



Department for
Business, Energy
& Industrial Strategy

CONSULTATION ON THE FEED-IN TARIFFS SCHEME

Part A: Closure of the scheme to new
applications after 31 March 2019

Part B: Administrative measures



19 July 2018

Consultation

The consultation and Impact Assessment can be found on the BEIS section of GOV.UK:
<https://www.gov.uk/government/consultations/feed-in-tariffs-scheme>

Consultation on the Feed-In Tariffs Scheme 2018

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Any enquiries regarding this publication should be sent to us at feedintariff@beis.gov.uk.

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General information

Purpose of this consultation

This consultation sets out a proposal to close the export tariff alongside the generation tariff on 31 March 2019, which would mean full closure of the Feed-In Tariffs scheme to new applications after 31 March 2019. It also seeks views on proposed scheme administrative changes.

Issued: 19 July 2018

Respond by: 13 September 2018

Enquiries to:

FITs Team
Clean Electricity Directorate
Department for Business, Energy & Industrial Strategy
3rd Floor Spur
1 Victoria Street
London
SW1H 0ET

Email: feedintariff@beis.gov.uk

Consultation reference: Consultation on the Feed-In Tariffs Scheme

Territorial extent:

Great Britain.

How to respond

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

Where possible, responses should be submitted electronically via the e-consultation available at <https://beisgovuk.citizenspace.com/clean-electricity/feed-in-tariffs-scheme>

Responses emailed to feedintariff@beis.gov.uk and hardcopy responses sent to the postal address above will also be accepted.

Additional copies:

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Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable UK and EU data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](#). The 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](#).

If you have any complaints about the way this consultation has been conducted, please email: beis.bru@beis.gov.uk.

Executive Summary

Overview

1. Achieving clean growth, while ensuring an affordable energy supply for businesses and consumers, is at the heart of the UK's Industrial Strategy. As set out in the Clean Growth Strategy, that means nurturing low-carbon technologies, processes and systems that protect our businesses and households from high energy costs, and secure an industrial and economic advantage from the global transition to a low-carbon economy.
2. The UK has made substantial progress in building a successful renewables industry as part of our move to a low-carbon economy and to support meeting our carbon reduction and renewable energy targets. In 2016, businesses active in the low carbon and renewable energy economy¹ generated £42.6 billion in turnover and employed an estimated 208,000 full-time equivalent employees. Installed capacity of renewable electricity generation has more than quadrupled since the end of 2010 from 9.3GW to 38.9GW at the end of 2017. Alongside the Renewables Obligation and the Contract for Difference regime, the Feed-In Tariffs (FIT) scheme has played a significant part in this effort. Our Industrial Strategy sets out how government will ensure that the UK continues to benefit from the transition to a low-carbon economy.
3. The FIT scheme was introduced to support the widespread adoption of proven small-scale (up to 5MW) low-carbon electricity generating technologies. The scheme was intended to give the wider public a stake in the transition to a low-carbon economy and in turn foster behavioural change that would support the development of local supply chains and reductions in energy costs.
4. Our original 2010 deployment projections², both in terms of numbers of installations and installed capacity, have been exceeded - with over 800,000 installations (around 6 GW)³ confirmed on the Central FIT Register as at March 2018. Many people now have a direct stake in the low-carbon transition through participation in and shared ownership of school and community energy projects, with 37.6 MW⁴ supported by the FIT scheme. The BEIS Public Attitudes Tracker⁵ has shown consistently high support for renewables over time (for example, the April 2018 wave demonstrated 85% support for the use of renewable energy).

¹ ONS, Low Carbon and Renewable Energy Economy Survey: 2016 final estimates

² http://www.legislation.gov.uk/ukia/2010/339/pdfs/ukia_20100339_en.pdf

³ <https://www.gov.uk/government/statistical-data-sets/sub-regional-feed-in-tariffs-confirmed-on-the-cfr-statistics>

⁴ <https://www.gov.uk/government/statistics/community-and-school-feed-in-tariff-statistics>

⁵ <https://www.gov.uk/government/collections/public-attitudes-tracking-survey>

5. The FIT scheme is funded through levies on suppliers, and ultimately consumers, regardless of whether or not they directly participate in the scheme. That is why controlling costs was paramount in the reviews of the scheme in 2011/12 and 2015, the latter of which provided consumers and industry with clarity on levels of small-scale renewable electricity support until March 2019 with a fixed budget of £100m.
6. Since 2010 our support has driven down the cost of small-scale low-carbon electricity generation significantly. As costs continue to fall and deployment without direct subsidy becomes increasingly possible for parts of the sector, it is right that government acts to ensure continued value for money for bill payers over the longer term. That is why government took the decision in 2015 to close the generation tariff from end of March 2019.
7. Our energy system is changing; technologies such as storage are expected to play an increasingly important role and government seeks to move away from driving deployment with direct subsidies. It is our view that the current FITs flat rate export tariff does not align with our vision for the future, given our desire to move towards fairer, cost reflective pricing and the continued drive to minimise support costs on consumers, as well as supporting the vision set out in the Industrial Strategy and Clean Growth Strategy published last year.
8. Alongside this document, government is publishing a call for evidence⁶ that seeks to identify:
 - The challenges and opportunities from small-scale low-carbon electricity generation in contributing to government's objectives for clean, affordable, secure and flexible power; and
 - The role for government and the private sector in overcoming these challenges and realising these opportunities.

Part A: Closure arrangements

9. In the context of the above, government is proposing to close the export tariff at the same time as the generation tariff. This would mean that no new applications for accreditation would be accepted after 31 March 2019, subject to the exceptions set out in paragraph 1.11.
10. There would be no special provision for those projects in oversubscribed deployment caps at the close of the scheme i.e. projects queuing beyond the tariff period in 2019. Such installations would not be eligible for either generation or export tariff payments under the scheme.
11. A draft impact assessment accompanies this document.

⁶ <https://www.gov.uk/government/consultations/the-future-for-small-scale-low-carbon-generation-a-call-for-evidence>

Part B: Administrative measures

12. This document also sets out details of the budget reconciliation review and possible modifications to the administration of the scheme.

Budget reconciliation review

13. Since the launch of the capped scheme in February 2016, government has kept deployment patterns continuously under review. At the time of publication of this document, three deployment bands (100-1,500 kW and over 1,500 kW onshore wind, and standalone solar) have a queue of applications beyond the end of tariff period 1 in 2019. Most of the other deployment bands have a significant quantity of available capacity rolled over from previous quarters, with further capacity to be added in the remaining quarters up to and including tariff period 1 in 2019. Given that this available capacity occurs across all technologies, that government is proposing to close the FIT scheme to new applications after 31 March 2019, the Control for Low Carbon Levies⁷, and our commitment to keeping energy bills as low as possible - government does not consider there is justification for reallocating capacity between technologies and / or deployment bands.

Levelisation

14. With the smart meter roll-out progressing, and a greater proportion of FIT exports to be metered, government is consulting on bringing metered exports into the levelisation process⁸ when it has a net impact on FIT licensees' costs.

Replacement of generating plant

15. The FIT scheme legislation does not explicitly set out how replacing different pieces of generating plant impacts on an installation's accreditation under the scheme. Government believes it is appropriate to consider clarifying the arrangements for the replacement of generating plant under the scheme. However, government does not have a sufficient evidence base from which to make a firm proposal. Government is therefore seeking evidence on the likely rate of replacement of generating plant over the scheme's lifetime, and the potential for additional generation from installations of the same original capacity. In particular, government has concerns that supporting additional generation under the very high tariffs available at the start of the scheme would not represent value for money for consumers, regardless of the additional renewable or low-carbon electricity generated.
16. Before reaching a final decision on whether to consult in detail on this issue, government is seeking evidence on likely replacement rates and any efficiency gains, in order to better understand the budgetary impact of any

⁷ <https://www.gov.uk/government/publications/control-for-low-carbon-levies>

⁸ Levelisation is the mechanism by which the cost of the FIT scheme is apportioned across all Licensed Electricity Suppliers (regardless of their FITs participation status) according to their share of Great Britain's electricity market, taking into account any applicable exemptions.

such proposal. Government is also seeking views on measures to control any resulting budgetary impact, in the context of our ongoing responsibility to protect consumer bills.

Next steps

17. The consultation closes on 13 September 2018. Government will publish its decision following careful consideration of the responses received. Government will aim to implement any administrative changes as soon as legislatively possible, with a target of 1 April 2019.

Catalogue of consultation questions

Consultation questions

Q1.	Do you agree or disagree with the proposal to end the export tariff alongside the generation tariff, which would close the scheme in full to new applications after 31 March 2019? Please provide evidence to support your reasoning; for example, around the impact on jobs, deployment, consumer bills and the supply chain.
Q2.	Do you agree or disagree with the administrative closure and exception arrangements? Please explain your reasoning.
Q3.	Do you agree or disagree with the proposal to levelise net metered export payments? Please explain your reasoning.
Q4.	Do you agree or disagree with the use of the average time-weighted System Sell Price to determine the value of metered export to FIT Licensees? Please explain your reasoning.
Q5.	Do you agree or disagree with the proposed calculation Ofgem would use to make the necessary adjustments to quarterly and annual levelisation payments? Please explain your reasoning.

Questions on replacement of generating plant

Q6.	What would you expect the likely replacement rate for generating plant to be, for each FIT supported technology, if the rules were changed to allow unlimited replacements? To what extent would load factors change? Please provide evidence.
Q7.	What would the impact be of not allowing replacement of generating plant? Please provide evidence.
Q8.	How can government ensure that any budgetary impact from allowing the unlimited replacement of plant can be controlled in an administratively practical manner?

Introduction

History of the FIT scheme

1. The FIT scheme was introduced to support the widespread adoption of proven small-scale (up to 5MW) low-carbon electricity generating technologies. The scheme was intended to give the wider public a stake in the transition to a low-carbon economy and in turn foster behavioural change that would support the development of local supply chains and reductions in energy costs. The scheme has triggered a small-scale electricity revolution - bringing the benefits of renewable electricity to communities, businesses and the general public.
2. An eligible generator receives multiple benefits under the scheme:
 - Generation tariff: payment for every kWh generated for a defined tariff period (most often 20 years);
 - Export tariff: additional payment for every kWh exported to the local electricity network for the duration of the generation tariff⁹;
 - Bill saving: usage of electricity onsite and avoided import electricity costs, for the lifespan of the equipment.
3. The European Commission originally granted State aid approval¹⁰ for the FIT scheme for 10 years, ending in March 2020. This approval places an obligation on government to review scheme performance every 3 years. There was a comprehensive review¹¹ of the scheme published in 2011/12. This sought to improve value for money and reduce tariffs in light of falling generation equipment costs. It introduced a new cost control mechanism (contingent degeneration) and a system of preliminary accreditation in order to give potential generators greater certainty over future tariff levels. Other administrative changes were made, particularly around the energy efficiency requirements of the scheme.
4. A further review¹² took place in 2015. This introduced a capping mechanism in order to put the scheme on a more sustainable footing, along with updated tariffs and further administrative changes.

⁹ For installations below 30kW the amount exported may be 'deemed' at 50% of generation for solar, wind and anaerobic digestion; and at 75% for hydro. Installations over 30kW must have an export meter.

¹⁰ http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_N94_2010

¹¹ <https://www.gov.uk/government/consultations/solar-pv-cost-controls-comprehensive-review-phase-2a>
<https://www.gov.uk/government/consultations/tariffs-for-non-pv-technologies-comprehensive-review-phase-2b>

¹² <https://www.gov.uk/government/consultations/consultation-on-a-review-of-the-feed-in-tariff-scheme>

5. This consultation follows on from the 2015 review. Given that generation tariffs will close with effect from 1 April 2019, and the proposal in this consultation to close the export tariff from the same date, government has not proposed revised tariff rates in this consultation.

Scheme performance

6. The FIT scheme has significantly exceeded our projections (both at scheme launch in 2010 and the 2011/12 review) for deployment in terms of both the number of installations and capacity deployed. We have passed the 750,000 installations estimate and our projections from the 2011/12 comprehensive review for 2020/21 for wind, solar, hydro, and anaerobic digestion. Over 800,000 installations (around 6 GW)¹³ were confirmed on the Central FIT Register as of the end of 2017. However, since early 2016 overall deployment has been lower than forecast at the time of the 2015 review.
7. Published alongside the 2015 FIT review consultation document was an independent report, “Performance and Impact of the Feed-in Tariff Scheme: Review of Evidence”¹⁴ by Dr Colin Nolden of the University of Sussex, into the performance of the scheme against its original objectives. The report found that consumers have been empowered to take a direct stake in the transition to a low-carbon economy. The costs of buying and installing renewable energy have fallen for most technologies, in some cases significantly.

Impact on consumer bills

8. The FIT scheme is funded by levies on suppliers which are passed on to consumers, regardless of whether or not they directly participate in the scheme.
9. At the time the FIT scheme was introduced it was estimated that it would add £440m per year¹⁵ to consumer bills in 2020. These projections are no longer correct – the latest estimate for this is £1,600 million per year¹⁶ in 2020. Correspondingly, the impact on consumer bills will be greater than originally predicted.
10. Autumn Budget 2017 announced the new Control for Low Carbon Levies, which sets out that the government will not introduce new low carbon electricity levies until the burden of such costs is falling. On the basis of the

¹³ <https://www.gov.uk/government/statistical-data-sets/sub-regional-feed-in-tariffs-confirmed-on-the-cfr-statistics>

¹⁴ <https://www.gov.uk/government/consultations/consultation-on-a-review-of-the-feed-in-tariff-scheme>

¹⁵ Impact Assessment of Feed-in Tariffs for Small-Scale, Low Carbon, Electricity Generation (URN10D/536), table 1, 2008 prices

¹⁶ OBR, March 2018 Economic and fiscal outlook – supplementary fiscal tables: receipts and other, nominal prices

current forecast, this means there will be no new low carbon electricity levies until 2025.¹⁷

11. It is in this context that government is proposing to close the FIT scheme in full to new applications after 31 March 2019, subject to certain exceptions.

¹⁷HM Treasury, 2017, *Control for Low Carbon Levies*, Available at:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/660986/Control_for_Low_Carbon_Levies_web.pdf

Part A: Closure of the scheme to new applications after 31 March 2019

Following government's decision in 2015 to close generation tariffs in March 2019, this section of the consultation sets out a proposal for closure of the export tariff. This will mean that the FIT scheme will close in full to new applications after 31 March 2019.

Background

- 1.1 Achieving clean growth, while ensuring an affordable energy supply for businesses and consumers, is at the heart of the UK's Industrial Strategy. As set out in the Clean Growth Strategy, that means nurturing low-carbon technologies, processes and systems that protect our businesses and households from high energy costs, and secure an industrial and economic advantage from the global transition to a low-carbon economy.
- 1.2 Since 2010 government support has driven down the cost of small-scale low-carbon electricity generation significantly. As costs continue to fall and deployment without direct subsidy becomes increasingly possible, it is right that government acts to ensure continued value for money for bill payers over the longer term. Our energy system is changing and technologies such as storage are expected to play an increasingly important role. Government's vision for the future is to move away from driving deployment with direct subsidies.
- 1.3 Following the 2015 review, government decided that spending on new generation after the introduction of revised generation tariffs would be capped and would then cease in March 2019. This was to ensure there would be no additional impact on energy bills due to generation tariffs beyond forecasts at that time.
- 1.4 Government indicated¹⁸ at that time that it was minded to continue with the export tariff beyond March 2019. However, government also highlighted that the formulation of the export tariff might need to change to limit the impact on electricity bill payers and better reflect the costs and benefits of renewable generation.

¹⁸ Para 3.8, 2015 Review, Impact assessment to accompany the government response

- 1.5 Growth in the small-scale low-carbon generation sector must be sustainable; driven by competition and innovation, not direct subsidies. Therefore, government proposes to close the current FIT flat rate export tariff, given our desire to move towards fairer, cost reflective pricing and the continued drive to minimise support costs on consumers, as well as supporting the vision set out in the Industrial Strategy and Clean Growth Strategy.

The FIT scheme export tariff

- 1.6 The FIT scheme export tariff does not track the prevailing wholesale price. As such, when the value of the export tariff exceeds the wholesale price, as is currently the case, generators are overcompensated for their export.
- 1.7 Furthermore, a fixed and flat export tariff does not reflect many of the market signals such as value varying by time of day or intra season values. Indeed, the current export tariff can disincentivise behaviour viewed as desirable such as self-consumption or the installation of storage. All of this means that the FIT export tariff can potentially negatively impact on bill payers.
- 1.8 Government has considered extending the export tariff in a revised form. However, it believes that, rather than using an insufficient evidence base to develop proposals for amending a scheme which is not aligned with the wider government approach, it is more appropriate to close it in full from March 2019. This would immediately limit the impact on consumer bills and provide the certainty stakeholders have been calling for about its future.
- 1.9 In this context, government proposes to close the export tariff at the same time as the generation tariffs. This would mean that no new applications for accreditation would be accepted after 31 March 2019, subject to the exceptions set out in paragraph 1.11 below. However, government is considering the case for further support for the sector.
- 1.10 Alongside this document, government is publishing a call for evidence that seeks to identify:
- The challenges and opportunities from small-scale low-carbon electricity generation in contributing to government's objectives for clean, affordable, secure and flexible power; and
 - The role for government and the private sector in overcoming these challenges and realising these opportunities.

Proposal

- 1.11 Government proposes to amend the Feed-In Tariffs Order 2012 and relevant standard conditions of electricity supply licence so that new installations that apply to the scheme after 31 March 2019 will not be able to be accredited, subject to the exceptions set out below.

- (a) ROO-FIT scale (> 50 kw) installations that apply for pre-accreditation on or before 31 March 2019 would (subject to meeting all other eligibility criteria) benefit from current validity periods to convert to full accreditation (ranging from 6 months for solar PV; 12 months for anaerobic digestion and wind; to 2 years for hydro).
 - (b) ROO-FIT scale community installations that apply for pre-accreditation on or before 31 March 2019 would get the standard additional 6 month period on top of the relevant validity period per technology set out in (a) above, in which to convert to full accreditation (subject to meeting all other eligibility criteria).
 - (c) Microgeneration Certification Scheme (MCS) scale (\leq 50 kW) installations which commission and have an MCS certificate issued on or before 31 March 2019 would have until 31 January 2020 to apply to their FIT licensee for accreditation. For example, this could provide owners of new build properties purchased after 31 March 2019 an opportunity to apply where their solar PV installations had been commissioned prior to this date.
 - (d) MCS scale community installations that apply for pre-registration on or before 31 March 2019 would get the standard 12 month validity period in which to commission and apply to their FITs licensee for accreditation.
 - (e) MCS scale school installations that apply for pre-registration on or before 31 March 2019 would get the standard 12 month validity period in which to apply to their FIT licensee for accreditation.
- 1.12 Applications from ROO-FIT scale installations applying for full accreditation (with no pre-accreditation) would have to be received by Ofgem on or before 31 March 2019.
- 1.13 The tariff rate a ROO-FIT installation would receive, assuming all eligibility requirements are met, would be determined by the date and time that the application is submitted to Ofgem in accordance with the existing scheme rules.
- 1.14 The tariff rate an MCS scale installation would receive would be determined by the date and time the installation's MCS certificate was issued in accordance with the existing scheme rules.¹⁹ MCS scale community installations that apply for pre-registration on or before 31 March 2019, and commission and apply to their FIT licensee after that date, would receive the tariff rate available in the last tariff before closure.
- 1.15 In all situations there would need to be sufficient space in the appropriate quarterly deployment cap in or prior to the tariff period in 2019 to accommodate the installation's capacity. If the relevant cap of the application
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¹⁹ <https://www.ofgem.gov.uk/environmental-programmes/fit/fit-tariff-rates>

has limited capacity available and the total installed capacity of the installation in the application exceeds the level of deployment allowed, that installation and all subsequent installation applications for that cap would not be eligible for either generation or export tariff payments under the scheme.

- 1.16 There would be no special provision for those projects in oversubscribed deployment caps at the close of the scheme i.e. projects queuing beyond the tariff period in 2019. Such installations (currently the onshore wind 100-1500kW and over 1,500 kW bands, and standalone solar band) would not be eligible for either generation or export tariff payments under the scheme. This is in line with the statement in the 2015 government response on what would happen to applicants who missed a cap where it was stressed “that a place in the queue is neither a guarantee of support under FIT nor a guarantee of eligibility for support at a particular tariff”.
- 1.17 These proposals will have no effect on installations currently accredited under the scheme. A table of scenarios is set out below.

Table 1- Illustrative transitional accreditation scenarios²⁰

Installation description	Capacity available in relevant tariff period	Eligible for generation and export tariff
Installation commissioned and MCS certificate issued <u>on or before</u> 31 March 2019; application for FIT received by FIT licensee <u>on or before</u> 31 January 2020	Yes	Yes
Installation commissioned and MCS certificate issued <u>on or before</u> 31 March 2019; application for FIT received by FIT licensee <u>on or before</u> 31 January 2020	No	No
Installation commissioned and MCS certificate issued <u>after</u> 31 March 2019; application for FIT received by FIT licensee <u>on or before</u> 31 January 2020	Yes	No
Installation commissioned and MCS certificate issued <u>on or before</u> 31 March 2019; application for FIT received by FIT licensee <u>after</u> 31 January 2020	Yes	No
Application from MCS scale community installation for pre-registration received by Ofgem <u>on or before</u> 31 March 2019; commission and apply for accreditation to their FIT licensee <u>within</u> their period of validity	Yes	Yes
Application from MCS scale community installation for pre-registration received by Ofgem <u>on or before</u> 31 March 2019; commission and apply for accreditation to their FIT licensee <u>within</u> their period of validity	No	No
Application from MCS scale community installation for pre-registration received by Ofgem <u>on or before</u> 31 March 2019; commission and apply for accreditation to their FIT licensee <u>beyond</u> their period of validity	Yes	No
Application from MCS scale community installation for pre-registration received by Ofgem <u>after</u> 31 March 2019	Yes	No

²⁰ This is subject to installations meeting all the usual eligibility criteria

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Application from MCS scale school installation for pre-registration received by Ofgem <u>on or before</u> 31 March 2019; apply for accreditation to their FIT licensee <u>within</u> their period of validity	Yes	Yes
Application from MCS scale school installation for pre-registration received by Ofgem <u>on or before</u> 31 March 2019; apply for accreditation to their FIT licensee <u>within</u> their period of validity	No	No
Application from MCS scale school installation for pre-registration received by Ofgem <u>on or before</u> 31 March 2019; apply for accreditation to their FIT licensee <u>beyond</u> their period of validity	Yes	No
Application from MCS scale school installation for pre-registration received by Ofgem <u>after</u> 31 March 2019	Yes	No
Application for ROO-FIT pre-accreditation received by Ofgem <u>on or before</u> 31 March 2019; commission and apply for full accreditation <u>within</u> their period of validity	Yes	Yes
Application for ROO-FIT pre-accreditation received by Ofgem <u>on or before</u> 31 March 2019; commission and apply for full accreditation <u>within</u> their period of validity	No	No
Application for ROO-FIT pre-accreditation received by Ofgem <u>on or before</u> 31 March 2019; commission and apply for full accreditation <u>beyond</u> their period of validity	Yes	No
Application for ROO-FIT pre-accreditation received by Ofgem <u>after</u> 31 March 2019	Yes	No
Application for ROO-FIT accreditation received by Ofgem <u>on or before</u> 31 March 2019	Yes	Yes
Application for ROO-FIT accreditation received by Ofgem <u>on or before</u> 31 March 2019	No	No
Application for ROO-FIT accreditation received by Ofgem <u>after</u> 31 March 2019	Yes	No

Consultation questions

Q1.	Do you agree or disagree with the proposal to end the export tariff alongside the generation tariff, which would close the scheme in full to new applications after 31 March 2019? Please provide evidence to support your reasoning; for example, around the impact on jobs, deployment, consumer bills and the supply chain.
Q2.	Do you agree or disagree with the administrative closure and exception arrangements? Please explain your reasoning.

Part B: Administrative measures

This section clarifies the position in relation to the budget reconciliation review and seeks views on possible modifications to the administration of the scheme.

Budget reconciliation review

Background

- 2.1 In the 2015 review government set out the potential for a budget reconciliation process to adjust deployment caps, dependent on deployment patterns and government policy priorities.

Decision

- 2.2 Since the launch of the capped scheme in February 2016, government has kept deployment patterns continuously under review and Ofgem has published weekly updates²¹ on deployment.
- 2.3 Since early 2016, overall deployment has been lower than forecast at the time of the 2015 review, although actual deployment between 8 February 2016 and 31 March 2019 will only be known after that period has elapsed.
- 2.4 At the time of publication of this document, three deployment bands (100-1,500 kW and over 1,500 kW onshore wind, and standalone solar) have a queue of applications beyond the end of the tariff period in 2019. Most of the other deployment bands have a significant quantity of available capacity rolled over from previous quarters, with further capacity to be added in the remaining quarters up to and including tariff period 1 in 2019. Given that this available capacity occurs across all technologies, that government is proposing to close the FIT scheme to new applications after 31 March 2019, the “Control for Low Carbon Levies”, and our commitment to keeping energy bills as low as possible - government does not consider there is justification for reallocating capacity between technologies and / or deployment bands.

²¹ <https://www.ofgem.gov.uk/environmental-programmes/fit/contacts-guidance-and-resources/public-reports-and-data-fit/feed-tariffs-deployment-caps-reports>

Amending levelisation to include the net costs of metered exports to suppliers

Background

- 2.5 Levelisation is the mechanism by which the cost of the FIT scheme is apportioned across all Licensed Electricity Suppliers (regardless of their FIT participation status) according to their share of Great Britain's electricity market, taking into account any applicable exemptions.
- 2.6 Currently payment of export tariffs for deemed exports²² (for installations at 30kW and below for which an export meter is not mandatory) is included in the levelisation process but metered export payments are not. Metered export payments are borne exclusively by the FIT licensee of each generator under metered export arrangements.

Proposal

- 2.7 With the smart meter roll-out progressing, and a greater proportion of FIT exports therefore to be metered, government is consulting on bringing metered exports into the levelisation process when it has a material net impact on FIT licensees' costs.
- 2.8 If introduced, it is proposed that the value of metered exported electricity to licensees should be determined by the Secretary of State on an annual basis. Government expects this would mirror the arrangements for determining the value of deemed exports²³, which has to date been the average time-weighted system sell price for electricity given in the Balancing and Settlement Code. While the value of metered exports will be greater than the value of unmetered exports, Government believes it is appropriate and proportionate in the levelisation calculations to use the same value for both.
- 2.9 Government would amend the Feed-In Tariffs Order 2012 accordingly, and Ofgem would make the necessary adjustments to quarterly and annual levelisation calculations in their guidance²⁴ using the proposed calculation set out below. It should be noted that there would be a difference in the calculation of the value of deemed export and metered export to the FIT licensee. The value of deemed export will continue to be apportioned relative to that individual licensees' market share; the value of export payments would be based on actual metered export payments made by the individual FIT licensee.

²² Government confirmed its intention during the 2015 review to end deemed export, with export tariff payments to be based on actual meter reads on the completion of the smart meter roll-out

²³ <https://www.gov.uk/government/publications/feed-in-tariffs-fits-determinations>

²⁴ https://www.ofgem.gov.uk/system/files/docs/2018/06/guidance_for_licensed_electricity_suppliers_v10_june_2018_3.pdf

$$alp = \{ms \times [tgp + tdep - (ade \times SSP) + tmep - (ame \times SSP) + tqc]\} - [igp + idep - (ade \times SSP \times ms) + imep - (ime \times SSP) + iqc] - plp$$

- **alp** - Licensed Electricity Supplier's annual levelisation payment (£)
- **ms** - Licensed Electricity Supplier's market share
- **tgp** - total generation payments (£)
- **tdep** - total deemed export payments (£)
- **tmep** - total metered export payments (£)
- **tqc** - total qualifying FIT costs (£)
- **ade** - total amount of electricity deemed to have been exported (MWh)
- **ame** - total amount of metered electricity exported (MWh)
- **ime** - individual amount of metered exported electricity (MWh)
- **SSP** - System Sell Price (£/MWh)
- **igp** - individual generation payments (£)
- **idep** - individual deemed export payments (£)
- **imep** - individual metered export payments (£)
- **iqc** - individual qualifying FIT costs (£)
- **plp** - all Licensed Electricity Supplier's periodic levelisation payments in that FIT year (£)

2.10 Subject to the results of this consultation, it is government's intention that this change to the levelisation process would be brought into effect at the start of a FIT year, for example on 1 April 2019.

2.11 Government also intends to clarify in the Feed-In Tariffs Order 2012 that the value of deemed export to a FIT licensee is relative to that individual licensees' market share. This does not change the current position, but until now it has been included in the Secretary of State's annual determinations²⁵ rather than the legislation itself.

2.12 These changes will not affect the FIT payments received by generators from FIT licensees.

Consultation questions

Q3.	Do you agree or disagree with the proposal to levelise net metered export payments? Please explain your reasoning.
Q4.	Do you agree or disagree with the use of the average time-weighted System Sell Price to determine the value of metered export to FIT licensees? Please explain your reasoning.

²⁵ <https://www.gov.uk/government/publications/feed-in-tariffs-fits-determinations>

- Q5. Do you agree or disagree with the proposed calculation Ofgem would use to make the necessary adjustments to quarterly and annual levelisation payments? Please explain your reasoning.
-

Replacement of generating plant under the scheme

Background

- 2.13 The FIT scheme legislation does not explicitly set out how replacing different pieces of generating plant impacts on an installation's accreditation under the scheme. Currently, Ofgem's guidance^{26, 27} on this matter states that, in most scenarios, removing all the plant and replacing it with something new would mean that the generator cannot retain the tariff of the original installation.
- 2.14 Government believes it is appropriate to consider clarifying the arrangements for the replacement of generating plant under the scheme. However, there is an insufficient evidence base from which to make detailed proposals at this stage.
- 2.15 In particular, in the context of government's ongoing responsibility to protect consumer bills, it is concerned that allowing the more widespread replacement of generating plant could lead to greater spend under the scheme, even if the overall installed capacity remains the same. For example, newer equipment could be more efficient and operate at higher load factors.
- 2.16 Government is therefore seeking evidence on the likely rate of replacement of generating plant over the scheme's lifetime, and the potential for additional generation from installations of the same original capacity. In particular, government has concerns that supporting additional generation under the very high tariffs available at the start of the scheme would not represent value for money for consumers, regardless of the additional renewable or low-carbon electricity generated.
- 2.17 Any proposal would therefore also need to introduce cost control measures to ensure that spend would not be above what would have been expected had an installation continued operation at its original specification. Any such cost control measure would need to be administratively simple given the large number of participants in the scheme.
- 2.18 If our cost control concerns can be addressed, it is government's intention to consult in due course on detailed proposals to allow generators to replace any element of their plant and retain their current tariff.

²⁶ https://www.ofgem.gov.uk/sites/default/files/docs/2013/02/generating-equipment-decision_0.pdf

²⁷ <https://www.ofgem.gov.uk/publications-and-updates/feed-tariffs-guidance-licensed-electricity-suppliers-version-9>

2.19 Before reaching a final decision on whether to consult in detail on this issue, government is seeking evidence on likely replacement rates and any efficiency gains, in order to better understand the budgetary impact of any such proposal. Government is also seeking views on measures to control any resulting budgetary impact, in the context of its ongoing responsibility to protect consumer bills.

Questions on replacement of generating plant

Q6.	What would you expect the likely replacement rate for generating plant to be, for each FIT supported technology, if the rules were changed to allow unlimited replacements? To what extent would load factors change? Please provide evidence.
Q7.	What would the impact be of not allowing replacement of generating plant? Please provide evidence.
Q8.	How can government ensure that any budgetary impact from allowing the unlimited replacement of generating plant can be controlled in an administratively practical manner?

