Department of Energy & Climate Change

Government response to consultation on changes to financial support for solar PV

Controlling spending on solar PV projects of 5MW and below within the Renewables Obligation

17 December 2015

Contents

Executive Summary

Background

1. When the closure of the Renewables Obligation (RO) to large-scale solar PV (above 5MW) was confirmed last year, DECC made clear that we would continue to monitor the deployment pipeline of solar PV projects of 5MW and below, and consider taking measures if necessary. Subsequent monitoring indicates that solar PV deployment is growing more rapidly than previously forecast and measures need to be considered to protect the Levy Control Framework (LCF). The LCF limits how much can be spent on schemes to fund renewables and other low carbon electricity generation and was put in place so that the Government can keep track of policy costs on bills and respond to the latest projections.
2. On 22 July 2015, the Government published a consultation paper setting out proposals for measures to control spending on new solar PV capacity of 5MW and below within the RO as part of wider action to control costs within the LCF.
3. The consultation proposed closing the RO across Great Britain to new solar PV capacity at 5MW and below. This would apply from 1 April 2016, both to new stations and additional capacity added to existing accredited stations up to 5MW total installed capacity under the RO. In order to avoid potential overcompensation of further solar PV deployment before the early closure, we also proposed to remove grandfathering for solar PV projects with an accreditation date from 23 July 2015 onwards. This would apply only to projects in England and Wales. The consultation also sought views on whether deployment costs for solar PV projects of 5MW and below have reduced significantly since 2013. If so, we proposed holding a banding review in relation to solar PV. Again, this would only apply to projects in England and Wales.
4. Grace periods designed to protect projects that have preliminary accreditation or made significant financial commitments[1] on or before the date on which the consultation began were proposed. A grace period for projects that suffer from grid delay beyond the developers' control was also proposed. Projects to which the grace periods apply would be able to commission and apply for accreditation under the RO until 31 March 2017. An exception to the removal of grandfathering was also proposed for projects that meet the criteria of the significant financial commitments grace period.
5. This document is the Government response to the consultation and sets out the Government's decisions on these matters.

[1] A grid connection offer and acceptance of that offer, both dated no later than 22 July 2015; A Director's Certificate confirming interest in the land as of and no later than 22 July 2015; confirmation that a planning application had been received by the relevant planning authority in respect of the project no later than 22 July 2015.

Responses to the consultation

6. The consultation closed on 2 September 2015. In total, there were 94 responses. These were received from across the solar industry, including electricity companies, independent generators, developers, manufacturers, trade associations and financiers. Responses were also received from local authorities, community groups, NGOs and individuals. A list of respondents can be found at Annex A.
7. During the consultation period DECC held two consultation workshops to discuss the proposed changes. These took place on 5 and 19 August 2015. These events were attended by 60-70 individuals, again drawn from all sectors and groups with an interest in the scheme. DECC also hosted a roundtable discussion with 12 solar investors, representing debt and equity providers to the solar sector. These meetings have also informed our thinking and final decisions.
8. The following is a summary of the consultation responses received. It does not capture every point made. We would like to thank all those who took the time to respond to the consultation and participate in the stakeholder meetings during the consultation exercise.
9. Comments on the need to provide stakeholders with a complete picture of the policy changes for solar have been taken on board and this response is being published today alongside the results of the Feed-in Tariff (FIT) Review[2] and the solar-specific RO banding review consultation document.[3]

Feedback and decisions

10. A significant majority of respondents were opposed to the Government's proposed package of measures – early closure and removal of grandfathering. They questioned the rationale for the proposals without evidence to detail how the LCF overspend was made up, and were concerned about the effect the removal of grandfathering would have on investor confidence across energy and infrastructure projects. The majority of those opposed to the detail of the grace periods and exception to the removal of grandfathering provisions did so because of their general opposition to the package of cost control measures. However, they acknowledged that if the proposals were to go ahead then the grace periods and eligibility criteria should be consistent with those provided for the early closure to solar PV projects above 5MW. There was some support that sufficient evidence existed for a solar-specific banding review to be undertaken.
11. Having reviewed the evidence on the solar PV pipeline, our revised assessment is that without intervention we could see a deployment range of between 1.2 and 2 GW each year in 2015/16 and 2016/17. In view of this and the evidence and opinions from the

[2] https://www.gov.uk/government/consultations/consultation-on-a-review-of-the-feed-in-tariff-scheme

[3] https://www.gov.uk/government/consultations/consultation-on-the-level-of-banded-support-for-new-solar-pv-under-the-renewables-obligation

consultation exercise, the Government has decided to take the decisions summarised below.

12. **The Government has decided to close the RO across Great Britain to new solar PV generating stations at 5MW and below in scale from 1 April 2016, and to additional capacity added to existing accredited stations that does not take it above 5MW in total installed capacity from that date.**

13. **The Government has decided to provide closure grace periods in line with those provided for solar PV projects above 5MW** where preliminary accreditation or significant financial commitments have been made on or before 22 July 2015, i.e. the day on which we published our consultation, and for projects affected by grid delay.

14. **The Government has decided to keep the eligibility date of 22 July 2015 and evidence that has to be provided in order to benefit from the grace periods.** There will be a clarification of the planning evidence to exclude incomplete or invalid applications.

15. **The Government has decided to remove grandfathering for projects in England and Wales at 5MW and below with an accreditation date from 23 July 2015 onwards.**

16. **The Government has decided to provide an exception to the removal of grandfathering to those projects that can demonstrate that they had made a significant financial commitment on or before 22 July 2015.** The eligibility criteria will be the same as those required for the significant financial commitment grace period. **The Government has decided to allow projects qualifying for the exception to the removal of grandfathering to also benefit from an exception designed to provide protection against the proposed banding review reduction in support.** Such projects will receive the currently applicable support rate for 2016/17 as set out in the Renewables Obligation Order 2015.

17. **The Government has decided that there is sufficient evidence to hold a technology-specific banding review for solar PV in England and Wales.** A consultation document setting out proposed new bands is published alongside this response.

Implementation

18. Subject to Parliamentary approval we intend to implement our decision on closure through amendments to the Renewables Obligation Closure Order 2014, with the aim of the changes coming into force on 1 April 2016. An illustrative draft of the Order is published alongside this document.

19. The banding review consultation has been published today. Subject to the results of this, any new bands and change to the grandfathering policy would be implemented through amendment to the Renewables Obligation Order 2015. The aim would be to implement changes by 1 June 2016, subject to Parliamentary approval. A summary of the proposed changes in support is set out at Annex B.

Contact Details

20. If you have any questions regarding this response, please contact:

    Renewables Obligation Team

    Clean Electricity Directorate

    4th Floor, Area D

    3 Whitehall Place

    London SW1A 2AW

    Email: SolarPV.Consultation@decc.gsi.gov.uk

Analysis of responses to consultation

Question 1 asked for views on our projections for the amount of new solar capacity likely to deploy under the RO in 2015/16 and 2016/17.

1. The analysis for the consultation, using data from the Renewable Energy Planning Database (REPD), the Distribution Network Operators (DNOs) and other industry intelligence, indicated that deployment of new solar PV projects of 5MW and below would be likely to be in the range of 800MW to 2GW in both 2015/16 and 2016/17, with a central scenario of 1.25GW in each period. Deployment in this range would cost between £40m to £100m per year for up to 20 years.
2. This deployment is significantly greater than the estimate from the October 2014 Government response, which suggested a deployment range of between 300-500MW.

Main messages from responses

Q1 Responses	
Agreed	22
Disagreed	21
Indeterminate	9
No comment	42

3. A majority of respondents either did not answer this question or were unable to express a clear opinion either way, mainly because they considered there was insufficient data to make a definitive judgement or to confirm that it had been estimated accurately.
4. Those who agreed felt that it tallied with the wide range of estimates provided by other commentators within the solar industry. Many stressed, however, that the pipeline would now be substantially reduced as a result of the proposals.
5. Respondents who disagreed with the projections were concerned that there was no methodology or evidence given to explain how the numbers were reached. There was a concern about the flaws in the REPD, and a lack of trust in DECC's deployment forecasting based on previous experience. Several commented that there had been a marked change in how local planning authorities were implementing the national planning policy framework in the last year, with only 50% of planning applications being consented. Whilst there was a wide range of comments made on the estimates – too low based on historic roll-out; not possible to project future deployment on past trends; unprecedented when considered against international comparisons – there were few alternative suggestions put forward. A couple of respondents suggested that it should be in the region of 700-750MW; whilst another felt that the deployment rate would exceed DECC projections.

Post-consultation analysis

6. While no information was received during the consultation that challenged our assessment of future deployment, estimates in both 2015/16 and 2016/17 have been revised based on updated information from the REPD. This has shown significant numbers of projects that have applied for and received planning permission in 2015/16. **Deployment in 2015/16 without intervention is now estimated to be in the range of 1.2-1.8GW, with a central estimate of 1.5GW. For 2016/17 it is estimated to be 1.2-2GW, with a central estimate of 1.6GW.**

7. Further details of our updated assessment are set out in the revised Impact Assessment accompanying this response.

Question 2 asked for views on our proposal to close the RO early to new solar PV projects of 5MW and below.

8. We said in our consultation document that because projected levels of deployment were much greater than previously forecast, it was considered necessary to take action to control costs of solar PV. We proposed to achieve this by closing the RO across Great Britain to new solar PV capacity at 5MW and below from 1 April 2016. We proposed that the closure would also apply to any additional capacity added to an accredited solar PV station that does not take it above 5MW total installed capacity from 1 April 2016.

Main messages from responses

Q2 Responses	
Agreed	6
Disagreed	63
Indeterminate	4
No comment	21

9. Of the six respondents who agreed, all acknowledged that it was necessary to control the costs of the LCF. One respondent agreed with early closure as a means of control as used for large-scale solar but did not agree with the additional features of the current proposals, namely removal of grandfathering and the possibility of a banding review. One consumer suggested the closure date should be brought forward.

10. A significant majority of respondents disagreed with the proposal, with particular emphasis being placed by developers on the repercussions. Thirteen respondents believed that the early closure of the scheme would be harmful to investor confidence and would result in projects being closed, a halt to the deployment of further projects, and job losses. Six respondents stated that the scheme should be kept open to allow the industry to reach grid parity; and there was a call for DECC to reconsider the

recommendations and analysis contained in the Solar Trade Association's "Solar Independence Plan".

11. Respondents questioned in general the rationale for the proposal because no evidence was provided to detail the breakdown of the LCF overspend. Several respondents were concerned that solar deployment was not the cause of the LCF overspend, and as such, early closure would make little difference and the solar industry should not be made to bear the costs. Another suggestion was that, rather than closing the scheme to solar PV; cuts should be made to higher cost renewable programmes such as offshore wind.

12. Other issues raised by respondents opposed to the proposals were that the LCF forecast budget outturn has become the dominant concern at the expense of ensuring a stable long-term regulatory framework for renewables; that early closure would endanger the decarbonisation of the power sector and the achievement of the Renewable Energy Directive target. Others expressed the view that the early closure is a politically-driven decision.

13. A couple of respondents suggested that the proposal brought into question the Government's previous commitments to community energy projects (including brownfield sites and rooftop solar) and requested an exemption for such projects from the closure.

14. Of the minority who responded with indeterminate responses, it was suggested that the proposed changes would result in an increase in applications to the FIT scheme, which would result in it taking on greater prominence as a key commercial support route to market.

Post-consultation decision

15. We have considered carefully the arguments presented to this question. We acknowledge that the majority of respondents are against our bringing forward closure. However, we believe there is clear evidence that there is significantly more potential deployment of solar PV projects at 5MW and below than estimated when we published our Government response in October 2014. The lack of flexibility of the RO to react quickly to rapid changes in deployment means that it is not an effective mechanism for managing deployment of this technology in order to control affordability. **The Government has therefore decided it is necessary to take measures to control deployment, as we previously stated we would. The RO will close to new solar PV projects at 5MW and below from 1 April 2016, and to additional capacity added to an accredited solar PV station that does not take it above 5MW total installed capacity.**

16. Alongside this publication DECC has published updated estimates for UK solar electricity capacity by 2020/21 if the proposed cost control measures were implemented, and compared these with the expected deployment ranges published in the 2013 EMR Delivery Plan[4]. This projects that, at present, UK solar electricity capacity supported under the RO and signed Contracts for Difference (CfD) would be 6.8GW by 2020/21, which is well above the EMR Delivery Plan range (2.4-4GW). In

[4] https://www.gov.uk/government/consultations/consultation-on-a-review-of-the-feed-in-tariff-scheme

addition we estimate a further 6GW of solar capacity under the FIT scheme in 2020/21 following the outcome of the FIT Review also announced today. It is worth noting that the projected LCF overspend cannot be attributed to an individual technology but rather to a collection of factors, for example changes in wholesale prices, accelerated developments in technological efficiency and higher than expected uptake of demand led schemes.

17. The position of solar PV developers who have made significant financial commitments based on the March 2017 closure date is addressed by our proposals for a grace period, as discussed under question 5 below.

18. We have decided not to exempt community or civic projects from the early closure of the RO. While we recognise the differences between community, civic and commercial projects, we do not believe it would be consistent with our cost control objective to leave the demand-led RO open for any type of solar scheme. We believe the proposed grace period arrangements and exception from the removal of grandfathering are sufficient to protect significant investment committed by community, civic and commercial projects. Solar PV projects will continue to be able to deploy under the revised FIT scheme.

19. Whilst the Solar Trade Association's "Solar Independence Plan" sets out the strategic aim of grid/socket parity by 2020 through an accelerated cost reduction pathway for the industry; it does not assist in the required LCF cost reduction, and (according to their calculations) would add £200-350m in total to the cost of solar PV in the LCF[5].

Question 3 sought views on whether deployment costs for solar PV projects of 5MW and below have reduced significantly since the last banding review.

20. We invited views on our proposal to hold a banding review. We said in our consultation document that there was strong evidence to suggest that the costs to developers associated with the deployment of solar PV have fallen further and faster than previously anticipated.

Main messages from responses

Q3 Responses	
Agreed	31
Disagreed	42
No comment	21

[5] https://www.solar-trade.org.uk/wp-content/uploads/2015/06/STA-Solar-Independence-Plan-v8-EMBARGOED-0001-08062015.pdf

21. Of those respondents who agreed, fourteen believed costs had reduced significantly since the last banding review; while a further seventeen agreed that costs had reduced but did not specify whether this reduction was significant. Various reasons were given for the reduction in costs, including: economies of scale from increasing levels of worldwide production and deployment; improvements in technology, particularly in power conversion equipment; and increased experience, which had led to cost savings in design, installation, and operational approaches.

22. Several respondents commented that costs varied according to the type and scale of a project and its geographical location. They suggested that costs for projects below 5MW had not fallen as significantly as for those above 5MW, and community schemes typically had slightly higher costs than commercial schemes.

23. Of those who disagreed, over half reported that grid connection costs had increased due to the reinforcement works needed to overcome network constraints. One respondent reported that even where grid upgrades were not required, there had been a strong upward trend in grid costs. Over a quarter of respondents said that the removal of Levy Exemption Certificates (LECs) would reduce revenue. A similar number thought that business rates could rise. Other aspects that were reported to be contributing to increasing costs were: rising land, labour and peripheral costs; problems with obtaining planning approval due to Government policies, including the need to provide more information in support of the application; the expectation to provide community benefits and community ownership; market uncertainty due to Government announcements, which particularly resulted in increased financing costs; the exchange rate for the Euro (because most solar equipment was imported); a reduction in wholesale market prices; general market inflation; and increased write-off costs due to the greater challenges in delivering projects.

24. A quarter of the respondents said that component costs, particularly for the solar panels, had fallen, although a similar number said that the minimum import price on Chinese panels had distorted the market, preventing further reductions in costs. Reduced costs were also reported in general for deployment and installation costs. Decreasing costs were mainly thought to be due to efficiencies being made by the contractors and the very competitive nature of the sector. Ground mounted PV installations of 2-5MW in size were thought to benefit from reduced prices through volume purchasing and strategic buying and procurement policies.

25. Regardless of whether respondents agreed or disagreed that there had been a reduction in costs, there was a consensus on a couple of issues. Firstly, that the CfD auction bids were not representative of the costs for small-scale solar PV. Various reasons were given for this: the projects were large in size (12-19MW) and so benefited from economies of scale; the bids were based on 2012 prices; the developers were testing the water; the bids were exceptionally competitive and potentially ‘loss leaders’ to get a foothold in the CfD market, or the bids were gamed, with the belief that the price would be set by under allocation at a higher level. It was also pointed out that none of the projects had actually been built yet and it was not certain that they were still viable at the bid price with the loss of LECs.

26. Secondly, that the solar sector still needs support. Concerns were raised about the impact of removing support for solar PV as they thought the sector was not yet able to develop further without financial support. It was thought important to avoid the boom and bust scenario that had occurred to the solar PV industry in other countries, where

the removal of support schemes was not accompanied by other support provisions, resulting in a collapse in the industry.

Post-consultation decision

27. Having considered the evidence presented during this consultation and that provided by independent consultants, Arup, who were appointed by DECC in February 2015 to carry out a review of generation cost and technical performance of renewable technologies, including solar PV, **the Government is satisfied that a banding review can be carried out under article 42(2)(e) of the Renewables Obligation Order 2015** (previously article 33(3)(e) of the Renewables Obligation Order 2009), that is:

    - the costs of generating electricity in any of the ways listed in the first column of Part 2 or Part 3 of Schedule 5 are significantly different from the costs of generating electricity in that way to which the Secretary of State had regard when making the banding provisions.

28. **The Government has therefore published today a consultation document on revised bands for solar PV generating stations at 5MW and below.**

Questions 4 asked for views on our proposal to remove grandfathering for solar PV projects of 5MW and below that are not accredited as of 22 July 2015.

29. We said in our consultation document that to avoid potential overcompensation of further solar PV deployment before early closure we proposed removing grandfathering for solar PV projects that are not accredited under the RO as of 22 July 2015 i.e. the date of publication of the consultation. This would only apply to projects in England and Wales.

Main messages from responses

Q4 Responses	
Agreed	4
Disagreed	63
Indeterminate	3
No comment	24

30. A small minority of individuals agreed with the removal of grandfathering, saying that controlling the costs of the LCF should be a priority.

31. The vast majority strongly disagreed with the proposal to remove grandfathering for projects not accredited as of 22 July 2015. The majority of these said that the removal would have wider effects than just cost saving. Some said it would damage investor confidence in the UK as a whole, affecting all types of infrastructure projects. It was suggested that the removal of grandfathering would significantly damage the UK's

ability to attract low-cost capital. Twelve respondents believed the change was retrospective. Furthermore there was concern that this could signal the beginning of further retrospective action. One respondent stated that the grandfathering policy was actually more important than the level of support under the scheme.

32. Numerous respondents stated that this proposal had already created uncertainty within the industry and, in the short term, would make investment extremely difficult to obtain, particularly bank loans. In the long term, respondents claimed that the UK's credibility as a safe place to invest had been damaged with one developer already experiencing a withdrawal of investors. There was a request that the Government should be clear and unambiguous that they were not considering the withdrawal of grandfathering from other technologies.

33. Some respondents acknowledged the need to cut costs, but requested a more balanced approach to be taken – with only a handful of projects expected to be affected by the removal of grandfathering there would be disproportionate damage to investor confidence across the renewables sector. Several respondents questioned the monetary impact the removal of grandfathering would have on the LCF, citing a £13m saving in the budget against an estimated increase in the cost of capital of between £1-3bn.

34. There was a request for civic and community projects to be exempted from the removal of grandfathering because they are different to commercial projects, with social benefits – such as affordable energy, community empowerment, job creation and wider economic development – being important drivers. Local authorities were concerned that projects not yet accredited were likely to be cancelled resulting in a waste of public money.

Post-consultation decision

35. Having considered all of the consultation responses to this question carefully, **the Government has decided to maintain the proposals consulted on, and will be removing grandfathering for solar PV projects at 5MW and below that are not accredited under the RO as of 22 July 2015**. While we recognise the strength of feeling on this matter, the spike of deployment of solar projects of greater than 5MW at the end of the last financial year demonstrates the solar industry's ability to react quickly and decisively to changes in the policy environment. We believe it would be inconsistent with our cost control objective to let a similar spike of deployment of new solar projects of 5MW or below take place at the current banding levels. The removal of grandfathering for projects that are not accredited and do not meet certain criteria at 22 July 2015 is a targeted measure to address this issue. We also believe the proposed exception from the removal of grandfathering (see question 6 below) is sufficient to protect significant investment committed to new solar PV projects.

36. Existing generating stations with an accreditation date on or before 22 July 2015 and those projects meeting the grandfathering exception criteria will not be affected by this policy change.

37. Those affected by the policy change (i.e. those not meeting the criteria for having made a significant financial commitment on or before 22 July 2015) will only obtain the rate of support which applies at the time of accreditation until the implementation of the proposed reduction in support.

38. The consultation document on the banding review sets out in more detail how the grandfathering policy will be implemented and what this will mean to generators in practice. A summary table, however, can be found at Annex B.

39. We have decided not to exempt community or civic projects from the removal of grandfathering. As noted in question 2 above, while we recognise the differences between community, civic and commercial projects, we do not believe it would be consistent with our cost control objective to let new solar projects continue to accredit under the demand-led RO at the present banding levels, which we believe represent overcompensation. We believe the proposed exception from the removal of grandfathering is sufficient to protect significant investment committed by community, civic and commercial projects.

Question 5 asked for views on the proposed grace periods and eligibility date of 22 July 2015.

40. We proposed offering grace periods equivalent to those offered when the RO was closed to new solar capacity above 5MW – one for preliminary accreditation; one for significant financial commitment and one for delays in the planned grid connection due to factors outside developers' control. The eligibility date was set at 22 July 2015, the date on which the consultation was published. It was further proposed that these grace periods would also be available for additional capacity added to an accredited solar PV station that did not take it above 5MW total installed capacity.

Main messages from responses

Q5 Responses	
Agreed	25
Disagreed	40
Indeterminate	6
No comment	23

41. Of those respondents who agreed with the early closure grace period proposals, eleven respondents were pleased to see that the proposed grace periods were the same as those for solar projects above 5MW with a further six agreeing on the proviso that they oppose the removal of grandfathering. Nine respondents stated that the removal of grandfathering rendered the grid delay and preliminary accreditation grace periods irrelevant because anything without grandfathering was un-investible. While another stated that despite the proposed grace periods, the possibility of a banding review would result in projects having difficulty sourcing external finance.

42. Half of those respondents who disagreed were opposed to the date from which eligibility would apply, with some respondents suggesting that it would be retrospective. There were various suggestions on an appropriate eligibility date ranging from 1-12 months from the close of the consultation or publication of the government response so

that developers in the advanced stages of applying for planning permission were not unfairly treated.

43. There was less concern expressed about the length of the grace period with only five respondents mentioning this. It was suggested that grace periods for community/civic projects should be extended to 18 months or two years in duration, because they take longer to commission than commercial projects. Grid connection issues were also cited as a reason to extend, with examples of DNOs not being able to provide a connection date according to the connection offer timescale even though the developer has shown commitment to the project.

44. One respondent suggested that there needed to be an extension to the one-year grace period commensurate with the period from the date of publishing the early closure grace period criteria to the later of (i) the date of confirmation of ROC re-banding and (ii) the decision following the current consultation period that projects eligible for the early closure grace period would have their ROC banding rates grandfathered. The reason given for this was because without clarity on ROC re-banding, developers who had met the early closure grace period criteria could not develop their projects further given the insecurity over a significant portion of revenue.

45. Several respondents stated that the provision of grace periods for preliminary accreditation and grid delay would be rendered meaningless by the proposal to remove grandfathering – suggesting the lack of grandfathering would make investment unlikely in such grace period projects.

46. Only one respondent disagreed with the idea of grace periods at all, whilst another suggested that there was no need for the preliminary accreditation grace period. No substantive comments were made on the need for the grid delay grace period.

47. It was suggested by one respondent that those projects accrediting after 31 March 2016 with a grace period should get the 1.2 ROC rate for 2016/17 and not revised rates following a possible banding review.

Post-consultation decision

48. Having considered all of the consultation responses to this question carefully, **the Government has decided to implement the consultation proposals and provide grace periods equivalent to those offered when the RO was closed to new solar PV capacity above 5MW where:**

    - Preliminary accreditation under the RO was obtained for the generating station on or before 22 July 2015.
    - Projects had made a significant financial commitment on or before 22 July 2015 (See question 7 for clarification of planning evidence).
    - Projects suffered delays in the planned grid connection to the electricity grid due to factors outside developers' control.

49. Additional capacity added to an accredited solar PV generating station, that does not take the station above 5MW total installed capacity, will also be eligible for the significant financial commitment and grid delay grace periods.

50. The significant financial investment grace period is designed to protect those who made such commitments before the Government proposed to bring forward the RO closure date for solar PV. We therefore do not consider that we should move the eligibility date to one of the numerous suggestions put forward to enable other, less

advanced projects to meet the eligibility criteria. In all cases these alternatives would increase the risk of more projects deploying at greater cost to the LCF than the option proposed and for that reason we have rejected them. This eligibility date policy is in line with that for closure to large-scale solar PV.

51. We acknowledge that the proposals may have caused a hiatus to some projects but believe that the speed at which the technology can be deployed means that the 12 month grace period remains sufficient to enable projects meeting the significant investment criteria to commission and accredit under the scheme.

52. We have decided not to offer extended grace periods to community or civic projects. We believe the proposed grace period arrangements are sufficient to protect significant investment committed by community, civic and commercial projects. Solar PV projects will continue to be able to deploy under the revised FIT scheme.

53. From 1 April 2016, new stations that benefit from one of the early closure grace periods will not then be able to further benefit from the additional grid delay grace period set out in the Renewables Obligation Closure Order 2014 (as amended).

54. The banding review consultation sets out how new stations from 1 April 2016 benefitting from the early closure grace periods would be affected by the proposed banding changes.

Question 6 asked for views on the proposed exception from the removal of grandfathering and eligibility date of 22 July 2015.

55. We proposed that our grandfathering policy would continue to apply to new solar PV projects of 5MW and below (and additional capacity that does not take it above 5MW total installed capacity) that satisfy the criteria required for the significant financial commitment grace period. The eligibility date was set at 22 July 2015, the date on which the consultation began.

Main messages from responses

Q6 Responses	
Agreed	16
Disagreed	39
Indeterminate	5
No comment	34

56. The majority of respondents who agreed with the proposed exception did so with the proviso that they opposed the removal of grandfathering in principle. They also agreed that the exception should be applied to those projects that can demonstrate a significant financial commitment.

57. All the respondents who disagreed stated there was no need for an exception because grandfathering should not be removed. It was suggested that all projects that meet a

grace period should be exempt not just those projects meeting the criteria for significant financial commitment; while others proposed that all community, civic and rooftop solar should be exempted from the removal of grandfathering. One alternative to the proposed criteria was that projects should be exempted where it can be shown that significant project development expenditure has been incurred by 22 July 2015. However, no suggestion was given as to what that level of expenditure should be. It was also proposed that any project which commissions before the closure date should benefit from grandfathering.

58. In response to the proposed eligibility date there was a suggestion that developers should be given a 60-day window to comply with the criteria as there was no forewarning of withdrawal.

Post-consultation decision

59. Having considered all of the consultation responses to this question carefully, **the Government has decided to implement the consultation proposals and provide an exception from the change to the grandfathering policy, which will take effect from 22 July 2015.** The evidence criteria for this exception are in line with those required for the significant financial commitment grace period and are dealt with in question 8 below.

60. The grandfathering policy will therefore continue to apply to projects of 5MW and below (and additional capacity added that does not take it above 5MW total installed capacity) with:

    - A grid connection offer and acceptance of that offer, both dated no later than 22 July 2015 or a declaration that no grid works are required;
    - A Director's Certificate confirming ownership of the land, lease of the land, an option to lease or purchase the land, an agreement to lease the land or that the developer or a connected person is party to an exclusivity agreement in relation to the land as of and no later than 22 July 2015;
    - Confirmation that a valid planning application had been received by the relevant planning authority in respect of the project no later than 22 July 2015 or a declaration that planning permission is not required.

61. Projects that decide to proceed without meeting the above criteria will be developed in the knowledge of the risks of the change in grandfathering policy. This includes those projects which go on to commission and accredit after 31 March 2016 which are eligible for the grid delay grace period. We do not consider that such projects should benefit from the exception. We believe that projects applying under the preliminary accreditation grace period will be able to meet the above criteria.

62. Those stations that do not qualify for the exception but are able to commission and apply for accreditation before 31 March 2016 will, along with those which accredit from 1 April 2016 using a grace period provision, be subject to the results of the banding review. Further details of how such projects will be affected are set out in the banding review consultation document. A summary table, however, can be found at Annex B.

63. **The Government has decided to allow projects qualifying for the exception to the removal of grandfathering to also benefit from an exception designed to provide protection against the proposed banding review reduction in support.** This would ensure projects meeting the significant financial commitment criteria would not be

affected by the proposed new bands whether they accredit before or after the proposed implementation date. These projects would, however, be affected by the existing reduction in support that was set in the last comprehensive banding review and confirmed in the Renewables Obligation Order 2015. Further details of the exception and its eligibility criteria are set out in the banding review consultation document.

64. As noted in question 5 above, we have decided not to exempt community or civic projects from the removal of grandfathering. We believe the exception is sufficient to protect significant investment committed by community, civic and commercial projects. Solar PV projects will continue to be able to deploy under the revised FIT scheme.

Question 7 asked for views on the proposed forms of evidence to demonstrate eligibility for the grace periods.

65. The consultation proposed that the forms of evidence to demonstrate eligibility for the grace periods should mirror those required for the early closure of the RO to new solar capacity above 5MW:

    a) Preliminary accreditation under the RO obtained for the station on or before 22 July 2015;

    b) Evidence demonstrating that significant financial commitments have been made on or before 22 July 2015 in respect of the project:

        a. A grid connection offer and acceptance of that offer, both dated no later than 22 July 2015 or a declaration that no grid works are required;

        b. A Director's Certificate confirming ownership of the land, lease of the land, an option to lease or purchase the land, an agreement to lease the land or that the developer or a connected person is party to an exclusivity agreement in relation to the land as of and no later than 22 July 2015 by the developer or proposed operator of the station;

        c. Confirmation that a planning application had been received by the relevant planning authority in respect of the project no later than 22 July 2015 or a declaration that planning permission is not required.

    c) Evidence demonstrating delays in the planned grid connection to the electricity grid due to factors outside developers' control:

        - 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 2016 for delivery of the connection;

        - 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 2016 if the connection had been made on or before the estimated grid connection date;

        - 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.

Main messages from responses

Q7 Responses	
Agreed	40
Disagreed	17
Indeterminate	6
No comment	31

66. The majority of respondents, who agreed with the proposed forms of evidence, acknowledged that they were the same as for solar PV projects above 5MW and welcomed the consistency. One respondent described them as “clear and proportionate”. Four suggested that they should be interpreted with flexibility; believing Ofgem should have the discretion to accept other forms of evidence to satisfy that the criteria are met. However, no indication was given about how this could be achieved.

67. A theme among respondents who disagreed was that projects they considered to be valid and worthwhile would be unable to meet the evidence criteria. The criteria did not reflect timescales for projects between 2-5MW, were too onerous for small-scale projects which reached significant financial commitment before grid acceptance and planning submission was achieved and municipal projects which were constrained by public sector procurement rules. A number of respondents suggested that the definition of financial commitment should be widened, to allow them to demonstrate eligibility for their own projects (including commercial, community and civic projects). Suggestions ranged from written proof of £20,000 of third party expenditure related to a specific project to £200,000; but no suggestions were made about how the definition should be determined or implemented in practice.

68. One respondent also stated that it did not reflect the process for development in Scotland, especially with their grid connection issues but they did not suggest what the evidence should be.

69. No substantive points were raised through consultation in relation to the evidence required for the grid delay grace period. There was a suggestion that Ofgem feedback on eligibility to a grace period should be given in advance of the application for accreditation.

70. Indeterminate responses focussed on the planning evidence and in particular clarity on when a planning application is received after local planning authorities experienced a number of invalid/incomplete applications being submitted on 22 July following the publication of the consultation document. Clarity was also sought on what constituted the date of receipt of a planning application which is subsequently modified following discussion with the local planning authority.

Post-consultation decision

71. Having considered all of the consultation responses to this question carefully, **the Government has decided to retain the forms of evidence required to demonstrate eligibility for the grace periods** to retain consistency with the provisions for large-scale solar closure as set out in paragraph 65 above.

72. The evidence requirements drawn up for the closure to solar PV above 5MW ensure that Ofgem are able to assess evidence quickly and objectively and with confidence that their decisions are unlikely to be subject to subsequent legal challenge; and that they minimise the risk of gaming.

73. From our experience last year with the closure to solar PV above 5MW we recognise the difficulty in setting a specific financial threshold given the wide variation in project costs and ways in which those costs are incurred. We believe it is more objective to rely solely on other evidence to demonstrate significant financial commitments. Pre-commissioning costs are site specific and will vary between developments making a meaningful hurdle based on total cost or cost per/MW impossible to achieve. We will therefore not be widening the criteria of financial commitment. While we recognise that there are differences in the development process between community, civic and commercial projects we do not believe that these require a change in the evidence to demonstrate a significant financial commitment.

74. Evidence from the consultation suggests that a number of invalid or incomplete planning applications were made on 22 July 2015 following publication of the consultation document. **The Government has therefore been decided to clarify that the requirement is for evidence of a valid planning application as set out in planning legislation across Great Britain.**[6] We expect developers would meet this requirement through a letter/email from their local planning authority.

75. It is our policy intent that a project which has made a valid planning application on or before 22 July 2015 but is subsequently resubmitted on the advice of the local planning authority rather than going to appeal would meet the planning criterion for the grace period where the final planning permission document that enabled the construction of the station relates to the same station.

76. The Government has decided to retain the requirement that evidence for the grace period should be provided to Ofgem with the application for full accreditation to avoid placing unnecessary administrative burdens and costs on Ofgem. The generating station must have commissioned and the application made to Ofgem on or before 31 March 2017.

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[6] Town and Country Planning (Development Management Procedure) (England) Order 2015
Town and Country Planning (Development Management Procedure) (Wales) Order 2012
Town and Country Planning (Development Management Procedure) (Scotland) Regulations 2013

Question 8 asked for views on the proposed forms of evidence to demonstrate eligibility for the exception to the removal of grandfathering.

77. The consultation proposed that the forms of evidence to demonstrate eligibility for the exception to the removal of grandfathering should be the same as those required for the significant financial commitment grace period.

Main messages from responses

Q8 Responses	
Agreed	29
Disagreed	22
Indeterminate	7
No comment	36

78. Half of the respondents who commented agreed with the evidence criteria but stressed that they did not agree with the withdrawal of grandfathering in principle.

79. Similarly, respondents who disagreed did so on the grounds that they disagreed with the removal of grandfathering. Again there was a theme among respondents that the stringency of the evidence required will prevent projects from qualifying that they consider to be worthwhile. It was also suggested that the criteria should be extended to include projects that meet the evidence requirements of the grid delay grace period.

80. Two respondents stated that the proposed forms of evidence were too strict but did not suggest how they should be relaxed; while another stated that evidence should be limited to a financial commitment per project but there was no consistency on what this level should be. A further alternative suggestion was that projects should be exempt where a planning application had been submitted and property secured but developers were holding back from accepting a grid offer pending the outcome of the planning process.

81. One consumer did not agree with the proposed forms of evidence because they did not agree that there should be an exception for the removal of grandfathering.

Post-consultation decision

82. Having considered all of the consultation responses to this question and question 7 carefully**, the Government has decided to implement the consultation proposals. The eligibility criteria for the grandfathering exception will be consistent with those for the significant financial commitment grace period.** To benefit from the grandfathering policy projects with an accreditation date from 23 July 2015 will need to provide the following pieces of evidence:

    - A grid connection offer and acceptance of that offer, both dated no later than 22 July 2015 or a declaration that no grid works are required;
    - A Director's Certificate confirming ownership of the land, lease of the land, an option to lease or purchase the land, an agreement to lease the land or that the

developer or a connected person is party to an exclusivity agreement in relation to the land as of and no later than 22 July 2015 by the developer or proposed operator of the station;

- Confirmation that a valid planning application had been received by the relevant planning authority in respect of the project no later than 22 July 2015 or a declaration that planning permission is not required.

83. The evidence requirements will ensure that Ofgem are able to assess evidence quickly and objectively and with confidence that their decisions are unlikely to be subject to subsequent legal challenge.

84. Once the proposed changes take effect in legislation, generating stations (both new and those with an accreditation date of 23 July 2015 onwards) would be required to provide evidence to Ofgem to show that they meet the exception criteria in order to retain their level of support.

ANNEX A: List of respondents to changes to financial support for solar PV consultation

Anglesey Against Solar Parks	E.ON
Argyll and Bute Councils	Federation of Small Businesses
Association for Public Service Excellence	Foresight Group
Axiom	FreeSona Solar
BANKS Group	Freetricity
Bath and West Community Energy	Friends of the Earth England, Wales and Northern Ireland
BE Renewables	Gaelectric
BNRG Renewables	Global Renewable Construction
British Solar Renewables	Gloucestershire County Council
Caplor Energy	Good Energy
Carbon Legacy	Granite Solar
Communities for Renewables CIC	Green Switch Solutions
Community Energy England	Haymaker Energy
Conergy	Inazin
Country Land and Business Association	Infinis
Ecotricity	iPower Solar
EDF Energy	Island Green Power
Electrical Contractors Association	Lark Energy
ENGIE	LDA Design
Energy UK	Lightsource Renewable Energy Holdings
Environmental Association for Universities & Colleges	Low Carbon

Mongoose	MORE Renewables
Narec Distributed Energy	Sefton Council
National Farmers Union	Severn Trent Water
New Forest Energy	SFW Communications
NextEnergy	Smartest Energy
North Ayrshire Council	SMA Solar UK
Octopus Investments	Solar Century
Ofgem	Solar Trade Association
Oldham Council	Solstice Renewables
Parabel UK	South Gloucestershire Council
Peel Energy	Suncredit
Pensions Infrastructure Platform	The Abbey Group Cambridgeshire
Project Genesis	Trina Solar
Rail Delivery Group	UK Sustainable Investment and Finance Association
Rochdale Borough Council	Vattenfall
Renewable Energy Association	Welsh Government
RWE npower	Wiltshire Council
SBC Renewables	Yingli
Scottish Power	Private individuals (14)
Scottish Renewables	

ANNEX B: Summary of proposed support for generating stations according to their date of accreditation and eligibility for the exceptions from grandfathering removal and the banding reduction

Stations that qualify for the grandfathering exception criteria/significant financial commitment grace period	
Station with an accreditation date between 23 July 2015 and 31 March 2016 (i.e. before the RO closure date for small-scale solar PV) and meets the grandfathering exception criteria	Receives current 2015/16 ROC bands for the lifetime of their 20 year support under the RO: • Building mounted: 1.5 • Ground mounted: 1.3
Station with an accreditation date between 1 April 2016 and 31 May 2016 by virtue of the significant financial commitment grace period and therefore meets the grandfathering exception criteria	Receives the current 2016/17 ROC bands for the lifetime of their 20 year support under the RO: • Building mounted: 1.4 • Ground mounted: 1.2
Station with an accreditation date between 1 June 2016 and 31 March 2017 by virtue of the significant financial commitment grace period and therefore meets the grandfathering exception criteria and the banding reduction exception criteria	Receives the current 2016/17 ROC bands for the lifetime of their 20 year support under the RO: • Building mounted: 1.4 • Ground mounted: 1.2

(Table continued over the page)

Stations that do NOT qualify for the grandfathering exception criteria	
Station with an accreditation date between 23 July 2015 and 31 March 2016 (i.e. before the RO closure date for small-scale solar PV) but does **not** meet the grandfathering exception criteria	Receives the current 2015/16 ROC bands until 31 May 2016: • Building mounted: 1.5 • Ground mounted: 1.3 From 1 June 2016, support reduces to the new band proposed in the banding review consultation document: • Building mounted: 0.8 • Ground mounted: 0.8 But this is **not** guaranteed for the lifetime of their 20 year support under the RO
Station with an accreditation date between 1 April 2016 and 31 May 2016 by virtue of the preliminary accreditation grace period or the grid delay grace period criteria but does **not** meet the grandfathering exception criteria	Receives the current 2016/17 ROC bands until 31 May 2016: • Building mounted: 1.4 • Ground mounted: 1.2 From 1 June 2016, support reduces to the new band proposed in this consultation document: • Building mounted: 0.8 • Ground mounted: 0.8 But this is **not** guaranteed for the lifetime of their 20 year support under the RO
Station with an accreditation date between 1 June 2016 and 31 March 2017 by virtue of the preliminary accreditation grace period or the grid delay grace period criteria but does **not** meet the grandfathering exception.	Receives the new band proposed in this consultation document: • Building mounted: 0.8 • Ground mounted: 0.8 But this is **not** guaranteed for the lifetime of their 20 year support under the RO

Department of Energy & Climate Change
3 Whitehall Place
London SW1A 2HD
www.gov.uk/decc