Department of Energy & Climate Change

Government response to the consultation on the transferability of building-mounted solar PV installations

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Any enquiries regarding this publication should be sent to us at: solarpv.consultaion@decc.gsi.gov.uk

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1. Introduction

Background

1.1. Growth in the commercial and industrial scale building-mounted solar market has been below levels of performance in other European countries, and there is potential for significant growth in the UK. In order to stimulate this sector, the Solar PV Strategy, published in April 2014, set out a number of actions that are intended to remove barriers to solar PV deployment in this scale including considering 'whether businesses that relocate to a new site should be able to take their existing installations with them and retain eligibility for the Feed-in Tariff'.

1.2. The consultation on the transferability of building-mounted solar PV installations outlined our proposed approach to implementing this idea. We recognise that the uncertainty created by the current requirement to keep a Feed-in Tariff (FIT) accredited solar PV installation in the same place for the 20 year duration that it is entitled to payments can act as a deterrent to deployment.

1.3. Allowing installation owners to transfer the location of their installation provides greater certainty on the return on investment and consequently may decrease the cost, and increase the availability, of credit. It is intended that, as a result of this reduced risk, deployment of industrial and commercial building rooftop solar PV will increase.

Responses to the consultation

1.4. The consultation was opened on 25 November 2014 and closed on 5 January 2015. A total of 28 responses were received from a wide variety of sources within the industry including trade associations, solar PV installers and energy suppliers. The consultation also attracted responses from those outside the industry including local councils and private individuals. A full list of respondents can be found in Annex A.

Feedback and decisions

1.5. A large majority of respondents (86%) were in agreement that transferability would increase deployment in the industrial and commercial scale of building-mounted solar PV. As a result, **the Government has decided to introduce transferability for building-mounted solar PV installations.** This policy will apply to other-than-stand-alone solar PV installations greater than 50kW in size.

1.6. The responses to the questions regarding the impact assessment were varied and the most common choice was not to comment (43%). Due to a lack of consensus in the responses, **the Government has decided to make no changes to the analysis in the impact assessment.** Whilst we received many sensible contributions, the variation in responses meant that we were unable to gain definitive and consistent insights that we could include.

1.7. The conditions for transferability were the focus of most replies and 50% of respondents disagreed with one or more of the conditions expressed in the consultation document.

Some of the responses who agreed with the conditions also suggested that individual conditions could be changed. In light of this, we have decided to make a number of amendments and a full list of these can be found on page 11. These changes to the conditions will bring the deployment we expect to see from the policy change into line with those previously set out in the impact assessment. The most significant are listed below:

a) Installations will not be required to remain the same size. **If the installation increases in size then the additional capacity shall be treated as an extension under the FIT legislation and if it decreases in size then it must be eligible for either the same, or a lower, tariff.**

b) **No transfers will be allowed until four years after the legislation has come into force,** reduced from the five years proposed in the consultation. This will allow sufficient time to allow us to put in place the administrative framework. After this four year period has passed, installations that meet the eligibility date requirement will be entitled to move at any point during the twenty year period they are entitled to Feed-in Tariff payments.

c) **Planning permission and grid connection acceptance for the new location will not be required in advance of the move.** This is not a requirement for accreditation for the FIT so will not be included in this policy change.

1.8. A majority of respondents (75%) agreed with the administration process expressed in the consultation document but many were concerned about the level of the fee that would be charged to transfer their location. **The Government have decided to implement the proposed administration process with the view of introducing legislation to allow Ofgem to charge a fee on a cost-recovery basis.** We cannot set a cap on this fee as the administration costs are not yet fully known.

Implementation

1.9. We will introduce transferability through secondary legislation later this year but will need primary legislation to allow Ofgem to charge on a cost-recovery basis. We hope to complete this in the four year window between the secondary legislation coming into force and the policy taking effect.

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2. Consultation questions and responses

Question 1: Do you agree that the policy proposal will have the desired effect of increasing the deployment of building-mounted solar PV?

Main messages from respondents

Q1 Responses	
Agreed	24
Disagreed	4
Indeterminate	0
No comment	0

2.1. The vast majority of respondents (86%) agreed that the policy proposal will increase the deployment of building-mounted solar PV. Some responses noted that transferability is a policy that had been previously requested by the solar industry and several focused on how deployment would be stimulated by the increased bankability of the installation. Specifically, the change will provide increased certainty for installation owners and lenders of the rate of return the FIT provides. Under the new proposal if the system is moved both the system and FIT are able to retain their value, thus resulting in a reduced cost of finance.

2.2. The responses that disagreed that the proposal would increase deployment focused on the cost of moving the installation. One estimated that the cost of moving a 100kW installation would amount to around £20,000 and that this would eliminate a large portion of the return the FIT provides. Another response felt that transferability was a 'soft-tissue issue' and will not result in any significant uptake in deployment as it is not a major consideration for prospective installation owners.

Post-consultation decision

2.3. **The Government has decided to introduce transferability for building-mounted solar PV installations.** For the sake of clarity, where this document refers to 'building-mounted' solar PV installations we are referring to other-than-stand-alone installations as they are defined in the legislation. As stated in the consultation document, this policy will only apply to installations >50kW in size, that deploy after the appropriate secondary legislation comes into force.

Question 2: Do you agree with the estimated impacts of this proposal on deployment, as set out in the impact assessment?

Main messages from respondents

Q2 Responses	
Agreed	5
Disagreed	6
Indeterminate	5
No comment	12

2.4. No comment was the most common response to this question with many responses stating that they did not have access to sufficient data. Where respondents did comment there was substantial variation in their answers.

a) What percentage of installations and deployment do you think will move if we implement transferability? When do you think this is likely to take place in the 20 year FIT guarantee period?

2.5. Responses that commented on this question acknowledged that it was difficult to provide an exact response although many thought that the percentage of installations moving would be small.

2.6. There was some confusion among respondents as to whether the 5-10% assumption in the impact assessment (IA) referred to the percentage of installations that would move or the percentage increase in deployment. To be clear the IA assumed that the '*introduction of transferability [would] increase deployment of other-than-stand-alone solar PV installations with a capacity of greater than 50kW by between 5 and 10%, relative to [the] Do Nothing [scenario]*'.

2.7. A large proportion of the responses thought that less than 5% of installations would actually move but the majority were in agreement with the assumption that the introduction of transferability would increase deployment in this scale by 5-10%.

2.8. Responses did vary widely however: one respondent stated that there was no evidence that either transfers or an increase in deployment would occur whilst another felt that an assumption of deployment increasing by 5-10% undervalued the transferability opportunity.

b) What is your estimate of the removal and relocation costs businesses face?

2.9. Most respondents that responded to this question took one of two ways of estimating the cost of removal and relocation: either expressing it as a percentage of the original installation cost or providing a per kW value.

2.10. Most responses set the per kW cost of transferring an installation's location as somewhere between £100 and £300, this indicates a wide discrepancy in the estimate of what the total cost of installation would be. For instance, under these estimates a 50kW installation would cost between £5,000 and £15,000 to move. Some felt that the costs would be higher, suggesting they could amount to £500/kW, £700/kW or as much as £1,250/kW.

2.11. Estimates of cost also varied widely when expressed as a percentage of the original installation cost: estimates ranged from 20% to 60% of the original cost, to as much as 125%.

2.12. A couple of responses noted that the installation of larger arrays would be cheaper, due to economies of scale. One installer estimated that the per kW cost of moving a 50kW installation could be up to £700/kW but that moving a 1MW installation would reduce the cost to £200/kW.

c) What monetary value would you place on the benefits to the FIT recipient of a solar PV installation?

2.13. Very few people responded to this question and respondents answered with a mixture of their thoughts on both the monetary value of the installation after a transfer had taken place and its monetary value across the installation's whole lifetime. This question was left open on purpose and aimed to receive values, along with methodology suggestions that respondents thought were appropriate.

2.14. Two respondents provided estimates of the rate of return expected across a system's lifetime, which they stated was between 5 and 12%.

2.15. Where respondents thought they were being asked to provide the monetary value after a transfer, comments could not reach a consensus beyond saying that it was difficult to estimate. One respondent suggested that transferability would bring no change to the monetary value of the installation whilst others highlighted the number of variables involved such as location in the country, length of the FIT contract remaining and the export tariff it receives, to name just a few.

d) Do you agree with our assumptions made in the Impact Assessment?

2.16. This question was answered by a minority of respondents and acknowledged that the impact of transferability is difficult to assess. Two respondents highlighted that they felt that the levelised costs used in the report were out of date and another wanted to know how FIT licensee costs were to be included in the impact assessment. One also questioned the assumption that an installation would only move twice.

Post-consultation decision

2.17. Due to the considerable variation in the responses, **the Government have decided to make no changes to analysis in the impact assessment.**

2.18. We did not receive any information to suggest that the 5-10% increase in deployment assumption was unreasonable. We will not be revising this in the IA.

2.19. The small number of responses, combined with the differences in assessment, means that we are unable to include a credible estimate of removal and relocation costs in the IA. Furthermore it is likely that this will be a very small cost, in the context of the whole policy, from the large number of responses that suggested very few installations will use their ability to move.

2.20. We are unable to update the levelised costs of solar PV deployment used in the IA at this time. Although more recent assessments have been made by other organisations, we will continue to use the DECC costs[1] to ensure consistency across our analysis. The

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1 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/269888/131217_Electricity_Generation_costs_report_December_2013_Final.pdf

assumption that an installation would only move twice was based on the fact that we believe multiple transfers would prove financially unviable for the installation owner. However, it should be noted that this is not a condition of transferability so owners could, in practice, move their installation multiple times should they want to.

Question 3: Do you agree with the conditions for transferability?

2.21. The consultation document set out the following conditions for transferability:

a) The installation must remain the same size and be entitled to either the same or a lower tariff.

b) The installation must continue to be classed as other-than-stand-alone.

c) Transfers would only be allowed for installations whose eligibility date is on or after the date the legislation comes into force.

d) An installation would not be able to transfer location in the first 5 years that it is entitled to FIT payments.

e) Payments will not be made during the transfer and there will be no extension to the facility's entitled FIT payments period to compensate for this.

f) Any proposed transfer must secure planning permission and have grid connection acceptance in advance of the move.

g) Where the installation formed part of the building it was originally attached to's compliance with the building regulations' new build energy performance requirements then the transfer will not be allowed.

h) As a condition of approval for continuing to qualify for FITs, the owner of the transferring solar PV installation will be liable to pay for a new energy performance certificate for the building they are removing it from that shows the energy rating of the building without the PV installation.

i) The owner of the transferring solar PV installation must inform the local planning authority of their intention to transfer.

Main messages from respondents

Q3 Responses	
Agreed	11
Disagreed	14
Indeterminate	1
No comment	2

2.22. Of the respondents who disagreed with the conditions for transferability (50%), almost all took exception to one or two conditions but agreed with the rest. Responses to the individual conditions follow below.

a) The installation must remain the same size and be entitled to either the same or a lower tariff.

2.23. Several respondents disagreed that the installation should remain the same size, pointing out that if the owner is moving premises then the roof of their new building is unlikely to fit the specifications of their existing installation exactly. It was noted that if the installation were allowed to increase in size with the additional capacity receiving the tariff rate at the time of re-accreditation, then this could allow installation owners to recoup some of the costs of transferring.

c) Transfers would only be allowed for installations whose eligibility date is on or after the date the legislation comes into force.

2.24. A small number of responses expressed that they would like transferability to apply retrospectively to installations that are already in place. It was noted that if we allowed existing installations to move in the future they would continue to provide renewable electricity in their new location, leading to increased overall deployment, as installations do not drop out of the FIT, and contributing to the Government's decarbonisation targets. Other responses noted that they thought it was unfair to treat new and existing installations differently.

d) An installation will not be able to transfer location in the first 5 years that it is entitled to FIT payments.

2.25. This was the least favoured condition and 13 responses asked for it to be amended. Many responses pointed out that the need to make a transfer could often be triggered by circumstances unforeseen at the time of installation such as if the owner of the building becomes insolvent or because they need to expand their office for business reasons. On this basis, they argued, it does not make sense to impose a minimum length of time before an installation can move.

2.26. Other responses pointed out that the consultation stated that the typical rental period in business accommodation is less than 6 years so that a delay of 5 years would act as a disincentive to deployment for businesses that were already some time into their contract. Any business with a lease with less than 5 years remaining on it or who anticipate moving premises within 5 years of installing the equipment would be unable to install a system under this proposal.

f) Any proposed transfer must secure planning permission and have grid connection acceptance in advance of the move.

2.27. It was highlighted in the responses that this is a condition of pre-accreditation, not full accreditation, and that therefore it was unclear as to why an already accredited installation would need to obtain this when its eligibility is being reassessed.

g) Where the installation formed part of compliance with the building regulations' new build energy performance requirements of the building it was originally attached to, then the transfer will not be allowed.

2.28. A few responses objected to the inclusion of this condition but did not include a reason. It was suggested that in certain circumstances, e.g. serious building damage, installation owners should be allowed to transfer their panels, even if they were originally installed to comply with the new build energy performance requirements.

h) The owner of the transferring solar PV installation will be liable to pay for a new energy performance certificate for the building they are removing it from that shows the energy rating of the building without the PV installation.

2.29. Three responses objected to the inclusion of condition h). Of these, two did not provide their reasoning whilst the other wanted clarification as to whether a new EPC would be required if the solar installation had been installed after their existing EPC had been done.

i) The owner of the transferring solar PV installation must inform the local planning authority of their intention to transfer.

2.30. It was noted in some responses that where the installation did not require planning Permission from a local authority in the first place then it would be unreasonable to insist that it notify a local planning authority of its intention to move as part of the FIT regime.

Post-consultation decision

2.31. The Government agrees with the responses to condition a) and will amend the condition. **If the installation increases in size then the additional capacity shall be treated as an extension under the FIT legislation and if it decreases in size then it must be eligible for either the same, or a lower, tariff.** If it does remain the same size then it will be eligible to the same tariff that it received before.

2.32. The Government disagrees that transferability should apply retrospectively and **will make no changes to condition c).** As stated in the consultation, installations that have already been constructed were built with the risk that they might not be eligible to receive FIT payments for the full 20 years. This measure intends to increase deployment of new installations, an objective that would not be met by extending the option to existing installations.

2.33. We recognise that disallowing transfers within the first 5 years that an installation is eligible for FIT payments may not achieve the desired policy intention. We do, however, need time to put new processes in place through legislation, and so propose that instead **no transfers will be allowed until 4 years after the legislation has come into force.** After these four years have passed, however, installations that meet the eligibility date condition will be able to transfer at any point in the FIT payment period.

2.34. We also agree with the consultation responses that suggested it was unnecessary to include condition f) relating to planning permission and grid acceptance as it is not part of the FIT accreditation process. **We will remove condition f) from the conditions for transferability.** The planning permission does not, however, carry over to the new site and may be needed for the building being transferred to. Installation owners will have to secure planning permission independently of the FIT reaccreditation process.

2.35. **We will remove condition g) relating to the new build energy performance requirements from the list of conditions for transferability.** This condition is being removed because of the logistical difficulties in its administration. We do not want the introduction of transferability to interfere with the mechanisms of other Government schemes however we still want to ensure that the new build energy performance requirements cannot be gamed through transferring a solar installation. Installation owners will still be required to comply with building regulations for both the buildings that they are transferring from and to. **The condition will be replaced with an advisory note for owners to warn them of the potential need to ensure that all the necessary building regulations, planning and other requirements have been**

satisfied, and the potential consequences in terms of enforcement action that could result from them failing to do this.

2.36. **We will not be making substantial changes to condition h) relating to EPC certificates.** However, we will allow an exception where the solar installation was installed after the existing EPC was issued, provided that the owner can prove that the original FIT accreditation date of their installation is dated after the EPC.

2.37. It is important that owners are made aware that agreement to transfer under the FIT does not absolve them of the need to secure other consents that might be needed, including planning. However, the Government agree that a condition requiring this to be done as part of FIT is unreasonable. **We will remove condition i) and replace it with an advisory note for owners to warn them of the potential need to ensure that all the necessary planning and other requirements have been satisfied**, and the potential consequences in terms of enforcement action that could result from them failing to do this.

Question 4: Do you agree with the administrative process for this proposal?

Main messages from respondents

Q4 Responses	
Agreed	21
Disagreed	0
Indeterminate	3
No comment	4

2.38. Although the majority of responses to this question agreed with the administration in principle, the most common concern was the level that the Ofgem fee would be set at. Respondents were concerned that the fee would be set at a level which would deter transfers taking place and thus reduce the deployment gains that this policy is expected to bring. Some suggested that a cap on the fee Ofgem could charge would mitigate this concern.

2.39. Energy suppliers were concerned as to the obligations the administration process would place on the FIT licensee and wanted further clarification as to what this would be.

Post-consultation decision

2.40. It is our intention that this change should be cost-neutral in relation to administration costs. If this principle were to be followed, this would mean that the beneficiaries of this policy would be required to pay for the full costs, including the development costs, of this administrative change.

2.41. We will use a future periodic review of the Feed-in Tariff as an opportunity to investigate the potential for administrative cost recovery across the FIT scheme as a whole and may implement charging for transferability. Based on responses, we have considered that, for the volume of transactions expected, the cost of implementing charging for transferability could be too high and might make transfers uneconomical. We will commission further

analysis on this and, if this proves to be the case, we will consider alternative financing methods.

Annex A: List of respondents to the consultation

BE Renewables
BPVA
British Gas
British Solar Renewables
Caplor Energy
Cool Sky
DJM Consulting
E.On
Ecotricity
EDF Energy
Eversheds
Gwent Energy CIC
Lightsource Renewable Energy
Lincolnshire County Council
North Somerset Council
Prescient Power
Private Respondent
REA
Reading University
RWE npower
Sainsbury's
Savills Energy
Smartest Energy
Solar BIPV
Solar Century
Solar Technology
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Symbio Energy

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