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Responses by Respondent : Feed-in tariffs scheme: Consultation on Comprehensive Review Phase 1 – tariffs for solar PV

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Answers for respondent BHLF-5RZX-W8XM-D

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Name:

Email address:

Contact address:

Contact Telephone:

Analyst notes:
Tags:
Organisation name:
    EDF Energy
Organisation type:
    Private Company
If other please specify:

Confidentiality:
Yes
Reason for confidentiality :
This e-mail and any files transmitted with it are confidential and may be protected by legal privilege.
Analysed:
No
Analyst notes:
Tags:
Approved:
No
Analyst notes:
Tags:
Q1. Agree/Disagree:
Agree
Q1. Comments:
Since the scheme began in April 2010, the Feed-in Tariff has achieved a much greater than expected uptake of Solar PV, with over 250MW of PV installations registered for FIT as at September 2011. 1 This growth has been coupled with a reduction in the costs of PV panels, both in the UK and globally. We agree with DECC's2 estimate that there has been a reduction in costs of at least 30% since 2008 and that tariffs should be lowered to achieve a rate of return of around 5% as originally set out in the Feed-In Tariff consultation in 2009. However, Government should also set out a more predictable approach to future changes in the scheme, that incorporates cost control and a clear approach to tariff degression reflecting falls in the requirements for subsidies as technologies develop and mature. In this way, industry would be provided with a clearer framework to build a sustainable industry, jobs and growth for the longer term, and avoid short term cycles of boom and bust.
Q1. File upload:
No file uploaded
Q2. Agree/Disagree:
Not Answered
Q2. Comments:
EDF Energy supports the need to review the FIT and to reduce costs to keep within the budget envelope as set out in the comprehensive spending review. It is in the interest of fairness for all consumers that FIT tariffs remain in line with the original rates of return of 5% for well located installations. However, we have concerns over the way that the review has been instigated and that changes are due to be bought into effect before the consultation period has ended. 1 Ofgem, Feed-in Tariff installation report 30 September 2011. 2 DECC: Feed-In Tariffs scheme: consultation on Comprehensive Review Phase 1 – tariffs for solar PV, 31 October 2011. edfenergy.com 4 This sets an unwelcome precedent, and potentially undermines confidence in Government policy which may alternately reduce the effectiveness of this policy. However, the negative impacts of the current announcement are unlikely to be reversed and so, to provide clarity for all parties, we do not believe there is any merit in adjusting the date to bring in the proposed changes. Any future announcements should consider these wider impacts. While we appreciate the urgent nature of the review, it is important that any changes to the scheme are managed effectively to provide a stable and transparent process for all scheme participants, particularly the consumer. As mandatory FIT licensees, we require clear visibility of

changes, and it is imperative that licensees understand timescales and have sufficient time to successfully prepare and test the necessary systems and processes, train staff and produce clear and accurate customer literature and advice. We would also like to take this opportunity to describe the impacts of the announced changes, from both a customer and FIT licensee point of view. Impact on the customer The announced proposals to change tariff rates on 1 April for eligible installations on or after 12 December 2011, before the end of the consultation period, has led to customer confusion as to whether these changes will apply or not. Our preferred approach for managing this change would have been to adopt changes as per the review carried out for large scale installations earlier this year, whereby, despite the emergency nature of the review, a consultation and announcement of decisions was completed before the date of enactment. This would have provided a more customer focussed approach to bringing in changes, while still recognising the need to stabilise the FIT budget. In terms of the current consultation, while we have made every effort to inform customers of the proposed changes and to manage the impacts, many customers have found it difficult to understand the implications of the changes and the timescales for bringing these in. As such, many FIT customers will be disappointed to learn that they have missed the relevant cut off date for receiving the historic tariff rate. This is a real reputational risk both to the scheme, and also to licensees who are at the front end of managing customer enquiries. It is reasonable to expect that further customer confusion may result from DECC’s announced decisions on the outcome of this consultation, particularly if there are further changes on the dates or rules for implementation. In addition to the real reputational risks posed by the way changes have been announced, we also have concerns over the increased risks of fraud and incorrect completion of applications due to time pressure and lack of clarity for customers. This has already been witnessed during the migration of small scale Renewables Obligation (RO) generators below 50 kW into the new FIT scheme. During this migration process, the industry collectively learnt that applications had not been completed correctly or edfenergy.com 5 had been submitted to the wrong party, or in some cases, to multiple parties, in a rush to try and guarantee the new tariff rates. This resulted in customer complaints and dissatisfaction as many customers missed deadlines in the confusion. We are concerned that the current consultation will have similar effects. For instance, we have been made aware that some customers have been misled by installers about the correct processes to follow to be eligible for the FIT. In some cases, installers have been making promises to customers that installations will be completed in time to be eligible to receive the higher tariff rate, when this depends on the length of time taken to process applications, which the installer cannot control. Poor information from installers to customers has led to rushed, incomplete and inaccurate applications which has increased the risk of fraud, the time taken for processing and reduced the likelihood of receiving the historic tariff rate before the cut off point on 12 December. As part of continuous efforts to improve the scheme, we are keen to assist Ofgem and DECC to prevent this type of negative customer experience in the future. As such we would like to see clearer communications for the 1 April 2012 and recognition of the impacts of any changes on customers and the operational impacts on FIT licensees and Ofgem E-Serve. Impact on the licensee Following the announcement of the consultation, we have experienced unprecedented levels of contact from customers. While we appreciate the timeline and pressure DECC is under to reduce the constraints on the FIT budget, we also recognise that had licensees been given more time for adequate resourcing and training for new staff, this would have enabled suppliers to manage customer enquiries more effectively. Pressure on resources due to increased contact from customers on the announced changes has had a knock on effect on other operational tasks for FIT licensees involved in running the scheme. Infrastructure and cost impacts of the proposed changes Operationally, we are concerned that the changes proposed have not been assessed in terms of their resource implications for systems development and administration. Existing operational problems, such as the lack of an automatic solution for adding applications into the Central FIT Register, will be subject to greater pressures due to the increase in the number of applications. For example, tens of thousands of applications will need to be individually manually entered into systems by licensees onto the Central FITs Register due to the absence of a bulk upload function. Consequently, we anticipate a longer waiting time for customers to receive their statement of FIT terms. We would also like to point out that proposed changes such as the multi-tariff rates and a requirement to install energy efficiency measures to be eligible for tariffs will edfenergy.com 6 require fundamental changes to our systems to manage the scheme. As we await confirmation of the exact nature of these changes, we are concerned that a substantial system rebuild could be required in a very short space of time. Costs of such changes are not insignificant and to date have failed to be covered by any FIT administration monies granted to licensees

Q2. File upload:

No file uploaded

Q3. Agree/disagree:

Not Answered

Q3. Comments:

The FIT guidance document clearly states that changes to tariffs will occur on an annual basis after 31 March of each year. Deviating from this schedule creates significant instability within the industry and undermines consumer and supplier confidence. Now that 12 December has been publically announced as the cut off date for eligibility it would create further instability if this date were to be changed again. Therefore, for clarity and to avoid extending the period of uncertainty, this date should remain. In future, we would support a more customer-friendly approach to introducing changes to dates for eligibility and tariff rates. For example, we think that it would be easier for customers if changes to the scheme applied from the date when an installation has been commissioned rather than the date of application. There should also be clarity for the customer about the time required to fill out application forms, and this should be built into the timescale of the application, allowing a one to two month timeframe to ensure time for correct completion. Currently, customers who have had FIT technologies installed but who have not received certificates or the correct information on timescales from installers, are being penalised. We have been particularly concerned that some installers may have been producing certificates before equipment has been fully installed, and as such we believe the uncertainty over the eligibility date and changes has opened the scheme up to unprofessional behaviour in the pressure to rush applications through.

Q3. File upload:

No file uploaded

Q4. Agree/disagree:

Agree

Q4. Comments:

We agree with the concept of introducing new multi-installation tariff rates, however, there may be challenges in implementing this in practice. DECC suggests that 20% of all installations are associated with a “rent-a-roof” scheme whereby an investor meets the upfront costs of the installation in return for the right to the FIT payments. The implications of this type of finance arrangement were not fully envisaged at the start of the scheme, hence companies who operate a “rent-a-roof” business model were able to benefit from economies of scale and the highest tariffs. Therefore, for the large schemes there should be a different tariff edfenergy.com 7 structure which takes into account the economies associated with installing multiple solar PV systems in a local area (providing a 5% return). However, it should be noted that when multiple systems are being installed over wide geographical area the economies of scale can only be derived from bulk purchase of the solar PV panels. There is little cost saving in the actual installation of the systems unless the systems are located in close proximity and are installed within a short period. We propose that the aggregated tariff should be set at a level in order to achieve a 5% return and only apply to schemes of ten or more systems in any FIT year. This will allow customers to install multiple systems, for example for community projects, to receive the higher tariff while at the same time preventing large commercial “rent a roof” schemes from being overly subsidised. This proposal should be considered in more detail as to how it would impact upon community projects and social housing installations. Additionally we propose that the higher non-aggregated rate would always be paid where the owner of the installation is the same as the owner of the dwelling or non-domestic premises. The current proposals appear to penalise both residential and business customers with more than one property and where economies of scale would not be realised to the same extent as the large-scale rent a roof commercial schemes. Policing a multi-installation tariff will be complex, due to the additional requirements for registration, monitoring and auditing at the site level. As such, it should not be the responsibility of the FITs licensee to carry out these additional checks. Due to the complexity of monitoring activity of generators across multiple sites, there is an increased risk of fraud, whereby an aggregated customer could use different names, bank accounts or FIT providers in order to receive the higher tariff rates. If a practicable process is not achievable in order to facilitate and police aggregated installations on a separate tariff then this change will need to be rethought and potentially dismissed. For a multi-tariff structure to work, Ofgem and the Microgeneration Certification Scheme (MCS) will need to need to flag to licensees the sites which are multi-installations in the Central FIT Register and act as guardians in terms of monitoring compliance. This will be necessary because these are the only centralised bodies who have first sight of new installations. Once an application has been made or confirmed to a licensee, the visibility of any multi-installations will not be possible. While this area is being reviewed we strongly recommend that this opportunity is used for a through review and strengthening of MCS processes required for the successful operation of the scheme. For example, we are still receiving some poor quality MCS certificates with incorrect dates and information. Without accurate information, and the additional complexity involved with tracking multi-installations, there is a significant potential for fraud and misuse which could undermine the scheme. As such, we recommend that MCS is requested to carry out improvements which are measured by performance standards and are subject to regular auditing. edfenergy.com 8 While we welcome the concept of a multi-tariff rate as part of efforts to control costs and to provide a fair rate of return for all FIT customers, we have concerns over the increase in administrative and systems costs to manage this change. Even with centralised management of this new concept by Ofgem and MCS in terms of monitoring registration and compliance, facilitating this function will be burdensome and expensive as it is a fundamental change to the current requirements. Depending on how this will be implemented in practice, we may need to invest in a new system. Significant IT and staff training will require adequate lead-time to develop, test and implement, and there is a risk that there may be insufficient time to do this before the proposed date of 1 April 2012. As such, these costs need to be considered in the benefits case for implementing this change

Q4. File upload:

No file uploaded

Q5. Agree/disagree:

Not Answered

Q5. Comments:

The multi-installation tariff is around 20% less compared to the single installation tariffs. We believe that many of the larger aggregated schemes will still benefit from a 5% return. However, aggregated schemes which consist of a low number of systems may not achieve the economies of scale forecast, hence the return will be less than 5%. This could particularly impact upon community and public sector projects where solar PV systems are being proposed for multiple municipal buildings. Without a significant return on investment many of the projects will not go ahead. The impacts should therefore be reviewed in more detail to avoid penalising such schemes.

Q5. File upload:

No file uploaded

Q6. Agree/disagree:

Not Answered

Q6. Comments:

In terms of energy efficiency, when we responded to the original FIT consultation in 2009, we agreed with Government that the structure of FIT should be designed to encourage the efficient use of electricity and that additional compliance on energy efficiency is not required. While we support encouraging energy efficiency as a first step to reducing energy and carbon, as a principle, we believe that the decision to install an electricity generation asset should not be linked to separate energy efficiency conditions. Instead it should be based upon whether the right site conditions are in place for the efficient functioning of the asset. Arguably, there is a stronger rationale for linking energy efficiency conditions with the installation of heating assets as this will impact on their performance. Nevertheless, we recognise the need to reduce costs and stabilise the roll out of FIT and believe that encouraging energy efficiency measures may be helpful in this regard, but it should not be a prerequisite for applying for FIT. edfenergy.com 9 When considering any new rules for the scheme, it is important to consider the impacts. They should not add further complexity for customers or other parties involved in the scheme, especially licensees who face additional administration costs if there are more requirements for compliance or if the rules are unclear. There should be one date (1 April 2012) to introduce new tariffs and any changes to the scheme, rather than phasing these in over a period of time, which would create further confusion.

Q6. File upload:

No file uploaded

Dwellings:

Not Answered

Non-domestic buildings:

Not Answered

Q7. Comments:

Q7. File upload:
No file uploaded
Q8. Agree/disagree:
Not Answered
Q8. Comments:
As we have stated above, while we support policy efforts to increase energy efficiency, for example through the Green Deal and the future Energy Company Obligation (ECO), we do not think that there should be a precondition for energy efficiency in the FIT. While it is helpful to increase consumers' awareness of energy efficiency measures, and encourage their uptake, there is no rational for linking the energy efficiency performance of a property as a prerequisite for installing a FIT technology. There are also a number of practical reasons why the two options specified may not workable. The Green Deal measures and the assessment procedures are subject to the outcomes of the current Green Deal/ECO consultation, and so making this part of the FIT application process at this stage could be misleading for consumers.. There is also no clarity on how financial support schemes such as FIT and RHI will interact with the Green Deal and the calculation of the Golden Rule. The EPC rating could be a useful tool for householders to have a greater understanding of the energy performance of their property and will be a key part of the assessment for Green Deal. However, it will not be possible for FIT licensees to verify any energy efficiency standard requirements should these be imposed, as they will not have access to this information and will not be able to carry out site checks. A simple solution would be for the customer to declare that they have made energy efficiency improvements as is the case for the Renewable Heat Incentive Premium Payment (RHPP). If the EPC rating is to be used as an instrument of cost control to slow the uptake of FIT, we believe the requirements for the level should be reduced to level D or E which will allow customers and installers to meet the requirement more easily. Setting this edfenergy.com 10 level at C or above would exclude a significant proportion of properties from accessing the tariff and could reduce the effectiveness of the policy by prioritising installations on properties that are more energy efficient rather than those that are well located for technology
Q8. File upload:
No file uploaded
Q9. Agree/disagree:
Not Answered
Q9. Comments:
As we have described above, improving the energy efficiency of a property will have no impact on the performance or output of a solar panel. Therefore there is no rational to link the requirement in the FIT policy. The proposal to implement this by setting a transitional period for energy efficiency improvements to be enacted adds unnecessary complexity to the scheme both for the customer and for the FITs licensee.
Q9. File upload:
No file uploaded
Q10. agree/disagree:
Disagree
Q10. Comments:
We do not support the need for a transitional arrangement and any change should be implemented in full on 1st April 2012. However, any change should be communicated

in full at the earliest opportunity to allow FITs licensees, customers and installers to prepare for the changes and to create stability in the market.

Q10. File upload:

No file uploaded

Q10. Comments:

We understand that a database of properties and EPC ratings is being developed for the Green Deal. However, this policy is still under development and it is not clear when this database will be available and whether FIT licensees would have access to this information. EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, combined heat and power plants, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including both residential and business users. EDF Energy supports Government's review of FIT and the need to reduce tariffs in line with falling costs of PV panels to keep within the agreed budget cap. The rate of return should be adjusted so that it is commensurate with the originally intended 5% return for well located installations to achieve the level of growth outlined in the FIT consultation of 2009. However, we have concerns over the way in which the current review and consultation have been carried out, with the proposed process changes taking effect before the end of the consultation period. This would set an unwelcome precedent and potentially undermines confidence in Government policy. However, the negative impacts of this announcement are unlikely to be reversed and we therefore do not believe there is any merit in now changing the date for bringing in the proposed changes, though we recognise this may now be impacted by the judicial review. The current review has shown that the existing process for setting the tariff rates is not capable of reacting swiftly to market developments. The Government should set out a more predictable approach to future changes to the scheme that incorporates cost control and clarity on tariff degression, reflecting falls in the requirements for subsidies as technologies develop and mature. In this way, industry would be provided with a clearer framework to build a sustainable industry, jobs and growth for the longer term, avoiding short term cycles of boom and bust. The nature of the current consultation has led to a poor customer experience and confusion over the dates for enactment of proposals. Due to time pressure, applications have been rushed and submitted incomplete, as customers have been poorly advised by edfenergy.com 2 installers, in an attempt to make the 12 December cut off date to be eligible for the higher tariff rate. This has led to customer dissatisfaction and has, in some cases, reduced their chances of successfully completing the necessary processes in time to receive the historic tariff rate. There have also been significant operational challenges for FIT licensees to manage the surge in applications brought about by the announced changes, with inadequate time to put in place resources and training for staff to make the transition process smoother. We are also concerned that the proposed changes, such as multi-site tariffs and energy efficiency conditions, will also present additional burdens in terms of systems development, which have not been fully considered or costed. DECC should clarify how additional costs will be recompensed by administration monies granted to FIT licensees. We support the concept of introducing a new multi-installation tariff rate, but believe that there may in practice be challenges in implementing this. For this to work, there will have to be clear policing by Ofgem and the Microgeneration Certification Scheme (MCS) to reduce the risk of fraudulent or duplicate claims. FIT licensees will not be able to carry out monitoring at the site level, and multi-installations should be recorded in the Central

FIT Register to enable payment processing. We are concerned that the current proposal appears to penalise both residential and business customers with more than one property where economics of scale would not be realised to the same extent as large-scale commercial “rent-a-roof” schemes. We believe customers with a small amount of installations, for example with fewer than ten systems, should be excluded from the proposed change. FITs should be designed to encourage the efficient use of electricity and, as a principle, the decision to install a generation asset should be based upon the location for its correct functioning. Nevertheless, we recognise the need to reduce costs and stabilise the roll out of FIT and believe that encouraging energy efficiency measures may be helpful in this regard, if implemented effectively, but we do not believe that this should be a firm pre-qualification criterion. Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries please contact my colleague Ravi Baga on 0207 752 2143 or myself

Q10. File upload:

No file uploaded

General comments:

Not Answered

File upload:

No file uploaded

Analyst notes:

Tags:

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