

EXPLANATORY MEMORANDUM TO
THE FEED-IN TARIFFS (AMENDMENT) (NO.2) ORDER 2015

2015 No. 1659

1. This explanatory memorandum has been prepared by the Department of Energy and Climate Change (DECC) and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 The Feed-in Tariffs scheme (“FIT scheme”) is the Government’s main policy measure to encourage the deployment of small-scale low-carbon electricity generation in Great Britain, and is implemented by the Feed-in Tariffs Order 2012 (“the 2012 Order”) (as amended) and modifications to Conditions 33 and 34 of the standard conditions of electricity supply licences (“the Standard Licence Conditions”).

2.2 The Feed in Tariffs (Amendment)(No.2) Order 2015 (“the 2015 Order”) amends article 9 of the 2012 Order by inserting a cut-off date of 30th September after which Ofgem will no longer accept application for preliminary accreditation (‘pre-accreditation’). The 2015 Order also inserts the same cut-off date into article 11 so that the eligibility date and the tariff date become the same date for installations pre-registering after this cut-off date. The effect of these changes is that installations are no longer able to pre-accredit or pre-register onto a particular tariff before they are completed and ready to generate.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Legislative Context

4.1 The 2012 Order sets out the functions of the Gas and Electricity Markets Authority (“the Authority”) and the Secretary of State in connection with the administration of the FIT scheme.

4.2 It is intended to bring the 2015 Order into force on 30th September 2015.

5. Territorial Extent and Application

5.1 This instrument applies to Great Britain.

6. European Convention on Human Rights

6.1 As the 2015 Order is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- What is being done and why

7.1 The Government is removing pre-accreditation from the FIT scheme to control costs under the scheme and limit the impact on electricity bill payers of surges in applications for pre accreditation adding to deployment at current tariff rates under the scheme, in particular those applications made in response to the tariff changes set out in the full FIT review. The effect of this will be that new participants in the scheme will only receive the tariff rate as at the date they apply for full accreditation (i.e. after their installation is commissioned).

7.2 Pre-accreditation was introduced under the FIT scheme as part of the 2011-12 comprehensive review. Pre-accreditation gives generators a guaranteed tariff level in advance of commissioning their installation, provided a project is commissioned and full accreditation applied for within a specified window. To qualify for pre-accreditation, a project must have planning consent and a grid connection agreement (and, for hydro installations, environmental permits). It was intended to mitigate the risk involved in tariff depression (whereby tariffs under the scheme reduce at regular intervals) by offering greater certainty to industry. The duration of the pre-accreditation validity window for each technology reflects expected construction times: six months for solar PV, twelve months for wind and AD and two years for hydro.

7.3 Both deployment and spending under the FIT scheme have outstripped expectations, with over 700,000 installations having applied for accreditation as of June 2015 (against original projections of 750,000 installations by 2020). The FIT scheme has contributed to a projected overspend of around £1.5bn on the Levy Control Framework (LCF), which has a corresponding impact on electricity consumer bills. On 27th August the Government published a further consultation – the s full FIT Review 2015 which proposes more cost control measures- caps on entrants, reduced tariff levels and steeper depression of tariffs, to better control costs under the LCF and limit the resulting impact on consumer bills.

7.4 Given the LCF overspend, and the further risk to consumer bills if the proposed cost control measures are implemented, , Government considers that it is necessary at this point to remove pre-accreditation from the FIT scheme to prevent a surge in applications onto the current tariff before any cost control measures be implemented. Subject to the outcome of the full FIT Review, we will consider reintroducing pre-accreditation, whether for certain groups only or for all participants to enable participants to pre-accredit at the proposed lower tariff rates and subject to the cap in the number of new entrants to the scheme.

8. Consultation outcome

8.1 The consultation on removing pre-accreditation ran from 22 July to 19 August, and in total received 2370 responses, of which some 1987 were template letters organised by different campaigning groups and 383 were unique responses.

8.2 The majority of respondents were opposed to the proposed changes. The main theme of responses was that removing pre-accreditation would undermine confidence in renewable energy, leading to a significant number of projects not deploying in the short term as well as harming wider investor confidence in the long term.

8.3 The majority of respondents stated that the consultation had understated the impact of the proposed change, which they stated would severely curtail deployment. Respondents also argued that the consultation had failed to sufficiently reflect the impacts across different sectors and technologies, as well as on small and medium-sized businesses. The community energy sector was the most commonly cited area where the proposed change would have a disproportionate impact.

8.4 In response to a question asking whether there were groups for whom it would be appropriate to reintroduce pre-accreditation, the most frequent response was to highlight the particular impact of the proposed change on the community energy sector, where projects typically involve longer lead-in times and find it more difficult to raise finance. In addition, cases were made for reintroducing pre-accreditation for specific technologies, with the length and complexity of construction times the most frequently cited factors. As a result of this, DECC will consider reintroducing pre-accreditation subject to the outcome of the FIT Review.

9. Guidance

9.1 Ofgem already provides detailed guidance for electricity suppliers and potential and existing participants in the FIT scheme in a variety of forms. That guidance will be updated as appropriate to reflect the changes to the FIT scheme made by this 2015 Order.

10. Impact

10.1 DECC published a qualitative assessment of the impacts of the proposed change as part of its consultation document.

11. Regulating small business

11.1 The legislation applies to small business, including community organisations.

12. Monitoring & review

12.1 The overall policy on FITs is being reviewed in August 2015.

13. Contact

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