Department for
Business, Energy
& Industrial Strategy

THE FEED-IN TARIFFS SCHEME

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

Part B: Administrative measures

Government Response

December 2018

THE FEED-IN TARIFFS SCHEME

Government Response

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

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

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Executive Summary

Background

1. The Industrial Strategy set out four Grand Challenges to put the UK at the forefront of the industries of the future[1]. One of these Grand Challenges is maximising the advantages for UK industry from the global shift to clean growth. The framework for achieving clean growth and affordable energy for businesses and households was set out in the recent Clean Growth Strategy[2] and sits at the heart of the Industrial Strategy.

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. Alongside the Renewables Obligation and the Contract for Difference regime, the Feed-In Tariffs (FIT) scheme has played a significant part in this effort.

3. 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.

4. Growth in the small-scale low-carbon generation sector must be sustainable; driven by competition and innovation, not direct subsidies. Government therefore published a consultation on 19 July proposing to close the current FIT flat rate export tariff alongside the generation tariff from 31 March 2019, which reflects our desire to move towards fairer, cost reflective pricing and the continued drive to minimise support costs on consumers as set out in the Control for Low Carbon Levies. Nor does the current FIT scheme support the vision set out in the Industrial Strategy and Clean Growth Strategy.

5. This document is the Government response to that consultation.

[1] https://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future
[2] https://www.gov.uk/government/publications/clean-growth-strategy

Responses to the consultation

6. The consultation closed on 13 September. There were 345 responses from a broad range of stakeholders including trade associations, manufacturers, energy suppliers, project developers, community groups, consultants, local authorities and individuals. A list of respondents can be found in Annex A.

7. A number of meetings were held with stakeholders during the consultation to gather more information. These meetings have also informed our thinking and final decisions.

8. The following is a summary of the consultation responses received. We would like to thank all those who participated.

9. This document is accompanied by the final Impact Assessment which has been updated following comments made during the consultation.

Feedback and decisions

10. In 2015 government confirmed its intention to close the generation tariff from March 2019. The consultation proposed to close the export tariff at the same time as the generation tariff. This would mean that no new applications for accreditation under the FIT scheme would be accepted after 31 March 2019, subject to a number of time-limited extensions.

11. Most respondents were opposed to the closure. The arguments put forward included that it would be unfair for small-scale generators to provide free electricity to the grid when not self-consuming, that closure was incompatible with meeting climate change targets and other environmental and health targets, and that this would have a destabilising effect on the industry, jobs and supply chain. There was also concern about the lack of routes to market for small-scale generators leading to reduced deployment and knock-on impacts on the development of smart infrastructure. Many were concerned about a possible hiatus in route to market between the closure of the scheme in March 2019 and the introduction of any potential successor arrangements.

12. The majority of respondents disagreed with the closure and proposed extension arrangements because they opposed the end of the export tariff and closure of the scheme. Respondents also made suggestions on how the deployment caps should be adjusted before closure and argued that the closure arrangements should include grace periods similar to those available for the closure of the Renewables Obligation.

13. There were fewer comments made on Part B of the consultation document which concerned possible modifications to the administration of the scheme including levelisation and the replacement of generating plant.

14. Government has considered the comments and evidence provided and **has decided to close the export tariff alongside the generation tariff** because the current fixed and flat rate export tariff does not align with the wider government objectives to move towards market-based solutions, cost reflective pricing and the continued drive to minimise support costs on consumers, as set out in the Control for Low Carbon Levies. Nor does the current FIT scheme support the vision set out in the Industrial Strategy and Clean Growth Strategy. This means that **the scheme will close in full to new applications after 31 March 2019 subject to the time-limited extensions and grace period** detailed in paragraphs 1.18-1.24 below**.**

15. However, we note in particular the comments received on the importance of maintaining a route to market for small-scale low-carbon generation after 31 March 2019. We published a call for evidence on the future of small-scale low-carbon generation in the summer and we will follow this up with specific proposals for future arrangements in due course.

16. Government has **decided to implement the time-limited extensions as proposed** with a minor change to extend the application window deadline for "MCS-scale" (solar PV and wind with a declared net capacity of 50kW or less; and all micro-combined heat and power) applications that have not pre-registered as a school or community energy installation from 31 January to 31 March 2020. This will allow easier comprehension of the key cut-off dates in the scheme for small-scale generators.

17. Government has considered the responses with regards to grace periods, and **has decided to provide a 12-month grace period for "ROO-FIT scale" (all hydro and anaerobic digestion; solar PV and wind with a declared net capacity over 50kW) installations that apply for preliminary accreditation on or before 31 March 2019, are accepted into a cap, and then suffer grid and/or radar delay beyond their control which means they are unable to accredit during their preliminary accreditation validity period**. This will only apply to those installations whose preliminary accreditation validity period ends on or after 31 March 2019 and will be subject to the provision of grace period evidence.

18. Government has considered the comments about budget re-allocation and the perceived lack of transparency of the deployment queues from dormant and lapsed preliminary accreditation applications. **It has decided to make no change to the position set out in the consultation. There will be no reallocation of unused**

capacity. This is in line with the government's commitment to keeping energy bills as low as possible.

19. **Government has decided that projects in oversubscribed deployment caps at the close of the scheme i.e. projects queuing beyond the first tariff period in 2019 will not be eligible for either generation or export tariff payments under the scheme, and so Ofgem will not grant them preliminary or full accreditation.** 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 FITs nor a guarantee of eligibility for support at a particular tariff."

20. Government has considered the comments and **decided to bring the net costs of metered export into the levelisation process. This will apply to metered exports from installations of all sizes (i.e. above and below the 30kW threshold) and will be brought into effect for FIT Year 10 on 1 April 2019.** This will not affect the FIT payments received by generators nor the way that the export tariff is set.

21. Government has considered the comments received and **decided to use the average time-weighted System Sell Price to determine the value of metered export to FIT licensees in the context of the scheme's levelisation process.**

22. **Ofgem have confirmed that they will amend their scheme guidance to suppliers to include the amended calculation for quarterly and annual levelisation to include net metered export costs**.

23. On the replacement of generating equipment, the evidence presented does not allow the likely rates of replacement or increases in load factors following replacement to be assessed. **Government has decided to spend more time examining possible effective and proportionate options before taking a final decision on a detailed consultation on this issue**. A response will be published in due course.

Implementation

24. A statutory instrument amending the Feed-in Tariffs Order 2012 will be laid in Parliament, and the scheme will close to new applications from 1 April 2019 subject to the time-limited extensions and grace period set out in paragraphs 1.18-1.24. The levelisation process will include metered exports for FIT Year 10 starting from 1 April 2019.

25. The statutory instrument will also implement the exemption for Energy Intensive Industries from FIT costs from 1 April 2019 (subject to receipt of State aid approval); and will update the relevant installation standards for solar PV and micro-combined heat and power installations in light of recent updates to the standards published by the Microgeneration Certification Scheme.

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

Following Government's decision in 2015 to close the generation tariff in March 2019, this section of the consultation set out a proposal for closure of the export tariff.

Question 1 – Closure of the export tariff

1.1. We proposed ending the export tariff alongside the generation tariff which would close the scheme in full to new applications after 31 March 2019.

Main messages from responses

Q1 Responses	Total
Agreed	16
Disagreed	315
No Comment	14
Total Responses	345

1.2. The majority of respondents strongly disagreed with ending the export tariff and the proposed closure of the scheme. The most common argument put forward was that it would be unfair for small-scale generators to provide free electricity to the grid when not self-consuming. This was closely followed by the argument that closure was incompatible with meeting our climate change targets and other environmental and health targets. The de-stabilising effect of the proposal on the industry and its effect on jobs and supply chain was the third most common argument made against closure. The Renewable Energy Consumer Code (RECC) and the Home Insultation and Energy Systems Quality Assured Contractors scheme (HIES) had undertaken surveys of their members which supported this argument. Respondents also expressed concern that a lack of routes to market for small-scale generators would lead to reduced deployment, with knock-on impacts on the development of smart infrastructure. There were examples across all technologies of projects not being viable, with specific concern expressed by community groups, who sought generation and export tariffs for community

projects to continue beyond 2019 as a community feed-in tariff. The risks of a cliff-edge for the entire renewables sector due to investor uncertainty was raised and it was suggested that any unused FIT budget beyond March 2019 should be used as a transition arrangement until future arrangements were clear.

1.3. There were further arguments that the export tariff was not a subsidy and ending it went against the prosumer rights provisions in the forthcoming Renewable Energy Directive (REDII). It was also suggested that more should be done to support small-scale low-carbon generation rather than support the nuclear and fossil fuel industries.

1.4. Some respondents suggested that the cost to consumers of keeping the FIT export tariff open was negligible. Concern was also expressed about the negative effect closure would have on the Microgeneration Certification Scheme (MCS) and the associated consumer protection issues.

1.5. Whilst opposed to closure there was some broad acknowledgement that the export tariff was in need of reform. Suggestions included a subsidy-free version of the FIT export tariff set at a discount to the wholesale electricity price.

1.6. Some respondents incorrectly believed that existing generators accredited under the scheme would see their export tariff payments stopped under the proposed closure.

1.7. Support for the ending of the export tariff and closure of the scheme from suppliers and individuals was based on concerns about the impact on consumer bills. The administrative simplicity of closing both generation and export tariff at the same time was also mentioned. There was a suggestion that an export tariff was no longer required as a route to market because the Power Purchase Agreement (PPA) market was sufficiently competitive.

1.8. Some respondents whilst broadly supportive of the proposal were concerned about the hiatus in the route to market between the closure in March 2019 and the introduction of any potential future support arrangements.

1.9. Other issues raised that are beyond the scope of this consultation included how other policies beyond the FIT scheme could be amended or implemented to provide financial incentives for investment that would not amount to a subsidy. Examples included: Salix Finance for public sector solar and storage projects; green mortgages and changes to building regulations; re-instating eligibility for the Enterprise Investment Scheme and Enhanced Capital Allowance scheme; the reversal of recent increases in business rates; extending the Contracts for Difference threshold to projects below 5MW; extending the definition of community organisation to include social housing; and moving from deemed to metered export for installations below 30kW.

Post-consultation decision

1.10. Government has considered the comments and evidence provided and **has decided to close the export tariff alongside the generation tariff** because the current fixed and flat rate export tariff does not align with the wider government objectives to move towards market-based solutions, cost reflective pricing and the continued drive to minimise support costs on consumers, as set out in the Control

for Low Carbon Levies. Nor does the current FIT scheme support the vision set out in the Industrial Strategy and Clean Growth Strategy. This means that **the scheme will close in full to new applications after 31 March 2019 subject to the time-limited extensions and grace period** detailed in paragraphs 1.18-1.24 below.

1.11. However, we note in particular the comments received on the importance of maintaining a route to market for small-scale renewable generation after 31 March 2019. Government published a call for evidence on the future of small-scale low-carbon generation in the summer and will follow this up with specific proposals for future arrangements in due course.

1.12. The UK will consider the extent of our longer term cooperation with the EU on renewable energy as part of the wider EU Exit negotiations on our future energy partnership.

Question 2 – Administrative closure and exception arrangements

1.13. We proposed that Ofgem would not be able to accredit new installations into the scheme which apply for preliminary or full accreditation after 31 March 2019, subject to some time-limited extensions:

(a) “ROO-FIT scale” (all hydro and anaerobic digestion; solar PV and wind with a declared net capacity over 50kW) installations that apply for preliminary 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” (solar PV and wind with a declared net capacity of 50kW or less; and all micro-combined heat and power) 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.

(d) “MCS-scale” community energy 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.

Main messages from responses

Q2 Responses	Total
Agreed	43
Disagreed	225
No Comment	77
Total Responses	345

1.14. The majority of respondents who disagreed with the closure and exception arrangements did so because they opposed the ending of the export tariff and closure of the scheme in general. Some felt the exceptions were overly restrictive and that ROO-FIT preliminary accreditation should be extended to MCS installations whilst others suggested that there should be exemptions for certain technologies, such as micro-combined heat and power (mCHP) in particular, but no details were provided on what these should be. Others disagreed with the provision of any exceptions.

1.15. Most comments put forward concerned adjustments that should be made to the deployment caps before closure. It was felt that any project signed up before the consultation should be able to install regardless of technology, capacity space or queue. It was suggested that it was unfair that any applicant in the queues for deployment should not have the ability to install due to the closure. There were also concerns expressed about the transparency of the deployment queues and the unfairness of capacity being blocked by dormant or lapsed preliminary accreditation applications. This was a particular issue for those technologies with tariff bands queuing beyond March 2019. It was suggested that there should be a budget re-allocation before closure so that some of the remaining budget could be reallocated to bandings where the queue was oversubscribed. It was also suggested that the scheme should remain open until all the remaining capacity had been used or for technologies such as mCHP that have had a much slower uptake to date.

1.16. Those who agreed with the proposed closure and exception arrangements did so on the basis that if the scheme was to close then they appeared fair and beneficial. The proposed exception allowing MCS scale installations that commission before 31 March 2019 to apply after the closure was supported to avoid panic registrations at the end of the scheme. The proposal to allow community installations additional time to convert their pre-registration status to a full accreditation in line with current practice was welcomed. There was a request for schools to have an 18 month period in which to commission and apply.

1.17. There were suggestions from respondents who both agreed and disagreed with the exception arrangements that there was also a need for grace periods equivalent to those provided for the closure of the Renewables Obligation. It was also suggested

that there should be a six month grace period to allow developers to apply for pre-accreditation beyond 31 March 2019 where there have been delays in receiving planning and environmental licences.

Post-consultation decision

1.18. Government has considered the comments and **decided to implement the time-limited extensions as proposed** with a minor change to extend the application window deadline for "MCS-scale" applications that have not pre-registered as a school or community energy installation from 31 January to 31 March 2020. This will allow easier comprehension of the key cut-off dates in the scheme for small-scale generators. There will be no increase in the current standard validity periods for communities and schools who apply for pre-registration – their pre-registration will be valid for 12 months, and if they pre-register then they will need to accredit within those 12 months (i.e. the extension to 31 March 2020 for non-pre registered MCS-scale applications will not apply to them).

1.19. A summary table of the time-limited extensions is set out below.

Table 1 – Summary of time-limited extensions

Installation	**Extension provision** **(Subject to meeting all other eligibility criteria including acceptance into a capacity cap)**
ROO-FIT scale installations that apply for pre-accreditation on or before 31 March 2019	Installations will benefit from current validity periods to convert to full accreditation (six months for solar PV; 12 months for anaerobic digestion and wind; two years for hydro)
ROO-FIT scale community installations that apply for pre-accreditation on or before 31 March 2019	Installations will get the standard additional six month period on top of the relevant validity period per technology set out above in which to convert to full accreditation
MCS-scale installations that have not pre-registered as a school or community energy installation and that commission and have an MCS certificate issued on or before 31 March 2019	Installations will have until 31 March 2020 to apply to their FIT licensee for accreditation
MCS-scale community energy installations that apply for pre-	Installations will get the standard 12 month validity period from pre-registration in which to commission and

registration on or before 31 March 2019	apply to their FIT licensee for accreditation
MCS scale school installations that commission and apply for pre-registration on or before 31 March 2019	Installations will get the standard 12 month validity period from pre-registration in which to apply to their FIT licensee for accreditation

1.20. **Government has decided to provide a 12 month grace period for ROO-FIT scale installations (applicable to all technologies) that apply for preliminary accreditation on or before 31 March 2019, are accepted into a cap, and then suffer grid and/or radar delay beyond their control which means they are unable to accredit during their preliminary accreditation validity period.** This will only apply to those installations whose preliminary accreditation validity periods end on or after 31 March 2019.This will be equivalent to the grid/radar delay grace period provided for the Renewables Obligation closures. Table 2 below summarises the grace period criteria. Evidence will be submitted alongside the application for conversion to full accreditation. This grace period will not extend to MCS-scale applications because of the administrative burden this would place on suppliers.

Table 2 – Summary of grace period

Grid Delay Grace Period	
Length	12 months
Application timeframe	Within 12 months from end of preliminary accreditation validity period
Evidence to be provided with applications	• Grid connection agreement with network operator • Estimated date of completion for grid works within validity period • Confirmation of delay of grid works from network operator • Generator declaration on delayed grid works
Radar Delay Grace Period	
Length	12 months
Application timeframe	Within 12 months from end of preliminary accreditation validity period

Evidence to be provided with applications	• Agreement with a person who is not the generating station developer for radar works to be carried out. • Estimated date of completion for radar works within validity period • Confirmation of delay of radar works from a party to the radar agreement who is not the generating station developer • Generator declaration on delayed radar works.

1.21. In the context of closure, Government considers that pre-accreditation functions as a grace period for those projects who have made a significant investment by having the necessary planning approval; water consents and grid connection offer. Government does not think it appropriate to add a further grace period for delays in receiving these approvals as this is a normal business risk.

1.22. The tariff rate for installations accrediting on or after 1 April 2019 will be determined as follows:

- For a ROO-FIT installation with preliminary accreditation, assuming all eligibility requirements are met, the tariff would be determined in accordance with the existing rules by reference to the date and time that the application for preliminary accreditation is submitted to Ofgem;
- For a MCS-scale installation (including a school or community energy installation with a MCS certificate issued on or before 31 March 2019), assuming all eligibility requirements are met, the tariff would be determined in accordance with the existing rules by reference to the date and time the installation's MCS certificate was issed; and
- For a MCS-scale community energy installation with a MCS certificate issued on or after 1 April 2019, assuming all eligibility requirements are met, the tariff would be determined by reference to a tariff date of 1 January 2019.

1.23. In all of the time-limited extensions and grace period there would need to be sufficient space in the appropriate quarterly deployment cap in or prior to the first tariff period in 2019 to accommodate the installation's capacity. If the relevant cap of the installation 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. Ofgem's weekly deployment caps reports can be found at: https://www.ofgem.gov.uk/environmental-programmes/fit/contacts-guidance-and-resources/public-reports-and-data-fit/feed-tariffs-deployment-caps-reports.

1.24. The time-limited extensions and grace period have not been designed to allow additional deployment but rather permit installations with preliminary accreditation and pre-registration received on or before 31 March 2019 to utilise their validity windows beyond the closure date. These installations are accounted for within the scheme's capped deployment and have not therefore been considered separately in the accompanying impact assessment.

1.25. Government has considered the comments about budget re-allocation and the perceived lack of transparency of the deployment queues from dormant and lapsed preliminary accreditation applications. **It has decided to make no change to the position set out in the consultation. There will be no reallocation of unused capacity.** This is in line with the government's commitment to keeping energy bills as low as possible.

1.26. **Government has decided that projects in oversubscribed deployment caps at the close of the scheme i.e. projects queuing beyond the first tariff period in 2019 will not be eligible for either generation or export tariff payments under the scheme, and so Ofgem will not grant them preliminary or full accreditation.** 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 FITs nor a guarantee of eligibility for support at a particular tariff." Currently this applies to the onshore wind 100-1500kW and over 1500kW bands; and the standalone solar PV band.

1.27. Closure of the scheme to new applications will have no effect on generators with installations currently accredited under the scheme. These generators will continue to receive generation and export tariff payments for the duration of their support under the scheme and will continue to be able to opt in and out of export payments.

Part B: Administrative measures

This section sought views on possible modifications to the administration of the scheme

Question 3 – Levelising net metered export payments

2.1. We proposed amending the levelisation mechanism to include the net costs of metered exports to suppliers. 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.

Main messages from responses

Q3 Responses	Total
Agreed	85
Disagreed	166
No Comment	94
Total Responses	345

2.2. The levelisation mechanism is only relevant for a very small proportion of stakeholders, and the majority of respondents did not express a clear opinion on this proposal, commenting on the complexity and technical nature of the subject matter. There was a misunderstanding that the levelisation process was designed to collect money from consumers to repay investors in small renewable installations; that it affected the export tariff payment that generators would receive; and that it affected how the export tariff was determined.

2.3. Most respondents who disagreed did so because they opposed the closure of the scheme and provided no specific comment on this proposal. Some respondents suggested that levelisation should be limited to metered exports from installations above 30kW until the Smart meter roll out was complete because of current operational difficulties.

2.4. Respondents who agreed with the proposal thought that this approach would take away the risk associated with metered export customers where system and wholesale prices are outside of suppliers' control. It would minimise the consumer

detriment and distortive impact on the market which is already occurring. It was felt that making this change would encourage PPA companies back into the market.

2.5. There were suggestions that this would incentivise suppliers to install meters and benefit the Smart meter roll out. Suppliers currently attempting to move customers away from deemed export and onto metered export are bearing significantly higher risk and costs due to the fact that metered export is not included in the levelisation process, while deemed export is. Currently the exclusion of metered exports from levelisation acts as a disincentive to suppliers to encourage metering; so including metering within levelisation is one way the Government can speed up further routes to market alongside the export tariff, and thus will be a driver behind the move to smart and flexible tariffs. Not doing so will see the rate of development towards metering export to continue at a poor rate.

Post-consultation decision

2.6. Government has considered the comments and **decided to bring the net costs of metered export into the levelisation process.** This will apply to metered exports from installations of all sizes (i.e. above and below the 30kW threshold) and will be brought into effect for FIT Year 10 on 1 April 2019. This will not affect the FIT payments received by generators nor the way that the export tariff is set.

2.7. Government also confirms that it 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 determinations rather than the legislation itself.

Question 4 – Value of metered export to FIT Licensees

2.8. We proposed using the average time-weighted System Sell Price (SSP) to determine the value of metered export to FIT licensees in the levelisation process.

Main messages from responses

Q4 Responses	Total
Agreed	77
Disagreed	165
No Comment	103
Total Responses	345

2.9. As with Question 3, the majority of respondents did not express a clear opinion on this proposal, with many commenting on the complexity and technical nature of the

subject matter. Most respondents who disagreed did so because they opposed the closure of the export tariff and provided no specific comment on this proposal.

2.10. Some respondents who disagreed suggested alternatives to the use of the average time-weighted System Sell Price. One suggestion was that the calculation should be made on a half hourly basis in the interests of accuracy and that there should be a technology-shaped system price based on the averaged difference between the capture price and the baseload average. The average standard day-ahead auction price such as the one quoted on N2EX was also suggested.

2.11. Those who agreed with the proposal did so on the basis of administrative simplicity and they could see that using the SSP was much easier to implement than any arrangement which related to the actual contracted price. It was suggested that the SSP is what other generators receive for the electricity they produce outside of the contract and thus a fair valuation of exports for FIT licensees.

Post-consultation decision

2.12. Government has considered the comments received and **decided to use the average time-weighted SSP to determine the value of metered export to FIT licensees in the context of the scheme's levelisation process.** Whilst the alternatives suggested had merit they would be more complex and disproportionately complicated to administer for the purposes of levelisation. Ofgem, as the administrator of the process, already uses the SSP from Elexon when performing the existing levelisation calculation, so the information will be easily accessible.

2.13. The value of metered export to FIT licensees will be determined by the Secretary of State on an annual basis. This will be brought into effect for FIT Year 10 on 1 April 2019.

Question 5 – Ofgem quarterly and annual levelisation calculation

2.14. We set out the proposed calculation that Ofgem would use to make the necessary adjustment to the quarterly and annual levelisation process should metered exports be included into the calculation:

alp = {ms x [tgp + tdep - (ade x SSP) + tmep – (ame x SSP) + tqc]} – [igp + idep - (ade x SSP x ms) + imep - (ime X 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 (£)

Main messages from responses

Q5 Responses	Total
Agreed	75
Disagreed	164
No Comment	106
Total Responses	345

2.15. As with the other questions on levelisation, a majority of respondents were unable to express a clear opinion on this question because of the technical nature of the subject matter.

2.16. Respondents who disagreed did so because they opposed the closure of the export tariff and provided no specific comment on this proposal.

2.17. Those who agreed with the calculation felt it ensured that metered export was accounted for in the levelisation process following the same principles as the existing levelisation payments for deemed export. It was felt that the calculation was a fair way of adjusting the quarterly and annual levelisation payments.

2.18. It was suggested that if the change was adopted and Ofgem were subsequently to make changes in their data, or auditing, requirements, suppliers should be informed promptly, with a three month window for implementation and testing.

Post-consultation decision

2.19. **Ofgem have confirmed that they will amend their scheme guidance to suppliers to include this amended calculation for quarterly and annual leveilsation**. The changes will be completed within a reasonable time for implementation and testing.

Question 6 – 8 Replacement of generating plant and cost control

2.20. We requested 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. We also requested views on measures to control any resulting budgetary impact, in the context of our ongoing responsibility to protect consumer bills.

2.21. Specifically, the questions were:

- Question 6: 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.
- Question 7: What would the impact be of not allowing replacement of generating plant? Please provide evidence.
- Question 8: How can government ensure that any budgetary impact from allowing the unlimited replacement of generating plant can be controlled in an administratively practical manner?

Summary of evidence from responses

2.22. A majority of respondents either did not answer this question or reported that they were unable to express a clear opinion either way due to the technical nature of the subject matter. Only 26 provided comment/evidence on the proposals for replacing generating plant, although this was mostly anecdotal.

2.23. All the responses were supportive of allowing the replacement of generating plant.

2.24. Trade bodies and some generators provided some useful insights on technology-specific replacement rates and potential impact on load factors. Broadly:

- Solar PV: Respondents reported that solar panels would be expected to last for the lifetime of the scheme (~25 years), so would be unlikely to require replacement unless broken or damaged. Load factors might increase a little, but respondents claimed this would be very low in the case of like for like replacements. However, some respondents reported that older systems often use equipment that is no longer manufactured, and has to be replaced by newer, more efficient modules.
- Wind: Respondents provided little new evidence/data for wind. Our understanding is that when a wind turbine breaks or is damaged, replacing it will generally result in an increase in capacity (which can be pro-rated) and/or load factors (which currently cannot be accounted for). The evidence provided does not allow us to quantify this precisely. Some respondents pointed out that some of the more popular wind turbine models at the start of the scheme are no longer on the market, making like for like replacements difficult.
- Anaerobic Digestion (AD): Respondents reported that AD plants generally require overhauls/upgrades every 7-10 years, so would be expected to require an overhaul at least once while supported under FIT. Most are also

supported under the Renewable Heat Incentive, which allows for replacement of plant. Operating old or damaged plant can result in health and safety risks and/or highly inefficient practices, such as the flaring of gas. Some respondents claimed that replacing plant does not increase plant efficiency, as it merely brings the plant back to its original efficiency. Others reported that any increases in efficiency results in reduced feedstock use rather than increased generation.

- Hydro: Respondents reported that the likely replacement rates for hydro stations would be very low, as it is a long-lasting technology. However, in the case of equipment becoming defective (e.g. following an accident), partial or complete replacement of the equipment would be necessary, and it is unlikely that a like for like replacement would be available, although water turbines generally have similar efficiencies.

2.25. Very few respondents made any concrete proposals in relation to cost control measures. Of those that considered this, many felt that such measures were not necessary, as predicted take-up rates would be low, as would be any increase in load factors. This would therefore have little impact on overall spend. This view was especially prevalent in the solar PV industry. Some respondents were actively opposed to cost control measures, judging that any increases in load factors would be insignificant relative to the variations in output due to weather and/or other external variables.

2.26. However, a few (<5) respondents did agree that cost controls should be put in place and proposed options including:

- Reducing tariff rates following replacement, proportionally to the increase in load factor
- Payment cap based on historical performance (e.g. annual average payments) or technology-specific load factors

Post-consultation decision

2.27. Based on the responses received, the evidence presented does not allow an accurate assessment to be undertaken on the likely rates of replacement or increases in load factors following replacement of plant. In the context of budgetary concerns, Government considers that the risk of these being non-trivial is real, and likely to increase over the lifetime of the scheme as technology improves further.

2.28. We therefore remain of the view that should we consult in the future on detailed proposals to allow generators to replace any element of their plant and retain their current tariff, the proposal should include cost control measures, which would not only need to be effective but also proportionate from an administrative perspective.

2.29. **Government has decided to spend more time examining possible effective and proportionate options before taking a final decision on a detailed consultation on this issue. A response will be published in due course**.

Annex A: List of respondents

Abingdon Carbon Cutters
All Wind uk Ltd
Anaerobic Digestion and Bioresources Association
Andigestion Ltd
Anesco
Antur Aelhaearn
Array Investments Limited
Auchmore Energy
Beeswax Dyson Farming
Bluenergy
Boydell Architecture
Brighton & Hove Energy Services Co-operative
Brighton Energy Co-op
Bristol Energy
Bristol Energy Network & Bristol City Council
British Hydro Association
Broadland Renewable Energy Ltd
Bulb
Cambridge Carbon Footprint
Caplor Energy
Cardiff Community Energy
Centrica
Certsure LLP
Charlesfield AD Ltd
Chemical Industries Association
Chester Community Energy Ltd
Church of England
Citizens Advice
Country Land and Business Association
Clear Blue Energy Limited
Common Weal

Community Energy England and Community Energy Wales (Joint)
Community Energy London
Community Energy Scotland
Community Power Cornwall
CryptoEco
Cumbria Action for Sustainability
D.E. Byass & Son Ltd
DmS Installations Ltd
Dorking Solar Group Ltd
Dorset Community Energy Limited
Drim Lee Ltd
Durrant Electrical & Mechanical Ltd
Dŵr Cymru Welsh Water
E.ON
Ecotricity
Ecovolt Limited
EDF
Electrikcollective Ltd
en10ergy limited
ENERCON GmbH-UK
Energy Creation Experts Ltd
Energy UK
Energy4All Ltd
Enertek International Ltd
ENGIE
Esk Energy (Yorkshire) Limited
F&S Energy Limited
Fal Energy Partnership
Farm Energy Consulting Ltd
Future Biogas Limited
FuturEcoLogic Ltd
Glasgow Community Energy

Glen Dessary Estate
Good Energy
Greater Manchester Community Renewables Ltd
Green Cat Renewables
Green Schools Project
Green TEA Energy Group
Greenpeace UK, Friends of the Earth, RSPB and WWF-UK (Joint)
GreenPower
Greenscape Energy
Greenshop Group
Harbon Wind Turbines
Haven Power and Opus Energy
Hayton Agriculture Limited
HB consultancy and surveyors
HKD Energy Limited
Home Insulation & Energy Systems Contractors Scheme
Hornsey & Wood Green Labour Party Climate Change & Environment Group
John I Forbes & Partner
Linlithgow Community Development Trust
Low Carbon
Low Carbon Gordano
Low Carbon Hub
Low Carbon Trust
MCS Charitable Foundation and MCS Service Company Ltd
MEB Total Ltd
Midsummer Energy Ltd
Moor Sustainable CIC
Mount Green Energy Ltd
Moxia
National Association of Professional Inspectors and Testers

National Farmers' Union of England and Wales
Newport 21
NextEnergy Capital
Nissan
North Ayrshire Council
npower - innogy
Ofgem
Omni Heat and Power Ltd
Osaka Gas UK
Ovo Energy
Own Energy UK Ltd
Parantaa Ltd
PassivSystems Limited and Arto Energy Limited
Power to Change
Power Up North London
Powervault
Proterra Energy Ltd
Quantum Strategy & Technology Ltd
Regen
Remembering our Roots
Renewable Energy Association
Renewable Energy Consumer Council
RenewableUK
Ryedale Liberals
Samad Power Ltd
Sanday Development Trust
Savills
Schools' Energy Co-operative
Scottish Government
Scottish Land and Estates
Scottish Power
Scottish Renewables
SE(Sustainable Energy)24 Ltd
Shetland Islands Council
SIMEC (GFG Alliance)

Annex A: List of respondents

SmartestEnergy
Solar Century
Solarplicity
South Dartmoor Community Energy
South East London Community Energy
South West Mull and Iona Development
Southwest Environmental Limited
SSE (Wholesale)
SSE Energy Services
St Christopher's Hospice
Solar Trade Association
Steyning 10:10 Climate Action Group
Stretton Climate Care
Sustainabubbles
Syzygy
Tegni Ltd
Teign Energy Communities
The Federation of Private Residents Associations Ltd
Tonik Energy
Trust Power
TVR Electrical Services
University of Dundee
University of Exeter Energy Policy Group
Useful Projects
UT Power Ltd
Welsh Government
Wemyss Renewables
Wirksworth Transition Communit Land Trust
York Community Energy
ZLC Energy
Individuals (182)

Department for Business, Energy & Industrial Strategy
www.gov.uk/beis