

**MODIFICATIONS TO THE STANDARD CONDITIONS OF  
ELECTRICITY SUPPLY LICENCES (No. 3 of 2012)**



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Presented to Parliament pursuant to Section 42 of the Energy Act 2008

## ENERGY

### FEED-IN TARIFFS

## MODIFICATIONS TO THE STANDARD CONDITIONS OF ELECTRICITY SUPPLY LICENCES (No. 3 of 2012)

The Secretary of State makes the following licence modifications in exercise of the powers conferred by section 41(1) of the Energy Act 2008 (“the Act”).

The Secretary of State has consulted the holders of any licence being modified, the Gas and Electricity Markets Authority and such other persons as the Secretary of State considered appropriate in accordance with section 42(1) of the Act.

A draft of these licence modifications has been laid before Parliament in accordance with section 42(3) of the Act.

### Modifications

1. Schedule A to Standard Condition 33 of the standard conditions of supply licences granted, or treated as granted, under section 6(1)(d) of the Electricity Act 1989<sup>1</sup> is, with effect from 1st August 2012, modified as follows.
2. In the definitions at the beginning of Schedule A—
  - 2.1 in the definitions of “Export Tariff” and “Generation Tariff”, omit “as set out in the FIT Payment Rate Table at Annex 2”;
  - 2.2 in the definition of “Mandatory FIT Licensee”, for “50,000”, in both places that it occurs, substitute “250,000”; and
  - 2.3 in the appropriate places insert—

“**MCS Database**” means the database maintained by the Microgeneration Certification Scheme (MCS) that records the details of MCS-certified Installations;”;

“**Quarter**” means one of the following periods—

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<sup>1</sup> Standard Condition 33 was inserted into the standard conditions of electricity supply licences with effect from 1st April 2010, and amended with effect from 1st August 2011, 3rd March 2012 and 1st April 2012, by modifications made by the Secretary of State under section 41(1) of the Act. The full texts of Standard Condition 33 as originally made, and of the previous amendments to it, are available at:

[http://www.decc.gov.uk/en/content/cms/meeting\\_energy/renewable\\_ener/feedin\\_tariff/FITsdocuments/FITsdocuments.aspx](http://www.decc.gov.uk/en/content/cms/meeting_energy/renewable_ener/feedin_tariff/FITsdocuments/FITsdocuments.aspx).

1st August to 31st October;  
1st November to 31st January;  
1st February to 30th April; and  
1st May to 31st July;”.

3. For clause 3.3 of Part 1 of Schedule A there are substituted the clauses set out in Schedule 1 to this instrument.
4. In clause 3.4 of Part 1 of Schedule A—
  - 4.1 after “FIT Payment Rate Table”, in each place that it occurs, insert “or Tables”; and
  - 4.2 for “FIT Payment rates table”, in each place that it occurs, substitute “Annual FIT Payment Rates Tables”.
5. In clause 11.1 of Part 1 of Schedule A, before “it shall be required”, insert “subject to clauses 11.2 to 11.4”.
6. After clause 11.1 of Part 1 of Schedule A insert—

“11.2 Clauses 11.3 and 11.4 apply to a licensee which—

  - 11.2.1 was a Mandatory FIT Licensee immediately before 1st August 2012; but
  - 11.2.2 is not within the definition of “Mandatory FIT Licensee” as amended with effect from 1st August 2012.

11.3 A licensee to which this clause applies may by 30th September 2012 give notice to the Authority in writing that it wishes to—

  - 11.3.1 cease to be a FIT Licensee; or
  - 11.3.2 become a Voluntary FIT Licensee instead of a Mandatory FIT Licensee.

11.4 Where a licensee gives notice to the Authority in accordance with clause 11.3—

  - 11.4.1 clause 11.1 shall not apply to it;
  - 11.4.2 it shall be required to continue to participate in the Scheme as a Mandatory FIT Licensee until the expiry of the notice period required by clause 11.4.3;
  - 11.4.3 it must notify in writing its change of status and the consequences of that to the FIT Generators to which it makes FIT Payments allowing a notice period of at least 6 weeks; and
  - 11.4.4 upon the expiry of that notice period it shall cease to be a FIT Licensee, or become a Voluntary FIT Licensee, as the case may be.”.

7. In Annex 1 to Schedule A, in the first entry in the Eligibility Period Table, for the text in the second column (headed 'Solar Photovoltaic') there is substituted—

“If the Eligibility Date is before 1st August 2012, 25 years commencing on the Eligibility Date.

If the Eligibility Date is on or after 1st August 2012, 20 years commencing on the Eligibility Date.”

8. Annex 2 to Schedule A is amended as follows—

- 8.1 for “FIT Payment Rate Table”, in each heading in which it occurs, substitute “FIT Payment Rate Tables”;
- 8.2 in paragraph 1, for “the FIT Payment Rate Table (“the Table”)” substitute “one of the FIT Payment Rate Tables (“the Tables”)”;
- 8.3 in paragraphs 2 and 3, for “the Table” substitute “the Tables”;
- 8.4 in paragraph 4.2, for “a higher rate, middle rate and lower rate are specified in the column of the Table” substitute “higher, middle and lower rates are specified in the column of Table 1”;
- 8.5 for the table which follows paragraph 15, substitute the tables set out in Schedule 2 to this instrument.

9. After Annex 2 to Schedule A, there is inserted Annex 3 as set out in Schedule 3 to this instrument.

Date 26<sup>th</sup> July 2012

Greg Barker  
Minister of State  
Department of Energy and Climate Change



## SCHEDULE 1

“3.3.1 The Mandatory FIT Licensee shall make FIT Payments in accordance with the Tariff Code and other information recorded in the Central FIT Register, at the rates determined in accordance with the following table:

| <i>Eligible Low-Carbon Energy Source used by the Eligible Installation</i>    | <i>Period in respect of which FIT Payments are made</i> | <i>Eligibility Date of the Eligible Installation</i>                                    | <i>Applicable FIT Payment Rates</i>   |
|---|---|---|---|
| Solar photovoltaic (except for the installations referred to in clause 3.3.5) | FIT Year 1 or 2   | Any   | The rates determined in accordance with paragraph 3 of Annex 2.   |
|   | FIT Year 3  | 1st April 2012 to 31st October 2012   | The rates set out in Table 1 of the FIT Payment Rate Tables at Annex 2.   |
|   |   | 1st November 2012 to 31st March 2013  | The rates set out in the Quarterly FIT Payment Rates Table for Solar PV Installations published by the Authority which applies in the Quarter in which the Eligibility Date of the Eligible Installation falls. |
|   | FIT Year 4 and subsequent FIT Years                     | Any date during the FIT Year in respect of which the FIT Payments are made              | The rates set out in the Quarterly FIT Payment Rates Table for Solar PV Installations published by the Authority which applies in the Quarter in which the Eligibility Date of the Eligible Installation falls  |
|   |   | Any date before the start of the FIT Year in respect of which the FIT Payments are made | The rates set out in the Annual FIT Payment Rates Tables published by the Authority for the FIT Year in respect of which the FIT Payments are made.   |

| <i>Eligible Low-Carbon Energy Source used by the Eligible Installation</i> | <i>Period in respect of which FIT Payments are made</i> | <i>Eligibility Date of the Eligible Installation</i> | <i>Applicable FIT Payment Rates</i>   |
|--|---|--|---|
| Anaerobic digestion  | FIT Year 1 or 2   | Any  | The rates determined in accordance with paragraph 3 of Annex 2.   |
| Hydro generating station   | FIT Year 3  | Any  | The rates set out in Table 2 of the FIT Payment Rate Tables at Annex 2.   |
| Combined heat and power  | FIT Year 4 and subsequent FIT Years                     | Any  | The rates set out in the Annual FIT Payment Rates Tables published by the Authority for the FIT Year in respect of which the FIT Payments are made. |
| Wind   |   |  |   |
| Solar photovoltaic (installations referred to in clause 3.3.5 only)        |   |  |   |

3.3.2 The FIT Payment rates tables referred to in the fourth column of the table in clause 3.3.1, which shall be published by the Authority in accordance with the FIT Order, are as follows—

3.3.2.1 a quarterly table (“the Quarterly FIT Payment Rates Table for Solar PV Installations”) setting out the FIT payment rates to apply, for the FIT Year in which the Eligibility Date of the installation falls, to solar photovoltaic Eligible Installations with an Eligibility Date in the Quarter following the publication of the table;

3.3.2.2 an annual table or tables (“the Annual FIT Payment Rates Tables”) setting out the FIT payment rates to apply, for the FIT Year to which the tables relate, to—

- (a) solar photovoltaic Eligible Installations with an Eligibility Date before the start of that FIT Year; and
- (b) Eligible Installations using any other Eligible Low-Carbon Energy Source.

3.3.3 Annex 3 contains provision about the Quarterly FIT Payment Rates Table for Solar PV Installations.

3.3.4 Subject to clause 3.4, the Annual FIT Payment Rates Tables shall comprise—

3.3.4.1 for FIT Year 4—



- (a) the figures in the FIT Payment Rate Tables at Annex 2, adjusted by the percentage increase or decrease in the Retail Prices Index over the 12 month period ending on 31st December 2012; and
- (b) for solar photovoltaic Eligible Installations with an Eligibility Date between 1st November 2012 and 31st March 2013, the figures in the Quarterly FIT Payment Rates Tables for Solar PV Installations which apply to those installations for FIT Year 3, without any adjustment;

3.3.4.2 for FIT Year 5 and subsequent FIT Years—

- (a)
  - (i) the figures in the Annual FIT Payment Rates Tables published by the Authority for the preceding FIT Year; and
  - (ii) for solar photovoltaic Eligible Installations with an Eligibility Date between 1st April and 31st October in the preceding FIT Year, the figures in the Quarterly FIT Payment Rates Tables for Solar PV Installations which apply to those installations for the preceding FIT Year,

adjusted by the percentage increase or decrease in the Retail Prices Index over the 12 month period ending on 31st December immediately before the commencement of the relevant FIT Year; and

- (b) for solar photovoltaic Eligible Installations with an Eligibility Date between 1st November and 31st March in the preceding FIT Year, the figures in the Quarterly FIT Payment Rates Tables for Solar PV Installations which apply to those installations for the preceding FIT Year, without any adjustment.

3.3.5 For the purposes of the table in clause 3.3.1, the solar photovoltaic installations referred to in this clause are Eligible Installations with a Declared Net Capacity of 50kW or less Commissioned on or before 14th July 2009 and accredited under the ROO on or before 31st March 2010.”

## SCHEDULE 2

“Table 1 – FIT payment rates for solar photovoltaic Eligible Installations with an Eligibility Date on or before 31st October 2012 (except for the installations referred to in Part 1, clause 3.3.5)”

| <i>Description</i>   | <i>FIT Year in which the Eligibility Date of an Eligible Installation falls</i> |   |  |
|--|---|---|--|
|  | <i>FIT Year 1<br/>2010/11</i>   | <i>FIT Year 2<br/>2011/12</i>                               | <i>FIT Year 3<br/>2012/13<br/>(For Eligible Installations with an Eligibility Date on or before 31st October 2012)</i> |
| Solar photovoltaic with total installed capacity of 4kW or less, where attached to or wired to provide electricity to a new building before first occupation | 39.60   | If Eligibility Date is before 3rd March 2012:<br>39.60      | If Eligibility Date is before 1st August 2012:<br>Higher rate 21.00<br>Middle rate 16.80<br>Lower rate 9.00            |
|  |   | If Eligibility Date is on or after 3rd March 2012:<br>21.00 | If Eligibility Date is on or after 1st August 2012:<br>Higher rate 16.00<br>Middle rate 14.40<br>Lower rate 7.10       |
| Solar photovoltaic with total installed capacity of 4kW or less, where attached to or wired to provide electricity to a building which is already occupied   | 45.40   | If Eligibility Date is before 3rd March 2012:<br>45.40      | If Eligibility Date is before 1st August 2012:<br>Higher rate 21.00<br>Middle rate 16.80<br>Lower rate 9.00            |
|  |   | If Eligibility Date is on or after 3rd March 2012:<br>21.00 | If Eligibility Date is on or after 1st August 2012:<br>Higher rate 16.00<br>Middle rate 14.40<br>Lower rate 7.10       |
| Solar photovoltaic (other than stand-alone) with total installed capacity greater than 4kW but not exceeding 10kW  | 39.60   | If Eligibility Date is before 3rd March 2012:<br>39.60      | If Eligibility Date is before 1st August 2012:<br>Higher rate 16.80<br>Middle rate 13.40<br>Lower rate 9.00            |
|  |   | If Eligibility Date is on or after 3rd March 2012:<br>16.80 | If Eligibility Date is on or after 1st August 2012:<br>Higher rate 14.50<br>Middle rate 13.05<br>Lower rate 7.10       |



| <i>Description</i>   | <i>FIT Year in which the Eligibility Date<br/>of an Eligible Installation falls</i> |  |  |
|--|---|--|--|
|  | <i>FIT Year 1<br/>2010/11</i>   | <i>FIT Year 2<br/>2011/12</i>  | <i>FIT Year 3<br/>2012/13<br/>(For Eligible Installations with<br/>an Eligibility Date on or before<br/>31st October 2012)</i> |
| Solar photovoltaic (other than stand-alone) with total installed capacity greater than 10kW but not exceeding 50kW   | 34.50   | If Eligibility Date is before 3rd March 2012:<br>34.50                                 | If Eligibility Date is before 1st August 2012:<br>Higher rate 15.20<br>Middle rate 12.20<br>Lower rate 9.00                    |
|  |   | If Eligibility Date is on or after 3rd March 2012:<br>15.20                            | If Eligibility Date is on or after 1st August 2012:<br>Higher rate 13.50<br>Middle rate 12.15<br>Lower rate 7.10               |
| Solar photovoltaic (other than stand-alone) with total installed capacity greater than 50kW but not exceeding 100kW  | 34.50   | If Eligibility Date is before 1st August 2011:<br>34.50                                | If Eligibility Date is before 1st August 2012:<br>Higher rate 12.90<br>Middle rate 10.30<br>Lower rate 9.00                    |
|  |   | If Eligibility Date is on or after 1st August 2011 and before 3rd March 2012:<br>19.90 | If Eligibility Date is on or after 1st August 2012:<br>Higher rate 11.50<br>Middle rate 10.35<br>Lower rate 7.10               |
|  |   | If Eligibility Date is on or after 3rd March 2012:<br>12.90                            |  |
| Solar photovoltaic (other than stand-alone) with total installed capacity greater than 100kW but not exceeding 150kW | 32.20   | If Eligibility Date is before 1st August 2011:<br>32.20                                | If Eligibility Date is before 1st August 2012:<br>Higher rate 12.90<br>Middle rate 10.30<br>Lower rate 9.00                    |
|  |   | If Eligibility Date is on or after 1st August 2011 and before 3rd March 2012:<br>19.90 | If Eligibility Date is on or after 1st August 2012:<br>Higher rate 11.50<br>Middle rate 10.35<br>Lower rate 7.10               |
|  |   | If Eligibility Date is on or after 3rd March 2012:<br>12.90                            |  |

| <i>Description</i>  | <i>FIT Year in which the Eligibility Date<br/>of an Eligible Installation falls</i> |  |  |
|---|---|--|--|
|   | <i>FIT Year 1<br/>2010/11</i>   | <i>FIT Year 2<br/>2011/12</i>  | <i>FIT Year 3<br/>2012/13<br/>(For Eligible Installations with<br/>an Eligibility Date on or before<br/>31st October 2012)</i> |
| Solar photovoltaic (other than stand-alone) with total installed capacity greater than 150kW but not exceeding 250kW                  | 32.20   | If Eligibility Date is before 1st August 2011:<br>32.20                                | If Eligibility Date is before 1st August 2012:<br>Higher rate 12.90<br>Middle rate 10.30<br>Lower rate 9.00                    |
|   |   | If Eligibility Date is on or after 1st August 2011 and before 3rd March 2012:<br>15.70 | If Eligibility Date is on or after 1st August 2012:<br>Higher rate 11.00<br>Middle rate 9.90<br>Lower rate 7.10                |
|   |   | If Eligibility Date is on or after 3rd March 2012:<br>12.90                            |  |
| Solar photovoltaic (other than stand-alone) with total installed capacity greater than 250kW  | 32.20   | If Eligibility Date is before 1st August 2011:<br>32.20                                | If Eligibility Date is before 1st August 2012: 8.90  |
|   |   | If Eligibility Date is on or after 1st August 2011:<br>8.90                            | If Eligibility Date is on or after 1st August 2012: 7.10   |
| Stand-alone (autonomous) solar photovoltaic (not attached to a building and not wired to provide electricity to an occupied building) | 32.20   | If Eligibility Date is before 1st August 2011:<br>32.20                                | If Eligibility Date is before 1st August 2012: 8.90  |
|   |   | If Eligibility Date is on or after 1st August 2011:<br>8.90                            | If Eligibility Date is on or after 1st August 2012: 7.10   |
| EXPORT TARIFF   | 3.20  | 3.20   | If Eligibility Date is before 1st August 2012: 3.20  |
|   |   |  | If Eligibility Date is on or after 1st August 2012: 4.50   |



Table 2 – FIT payment rates for Eligible Installations using energy sources other than solar photovoltaic (and the solar photovoltaic installations referred to in Part 1, clause 3.3.5)

| <i>Description</i>   | <i>FIT Year in which the Eligibility Date of an Eligible Installation falls</i> |   |                               |
|--|---|---|-------------------------------|
|  | <i>FIT Year 1<br/>2010/11</i>   | <i>FIT Year 2<br/>2011/12</i>                                 | <i>FIT Year 3<br/>2012/13</i> |
| Anaerobic digestion with total installed capacity of 250kW or less   | 12.70   | If Eligibility Date is before 30th September 2011: 12.70      | 14.70                         |
|  |   | If Eligibility Date is on or after 30th September 2011: 14.70 |                               |
| Anaerobic digestion with total installed capacity greater than 250kW but not exceeding 500kW                             | 12.70   | If Eligibility Date is before 30th September 2011: 12.70      | 13.60                         |
|  |   | If Eligibility Date is on or after 30th September 2011: 13.60 |                               |
| Anaerobic digestion with total installed capacity greater than 500kW   | 9.90  | 9.90  | 9.90                          |
| Hydro generating station with total installed capacity of 15kW or less   | 21.90   | 21.90   | 21.90                         |
| Hydro generating station with total installed capacity greater than 15kW but not exceeding 100kW                         | 19.60   | 19.60   | 19.60                         |
| Hydro generating station with total installed capacity greater than 100kW but not exceeding 2MW                          | 12.10   | 12.10   | 12.10                         |
| Hydro generating station with total installed capacity greater than 2MW  | 4.90  | 4.90  | 4.90                          |
| Combined Heat and Power with total installed electrical capacity of 2kW or less (Tariff available only for 30,000 units) | 11.00   | 11.00   | 11.00                         |
| Wind with total installed capacity of 1.5kW or less  | 37.90   | 37.90   | 35.80                         |
| Wind with total installed capacity greater than 1.5kW but not exceeding 15 kW  | 29.30   | 29.30   | 28.00                         |
| Wind with total installed capacity greater than 15kW but not exceeding 100kW   | 26.50   | 26.50   | 25.40                         |
| Wind with total installed capacity greater than 100kW but not exceeding 500kW  | 20.60   | 20.60   | 20.60                         |



| <i>Description</i>   | <i>FIT Year in which the Eligibility Date<br/>of an Eligible Installation falls</i> |                               |                               |
|--|---|-------------------------------|-------------------------------|
|  | <i>FIT Year 1<br/>2010/11</i>   | <i>FIT Year 2<br/>2011/12</i> | <i>FIT Year 3<br/>2012/13</i> |
| Wind with total installed capacity greater than 500kW but not exceeding 1.5MW  | 10.40   | 10.40                         | 10.40                         |
| Wind with total installed capacity greater than 1.5MW  | 4.90  | 4.90                          | 4.90                          |
| Eligible Installations with a declared net capacity of 50kW or less Commissioned on or before 14th July 2009 and accredited under the ROO on or before 31st March 2010 | 9.90  | 9.90                          | -                             |
| EXPORT TARIFF  | 3.20  | 3.20                          | 3.20"                         |

## SCHEDULE 3

### “ANNEX 3

#### FIT PAYMENT RATES FOR SOLAR PHOTOVOLTAIC ELIGIBLE INSTALLATIONS WITH AN ELIGIBILITY DATE ON OR AFTER 1st NOVEMBER 2012

##### Interpretation

1. In this Annex, “the Table” means the Quarterly FIT Payment Rates Table for Solar PV Installations to be published quarterly by the Authority as mentioned in Part 1, clause 3.3.2.1.

##### Contents of the Table

2. The Table shall set out the FIT payment rates which are to apply to installations with an Eligibility Date in the following Quarter, for each description of Eligible Installation in the first column of Table 1 in Annex 2, and shall—
  - (a) specify a higher rate, middle rate and lower rate for the Generation Tariff for each description of Eligible Installation for which those rates are specified in Table 1 in Annex 2;
  - (b) specify a single rate for the Generation Tariff for each description of Eligible Installation for which a single rate is specified in Table 1 in Annex 2; and
  - (c) specify the Export Tariff for all Eligible Installations to which the Table applies.
3. Where a higher rate, middle rate and lower rate are to be specified for the Generation Tariff for a description of Eligible Installation—
  - (a) the higher rate shall be determined in accordance with paragraphs 7 to 19;
  - (b) the middle rate shall be 90% of the higher rate unless that is less than the lower rate, in which case it shall be equal to the lower rate; and
  - (c) the lower rate shall be equal to the rate for stand-alone solar photovoltaic installations for the following Quarter.
4. Where a single rate is to be specified for the Generation Tariff for a description of Eligible Installation, that rate shall be determined in accordance with paragraphs 7 and 14 to 19.
5. The Export Tariff for all Eligible Installations to which the Table applies shall be—
  - (a) in respect of electricity exported in FIT Year 3, 4.5 pence per kilowatt hour;
  - (b) in respect of electricity exported in FIT Year 4 and subsequent FIT Years, the rate applying in the preceding FIT Year adjusted by the percentage increase or decrease in the Retail Price Index over the 12 month period ending on 31st December immediately before the commencement of the relevant FIT Year.
6. FIT payment rates in the Table shall be expressed as pence per kilowatt hour and calculated to two decimal places.

Determination of higher rate or single rate

7. The higher rate or single rate to be specified in the Table for the Generation Tariff for a description of Eligible Installation shall, subject to paragraphs 17 to 19, be the higher rate or single rate applying to Eligible Installations of that description with an Eligibility Date in the preceding Quarter, minus the relevant percentage of that rate (the “degression rate”) determined in accordance with the following paragraphs.

(a) Installations with up to 10kW total installed capacity (other than stand-alone installations)

8. Paragraph 9 applies to the following descriptions of Eligible Installations—

- Solar photovoltaic with total installed capacity of 4kW or less, where attached to or wired to provide electricity to a new building before first occupation;
- Solar photovoltaic with total installed capacity of 4kW or less, where attached to or wired to provide electricity to a building which is already occupied;
- Solar photovoltaic (other than stand-alone) with total installed capacity greater than 4kW but not exceeding 10kW.

9. Where the aggregate Declared Net Capacity of all solar photovoltaic installations with a Declared Net Capacity of 10kW or less deployed in the previous Quarter is within a range specified in the first column of the following table, the degression rate for the following Quarter for each description of Eligible Installation to which this paragraph applies is the rate specified in the corresponding entry in the second column:

| <i>Aggregate Declared Net Capacity of all solar photovoltaic installations with a Declared Net Capacity of 10kW or less deployed in the previous Quarter</i> | <i>Degression rate</i> |
|--|------------------------|
| Not more than 100MW  | nil                    |
| More than 100MW but not more than 200MW  | 3.5%                   |
| More than 200MW but not more than 250MW  | 7.0%                   |
| More than 250MW but not more than 300MW  | 14.0%                  |
| More than 300MW  | 28.0%                  |

10. For the purposes of paragraph 9, the aggregate Declared Net Capacity of solar photovoltaic installations with a Declared Net Capacity of 10kW or less deployed in a Quarter shall be taken to be the amount determined and published by the Secretary of State under article 13A(1)(a) of the FIT Order in relation to that Quarter (being the total of the Declared Net Capacities of all such installations which were registered on the MCS Database in that Quarter).

(b) Installations with more than 10kW and up to 50kW total installed capacity (other than stand-alone installations)



11. Paragraph 12 applies to the following description of Eligible Installations—

- Solar photovoltaic (other than stand-alone) with total installed capacity greater than 10kW but not exceeding 50kW.

12. Where the aggregate Declared Net Capacity of all solar photovoltaic installations with a Declared Net Capacity of more than 10kW but not more than 50kW deployed in the previous Quarter is within a range specified in the first column of the following table, the degression rate for the following Quarter for the description of Eligible Installations to which this paragraph applies is the rate specified in the corresponding entry in the second column:

| <i>Aggregate Declared Net Capacity of all solar photovoltaic installations with a Declared Net Capacity of more than 10kW but not more than 50kW deployed in the previous Quarter</i> | <i>Degression rate</i> |
|---|------------------------|
| Not more than 50MW  | nil                    |
| More than 50MW but not more than 100MW  | 3.5%                   |
| More than 100MW but not more than 150MW   | 7.0%                   |
| More than 150MW but not more than 200MW   | 14.0%                  |
| More than 200MW   | 28.0%                  |

13. For the purposes of paragraph 12, the aggregate Declared Net Capacity of solar photovoltaic installations with a Declared Net Capacity of more than 10kW but not more than 50kW deployed in a Quarter shall be taken to be the amount determined and published by the Secretary of State under article 13A(1)(b) of the FIT Order in relation to that Quarter (being the total of the Declared Net Capacities of all such installations which were registered on the MCS Database in that Quarter).

(c) Installations with more than 50kW total installed capacity and stand-alone installations

14. Paragraph 15 applies to the following descriptions of Eligible Installations—

- Solar photovoltaic (other than stand-alone) with total installed capacity greater than 50kW but not exceeding 100kW
- Solar photovoltaic (other than stand-alone) with total installed capacity greater than 100kW but not exceeding 150kW
- Solar photovoltaic (other than stand-alone) with total installed capacity greater than 150kW but not exceeding 250kW
- Solar photovoltaic (other than stand-alone) with total installed capacity greater than 250kW
- Stand-alone (autonomous) solar photovoltaic (not attached to a building and not wired to provide electricity to an occupied building)

15. Where the aggregate Total Installed Capacity of solar photovoltaic installations with a Declared Net Capacity of more than 50kW deployed in the previous Quarter is within a range specified in the first column of the following table, the degression rate for the following Quarter for each description of Eligible Installation to which this paragraph applies is the rate specified in the corresponding entry in the second column:

| <i>Aggregate Total Installed Capacity of solar photovoltaic installations with a Declared Net Capacity of more than 50kW deployed in previous Quarter</i> | <i>Degression rate</i> |
|---|------------------------|
| Not more than 50MW  | nil                    |
| More than 50MW but not more than 100MW  | 3.5%                   |
| More than 100MW but not more than 150MW   | 7.0%                   |
| More than 150MW but not more than 200MW   | 14.0%                  |
| More than 200MW   | 28.0%                  |

16. For the purposes of paragraph 15, the aggregate Total Installed Capacity of solar photovoltaic installations deployed in a Quarter with a Declared Net Capacity of more than 50kW shall be taken to be the amount determined and published by the Secretary of State under article 13A(1)(c) of the FIT Order in relation to that Quarter (being the total of the Total Installed Capacities of all such installations which, in that Quarter, were determined by the Authority to be entitled to accreditation).

#### Adjustments to FIT Payment Rates

17. The higher rate or single rate for the Generation Tariff for a description of Eligible Installation with an Eligibility Date in the Quarter from 1st May to 31st July 2013 or any subsequent Quarter, shall not exceed a rate 3.5% less than the higher rate or single rate which applied to Eligible Installations of that description with an Eligibility Date three Quarters previously.
18. Paragraph 19 applies if, upon applying paragraphs 7 to 17—
- the higher rate for Eligible Installations (other than stand-alone) with Total Installed Capacity greater than 10kW but not exceeding 50kW would be more than the higher rate for Eligible Installations (other than stand-alone) with Total Installed Capacity greater than 4kW but not exceeding 10kW; or
  - the higher rate for Eligible Installations (other than stand-alone) with Total Installed Capacity—
    - greater than 50kW but not exceeding 100kW;
    - greater than 100kW but not exceeding 150kW; or
    - greater than 150kW but not exceeding 250kW,



would be more than the higher rate (after any adjustment under paragraph 19) for Eligible Installations (other than stand-alone) with total installed capacity greater than 10kW but not exceeding 50kW; or

(c) the rate for—

(i) Eligible Installations (other than stand-alone) with Total Installed Capacity greater than 250kW, or

(ii) stand-alone installations,

would be more than the higher rate (after any adjustment under paragraph 19) for Eligible Installations (other than stand-alone) with Total Installed Capacity greater than 150kW but not exceeding 250kW.

19. Where this paragraph applies, the higher rate or single rate (as the case may be) for installations of the first-mentioned descriptions in sub-paragraph (a), (b) or (c) of paragraph 18 shall be reduced so that it is equal to the higher rate for installations of the second-mentioned description in that sub-paragraph.”

**EXPLANATORY MEMORANDUM TO  
MODIFICATIONS TO THE STANDARD CONDITIONS OF ELECTRICITY SUPPLY  
LICENCES (NO. 3 OF 2012)**

1. 1.1 This explanatory memorandum has been prepared by the Department of Energy and Climate Change and is laid before Parliament by Command of Her Majesty.

**2. Purpose of the modifications**

2.1 The Feed-in Tariffs ("FITs") scheme is the Government's main policy measure to encourage the deployment of small scale low carbon electricity generation in Great Britain.

2.2 The scheme was implemented in part through the insertion of provisions in the standard conditions of electricity supply licences, requiring electricity suppliers to offer FITs to accredited small scale generators of electricity using an eligible low-carbon energy source. The licence conditions, among other things, specify the tariffs payable to generators for each unit of electricity generated by eligible installations. Those tariffs differ according to the description and capacity of the installation and the date on which it becomes eligible for FITs.

2.3 The modifications in this draft instrument-

- make changes to the generation and export tariffs, and reduce the period of eligibility for FITs from 25 to 20 years, for solar photovoltaic (PV) installations which become eligible for FITs on or after 1 August 2012;
- implement a 'degression mechanism' under which, subject to deployment in a prior period exceeding specified levels, generation tariffs for solar PV installations are to be further reduced on 1 November 2012 and every three months thereafter for installations becoming eligible for FITs after the dates of those reductions, with the extent of the reductions dependent on deployment levels; and
- change the threshold above which electricity supply licence holders are required to participate in the FITs scheme from 50,000 to 250,000 customers.

**3. Matters of special interest to the Joint Committee on Statutory Instruments**

3.1 Not applicable. These are licence modifications and not a Statutory Instrument.

**4. Legislative Context**

4.1 These licence modifications are to be made in exercise of the powers conferred on the Secretary of State by section 41 of the Energy Act 2008 to modify the licences for electricity suppliers as established under the Electricity Act 1989. They are laid before Parliament in draft in accordance with section 42 of that Act.

4.2 They amend Schedule A to Standard Condition 33 of the standard conditions of electricity supply licences. Standard Condition 33 was inserted with effect from 1



April 2010, and Schedule A was previously amended with effect from 1 August 2011, 3 March 2012 and 1 April 2012.

4.3 Further provision about the administration of the FIT scheme is contained in the Feed-in-Tariff (Specified Maximum Capacity and Functions) Order 2010 (S.I. 2010/678). It is proposed to make amendments to the Order, to come into force at the same time as these licence modifications, to impose duties on Ofgem to publish quarterly tables of the tariffs which will apply to new solar photovoltaic installations under the degression mechanism, and on the Secretary of State to publish quarterly data about deployment of solar photovoltaic installations in the relevant period to be used in calculating those tariffs.

## **5. Territorial Extent and Application**

5.1 The modifications apply to Great Britain.

## **6. European Convention on Human Rights**

6.1 No statement is required.

## **7. Policy background**

### **• *What is being done and why***

7.1 The market for solar PV has seen dramatic changes in the last two years, with significant and swift reductions in costs leading to deployment far exceeding the levels projected when the FITs scheme was introduced in April 2010. The Government announced a comprehensive review of the FITs scheme in February 2011, and, following previous consultations, has already reduced tariffs in response to those costs reductions, from 1st August 2011 for new larger-scale solar PV installations, and from 1st April 2012 for new small-scale solar PV installations.

7.2 The speed of cost reductions and increases in deployment has shown the need for a cost control mechanism for solar PV, to set tariffs in a transparent and predictable way, and to ensure that they respond to changes in the solar PV market and remain aligned with installation costs.

7.3 Against this background, the Government published a further consultation on solar PV tariffs on 9 February 2012, and this instrument implements its decisions following that consultation. In particular:

- (i) Generation tariffs for new solar PV installations from 1 August 2012 are reduced, for example from 21p/kWh to 16p/kWh for the smallest installations. This reflects evidence that costs of solar PV installations are continuing to fall, and that current tariffs are providing rates of return on investment above the target range of 4.5–8% for many installations. Adjustments are also made to the multi-installation rate (for generators with more than 25 installations on different sites), and to the lower rate for solar PV installations that do not meet the energy efficiency requirement which applies to most such installations attached or wired to buildings.



(ii) A cost control mechanism is introduced under which solar PV tariffs will automatically be further reduced (“degressed”) every quarter from 1 November 2012 if deployment in a previous period exceeds a minimum level. The rate of degression in a quarter (if any) will be between 3.5% and 28%, with rates exceeding 3.5% applying only in the event of deployment in the previous period significantly exceeding projections; if deployment is significantly beneath projections degression will be skipped for up to two quarters. There will be three degression bands (domestic, small commercial and large commercial/utility), with deployment in each band determining the future tariff in that band.

(iii) The export tariff for new solar PV installations from 1 August 2012 is increased from 3.2p/kWh to 4.5p/kWh, to reflect our updated estimate of the value of electricity exported from solar PV installations.

(iv) The tariff lifetime for new solar PV installations from 1 August 2012 is reduced from 25 to 20 years. This will reduce the lifetime costs of the FITs scheme and bring the tariff lifetime in line with that for most other technologies supported by FITs. This has been taken into account when setting the generation tariffs above.

7.4 In addition, this instrument changes the threshold at which electricity suppliers become “mandatory FIT licensees” from 50,000 customers to 250,000, to bring FITs into line with other environmental programmes. This was a proposal in the separate consultation referred to below, the implementation of which has been brought forward to minimise any uncertainty for businesses and consumers affected by it.

- ***Consolidation***

7.5 A separate consultation on proposed changes to tariffs for other technologies and the administration of the FIT scheme concluded on 26 April 2012, and the Department is currently considering the responses with a view to implementing changes later this year. The Department will consider consolidating Schedule A to Standard Condition 33 when it implements those changes.

## **8. Consultation outcome**

8.1 The Government’s consultation on solar PV tariffs took place from 9 February to 3 April 2012, and a total of 244 consultation responses were received. The Government has decided to proceed with many of the proposals set out in the consultation document, but has made significant changes reflecting responses to the consultation.

8.2 The consultation set out three different proposed levels of generation tariffs for new solar PV installations from July 2012, and proposed that the decision on which of those levels to adopt should be based on levels of deployment in March and April 2012. The majority of respondents disagreed both with the proposed new tariff levels, and the proposed basis for choosing between them. We remain convinced that given the evidence on reductions in solar PV installation costs, a further tariff reduction is necessary in order to keep the average rate of return on investment within the target range of 4.5–8%. However, in light of consultation responses we have set the new



tariffs on the basis of evidence as to costs, rather than deployment levels in March and April. The new tariffs are close to, or greater than, the highest of the three alternative levels proposed in the consultation. We have also decided to delay the introduction of the new tariffs to 1 August 2012, in recognition of low levels of deployment since 1 April and views expressed in the consultation.

8.3 The consultation proposed that tariffs for solar PV installations should be reduced every 6 months, or at more frequent intervals if deployment exceeded specified levels. There was some support for this approach, with 39% of respondents agreeing with the principle, although many respondents preferred the dates of depressions to be fixed so as to provide greater certainty. However, 83% of respondents disagreed with the proposal that the rate of depression should be 10% every 6 months, with some suggesting smaller tariff reductions at more frequent intervals. There was also a strong view that any contingent depression mechanism should also make provision to respond to under-deployment of solar PV as well as over-deployment. The idea of applying different deployment triggers to different tariff bands was largely supported. We have taken these views on board in the design of the depression mechanism, as a result of which this instrument provides for quarterly tariff reductions on fixed dates, with smaller reductions (except in the event of exceptionally high deployment), and provision for there to be no reduction in the event of low deployment.

8.4 A range of views was expressed on the questions relating to other elements of tariff design. In particular, 63% of respondents agreed that the current level of the export tariff does not fairly represent the value to suppliers of exports from FITs generation; 61% of respondents disagreed that the tariff lifetime for new entrants to the FITs scheme should be reduced from 25 to 20 years; and 84% of respondents considered that tariffs should continue to be index-linked, with 59% of respondents favouring retention of RPI as the appropriate index for the whole tariff lifetime. In line with these views, we have decided to increase the export tariff and retain RPI indexation of generation tariffs. We have decided to shorten the tariff lifetime to 20 years, but have taken this into account when setting generation tariffs so the rates of return on investment are not affected.

8.5 A more detailed analysis of the consultation responses and policy decisions is presented in the Government's response to the consultation on Phase 2A of the Comprehensive Review of Feed-in Tariffs, available on the Department of Energy and Climate Change's website at [http://www.decc.gov.uk/en/content/cms/consultations/fits\\_rev\\_ph2a/fits\\_rev\\_ph2a.aspx](http://www.decc.gov.uk/en/content/cms/consultations/fits_rev_ph2a/fits_rev_ph2a.aspx)

## **9. Guidance**

9.1 Ofgem already provides detailed guidance for suppliers and potential participants in the FITs scheme (FIT generators) in a variety of forms. That guidance will be updated to take account of this instrument.

## **10. Impact**

10.1 An Impact Assessment is attached to this memorandum and will be published on the Department of Energy and Climate Change's website.

## **11. Regulating small business**



11.1 The legislation does apply to small business.

11.2 There are no impacts for firms employing up to 20 people as no electricity supply companies employ 20 or fewer people.

## **12. Monitoring & review**

12.1 The modifications to the licence conditions are a product of the ongoing monitoring of the FITs scheme to ensure that delivery of the scheme is as envisaged by the policy consulted on in 2009 and introduced in April 2010. This ongoing monitoring is designed to ensure that the objectives of the FITs scheme are delivered in a way which ensures value for money, particularly to consumers who ultimately pay. The degression mechanism in particular will be regularly reviewed in consultation with the PV industry, to ensure that it is operating as intended.

## **13. Contact**

13.1 Alasdair Grainger at the Department of Energy and Climate Change, email: [fits@decc.gsi.gov.uk](mailto:fits@decc.gsi.gov.uk), can answer any queries regarding the instrument.