Department of Energy & Climate Change

Government response to 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-in Tariff scheme

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Contents

Introduction

Background

1. In the government response[1] to the consultation outlining proposals to close the Renewables Obligation (RO) for new solar PV capacity above 5MW and to promote the deployment of mid-scale building-mounted solar PV under the small scale Feed-in Tariff (FIT) scheme, it was announced that a further consultation[2] was to be held to consider:
    a. The introduction of a possible grid delay grace period for new solar PV capacity above 5MW under the Renewables Obligation.
    b. Altering the definition for other-than-stand-alone installations under the Feed-in Tariff.
2. This document is the government response to that further consultation and sets out the government's decisions on these matters.

Responses to the consultation

1. The consultation was opened on 2 October and closed on 24 October 2014. In total there were 29 responses concerning the RO grid delay grace period and 23 responses concerning the definition for other-than-stand-alone installations under the Feed-in Tariff scheme. These were received from across industry including electricity companies, independent generators, distribution network operators, developers, trade associations, consultants and financiers. Responses were also received from outside the industry including local authorities and individuals. A full list of respondents can be found in Annex A.
2. The following is a summary of the consultation responses received. Although every contribution we received was taken into account in the decision making process and in the writing of this document, it is not possible to represent them all below. We would like to thank all those who took the time to respond to the consultation.

Part A: feedback and decisions

3. The vast majority of respondents (98%) supported the need for a grid delay grace period, with a majority (62%), believing that 3 months was insufficient. Over 85% of respondents were content with the grace period's eligibility criteria. Little evidence was provided on the number of projects that could benefit from such a grace period. Having reviewed the evidence and opinions from the consultation exercise, the Government has decided to take the decisions as summarised below.

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[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360280/Government_response_RO-FIT_changes_to_Solar_PV_-_FINAL_2014-10-02.pdf

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

4. **The Government has decided to introduce a 12 month grid delay grace period. Projects qualifying for this grace period will need to commission and have an accreditation date on or before 31 March 2016. New stations benefitting from this grid delay grace period will receive the ROC level in force on the date of accreditation.**
5. **The Government has decided that the three pieces of evidence that will be required to qualify for the grace period are the same as those outlined in the consultation, with one minor amendment allowing confirmation of the grid connection to be provided by an email or letter.** The full evidence requirements are:
    a. A grid connection agreement consisting of: a grid connection offer; acceptance of that offer; and a document from the network operator which estimated or set a date no later than 31 March 2015 for delivery of the connection.
    b. 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.
    c. A letter or email 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.
6. We have not received enough information to update the impact assessment accompanying the October 2014 government response to the consultation on closure of the RO to large-scale solar PV. We would expect, however, that deployment and spend is closer to the central range than the low, or even moving towards the high end of the deployment and spend ranges outlined in that impact assessment as a result of introducing this grace period. It should be noted that this grace period is not designed to allow additional deployment but rather permits delayed deployment that was already accounted for in the impact assessment[3].

Part B: feedback and decisions

7. A majority (67%) of respondents agreed that a new definition of other-than-stand-alone should include a minimum on-site usage requirement. A similar proportion (70%) agreed that this proposal should not apply to installations between 50kW and 250kW. On the issue of whether 10% would be the correct minimum requirement there was much less consensus, with 46% supporting this amount. Following consideration of these responses, the Government has made the decisions below.
8. **The Government will amend the definition of other-than-stand-alone to include a minimum on-site usage requirement.** This will prevent standalone installations nominally wiring through a building to claim the higher, other-than-stand-alone tariff.
9. **This requirement will not apply to installations between 50kW and 250kW.** Installations of this size already have complex accreditation requirements and this would add an additional layer of bureaucracy.

[3] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360271/141001_-_RO_closure_IA_government_response_v0_6_IAG_2014.pdf

10. **The minimum on-site usage requirement will be set at 10% as was set out in the consultation.** No evidence was presented to show that this was too high but this will be open to review in the future.

Implementation

11. Subject to Parliamentary approval and, if necessary state aid clearance, we intend to implement our decisions on the RO through an amendment to the RO Closure Order 2014, with the aim of bringing the changes into force on 1 April 2015. This amendment will implement all of our decisions on early closure of the RO to large-scale solar PV.
12. We will implement our changes to the Feed-in Tariff through secondary legislation in early 2015.

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

Question 1 asked for views on the need for a grid delay grace period.

1.1. We said in our consultation document that we would consider the possibility of offering a grid delay grace period to projects where the delays in securing grid connection are outside of the developer's control. This was in response to stakeholders concerns that the biggest uncertainty for solar PV projects meeting the early closure date would be grid connection delays.

Main messages from responses

Q1 Responses	
Agreed	28
Disagreed	1
No comment	0

1.2. The overwhelming majority of respondents (98%) agreed with the need for a grid delay grace period and thought this would promote investor confidence. Several respondents stated that, unlike in previous years, when the reduction in RO support led to reduced returns for industry, it would now represent a reduction to zero subsidy under the RO, hence a higher financial risk if there was no such grace period. Several also argued that the pipeline running up to closure in March 2015 would result in high pressure on DNOs to connect on time, exacerbating the risk of unforeseen circumstances, and possibly leading to lapses in safety.

1.3. A number of respondents who agreed with the proposal believed that stations benefitting from the grace period should not be subject to the planned reductions in support occurring on 1 April 2015. However, one respondent agreed with DECC's approach to maintaining the reductions in support.

1.4. Several respondents with an interest in one particular project commented on the need for a grid delay grace period for projects who could meet the 13 May 2014 deadline for the planning and land criteria for the significant financial investment grace period but not the grid connection criteria.

1.5. One respondent noted that grid connection was not the sole factor for commissioning delay outside a developer's control, citing the case of prolonged severe weather.

1.6. Only one respondent disagreed with the proposal but did not explain why.

Post-consultation decision

1.7. The Government has decided to introduce a grace period for grid connection delays. This will be available for new solar PV stations above 5MW Totalled Installed Capacity (TIC) with an accreditation date on or before 31 March 2016. It will also be available for additional capacity added to existing solar PV stations on or before 31 March 2016, where the station was accredited on or before 31 March 2015.

1.8. New stations benefitting from this grid delay grace period will receive the ROC level in force on the date of accreditation, for 2015/16 this is set at 1.3 ROCs per MW/h for ground-mounted and 1.5 ROCs per MW/h for building-mounted solar PV generating capacity. This ROC level also applies to additional capacity added during that period. This grace period is designed to provide extra time for accreditation in cases where grid delays cause the project to miss the 31 March 2015 closure date. It is not designed to provide protection against the degression (reductions in support) that was set in the last comprehensive banding review. The banding levels for a number of technologies are planned to fall on 1 April 2015 (for example, ACT, AD, offshore wind). As set out in paragraph 19.9 of the July 2012 government response, we decided not to provide grace periods for the planned reductions in banding occurring after April 2013 because developers will have had longer notice of the degression to plan around any delay. We do not consider that protection against the planned degression should now be introduced for solar PV. In addition, changes to the degression for solar PV would require a banding review, as it would alter the level of support received by projects accrediting after 31 March 2015.

1.9. In the case of solar PV, the TIC of the generating station is to be calculated by multiplying the rated output of the solar PV modules used by the number of modules. This is also how TIC is calculated under the Feed-in Tariff scheme.

Question 2 asked for views on the proposed length of the grace period.

1.10. We proposed that the grid delay grace period should last for 3 months. This was because the policy specifically targets large-scale solar PV, which generally has much faster deployment times than most other large-scale renewable technologies.

Main messages from responses

Q2 Responses	
Agreed	11
Disagreed	18
No comment	0

1.11. A majority of respondents (62%) disagreed with the length of the grace period, arguing that 3 months was not consistent with the two previous grace periods offered (6 months in the case of the banding review, and 12 months in the case of RO closure). The contention that solar PV required a shorter grace period than other technologies because of the rapidity of deployment was also strongly opposed by some, who argued that once deployed and ready, grid connection time was unrelated to technology. Those who agreed with the proposal generally supported DECC's reasoning. DNOs that responded, agreed there may be circumstances beyond the control of the developer with

regard to the grid connection and considered it would be reasonable for the majority of these to be resolved within a three month period.

1.12. Respondents were evenly divided between suggesting 6 and 12 months as alternatives. Several respondents stated that 6 months would be sufficient, and was consistent with the period offered in the RO banding review. Others, however, argued that 12 months was more appropriate, to align with the period offered to other technologies for RO closure in 2017. Only one developer provided any details of a project experiencing grid delay. In this case there had been a 12 month delay.

Post-consultation decision

1.13. **In light of the responses received, the Government has decided to increase the length of the grace period to 12 months in line with that available to other technologies experiencing grid delays under the RO Closure Order.** Projects qualifying for this grace period will need to commission and have an accreditation date on or before 31 March 2016.

1.14. We accept the argument that although solar PV can deploy quicker than other technologies, this does not affect the time that it takes to connect to the grid, which can be independent of technology.

1.15. We do not believe this will result in a significant increase in deployment in comparison to that set out in the impact assessment for the closure of the RO to large-scale solar PV. We would expect that deployment and spend is closer to the central range than the low, or even moving towards the high end of the deployment and spend ranges outlined in that impact assessment.

Question 3 asked for views on the evidence that must be provided to qualify for the grace period.

1.16. The consultation proposed that a developer would be required to present three pieces of evidence to qualify for the grace period:

i) A grid connection agreement consisting of: a grid connection offer; acceptance of that offer; and a letter from the network operator which estimated or set a date no later than 31 March 2015 for delivery of the connection.

ii) 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.

iii) 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.

Main messages from responses

Q3 Responses	
Agreed	25
Disagreed	3
No comment	1

1.17. A very significant majority (86%) of respondents agreed with the evidence requirements which they considered to be sensible, achievable and appropriate being in line with the existing grace periods for RO closure in 2017. One respondent also stated that the evidence was sufficiently robust to ensure that the grace period would be easy to administer for Ofgem.

1.18. Many of those who agreed, however, cited concerns about the reluctance of DNOs to provide written confirmation of an estimated or "grid connection date" following the experience of the 2013 grace period. Contrary to this, the DNOs who responded were generally comfortable with the provision of a letter which would state any facts associated with connection delays and would confirm that failure was not due to a breach of grid connection agreement by the developer.

1.19. Several respondents, including the trade bodies, suggested minor wording changes to the eligibility criteria such as the need for "correspondence" rather than a "letter" because of the use of email. One respondent noted that for the grace period to help with investor confidence, the guidance needed to be very clear on what evidence was required to be eligible.

1.20. For those respondents who disagreed, concern was again expressed that it was difficult to get DNOs to agree to an estimated date of connection in writing. One respondent suggested that there were considerable differences between the DNOs on what they were willing to provide; and they did not believe that the ability to be eligible for the grace period should be determined by what DNO a developer had to deal with.

1.21. One alternative suggestion for evidence was proposed. This consisted of a firm DNO offer showing a best endeavour date and evidence of the site completed bar connection before 31 March 2015. It was suggested that the evidence of construction could be provided by an independent trade body. One respondent queried why the declaration by the operator was required.

Post-consultation decision

1.22. **In light of the responses received to the consultation the government has decided to proceed with the evidence requirements for the grace period with some minor amendments to the wording.** Accordingly, developers will be required to present the following three pieces of evidence to qualify for the grace period:

i) A grid connection agreement consisting of: a grid connection offer; acceptance of that offer; and a document from the network operator which estimated or set a date no later than 31 March 2015 for delivery of the connection.

ii) 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.

iii) A letter or email 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.

1.23. These requirements are in line with grid delay grace periods for the general closure of the RO in 2017.The requirement for a declaration by the generator is required to ensure that the sole reason for the project missing the 31 March 2015 closure date is the grid delay and no other reason. The requirement for confirmation from the network operator is to incorporate some third party verification into the grace period criteria, and the network operator is likely to have direct knowledge of the grid connection date and the reasons for the grid delay. Allowing this confirmation to be provided by other third parties would add to the complexity and cost of administering this grace period and would require criteria to be developed for determining the suitability of the third party. We consider that requiring the same evidence as the existing grid delay grace periods will enable Ofgem to take a consistent approach to the administration of the grace periods.

1.24. DECC will work with Ofgem to ensure that the guidance is clear and robust. Ofgem will aim to publish draft guidance for consultation in due course.

Question 4 asked for views on how many projects could benefit from this grace period.

1.25. We said in our consultation document that the Levy Control Framework impact of this additional grace period was uncertain and asked developers to let us know how many projects, measured in terms of megawatts, could benefit from such a grace period.

Main messages from responses

Q4 Responses	
Responses received	7
Number of projects that could benefit from grace period	9
Total capacity of projects that could benefit from grace period	243MW
No comment	22

1.26. Only seven respondents provided details of projects likely to benefit from a grid delay grace period. The capacity of these projects totalled 243MW. However, these did not include many of the larger solar PV developers.

1.27. The grace period outlined in the consultation is designed to offer protection against unforeseen grid connection delays. Therefore, most respondents replied saying they could not at this time estimate which projects may or may not benefit from it.

1.28. Several responses noted that these projects would not be additional, just delayed deployment, with one respondent noting that this would have no fiscal impact.

Post-consultation decision

1.29. DECC agrees that developments that come through this grace period would represent delayed, not additional, deployment. We have decided not to update the impact assessment[4] accompanying the October 2014 government response to the consultation on the closure of the RO to large-scale solar. We would expect, however, deployment and spend to be closer to the central range than the low, or even moving towards the high end of the deployment and spend ranges outlined in that impact assessment as a result of this grace period.

Amendment to the Significant Financial Commitments Grace Period

1.30. The October 2014 government response set out our decision to close the RO to solar PV above 5MW from 1 April 2015, together with a grace period designed to protect significant financial commitments in projects made on or before 13 May 2014. That grace period is separate from the grid delay grace period described in the above sections of this government response. Where a project is eligible for both grace periods, it may choose either one.

1.31. In light of the evidence received through the May 2014 consultation, the Government decided to make several adjustments to the evidence requirements for the significant financial commitments grace period. This was to ensure the evidence requirements were more aligned with the practical realities of solar PV project development processes and timelines. Projects will be required to present the following three forms of evidence to Ofgem in order to access the significant financial commitments grace period:

i. A grid connection offer and acceptance of that offer, both dated no later than 13 May 2014;
ii. A Director's Certificate confirming ownership of the land, lease of the land or an option to lease or to purchase the land as of 13 May 2014; and
iii. Confirmation that a planning application had been submitted to the relevant planning authority in respect of the project on or before 13 May 2014.

1.32. Following late representations made by a developer, we believe it is appropriate to expand the ways of demonstrating an interest in the land as at 13 May 2014 to include exclusivity agreements. This is because of the evidence provided that this is an alternative development model used by some in the industry where developers delay entering an option agreement on land until planning consent has been received. Instead, the use of an exclusivity agreement enables the developer to gain confidence over the availability of the land for the solar PV development and also provides the necessary security for investors in the project. To qualify towards the criteria for the grace period, the exclusivity agreement must have been made with the landowner on or before 13 May 2014 and must, for the duration of the agreement, not permit any person (other than the persons identified in the agreement) to construct a solar PV station on the land.

[4] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360305/141001_-_RO_closure_IA_government_response_v0_6_IAG_2014.pdf

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

Question 5 asked for views on the change in definition of non-standalone installations to include a requirement to demonstrate a minimum on-site usage.

2.1. In our consultation document we proposed 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 to be used in either one or multiple buildings that the installation is wired through. This was in response to stakeholders concerns about the potential for stand-alone installations to nominally wire through structures created or amended for the purpose of enabling the installation to qualify for the potentially higher other-than-stand-alone tariff.

Main messages from responses

Q5 Responses	
Agreed	15
Disagreed	5
Indeterminate	2
No comment	1

2.2. Most of the responses that were received were in agreement that there was a need for a minimum on-site usage requirement. The five who disagreed felt that the proposal would add unnecessary bureaucracy to the FIT accreditation process and would create an unmanageable administrative burden for Ofgem. Several respondents also highlighted the uncertainty created by the requirement for a building to have the 'potential' to use 10% of the electricity generated and expressed dissatisfaction with the lack of clarification as to what this might mean in practice.

2.3. One respondent highlighted issues surrounding the definition of a building, pointing out that there might be sites, such as a water treatment works, which use a large amount of on-site electricity but do not consume it within the building that the installation is wired through. The same respondent also suggested that the definition should also be amended to allow an owner to generate at one of its locations and consume the electricity at another location that it owns via a private wire or through the grid, provided that at least 10% of the electricity was consumed by the installation owner.

2.4. We considered two main options of how on-site use should be measured: on-site use capacity or onsite consumption over the course of a year. Although some advantages were highlighted for the use of onsite use consumption, including greater clarity that the building was using electricity onsite, we needed to consider this option against the

higher administrative burden it would impose on potential generators and the complexity it would add to the scheme.

Post-consultation decision

2.5. **The definition of other-than-standalone installations will be changed to include a minimum on-site usage requirement of 10%.** The generator will need to demonstrate that they have the ability to import 10% of their Declared Net Capacity[5] (DNC). To do this they will need to have a maximum import capacity (MIC) of at least 10% of their DNC. They will also need to provide evidence that there was sufficient plant onsite such that it was capable of drawing a load of at least 10% of DNC from the network.

2.6. Due to the intermittent nature of solar PV electricity generation, we would expect a site with significant onsite loads to need to be able to import this percentage of power at times of low power generation. If an installation's import capacity is close to or exactly 10% Ofgem may ask for a more detailed breakdown of on-site consumption. Further details on this process will be published in Ofgem guidelines upon implementation of the policy.

Question 6 asked for views on the new criterion for minimum on-site usage in non-standalone installations not applying to installations between 50kW and 250kW.

2.7. The consultation proposed that the minimum on-site usage requirement should not apply to installations between 50kW and 250kW in order to avoid adding unnecessary complexity to the Feed-in Tariff scheme. This is because there is little incentive for developers of projects of this scale to adapt or create buildings so that stand-alone installations can claim higher tariffs.

Main messages from responses

Q6 Responses	
Agreed	16
Disagreed	1
Indeterminate	3
No comment	3

2.8. The bulk of the respondents agreed with the reasoning set out in the consultation. Several responses noted that this would be introducing an unnecessary barrier to deployment in a key subsector of the market which already has the most complex requirements of any technology or capacity for accreditation under the FIT scheme. Another response suggested that the tariffs provided at this scale of deployment do not provide a great enough return on investment unless the installation is wired for self-consumption of the electricity produced.

[5] Under the Ofgem accreditation process this is defined as 'the maximum capacity at which the installation can be operated for a sustained period without causing damage to it (assuming the source of power used by it to generate electricity was available to it without interruption) less the amount of electricity that is consumed by the plant'

2.9. The only response to disagree with the proposal felt that if all installations >50kW were required to meet the criterion for minimum on-site usage then this would ensure developers apply for the correct support rate from the outset of the accreditation process, thus helping reduce bureaucracy and minimising the administration costs of the new definition. They felt that although the gaming risk was lower for installations of this size, there was still potential developers could still seek to claim other-than-stand-alone tariffs for sites which ideally should be regarded as standalone, especially in the 150kW to 250kW range.

Post-consultation decision

2.10. **The minimum on-site usage requirement will not apply for installations between 50kW and 250kW.** The Government acknowledges that this would increase bureaucracy in a sector of the market which already has complex requirements to meet.

Question 7 asked for views on the appropriate minimum level of the installation's energy produced to be used on-site through the building(s) to which the installation is wired.

2.11. In the consultation document we proposed that the minimum level of an installation's energy to be used on-site should be set at 10%. This threshold was chosen because it will rule out token consumption of the electricity produced by the installation in order to still qualify for the other-than-stand-alone tariffs.

Main messages from responses

Q7 Responses	
Agreed	11
Disagreed	3
Indeterminate	6
No comment	3

2.12. The majority of responses agreed that 10% was an appropriate minimum level of usage but noted that there needed to be some clarification as to how this would be calculated. A number of responses suggested that usage should be measured over the course of a year at minimum or over two years in circumstances where the installation's electricity cannot be used due to seasonal consumption, building remodelling or where a building is unoccupied whilst the owner looks for a new tenant.

2.13. Several other respondents supported the setting of a minimum on-site usage requirement but felt that they did not have enough information to determine if 10% was an appropriate amount. There was concern that setting the threshold at 10% might exclude agricultural buildings, warehouses or any other building that has a large roof area but low electricity consumption. As one response pointed out 'if the percentage required is too low then this risks allowing installations with very few on-site loads being determined as non-standalone. However, if the percentage is too high then installations may find it too challenging to meet the criteria and building mounted installations may be classified as standalone, contrary to policy intent'. Several respondents suggested that DECC should gather more evidence on this before setting the final threshold.

Post-consultation decision

2.14. **10% will be set as the minimum level of on-site usage to qualify as other-than-stand-alone.** Respondents were not able to produce conclusive evidence of a more appropriate figure nor evidence suggesting that 10% would be inappropriate and consequently DECC does not have a wide enough evidence base to consider alternatives. If following the publication of this government response further information is provided to DECC indicating that this figure is not appropriate then alternatives will be considered as part of the periodic FIT review in 2015.

Annex A: List of respondents to the further consultation on changes to financial support for solar PV

Organisation	Part A	Part B
AEE Renewables	x	x
British Gas		x
Cheshire East Council	x	x
EDF Energy	x	x
Electricity North West	x	
Energy UK	x	x
Forster Energy		x
Gemini Solar	x	x
Good Energy	x	x
Green Ventures NV	x	x
Izen Energy System NV	x	x
Izen Energy System UK	x	x
Lark Energy	x	x
Lightsource	x	x
Octopus Investments	x	
Parabel UK	x	
Primrose Solar	x	x
Push Energy	x	
Renewable Energy Association	x	x
Renewable Energy Project	x	x
Renewable Power Ltd	x	

SBC Renewables	x	x
Scottish Power	x	
Smartest Energy	x	
Solarcentury	x	x
Solar Trade Association	x	x
SSE	x	
SunEdison	x	x
Tealing Solar Park Ltd	x	x
TLT Solicitors		x
Western Power Distribution	x	
Private individual	x	x
TOTAL	29	23

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