December 2025

Community Energy England response to DESNZ FiTs Indexation Changes Consultation

1. Do you agree that CPI is a fairer and more accurate measure of inflation for adjusting the FiT tariffs than RPI? If not, why not?

We agree that CPI is a fairer and more accurate measure of inflation than RPI but we do not support its adoption for adjusting FiT tariffs. RPI has not been an official statistic for many years, and will effectively be replaced from 2030 onwards.

Changing from one inflation index to another in the middle of the investment term of a renewable energy support scheme is a bad idea and should be rejected for reasons which we outline in question 3.

We believe that adopting such a change for FiTs would be far more damaging to the community energy sector than doing the same for ROs. This should be a real consideration at a time when the government is aiming to oversee "the biggest expansion of community energy in British history" and lists its partnership with the sector as central to its approach to climate action (Carbon Budget and Growth Delivery Plan, 2025).

2. Of the two options, which do you think is the best alternative to the current methodology, and why?

We do not think either option is a good alternative to the current methodology. But if it has to happen the option to convert immediately to CPI indexation is the least worst. It will have a tapering effect rather than the option of a hard stop on increases for a number of years which could be catastrophic to quite a few businesses giving them no time to look for ways around. In no circumstances should that be pursued.

If the change to CPI is to go ahead we recommend that community-owned renewable projects be exempted. Clear legal community energy 'eligibility criteria' are in preparation with DESNZ to control eligibility to government support schemes and mechanisms.

3. Do you have any comments on the likely impacts of the proposed change for generators, consumers or investors?

Renewables UK argues that "retrospective changes are extremely atypical in the UK and would undermine our reputation as a stable investment environment. If this proposal were to be

implemented, it's likely that we would see investors pricing in the risk of changes like this every time they finance a project. As such, any savings from the changes to the RO scheme would be offset by increased costs to finance energy infrastructure, which would ultimately be passed on to consumer bills." This applies equally to the FiT scheme.

The impact of this change could increase the cost of transitioning to renewable energy - continuing longer than necessary electricity system dependency on gas which will keep energy bills higher than necessary.

More effort and thought needs to be put into rebalancing policy costs across electricity and gas, which may not of itself reduce overall bills but will encourage the electrification of heat. Meanwhile some policy costs need to be transferred to general taxation (as recommended by the Climate Change Committee and EnergyUK) which is more progressive. The government's measures in the budget to bear 75% of RO costs to suppliers until 2029 is a step in the right direction but this money must not be found at the expense of any Warm Homes Plan energy efficiency funding.

We note that RPI was deliberately chosen by the Government for FIT and ROCs (CPI and CPIH were options at that time) and investments were made on that basis, knowing that RPI tracked higher than the other options.

Reasons not to transfer from RPI to CPI include:

Impacts on government policy

1. The proposals to alter the terms of a long-term agreement part way through its term shows disrespect for contracts entered into in good faith in the early and uncertain stage of the development of the renewable energy sector.
2. Policy certainty and consistency is necessary for investor certainty which is vital to realising the urgent energy transformation. These retrospective changes will disrupt that certainty in a way that could be damaging for government plans for that energy transformation.
3. The changes will raise the risks of investing and therefore the cost of capital, making the transition more expensive and probably slower, risking missing important and legally binding targets. The costs of these delays will ultimately be borne by the consumer, but investors and generators may be negatively impacted too and so invest and develop less.
4. Damaging investor confidence in renewable and community energy will reduce citizen participation and ownership in the energy system, essential to getting consent for and participation in the societal changes that need to happen, both reducing and flexing demand and supporting renewable generation and grid reinforcement. Changing – reducing – the payments part way through the term is a breach of the basis of investment. It increases the regulatory risk so the return on capital required will be higher in the future - driving up costs of doing renewable energy in the long-term..

Impacts for generators

5. We saw the impact of regulatory risks on price of capital and willingness to invest when OFGEM threatened to bring in zonal charges on generators of an undefined amount at an undefined time – the Government then had to promise to compensate generators under the forthcoming CfD round for any changes that OFGEM might make, nullifying any "savings" and adding complexity. The Government understood the dangers and scrapped OFGEM's proposals.
6. So far the UK has managed to avoid a regulatory risk premium for retrospective changes. This will undermine that. The government has attracted – and needs to attract – significant private investment into infrastructure to meet world-leading renewable energy and legally binding carbon targets. Changes such as this will increase the cost of capital and hamper our ability to reach those targets. These changes would also be very damaging for community energy projects in receipt of FiTs.
7. Any change of this nature will particularly affect the accounts of those co-ops that revalue their assets, since future income forecasts will reduce and the discount rate is likely to increase to reflect the additional regulatory uncertainty. A large accounting loss could result. The reduced capital value of assets may result in a breach of banking covenants.
8. It would also reduce community benefit funds - a huge success story of the community energy sector and an important part of why the government aims to enable "the biggest increase in community energy in history". One of our members, Brighton Energy Cooperative[1] has " modelled the impact of the FIT changing from RPI to CPI across our portfolio of 5MW of rooftop solar PV. We assumed RPI at 3.5% and CPI at 2.5% and the difference would be £335,660 over the next 10 years. On average that would mean £33,566 less income per year, which effectively wipes out the budget (at 3% of turnover) we dedicate to our community fund. That would mean losing around 50 environmental education sessions in schools which reach around 1500 pupils per year, and 10 * £500 grants to schools for the Energy Sparks[2] platform per year."
9. They continue: "Equally we think a retrospective amendment to the contract signed for 20 year Feed in Tariffs would badly damage confidence in the UK Government honouring its commitments, decrease confidence in investing in UK renewables, thus increasing the costs of capital and reducing the likelihood of reaching our highly important Net Zero targets."
10. Another member, Communities for Renewables commented, "For the community energy projects we manage it will reduce a natural headroom in the business plans as we use the Bank of England CPI target rate of 2% in our long-term projections. It won't impact the projects' ability to cover operating and finance costs but it will reduce the asset locked surplus income to be re-invested in local community projects, fuel poverty and further community renewables. For instance, based on 1% point reduction between RPI and CPI the reduction in community benefits for a 5MW community solar farm built in 2016 is over £8,000 in 2026 and a compounded impact of over £650,000 over the remaining 10 years of FiT. The impact across the 50MW of FiT/RO supported community projects managed by CfR is therefore over £6.5million less going to local communities. Where this is spent on fuel poverty work it will generate social returns of at least £9 per £1 spent, which could multiplies the impact of these cuts to several 10s of millions.

[1] http://www.brightonenergy.org.uk/
[2] https://energysparks.uk/

11. Another member, South East London Community Energy, won the CEE Fuel Poverty award[3] this year. Its chief executive, Giovanna Speciale, won our Community Energy Champion award[4] for her extraordinary dedication to helping people through her organisation. South East London Community Energy has just published its impact report for 2024-25 of which show a snapshot below. These are some of the services that will be lost if income from SELCE's 12 solar arrays[5]. SELCE calculates that the carbon saved from the demand reduction work funded by the solar arrays exceeds that saved by the renewable energy itself.

[3] https://communityenergyengland.org/guidance/case-studies/2025-award-finalist-south-east-london-community-energy-2/

[4] https://communityenergyengland.org/guidance/case-studies/2025-award-winner-giovanna-speciale/

[5] https://selce.org.uk/community/solar-for-se-london/

12. SELCE is negotiating a 600kw solar array with a local university. At a CPI of 2.5% the community benefit fund is roughly £110,000. At an RPI of 3.5% the community benefit fund is almost £5 million. The uncertainty introduced by this consultation was the main point of uncertainty for the client that could have prevented the project going ahead. Consistency and certainty is key to renewable energy projects going ahead at scale.
13. SELCE models long term inflation at 2% across their projects so they would survive. They would just be prevented from delivering some of the compoundingly valuable work that they do.
14. For community energy enterprises who have assumed an inflation >2% in their share offer business plan it could have a significant impact on their viability.
15. Another member, SE24, has made the point that schools, their principal customers who are saving money on their bills through their community energy projects, would feel less able to participate in future projects because they would not trust that the terms of the contract would be honoured. The result would be fewer community energy projects and more expensive bills for schools.
16. Many community energy organisations have expenses linked to RPI – to match the indexed income. This is prudent management. Some have RPI linked interest payments to funders. Some expenses are indirectly linked to RPI such as business rates where the valuation was set at an amount which reflected FIT/ROC indexing. We do not know if there will be scope to reduce the business rates valuations but this is likely to be a long, expensive process adding uncertainty and work-load. Some co-ops set their Power Purchase Agreement prices on the expectation of an RPI increase, and on behind the meter projects PPA prices are often long term and unchangeable.
17. Many costs (as expected) run ahead of RPI, such as labour and insurance; they run even more ahead of CPI.
18. Projects watching income dwindling against continued rising costs with no control on revenues, in the absence of the ability to sell their generation to local consumers, may have to initially reduce the returns to investors (which by law are the minimum necessary to secure and keep the investment). There is a possibility beyond that of projects becoming insolvent.
19. Distressed projects would be bought out very cheaply and would probably continue generating but with zero returns to the community or the investors who had risked to set them up.

Impacts for consumers

20. Delaying the transition to renewable energy extends our dependency on gas which drives up bills.
21. Reduced community benefit from community energy organisations which often target those most in need. Energy efficiency/fuel poverty work funded though returns on renewable energy projects has been shown to deliver at least £9 of social benefit for every £1 spent[6], including significant bill saving - money in the pockets of poorer consumers which will be available to be spent on food and other necessaries.
22. These projects are all the more needed as a result of the government's scrapping of the ECO scheme.
23. The decision in the budget to fund 75% of the domestic share of the Renewables Obligation via the Exchequer over the Spending Review period reduces the impact for consumers of any savings.

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6 https://research-information.bris.ac.uk/ws/portalfiles/portal/273416408/2021_Nolden_Community_fuel_poverty_alleviation.pdf

The policy costings estimate that approximately 41 per cent of the Renewables Obligation cost is passed on to domestic customers. Before the budget announcement 41% of any savings on ROCs would have gone to domestic customers. Since the announcement 10.25% of savings will go to domestic customers, and 30.75% of savings will go back to the government.

Impacts for investors

24. Investors are less likely to reinvest in renewable energy if the returns are lower, the risk is higher or they have suffered the collapse of a scheme they had invested in which would have remained viable if the terms of the support agreement that it had entered into in the early, risky stages of the development of renewable energy had not been changed.
25. Investors could lose their money.
26. It is possible that moving from the existing methodology would increase the risk pricing. Risk pricing takes account of many variables, and it is arguable that investment decisions are more sensitive to political risk, including the attacks on the net-zero consensus from fossil fuel interests and right-wing political parties. If savings achieved are passed on to consumers this may reduce the pricing of political risk and mean that there is little negative impact on investment pricing of the change. However the change is likely to be noticed by investors whose behaviour will affect risk pricing.

4. Do you think there are alternative approaches that should be considered, and if so, what are these and why?

As we say earlier we support the endeavour to reduce energy bills including by reducing, rebalancing or transferring policy costs to general taxation.

There are fairer ways of raising money from the energy system which can be used in progressive ways to reduce energy bills for those that need it most that do not damage the investability of the renewable energy sector at a time when we need vast increases in capital investment.

It would be more progressive to increase taxes on excess profits by big energy companies. Energy companies have made c£483 billion in profit since the energy crisis[7], with c24% of the average energy bill going to the pre-tax profits[8] of the major electricity generators, networks and household suppliers in 2024. (See also Common Wealth's 'Dashboard'[9]). Looking at big generators accounts, RWE notes a £3.5bn increase in turnover in 2022, and subsequently paid £1.7bn in

[7] https://www.endfuelpoverty.org.uk/energy-firm-profits-top-483-billion-since-start-of-crisis/

[8] https://www.theguardian.com/politics/2025/sep/17/privatisation-premium-billions-from-uk-energy-bills-paid-to-

[9] https://www.common-wealth.org/interactive/who-owns-britain/data-dashboard/tabs/energy

dividends over the next two years. A Unite commissioned report[10] shows that all environmental levies amount to just ⅓ of the profits of the big energy companies. The Renewable Obligation Scheme contributes significantly to those profits but it is better to claw back the money than destabilise a scheme that supports genuine investment, including by community members, in community schemes.

The Feed in Tariff by contrast was targeted at individuals and organisations planning smaller scale local generation. In most cases the big energy companies will not be profiteering from this. The community energy model of doing generation projects to enable other energy work was to a large extent built on the RO in the very early days and then the FiT. Enabled by the FiT the sector doubled in size every year between 2014 and 2017 despite FiT rates being unceremoniously slashed during that period. Community energy organisations are still in many cases dependent for their existence and survival of a period of extreme government neglect until late 2023, on their FiT projects. They will likely be the secure foundation which allows the sector to return to exponential growth with the development support provided by GBE. In 2024 the sector provided £3.97million from more that 140 community benefit to enable communities to deliver important local services, restore community buildings, build new assets and provide training and employment opportunities. Their fuel poverty work supported by their renewable energy projects helped save £1.86m on energy bills. They boosted local economies by spending £20.5 million of organisational income locally.

10 https://www.unitetheunion.org/news-events/news/2025/october/unite-report-uk-energy-companies-making-30-billion-a-year-in-profits