

DOCUMENT TYPE: EXTERNAL

RESPONSE TO CONSULTATION ON THE FEED-IN TARIFFS SCHEME

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We have briefly responded to Q1-8, these are based on the following overall response:

The FiT scheme has been successful in a number of ways. In particular by creating a mature supply-chain, having a positive impact on Carbon Reduction Targets and raising awareness amongst many users of energy consumption/generation.

Where the FiT scheme, in our opinion, has not performed well is in its inappropriate monetary incentive mechanism and government's ever changing policy signals. If the scheme had been better setup, it could have avoided the impact on consumer bills, artificial inflation of equipment/installation prices and administrative costs to run the scheme.

Had the scheme set out to incentivise small-scale low-carbon generation with the purpose of achieving clean growth and lower prices, it should have targeted consumption rather than generation. Simply setting a progressive retail unit-price with appropriate thresholds, would have achieved the same outcome with a lot less and fairer cross-subsidy. It would also have been a much more sustainable scheme with very little government intervention.

Setting a low unit-price thresholds for residential and different commercial units would have encouraged many to reduce their grid consumption through energy saving and small-scale low-carbon generation. Further unit-price thresholds could also have been set for very high consumers, some of this would have been used to cross-subsidise those within the lowest band and those with special needs or of national significance.

Such an approach would have avoided the significant challenge we now face of balancing the grid and the need for major reinforcement. It could also have encouraged local communities to invest/share in their own larger scale generation projects, if such schemes were supported through special licensing arrangements.

Based on this, we would fully support your proposal to close both the generation and associated deemed export schemes. However, we would expect to see it replaced with a more viable and sustainable scheme for low-carbon generation along the lines we have proposed.

It is encouraging to see that the other consultations on Access & Charging and Small-Scale DG, which we have also responded to, appear to be heading in the right direction. Our only concern is that the ambition is too narrow and the timescales are too slow. This would cause a serious discontinuity which could lead to a collapse in the supply-chain and a slow-down in adopting Low Carbon Technologies in transport and heating. Just the psychological impact of uncertainty in government policy on Clean Growth, would be enough to trigger a significant roll-back in what has been achieved so far.

Q1. Do you agree or disagree with the proposal to end the export tariff alongside the generation tariff, which would close the scheme in full to new applications after 31 March 2019? Please provide evidence to support your reasoning; for example, around the impact on jobs, deployment, consumer bills and the supply chain.

A: Yes, we agree to close the scheme in full.

Q2. Do you agree or disagree with the administrative closure and exception arrangements? Please explain your reasoning.

A: Yes, we agree.

Q3. Do you agree or disagree with the proposal to levelise net metered export payments? Please explain your reasoning.

A: No, we do not agree that a levelised export rate should be set. Apart from being an unnecessary complication, it is yet another mechanism for politicians to influence the energy market at a crude monetary level.

Instead we believe that the export rates for small-scale low-carbon generation should be determined by the market, and regulated by Ofgem to reflect a fair price to these generators when compared to a negotiated wholesale export arrangement for large generators. This should be guided by simple transparent, but market driven, price levels. There is already some competition in the wholesale market for buying 'green' electricity. Ofgem's role should also include ensuring that small-scale low carbon DG is 'encouraged'.

Retrospectively extending this, when deemed generators move to smart metering, should also be considered. The deemed scheme can therefore eventually be completely replaced. Probably only a few generators in this category are exporting less than 50%, and so have an advantage. It may be possible to simply increase their FiT rate slightly to compensate this small number of generators.

Q4. Do you agree or disagree with the use of the average time-weighted System Sell Price to determine the value of metered export to FIT licensees? Please explain your reasoning.

A: See response to Q3.

Q5. Do you agree or disagree with the proposed calculation Ofgem would use to make the necessary adjustments to quarterly and annual levelisation payments? Please explain your reasoning.

A: N/A, see response to Q3.

Q6. What would you expect the likely replacement rate for generating plant to be, for each FIT supported technology, if the rules were changed to allow unlimited replacements? To what extent would load factors change? Please provide evidence.

A: Ofgem has statistics, by region/area and technology, which report quarterly on the Load Factor for these. Load Factors for weather dependent technologies (PV, wind, hydro) could be used to set a 'realistic' upper limit for energy generated for FIT payments. As payments occur 3 months after FIT meter reading submissions, it is not beyond Ofgem's ability to set a quarterly upper limit based on the original MCS certified TIC/DNC and the Load Factor from Met Office data for that period/region (these are published monthly). A/D and CHP would require setting an upper energy generation limit based on their highest historic Load Factor.

This would allow unlimited replacement/extension of existing installations, with generators deciding if there is a benefit and DNOs setting limits on export, as is currently the case. Provided our proposal on export rates are also followed, there would be no financial impact on the existing commitments under FIT.

Q7. What would the impact be of not allowing replacement of generating plant? Please provide evidence.

A: See response to Q6.

Q8. How can government ensure that any budgetary impact from allowing the unlimited replacement of generating plant can be controlled in an administratively practical manner?

A: See response to Q6.