



## **URN 15D/363: Consultation on changes to financial support for solar PV**

### **Response by Community Energy England**

**Date: 1st September 2015**

#### **COMMUNITY ENERGY ENGLAND**

Community Energy England (CEE) was established in May 2014 to provide a voice for the community energy sector primarily in England. Membership already totals over 180 organisations. The majority of the member organisations are from the community energy sector but the membership extends across a wide range of organisations which works with and supports the community energy sector. Further details can be found on the CEE website at [www.communityenergyengland.org](http://www.communityenergyengland.org)

Before addressing the specific questions in your consultation we wish to raise a few specific high-level points for consideration.

#### **Important issues for sustainable community energy**

Community Energy England supports the Government's Community Energy Strategy and the aspiration that the community sector can play a bigger role in the U.K.'s overall energy system.

##### ***Regulatory stability***

Frequent and sudden changes to the regulatory system have a strong adverse impact on the community energy sector. Community energy enterprises are collaborative and democratic in the way that they operate. This means that projects typically take longer to deliver than those in the commercial sector; while the outcome is often better because of the involvement of local communities in the design, planning and implementation of the project.

Because of the longer project implementation times, regulatory changes have a greater probability of affecting the outcome while the project is in progress.

##### ***Regulatory complexity***

Because of the broader range of people involved in community projects, there will be a significant proportion who are not experts in the energy market. It is therefore preferable that support mechanisms avoid excessive complexity. The incentive mechanisms for sustainable energy in the UK have become ever more intricate in

recent years after successive amendments to the Renewables Obligation and the Feed-in Tariffs, and the introduction of Contracts for Difference. The changes currently proposed to the Renewables Obligation would add further complexity; in particular due to the uncertainty about which projects would benefit from grandfathering and which would not.

In general, the proposed changes to the Renewables Obligation would affect the community energy sector even more adversely than commercial developers.

## Answers to consultation questions

### 1. Do you agree with our projections for the amount of new solar PV capacity likely to deploy under the RO in 2015/16 and 2016/17?

**We agree** that the government has persistently underestimated the deployment of solar PV capacity. We believe that this is primarily because you have not taken due account of the rate of cost reduction nor of the speed with which this technology can be deployed. Both of these factors suggest that solar PV can play a very major part in meeting government targets for sustainable energy deployment. We therefore consider that government should be bringing forward measures to accelerate the implementation of this technology, rather than putting it at a competitive disadvantage compared to other renewable, and non-renewable, technologies.

The community energy sector accounts for a small proportion of solar generation currently being developed, and we therefore feel that others are better able to advise you on the likely overall figures.

### 2. Do you agree with the proposal to control the costs of the LCF by early closure of the RO to new solar PV projects of 5MW and below from 1 April 2016?

**We do not agree** that the present government proposals are a good way of controlling costs under the LCF. Taken in conjunction with other recent changes to eligibility under the Renewables Obligation, the government is progressively eliminating the most cost-effective technologies from this mechanism. Self-evidently, the result of this action would be that the expenditure under the Levy Control Framework will be devoted to more expensive alternatives; and as a result the limited expenditure will deliver less capacity and therefore a smaller contribution to our targets.

This approach undermines the entire premise under which the government originally introduced the Renewables Obligation; namely that it would incentivise the most cost-effective renewable technologies first.

We would propose two fundamental ways in which expenditure in the energy sector could better be prioritised.

- Firstly the government needs to take a more holistic approach to the entire Levy Control Framework. It needs to take a realistic view on the investment needed by the country and its consumers in updating our energy system to one which is secure and sustainable. The level of subsidy for unsustainable options such as fossil fuels should be reviewed with a view to its elimination. The costs associated with nuclear energy decommissioning and deployment should be absorbed within the nuclear energy sector and not borne by society at large. Once those inconsistencies have been eliminated, the available financial resources would increase to enable the Levy Control Framework to be updated to reflect changes to the energy production and transmission infrastructure needed to achieve a secure sustainable outcome.
- Secondly there needs to be a rebalancing of support for sustainable technologies in a way that accelerates the path to a subsidy-free future energy sector. This would include all those technologies which are most cost efficient today together with emerging technologies which have the potential for cost effectiveness in the future. It should be possible to achieve this with appropriate degression and re-banding within the existing Renewables Obligation and Feed-in Tariff mechanisms.

### 3. Do you agree that deployment costs for solar PV projects of 5MW and below have reduced significantly since the last banding review?

**We agree** that deployment costs of solar PV have declined substantially in recent years as global deployment has accelerated. The major reason is the increasing level of worldwide production and deployment of solar generating systems. In addition, there have been improvements to efficiency and technology, particularly in power conversion equipment; and experience has led to cost savings in design, installation, and operational approaches.

We believe that all of these changes will provide benefits to UK energy consumers and that the trends will continue to the point where solar power can be deployed without subsidy during the next decade<sup>1</sup>.

### 4. Do you agree with the proposal to control the costs of the LCF by the removal of grandfathering for solar PV projects of 5MW and below that are not accredited as of the date of this consultation?

**We do not agree** that the proposal to remove grandfathering is either fair or appropriate. Nor do we believe that it will make a significant contribution to controlling costs under the LCF and we note that you have provided neither an estimate of the savings nor any evidence showing that a benefit would be achieved.

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<sup>1</sup> See for example: [renewableenergyworld.com/articles/2015/06/is-utility-scale-solar-growth-economically-viable.html](http://renewableenergyworld.com/articles/2015/06/is-utility-scale-solar-growth-economically-viable.html)  
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Successive governments have accepted that grandfathering is an essential prerequisite for making infrastructure projects of this type bankable. Those developing and financing such projects need to be able to forecast the income that will be earned over the project's lifetime. If this forward visibility is eliminated, we anticipate that it will become impossible to finance renewable energy projects both in the commercial and the community sectors.

We also consider that this proposal is tantamount to retrospective legislation, as further discussed below.

### **5. Do you agree with the proposed grace periods for early closure, including the date from which eligibility would apply and their duration of one year?**

We believe that the lack of notice implicit in selecting your proposed date of 22 July is tantamount to retrospective legislation. Many communities and commercial developers have started work on projects where they may have made significant financial commitments but not have met your three primary criteria. They have made these commitments on the basis of the legislation as it stands – including the provision that the renewables obligation would run until 2017 – and on many successive ministerial statements that government would not change regulations without due notice. We do not see any way in which the few hours between the government's announcement and the close of business on 22nd July 2015 constitute adequate notice.

**We do not agree** that pre-accreditation should form part of the criteria at all. Many communities do not seek advance pre-accreditation, and the fact that they have not done so does not evidence a lack of commitment to their projects.

In other respects, we believe that the proposed grace periods are highly demanding on project developers.

For the reasons given in our introduction above, we would propose that the periods be extended for community energy enterprises. Many such enterprises have projects in various stages of development and would be unlikely to meet the present grace period proposals. We would suggest that for community energy enterprises the period be extended to 2 years and that the effective date be deferred to three months after the date at which the government publishes its response to this consultation. To simplify the administration of such a modification, we suggest that the definition of community energy contained within the current Feed-in Tariff legislation is used in this regard.

**6. Do you agree with the proposed exception from the removal of grandfathering, including the date from which eligibility would apply?**

**We do not agree** in principle with the removal of grandfathering, and therefore see no need for exceptional provisions.

As indicated above, we believe that if grandfathering were removed, this would bring new developments to a halt. If therefore the government is intent on this change; we would propose the longest possible grace periods, certainly no less than given in answer to question 5 above.

**7. Do you agree with the proposed forms of evidence to demonstrate eligibility for the grace periods?**

We understand that the forms of evidence you propose for the three ‘significant financial commitments’ aspects have been used for previous regulatory modifications.

We have no objections in principle, provided that the requirements are interpreted with an appropriate level of flexibility; none of these evidence media were originally designed to provide watertight evidence for the purposes, which you now intend.

**8. Do you agree with the proposed forms of evidence to demonstrate eligibility for the exception from the removal of grandfathering?**

We do not accept the principle of the removal of grandfathering and draw your attention to our answers to questions 4, 6 and 7 above.