



Department
of Energy &
Climate Change

Further consultation on changes to financial support for solar PV

Part A: Introduction of a possible grid delay grace
period under the Renewables Obligation

Part B: Definition for other-than-stand-alone
installations under the Feed-InTariff scheme

2 October 2014

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The consultation can be found on DECC's website:
<https://www.gov.uk/government/consultations/consultation-on-further-changes-to-financial-support-for-solar-pv>

Published by the Department of Energy and Climate Change

Introduction

1. On 13 May 2014, the Government published a consultation paper setting out proposals for measures to control spending on new solar PV capacity above 5MW within the Renewables Obligation (RO)¹, and to promote the deployment of mid-scale building-mounted solar PV in the small-scale Feed-in Tariff (FIT) scheme. The Government response to that consultation was published on 2 October².
2. As a result of the responses received to that consultation, the Government is consulting further on two specific issues:
 - The introduction of a possible grid delay grace period for new solar PV capacity above 5MW under the Renewables Obligation
 - Altering the definition for other-than-stand-alone installations under the Feed-in-Tariff scheme.
3. This consultation document sets out our proposals and seeks your views on these issues.

Next steps

4. We will publish our decisions as soon as possible after the consultation closes on 24 October 2014, following careful consideration of consultation responses and evidence received.
5. Subject to this consultation and Parliamentary approval, and any state aid requirements, we intend to implement our decision on the RO through an amendment to the Renewables Obligation Closure Order 2014, with the aim of the changes coming into force on 1 April 2015.
6. Subject to this consultation³ and the Parliamentary processes,⁴ we intend to introduce the FITs proposals by amending the relevant provisions of the Feed-in Tariffs Order 2012 and Schedule A to Condition 33 of the Standard Licence Conditions (SLC), with a view to the new descriptions applying to the July to September 2015 Solar Tariff and Deployment Periods. We consider that this timeframe will meet the policy objective and allow industry time to react to the proposals. A periodic review of the FIT scheme is proposed for 2015 and we will review whether this change has met its objectives as part of this review.

¹ <https://www.gov.uk/government/consultations/consultation-on-changes-to-financial-support-for-solar-pv>

² <https://www.gov.uk/government/consultations/consultation-on-changes-to-financial-support-for-solar-pv>

³ This consultation incorporates statutory consultation on the proposed modifications to the SLC as set out in s.42 of the Energy Act 2008.

⁴ As provided for in s.42 of the Energy Act 2008.

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General information

Purpose of this consultation

This consultation invites views on the introduction of a possible grid delay grace period for new solar PV capacity above 5MW under the Renewables Obligation and the proposed definition for other-than-stand-alone installations under Feed-in Tariff scheme.

Issued: 2 October 2014

Respond by: 24 October 2014

Enquiries to:

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Email: SolarPV.Consultation@decc.gsi.gov.uk
Consultation reference: URN 14D/372

Territorial extent:

Great Britain: England, Wales and Scotland only.

How to respond:

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

Responses should be emailed to: SolarPV.consultation@decc.gsi.gov.uk

Additional copies:

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

Other versions of the document in Braille, large print or audio-cassette are available on request by contacting us as above. As there is a need to consult promptly on this issue a Welsh version of this document has not been produced.

Confidentiality and data protection:

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

If you want information that you provide to be treated as confidential please say so clearly in writing when you send your response to the consultation. It would be helpful if you could explain

to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded by us as a confidentiality request.

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

Quality assurance:

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

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

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

DECC Consultation Co-ordinator

3 Whitehall Place

London SW1A 2AW

Email: consultation.coordinator@decc.gsi.gov.uk

Part A: Introduction of a possible grid delay grace period under the Renewables Obligation

Introduction

- 1.1 An argument made by several respondents to the May 2014 consultation on proposed changes to financial support for solar PV and by industry representatives at stakeholder engagement events was that introducing early closure of the RO for new large-scale solar PV creates a “cliff-edge” for projects after which no RO support will be available. It was argued that the risk of missing the 31 March 2015 deadline would dissuade investors from committing investment to projects that were genuinely planning to commission in the final quarter of 2014/15. Industry argued that the single biggest uncertainty for projects in the run up to the RO closure deadline would be grid connection delays.

Details of the proposal

- 1.2 The Government is therefore considering an additional grace period to protect projects against the risk of missing the early RO closure date due to delays in getting connected to the electricity grid, where the delays in securing connection are outside of the developer’s control. However, the Levy Control Framework (LCF) impact of offering this additional grace period is uncertain and we wish to gain a better understanding of the possible impacts of such a grace period.
- 1.3 The Government has implemented a similar grace period for the transition to lower Renewable Obligation Certificate (ROC) support levels in 2013 for certain technologies following the last RO banding review⁵ and as part of the full RO closure arrangements for 2017.⁶ The eligibility criteria for the grid delay grace period we are proposing in this consultation would therefore be similar and are summarised below:

GRID DELAY GRACE PERIOD	
Length	3 months. Projects qualifying for this grace period would need to commission and have an accreditation date on or before 30 June 2015.
Application timeframe	Apply by 30 June 2015 as part of the application for accreditation after delay has materialised.
Evidence to be provided with the	1. Grid connection agreement consisting of

⁵ <https://www.gov.uk/government/consultations/renewables-obligation-banding-review>. See article 58ZA of the Renewables Obligation Order 2009.

⁶ <https://www.gov.uk/government/consultations/renewables-obligation-ro-grace-periods>. See articles 5 and 6 of the Renewables Obligation Closure Order 2014.

application	<ul style="list-style-type: none"> • A grid connection offer; • Acceptance of that offer; • A letter from the network operator which estimated or set a date no later than 31 March 2015 for delivery of the connection (referred to as the estimated grid connection date). <ol style="list-style-type: none"> 2. A written declaration by the generator that to the best of their knowledge, the generating station would have been commissioned on or before 31 March 2015 if the connection had been made on or before the estimated grid connection date. 3. A letter from the network operator confirming that the grid connection was made after the estimated grid connection date, and that in the network operator's opinion, the failure to make the grid connection on or before the estimated grid connection date was not due to any breach of the grid connection agreement by the generator/developer.
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- 1.4 We propose that this grace period would be available for new solar PV generating stations expecting to commission on or before 31 March 2015, and also for additional capacity added to an existing RO-accredited station where the additional capacity is expected to commission on or before 31 March 2015. The additional capacity would be subject to the grace period conditions and evidential requirements in line with those outlined above. The grace period would be available to both ground- and building-mounted projects that are, or become, over 5MW.
- 1.5 The grid delay grace periods provided for the 2013 RO banding review was six months and that for the general RO closure in 2017 is for twelve months because these grace periods covered a wider range of technologies. In this consultation we are proposing a 3 month grid delay grace period because it is specifically targeted at large-scale solar PV, which generally has much faster deployment times than most other technologies (Ofgem have advised that all of the solar PV projects granted a banding review grace period had commissioned by the end of May 2013). While some grid delays may extend beyond 3 months, we would expect most connections to be resolved by 30 June 2015 if the project was realistically expecting to commission before 1 April 2015.
- 1.6 We propose that the grid delay grace period would not protect projects from the reductions in the solar PV ROC levels scheduled for 1 April 2015. Therefore projects benefitting from this grace period would receive the ROC level in force on the date of accreditation, 1.3 ROCs per MW/h for ground-mounted and 1.5 ROCs per MW/h for building-mounted solar PV generating capacity accrediting from 1 April 2015 up to an including 31 June 2015.
- 1.7 The Government considers that other suggested causes of delay are part of normal business risk, which developers would be expected to manage. Therefore, we do not propose to extend the grid delay grace period to cover projects that are subject to other types of delays such that their commissioning dates are delayed beyond 31 March 2015.

These developers retain the option of applying for a Contract for Difference when the first auction round opens on 16 October 2014.

- 1.8 Projects qualifying for the grace period will still need to meet all of the usual application and eligibility requirements for RO accreditation.

Impact of our proposals

- 1.9 We have not prepared a consultation impact assessment for this proposal because we do not have sufficient information at this stage to allow us to quantify the change in deployment and costs due to the introduction of the RO grace period.

Consultation Questions

Consultation Questions	
1.	Do you agree that there is a need for a grid delay grace period? Please give reasons, and provide evidence, for your answer.
2.	Do you agree with the proposed length of the grace period? Please give reasons for your answer.
3.	Do you agree with the evidence that must be provided to qualify for the grace period? Please give reasons for your answer.
4.	How many of your projects (in MW) do you expect could benefit from this grace period? Please provide supporting evidence.

Part B: Definition for other-than-stand-alone installations under the Feed-in Tariff scheme

Introduction

- 2.1 Government is proposing to amend how the current installation descriptions apply to other-than-stand-alone installations and stand-alone installations,⁷ to require the developer of an installation of a capacity greater than 250kW to demonstrate that a specified proportion of the electricity generated by that installation can be used in the building(s) to which it is wired.
- 2.2 The Government is proposing this change as the result of concerns raised by respondents regarding the potential for stand-alone installations to nominally wire through structures created or amended to enable the installation to meet the other-than-stand-alone definition and qualify for a potentially higher tariff. We consider incentives to do this could arise if/when the tariffs for stand-alone and >250kW other-than-stand-alone installations diverge. If the degression band split is introduced as planned for the January 2015 Solar Deployment Period, the earliest a divergence in these tariffs could occur is the July-September 2015 Solar Tariff Period.

Details of the proposal

- 2.3 The specific criteria we are proposing will need to be met is that: for an installation > 250kW to be considered as other-than-stand-alone it must demonstrate that there is the potential for at least 10% of the installation's energy produced to be used on-site, through either one building or multiple buildings to which the installation is wired⁸. Installations that cannot demonstrate this will be considered as stand-alone.⁹
- 2.4 The 10% criterion has been chosen with the aim of removing any incentive for developers to wire through adapted or purpose-built buildings in order to qualify for other-than-stand-alone tariffs. A requirement to demonstrate a percentage of on-site use will help to ensure that benefits including minimising energy lost in transmission and reducing pressure on the grid are secured through this change to the FIT scheme; 10% has been chosen as it is hoped it will rule out token loads, whilst allowing schemes to go forward which can deliver these benefits. Assessing how, and whether, the criteria is met would be a matter for Ofgem during the application process.

⁷ These descriptions are currently in paragraph 4 of Annex 3 to Schedule A of the SLC, and provide the basis for the tariff bands published by Ofgem in the Quarterly Solar Tariff tables.

⁸ Where 'on-site' use is referred to in this document, it is a reference to use of electricity in the building(s) to which an installation is wired.

⁹ In relation to installations following the preliminary accreditation route, it is proposed that the criteria would need to be demonstrated on application for preliminary accreditation. If a >250kW installation considered to be other-than-stand-alone at the preliminary accreditation stage could not demonstrate the criteria was actually met at the 'convert to full' accreditation stage, it would have its 'convert to full' application refused. The current principal provisions relating to preliminary accreditation and its effect are in Articles 9 and 10 of the Feed-in Tariffs Order 2012.

- 2.5 We are not proposing to require installations between 50kw and 250kw in size to demonstrate on-site use. We consider that changing the definition for installations <250kw will add unnecessary complexity to the FIT scheme and that there is limited incentive for developers of projects of this scale to adapt or create purpose-built buildings so that stand-alone installations can claim higher tariffs. However, we are consulting on whether this assumption is correct.
- 2.6 In order to minimise complexity in the FIT scheme, it is proposed that all installations with a Tariff Date¹⁰ prior to 1 July 2015, including those that have applied for preliminary accreditation and which go on to achieve full accreditation, would be assessed against the descriptions that applied on their Tariff Date, allowing industry time to adjust to this change to the scheme, given the lack of need, or advantage to be gained from, implementing the change to a tighter time frame. The capacity of >250kW other-than-stand-alone installations would be attributed to the other-than-stand-alone degeneration band.
- 2.7 We are also proposing that an exception is made for extensions to accredited FIT installations. Where any original capacity accredited as other-than-stand-alone is extended, the extension will not be assessed against the on-site use requirement. This approach will be kept under review, and could be amended (subject to any necessary consultation and Parliamentary scrutiny) to apply the new descriptions to all extensions if considered appropriate.

Timing

- 2.8 Deployment based on the current descriptions in the January to March and April to June 2015 Solar Deployment Periods will be recorded against the degeneration bands (including the two new bands to be created) and will determine any degeneration for the tariffs that apply in the July to September and October to December 2015 Solar Tariff Periods respectively. Subject to responses received to this consultation, and the Parliamentary process, we propose that the change to the definitions take effect for the July to September 2015 Solar Tariff and Deployment Periods so that >250kW other-than-stand-alone installations with a Tariff Date on or after 1 July 2015 would need to demonstrate the potential for use of 10% of its DNC on-site to be considered other-than-stand-alone. Installations that did not meet the criteria would be considered stand-alone.

Impact of our proposals

- 2.9 We have not prepared a consultation impact assessment for these proposals because we do not have sufficient information to allow us to estimate the quantity of stand-alone installations that could be adapted to meet the other-than-stand-alone definition and qualify for a potentially higher tariff.

¹⁰ For installations following the preliminary accreditation or pre-registration route, the Tariff Date is the date on which Ofgem received the application for preliminary accreditation or the date of pre-registration. For other installations, the Tariff Date is the same as the Eligibility Date – generally the later of the date the installation commissioned or a written application for ROO-FIT accreditation was received by Ofgem. See Articles 10, 11 and 12 of the Feed-in Tariffs Order 2012 and the definitions of “Eligibility Date” and “Tariff Date” in Schedule A to Condition 33 of the SLC.

Consultation Questions

Consultation Questions	
5.	Do you agree with the proposal to change the definition of non-standalone installations, to include a requirement to demonstrate a minimum on-site usage?
6.	Do you agree that the new criterion for minimum on-site usage in non-standalone installations, should not apply for installations between 50kW and 250kW? Please provide evidence to support your answer.
7.	Do you agree that 10% is an appropriate minimum level of on-site use (through the building(s) to which the installation is wired)? If you believe 10% is not an appropriate figure, or that DNC should be used instead of annual usage, then please provide evidence, in the form of detailed examples, to justify an alternative requirement.

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