentary process and State Aid considerations, we intend to introduce these changes by amending the relevant provisions of the FITs Order and Standard Licence Conditions.
79. We aim for these changes to take effect from January 2015. However as outlined in paragraph 74 above, we will monitor deployment levels of Solar PV and may move implementation forward depending on levels of deployment seen.

Consultation Questions	
9.	<b>Do you agree that creating new depression bands as suggested will encourage more building-mounted solar PV deployment and allow continued steady deployment of stand-alone solar PV installations? Please provide evidence to support your answer.</b>
10.	<b>Do you agree that using the ‘stand-alone’/‘other than stand-alone’ descriptions as the basis for the new depression bands will achieve the aim of increasing deployment of building-mounted solar PV? Please provide evidence to support your answer.</b>
11.	<b>Do you agree that the proposed split for the depression triggers for the stand-alone and &gt;50kW other than stand-alone bands is appropriate? Please provide evidence to support your answer.</b>
12.	<b>Do you agree with the proposed dates from which the new depression bands could apply (for both October 2014 and January 2015)? Please give reasons and provide evidence to support your answer.</b>

