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**Funding for Onshore Wind**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 Onshore wind is widely deployed across Argyll and Bute with circa 250 megawatts (MW) of operational wind turbines including 12 commercial windfarms and wholly community owned turbines on the islands of Gigha, Tiree and Islay. On the 18th June 2015, the Secretary of State for Energy and Climate Change announced that the government would cease to operate the Renewable Obligation (RO) for onshore wind from 1st April 2016, a year earlier than originally planned. In making the statement to Parliament, the Secretary of State proposed a grace period for onshore wind which would continue to give access to support under the RO to those projects which, as of 18 June 2015, already had planning consent, a grid connection offer and acceptance, and evidence of land rights for the site on which their project will be built. Projects that qualify for the proposed early closure grace period will be able to accredit under the RO up to 31 March 2017.
- 1.2 The replacement for the RO is known as Contracts for Difference (CfD); CfD guarantees a fixed price for generators supplying energy. Where demand for Contracts exceeds available budget, competition will be used to select the best value projects. The Parliamentary statement does not confirm the details of any changes to the CfD mechanism for onshore wind.
- 1.3 Feed In Tariffs (FiT) provide support to micro (less than 50kW) and small (between 50kW-5MW) wind, solar photovoltaic, anaerobic digestion and hydro generating stations. From September 2015, pre-accreditation for FiT has been removed although it is likely to be reintroduced for some projects during 2016. DECC have also consulted on a review of FiTs. This consultation proposed changes to the generation tariffs, default reductions in the tariff levels on a quarterly basis (known as degression) in addition to a varying level of degression and a cap on new FiT expenditure. The consultation stated that if changes proposed were not able to control expenditure the FiT might be removed for new applicants however the DECC response to the consultation has now indicated that this will not be the case. It is expected that changes will be introduced in January 2016.
- 1.4 DECC estimate that around 7.1 GW of onshore wind capacity proposed across the UK will not be eligible for the RO grace period and may therefore be unlikely to go ahead as a result of the announcement of the 18 June 2015. That equates to around 250 projects totalling around 2500 turbines. 68% of the onshore wind

pipeline relate to projects are in Scotland. It is not yet known what the impacts of the proposals will be within Argyll however it is not expected that existing operational onshore windfarms or those under construction will be impacted. For those that had planning permission, they may be able to apply for RO if they comply with the grace period conditions.

- 1.5 The changes to FiT is expected to impact on the community and domestic scale installations through lower rates of return. Shared ownership investment by communities may be impacted as a result of less schemes coming forward and potentially lower levels of profits.
- 1.6 Time will be required to understand the full implications of the changes to policy.
- 1.7 The report also highlights possible future consultation on the Renewable Heat Incentive, a continued commitment to offshore wind support (although this is unlikely to result in sites within Argyll coming forward at this stage) and the delivery of community benefit associated with existing windfarms within Argyll.
- 1.8 It is recommended that committee:
  - Notes the content of this report;
  - Notes the consultation responses attached as Appendix 3-5 to this report.

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**Funding for Onshore Wind**

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**2.0 INTRODUCTION**

- 2.1 The energy industry in Argyll is based on the use of renewable sources of power with hydro and onshore wind particularly widely deployed at scales ranging from small scale to commercial developments. We have circa 250 megawatts (MW) of operational wind turbines including 12 commercial windfarms and wholly community owned turbines on the islands of Gigha, Tiree and Islay. As well as the economic benefits derived from the construction and maintenance of these windfarms, community benefit and revenue in excess of £300,000 per annum is also generated.
- 2.2 Both the Single Outcome Agreement and the Economic Development Action Plan identify the positive contribution that renewables can make to the Argyll economy and seek to support development of the sector. However development of the renewables sector in Argyll is also heavily affected by activities and policies created at a Scotland and UK level.
- 2.3 On the 18<sup>th</sup> June 2015, the Secretary of State for Energy and Climate Change announced that the government would cease to operate the Renewable Obligation for onshore wind from 1<sup>st</sup> April 2016, a year earlier than originally planned. This report provides an overview of the changes proposed for renewables (as at December 2015) as well as an indication of the potential impacts within Argyll.
- 2.4 It should be noted that full details of the proposals have not yet been revealed and that further statements on Contracts for Difference will also have an impact.

**3.0 RECOMMENDATIONS**

- 3.1 It is recommended that committee:
- Notes the content of this report;
  - Notes the consultation responses attached as Appendices 3-5 to this report.

## 4.0 DETAIL

- 4.1 In the Conservative Government's 2015 manifesto they indicated that they would end new public subsidy for onshore windfarms. The announcement made on 18<sup>th</sup> June 2015 by the Secretary of State was the start of the process which will bring this into effect. A copy of the written statement provided to Parliament is contained at Appendix 1.
- 4.2 The reasoning behind the decision relates to an estimated overspend of £1.5 billion under the Levy Control Framework (LCF) which the Government argue must be tackled to prevent increased costs to consumers. LCF is the means by which the budget for low carbon subsidies is set and controlled. The UK Government has set a limit of £7.6 bn in 2020-2021 (in 2011/12 prices) and the current forecast is £9.1 bn (in 2011/12 prices). The overspend has been attributed to accelerated developments in technological efficiency, higher than expected uptake of demand-led schemes and changes in wholesale prices.
- 4.3 DECC also highlight the progress made to date on the targets to deliver at least 30% of the UK's electricity demand from renewables by 2020. The Electricity Market Reform Delivery Plan estimates that the UK requires between 11-13 GW of electricity to be provided by onshore wind by 2020 and currently those projects in the system are expected to meet this target. It is stated that curtailing investment in onshore wind will ensure support is available for emerging technologies.
- 4.4 The Scottish Government's targets on renewables go much further than those adopted by the UK government in that they aim to generate the equivalent of 100% of Scotland's gross annual electricity consumption and the equivalent of 11% of Scotland's heat demand met from renewable sources as well as including a target of 500 MW of community and locally-owned renewable energy, all by 2020. However, energy is predominantly a reserved matter which is dealt with by the Department of Energy and Climate Change (DECC).

### The Renewables Obligation

- 4.5 The Renewables Obligation (RO) is currently the main support mechanism for renewable electricity projects in the UK. Smaller scale generation (under 5 megawatts) is mainly supported through the Feed-In Tariff (FiT) scheme. A brief explanation of the different tariffs is contained at Appendix 2.
- 4.6 The RO came into effect in 2002 in Scotland. It places an obligation on UK electricity suppliers to source an increasing proportion of the electricity they supply from renewable sources.
- 4.7 Renewables Obligation Certificates (ROCs) are certificates issued to operators of accredited renewable generating stations for the eligible renewable electricity they generate. Accredited generators are issued ROCs based on the net renewable electricity generated each month. ROCs can then be sold directly or indirectly to suppliers who will redeem them to demonstrate that they have met their obligation.

- 4.8 The number of ROCs issued per megawatt hour (MWh) is determined by the technology/fuel used by the generating station, its size, its location and how long it has been accredited under the RO. Those technologies which are less established, e.g. wave and tidal, receive more ROCs per MWh than the more established forms of generation e.g. onshore wind and hydro.
- 4.9 The RO is scheduled to close to all new capacity on 31 March 2017. Support for capacity accredited under the RO at that date will be maintained and it will receive its full lifetime of support (usually 20 years), with grace periods offered to those who miss the closure date in certain circumstances. The announcement to Parliament indicated that support through RO for onshore wind would cease as from 1 April 2016. The early closure to largescale solar photovoltaic (PV) has already taken place.
- 4.10 In making the statement to Parliament, the Secretary of State proposed a grace period for onshore wind which would continue to give access to support under the RO to those projects which, as of 18 June 2015, already had planning consent, a grid connection offer and acceptance, and evidence of land rights for the site on which their project will be built. In October 2015, DECC indicated that in order to take advantage of the grace period the following conditions should be met:
- Demonstrate that they have relevant planning consents dated no later than the date of the announcement (18 June 2015), that they have successfully appealed a planning refusal made on or before 18 June 2015; or that they have successfully appealed after not receiving a planning decision due by 18 June 2015;
  - Demonstrate that they have a grid connection offer and acceptance of that offer, both dated no later than the date of the announcement; or confirmation that no grid connection is required; and
  - Provide a Director's Certificate confirming that, as at the date of announcement, the developer or proposed operator of the station owns the land on which the station is to be situated or has an option or agreement to lease the land or is party to an exclusivity agreement in relation to the land.

Projects that qualify for the proposed early closure grace period will be able to accredit under the RO up to 31 March 2017, the original RO closure date. Such projects will be able to accredit by 31 March 2018 under one of the existing grace periods for projects affected by a grid or aviation delay provided they also satisfy the eligibility criteria for at least one of those grace periods. This should give some certainty for some developers which have the relevant consents in place.

#### Contracts for Difference

- 4.11 The replacement for the RO is known as Contracts for Difference. A Contract for Difference (CfD) is a private law contract between a low carbon electricity generator and the Low Carbon Contracts Company, a government-owned company. The CfD guarantees a fixed price for generators supplying energy.

- 4.12 Through the CfD allocation process a strike price is agreed for each MWh generated from a particular development. The generators will then sell energy to suppliers and the cost at which they sell it at may be the same as the strike price, below it or above it.
- If the sales of energy by the generators are the same as the strike price, then there is no further action.
  - If the price is below that price, it will trigger top up payments,
  - While if the sales by the generators are at a higher price, it will result in generators paying back the difference.
- 4.13 The CfD mechanism reduces the risks faced by low-carbon generators by paying a variable top-up between the market price and the strike price and guaranteeing the generators a stable price per MWh over a 15 – 20 year timeframe. The CfD seeks to protect consumers by ensuring that generators pay back when the price of electricity goes above the strike price.
- 4.14 Where demand for Contracts exceeds available budget, competition will be used to select the best value projects. If an auction is necessary, qualifying applicants must submit a sealed bid indicating the proposed strike price for each MWh of electricity it generates. The bid can be no higher than the administratively set strike price for the technology and those that submit the lowest bids will be awarded the Contract.
- 4.15 The CfD also sets out milestone obligations which must be met if payment is to be made.
- 4.16 Whilst the Parliamentary statement does not confirm the details of any changes to the CfD mechanism, the amount of onshore wind supported through this mechanism can be controlled by adjusting the budget allocation. DECC has announced that there will be a further CfD allocation round by end 2016. Further details are expected to be published in the Spring however onshore wind is expected to be excluded from these further rounds. While this will clearly have a major impact on the onshore wind sector, the current industry view appears to be that projects planned in the best resource areas will still be able to proceed.
- 4.17 It is also worth noting that onshore wind costs have been reducing as deployment has increased and that indications from the industry were that they were hoping to remove the need for subsidy early in the 2020s. It is not yet known what impact the early removal of subsidies at this time would have on this.
- 4.18 At the time of writing the United Nations climate change conference in Paris was ongoing and it has now been announced that a deal has been agreed which attempts to limit the rise in global temperatures to less than 2°C. There is no confirmation as to how the UK will meet the requirements of this agreement or the impact this might have on UK energy policy.

#### Feed In Tariffs

- 4.19 In April 2010 the Feed-in Tariffs (FiT) scheme was introduced as the main

means of providing support to micro (less than 50kW) and small (between 50kW-5MW) wind, solar photovoltaic, anaerobic digestion and hydro generating stations.

- 4.20 The Department for Energy and Climate Change (DECC) have been considering financial support through the FiT and how this can remain affordable over the coming years.
- 4.21 In July 2015, DECC launched consultation regarding the removal of pre-accreditation for FiT. The level of FiT varies depending on the technology and size of the renewables scheme. FiT is subject to degression whereby the pence per kilowatt payment is reduced as take up of the technology increases (and therefore hopefully the costs associated with the technology also decrease). Pre-accreditation allowed solar PV and wind projects above 50kW as well as all hydro and anaerobic digestion projects with planning and grid consent to fix the level of FiT they would receive before commencing development of the renewables. Pre-accreditation gave those developing renewables certainty about the level of subsidy they would receive once the development was completed. This certainty was particularly useful for community projects which can find it more difficult to obtain funding for the project.
- 4.22 We submitted comments in relation to this consultation a copy of which is contained at Appendix 5. Following the consultation, DECC announced that pre-accreditation would be removed and as of 30 September 2015 it has not been possible to pre-accredit for FiT.
- 4.23 During August 2015, DECC launched a separate Consultation on a review of the Feed-in Tariffs scheme. This consultation proposed changes to the generation tariffs based on fresh evidence about costs, technology characteristics and assumptions on the rates of return new FIT participants might expect to get. Default degression (the reduction in tariffs) was identified in addition to a varying level of degression which will depend on the deployment rate of any technology. It also proposed a cap on new FiT expenditure of between £75-100m by 2018/19. The consultation stated that if changes proposed were not able to control expenditure the FiT might be removed for new applicants.
- 4.24 Again we responded to the consultation and our comments can be found at Appendix 3. DECC have recently issued their response to the consultation feedback which confirms that:
- FiT will be retained but that some tariffs will drop considerably compared with 2015 rates.
  - Pre-accreditation will be re-introduced with an additional 6 months for implementation of community energy projects.
  - A quarterly deployment cap system will be introduced, with a queuing system for applicants who miss out.
  - A pause in new accreditations will apply between 15 January and 8 February 2016 following which the new tariff and deployment caps will come into effect. During this period only those projects with pre-accreditation granted before 1 October 2015 will be able to accredit.

### Energy Bill

- 4.25 The statement to Parliament about removal of the RO for onshore wind indicated that the changes will be formalised through an Energy Bill. The Energy Bill was introduced to parliament in July 2015 and has passed through the House of Lords. It had its first reading in the House of Commons on 5 November 2015.
- 4.26 During scrutiny in the House of Lords the clause relating to the closure of RO for onshore wind in March 2016 was removed from the draft Bill. It is understood that this will be debated within the House of Commons.

### Possible Impacts

- 4.27 DECC estimate that around 7.1 GW of onshore wind capacity proposed across the UK will not be eligible for the grace period and may therefore be unlikely to go ahead as a result of the announcement of the 18 June 2015. That equates to around 250 projects totalling around 2500 turbines.
- 4.28 It is reported that 68% of the onshore wind pipeline relate to projects are in Scotland whilst Scottish Renewables have announced that the proposals could put around two gigawatts of onshore wind projects in Scotland at risk.
- 4.29 It is not yet known what the impacts of the proposals will be within Argyll as these will depend upon future announcements regarding CfD however below is an indication of broad possible impacts.
- It is expected that existing operational onshore windfarms will continue to operate without any change to the ROCs arrangements that they have in place;
  - Commercial scale projects under construction – up to two projects with up to 68MW of capacity and 31 turbines – are not expected to be impacted by the decision as they should have planning, grid and land consents in place as work has already started onsite;
  - Commercial scale onshore windfarms which had received approval prior 18 June 2015 and meet the requirements specified by DECC regarding the grace period – up to two projects with a capacity of up to 29MW, 14 turbines – may be able to apply for ROCs through the grace period;
  - Commercial scale onshore windfarms which received approval after 18 June 2015 – two further schemes were consented after the 18 June but would not appear to be eligible to apply for RO through the grace period criteria, capacity up to 41 MW, 17 turbines;
  - Projects not benefiting from planning consent would not appear to meet the grace period requirements for ROCs, at the time of writing there are 10 such projects (circa 140MW, 128 turbines). It is however likely that these projects would have been looking to CfD as a funding mechanism due to the lead in time for construction of larger scale windfarms. As we have not had an announcement on CfD it is difficult to indicate the possible impacts on these projects however developer and site specifics including development costs and wind resource will also play a part in final investment decisions.



- 4.30 Discussions with our planning colleagues indicate that most developers are progressing planning applications which had already been submitted when the DECC statement was made however they are reporting a significant decrease in the number of early proposals coming forward for scoping. These discussions also highlighted other constraints to projects coming forward including the available wind resource at a site and landscape sensitivities in some parts of Argyll which restricts wind turbine development, regardless of subsidy these factors will affect the number of sites suitable for onshore wind development across Argyll.
- 4.31 Discussions with an industry representative confirmed that some sites may remain viable but that there may be more demand from windfarm developers for larger turbines and those turbines with larger rotor diameters so as to maximise the energy generated.
- 4.32 The proposed changes to FiT will impact on the community and domestic scale installations through lower rates of return and more uncertainty as a result of quarterly caps.
- 4.33 FiT currently supports onshore wind projects which are less than 5MW. The DECC announcement indicated that community projects of one or two turbines would be appropriate however there are community projects which have additional turbines or are over 5MW generating capacity and these may be adversely affected.
- 4.34 One of the current elements of renewables policy is the desire to enable shared ownership of commercial scale projects with communities. If the removal of subsidies results in less schemes coming forward then there is likely to be less opportunity for community buy-in and potentially the share of the profits from the projects will also be reduced, this will need to be carefully considered by communities who are contemplating investment. Time will be required to see how the changes affect both shared community ownership and community benefit.
- 4.35 There are a number of Argyll based companies which operate within the supply chain for renewables both within Argyll and outwith. Lower levels of onshore wind development in the UK may impact these organisations.

#### Local Decision Making

- 4.36 The statement to Parliament also references changes to planning legislation to allow decisions on onshore windfarm planning applications to be made at the local level. All indications to date are that this change will only apply to England and Wales.

## **5.0 OTHER RENEWABLES ACTIVITY**

### Renewable Heat Incentive

- 5.1 The Renewable Heat Incentive (RHI) is a UK Government scheme set up to encourage uptake of renewable heat technologies amongst householders, communities and businesses through financial incentives, similar to FiT. The

domestic RHI provides financial support to the owner of renewable heating systems, biomass (wood and pellet fuelled) boilers, ground to water heat pumps, air to water heat pumps and solar thermal panels, for seven years. The non-domestic scheme covers additional technologies and lasts for 20 years.

- 5.2 Consultation on possible changes to the RHI are anticipated. The DECC statement on the Comprehensive Spending Review states “The government will increase funding for the Renewable Heat Incentive to £1.15 billion in 2021 to ensure that the UK continues to make progress towards its climate goals while reforming the scheme to improve value for money, delivering savings of almost £700 million by 2020-21.” Whilst this appears to indicate that RHI will continue, we will await further information regarding the changes which may be proposed.

#### Offshore wind

- 5.3 Whilst the Government have indicated withdrawal of financial support for onshore wind they have indicated that they will continue to support offshore wind subject to cost reductions being made. DECC have stated that “if, and only if, the Government’s conditions on cost reduction are met – we will make funding available for three [CfD] auctions in this Parliament. We intend to hold the first of these auctions by the end of 2016.” It is expected that 10GW of offshore wind will be installed by 2020.

- 5.4 The DECC renewable energy planning database indicates approx. 5GW of offshore wind is operational, a further 15GW has planning consent granted and 1.8GW is currently under consideration. Given this level of deployment and consent, we would not expect to see the development of Argyll based offshore wind being progressed in the immediate future.

#### Community Benefit

- 5.5 For many years onshore wind development has been accompanied with voluntary community benefit payments. Argyll and Bute Council was an early adopter of this and has had guidance in place for the last decade to seek a contribution from developers.
- 5.6 The earliest community benefit dates back to 1999 with total payments now exceeding £300,000 per annum and additional community benefit funds expected to start operating in 2016. The existing funds are supporting local communities in Kintyre, Lorn, Cowal and around Loch Fyne as well as enabling ALI Energy to fund an Education Officer working with schools across Argyll.

## **6.0 CONCLUSION**

- 6.1 DECC have announced that they will be closing the RO a year earlier than planned for onshore wind however a grace period will exist for some projects which had consents in place on 18 June 2015. DECC are still to make announcements regarding the CfD funding mechanism however it is not expected that there will be an allocation for onshore wind. Proposals have also been set out which will see FiTs reduced across a number of technologies, which will further impact the rollout of micro and small scale renewables.

- 6.2 It is difficult to understand the full implications of the announcements at this stage however it is not expected that operating windfarms or those with consents in place when the announcement was made will be directly impacted. Over the longer term, Argyll may see a reduction in renewables applications coming forward as developers concentrate on those sites with the best wind resource.

## **7.0 IMPLICATIONS**

- |     |                  |  |
|-----|------------------|--|
| 7.1 | Policy           | The changes could affect the ability to achieve the objectives of the Single Outcome Agreement, Economic Development Action Plan and Renewable Energy Action Plan in relation to renewables. |
| 7.2 | Financial        | Ceasing to offer support for onshore wind could impact upon the number of new developments coming forward which could in turn impact business rates received, community benefit etc.         |
| 7.3 | Legal            | None   |
| 7.4 | HR               | None   |
| 7.5 | Equalities       | None   |
| 7.6 | Risk             | There is a risk that this could impact economic development, the renewables supply chain and job opportunities within Argyll.  |
| 7.7 | Customer Service | None   |

**Executive Director of Development and Infrastructure**

**Policy Lead – Councillor A Morton**

23 December 2015

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## **APPENDICES**

- Appendix 1 Statement to Parliament
- Appendix 2 Explanations of Tariffs
- Appendix 3 Response to Consultation on a Review of the Feed-In Tariffs Scheme
- Appendix 4 Controlling spending on solar PV projects of 5MW and below within the Renewables Obligation
- Appendix 5 Consultation on Changes to Feed-in Tariff Accreditation

## Appendix 1 – Statement to Parliament

Written statement to Parliament

# Ending new subsidies for onshore wind

From: [Department of Energy & Climate Change](#) and [The Rt Hon Amber Rudd MP](#)

Delivered on: 18 June 2015

First published: 18 June 2015

Part of: [Low carbon technologies](#)

### Statement by Secretary of State Amber Rudd on ending new subsidies for onshore wind.



The Government is committed to meeting objectives on cutting carbon emissions and the UK's 2020 renewable energy targets. Onshore wind has deployed successfully to-date and is an important part of our energy mix. We now have enough onshore wind in the pipeline, to be subsidised by bill payers through the Renewable Obligation or Contracts for Difference, for onshore wind to play a significant part in meeting our renewable energy

commitments.

The Government was elected with a commitment to end new subsidies for onshore wind and to change the law so that local people have the final say on onshore windfarm applications. We are now giving effect to these changes in full through the introduction of an Energy Bill this session. The Energy Bill will devolve powers out of Whitehall so that applications for onshore wind farms are considered by democratically elected councils.

My Rt Hon Friend the Secretary of State for Communities and Local Government is today making a statement on onshore wind development and local planning in England. This will set out new considerations to be applied to proposed wind energy development so that local people have the final say on wind farm applications.

I am now setting out proposals to end new subsidies for onshore wind, specifically in relation to the Renewables Obligation (RO). Onshore wind is currently subsidised through three schemes: Contracts for Difference (CfDs) introduced by the last Government, and the Renewables Obligation and Feed-in-Tariffs introduced previously.

With regard to CfDs, we have the tools available to implement our manifesto commitments on onshore wind and I will set out how I will do so when announcing plans in relation to further CfD allocations. I will also shortly be considering options for continued support for community onshore wind projects through the feed-in tariff (FiTs) as part of the review that my department is conducting this year.

The RO supports the overwhelming majority of current and future onshore wind capacity. Unlike CfDs, which introduce competition for subsidy and therefore drive costs down more

quickly, the RO is demand-led and so poses more risk of pressure on consumer bills from increased demand for the subsidy. I am therefore announcing today that we will be introducing primary legislation to close the RO to new onshore wind from 1st April 2016 – a year earlier than planned.

My department's analysis indicates that, after taking into account an early closure, onshore wind deployment under the RO will be in the region of 11.6GW. In addition to the 0.75GW of onshore wind that has secured a CfD, this puts us above the middle of the range set out in the EMR Delivery Plan, our best estimate of what we would need to meet our 2020 targets. It is therefore appropriate to curtail further deployment of onshore wind, balancing the interests of onshore wind developers with those of the wider public.

To protect investor confidence in the wider renewables sector, I am proposing a grace period which would continue to give access to support under the RO to those projects which, as of today, already have planning consent, a grid connection offer and acceptance, and evidence of land rights for the site on which their project will be built. I believe this draws the line in the right place but I want to hear views from the industry and other stakeholders before framing the terms of the legislation.

I intend that any final proposals are applied across Great Britain and I am in the process of consulting with Scottish and Welsh Ministers on this matter. Since energy policy is devolved in Northern Ireland, I am currently in discussions with Ministers there to agree how our commitments on onshore wind will be implemented in Northern Ireland.

## **Appendix 2 Explanations of Tariffs** (As at 10 December 2015)

### **Renewables Obligation** – information from

<https://www.gov.uk/government/publications/2010-to-2015-government-policy-low-carbon-technologies/2010-to-2015-government-policy-low-carbon-technologies#appendix-5-the-renewables-obligation-ro>

DECC introduced the Renewables Obligation (RO) in 2002 to provide incentives for the deployment of large-scale renewable electricity in the UK. The RO requires licensed UK electricity suppliers to source a specified proportion of the electricity they provide to customers from eligible renewable sources. This proportion (known as the 'obligation') is set each year and has increased annually. In the UK there are 3 obligations for England & Wales, Scotland (managed by the Scottish Government) and Northern Ireland.

This is how the RO works:

1. The level of the annual obligation on electricity suppliers is published by 1 October in the year before it comes into effect, e.g. the obligation for the financial year starting 1 April 2015 was published on 1 October 2014.
2. Eligible renewable electricity generators report the amount of renewable electricity they generate on a monthly basis to the Office of the Gas and Electricity Markets (Ofgem).
3. Ofgem issues Renewables Obligation Certificates (ROCs) to electricity generators relating to the amount of eligible renewable electricity they generate.
4. Generators sell their ROCs to suppliers (or traders), which allows them to receive a premium in addition to the wholesale electricity price.
5. Suppliers present their ROCs to Ofgem to demonstrate their compliance with the RO. Suppliers who do not present enough ROCs to meet their obligation must pay a penalty (known as the 'buy-out price').
6. The money Ofgem collects in the buy-out and late payment funds is re-distributed on a pro-rata basis to suppliers who presented ROCs.

The RO will close to new generators on 31 March 2017. Electricity generation that is accredited under the RO will continue to receive its full lifetime of support (20 years) until the scheme closes in 2037.

ROCs are tradeable commodities that have no fixed price. The amount an electricity supplier pays for a ROC is a matter for negotiation between the supplier and generator. Suppliers can meet their obligation by:

- presenting ROCs
- making a buy-out payment to Ofgem to cover any shortfall in the number of ROCs requirement (set at £43.30 per ROC for 2014/15)
- a combination of both

### **Contracts for Difference** – information from

<https://www.gov.uk/government/collections/electricity-market-reform-contracts-for-difference>

The Contract for Difference (CFD) for renewable energy is a key mechanism of Electricity Market Reform. A Contract for Difference (CFD) is a private law contract between a low carbon electricity generator and the Low Carbon Contracts Company (LCCC), a government-owned company. A generator party to a CFD is paid the difference between the 'strike price' – a price for electricity reflecting the cost of investing in a particular low carbon technology – and the 'reference price' – a measure of the average market price for electricity in the GB market. It gives greater certainty and stability of revenues to electricity generators

by reducing their exposure to volatile wholesale prices, whilst protecting consumers from paying for higher support costs when electricity prices are high.

At 7 am on the 26 February 2015, DECC published the first CFD auction results and statistics. This ensured that the results of the auction were fully transparent and allowed the market to act accordingly. Those who were successful in the auction had until 27 March to sign the CFD.

CFDs provide long-term price stabilisation to low carbon plant, allowing investment to come forward at a lower cost of capital and therefore at a lower cost to consumers. CFDs require generators to sell energy into the market as usual but, to reduce exposure to fluctuating electricity prices and provide a variable top-up from the market price to a pre-agreed 'strike price'. At times when the market price exceeds the strike price, the generator is required to pay back the difference, thus protecting consumers from over-payment.

**Feed-in Tariff Scheme Domestic** –information from  
<http://www.energysavingtrust.org.uk/domestic/feed-tariff-scheme>

If you install an electricity-generating technology from a renewable or low-carbon source, the UK Government's Feed-in Tariffs scheme (FITs) could mean that you get money from your energy supplier. You can be paid for the electricity you generate, even if you use it yourself, and for any surplus electricity you export to the grid.

Feed-in Tariffs were introduced on 1 April 2010 and replaced UK government grants as the main financial incentive to encourage uptake of renewable electricity-generating technologies. Most domestic technologies qualify for the scheme, including:

- solar electricity (PV) (roof mounted or stand alone)
- wind turbines (building mounted or free standing)
- hydroelectricity
- anaerobic digesters
- micro combined heat and power (CHP)

The UK Government's Department for Energy and Climate Change (DECC) makes the key decisions on FITs in terms of government policy. The energy regulator Ofgem administers the scheme.

For you to qualify for FITs, the installer and the products you use must both be certified under the Microgeneration Certification Scheme (MCS), except hydro and anaerobic digestion which have to go through the ROO-FIT process. The tariffs you receive depend on both the eligibility date and, for solar PV, your property's Energy Performance Certificate (EPC) rating. Once you are receiving FIT payments, the rate you get will increase in line with inflation in accordance with the Retail Price Index (RPI). The tables below summarise the latest tariffs available for each technology.

**Feed in Tariff Non-Domestic** –information from  
[https://www.ofgem.gov.uk/sites/default/files/docs/2015/01/fit\\_non\\_pv\\_tariff\\_table\\_for\\_1\\_april\\_2015\\_0.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2015/01/fit_non_pv_tariff_table_for_1_april_2015_0.pdf)

Tariffs are available for the same technologies as domestic but up to different installed capacities.

**Renewable Heat Incentive Domestic** – information from  
<http://www.energysavingtrust.org.uk/renewable-heat-incentive>

The Renewable Heat Incentive (RHI) is a UK Government scheme set up to encourage uptake of renewable heat technologies amongst householders, communities and businesses through financial incentives. It is the first of its kind in the world and the UK Government expects the RHI to contribute towards the 2020 ambition of 12% of heating coming from renewable sources.

The domestic RHI was launched on 9th April 2014 and provides financial support to the owner of the renewable heating system for seven years. The UK Government's Department of Energy and Climate Change (DECC) makes key policy decisions and energy regulator Ofgem E-Serve administers the scheme. The amount you receive will depend on a number of factors - including the technology you install, the latest tariffs available for each technology and - in some cases - metering. The following technologies are supported.

- Biomass (wood fuelled) boilers
- Biomass pellet stoves with integrated boilers providing space heating
- Ground to water heat pumps
- Air to water heat pumps
- Solar thermal panels (flat plate or evacuated tube only) providing hot water for your home

**Non-domestic Renewable Heat Incentive** – information from <https://www.gov.uk/non-domestic-renewable-heat-incentive>

The non-domestic Renewable Heat Incentive (RHI) helps businesses, public sector and non-profit organisations meet the cost of installing renewable heat technologies. You can claim for:

- biomass
- heat pumps (ground source, water source and air source)
- deep geothermal
- solar thermal collectors
- biomethane and biogas
- combined heat and power (CHP) systems

Payments are made over 20 years and are based on the heat output of your system.



# Response

**1. Do you agree or disagree with the proposed generation tariff rates set out above? Please provide reasons to support your answer.**

Disagree.

We have some serious concerns regarding the Feed In Tariff levels set out in Figure 2 of the consultation documents which appear insufficient to enable some renewable projects to proceed. The significantly low levels of FIT proposed, particularly when coupled with the removal of pre-accreditation, will not give sufficient returns for many potential renewable developers to take on the risk of progressing a renewables scheme.

As a Council we have been looking closely at both our carbon generation and the costs associated with running Council premises, which can be higher than average due to a reliance on oil and electric powered heating systems and very limited access to the gas network. We have been actively progressing opportunities for renewable developments. The majority of deployments to date have been in relation to solar PV panels.

We are committed to reducing our carbon footprint and costs but can only look to implement schemes where it represents an efficient and effective use of public money. Solar is one of the easier forms of renewables to implement with some of the most predictable returns and has been most widely installed to date. In order to make the investment worthwhile however we would be looking for a payback period of circa 12yrs (being the top end payback approved by Council to date). The significant reduction in FIT for solar projects is likely to impact some of the potential schemes and means that we will not be in a position to maximise carbon reductions.

As an area Argyll and Bute also has an excellent wind and hydro resource and the opportunity for small scale business or community based renewable developments is widespread. It is the case that we have a number of existing projects including The Dancing Ladies of Gigha (3 turbines with a capacity of 675 kW), Tilley (a 950 kw turbine on Tiree), Merk Hydro (a 1 MW run of river hydro scheme at Cairndow) and Garmony Hydro (a 400 kw hydroelectric scheme) on Mull. All of these projects, and a number of others across Argyll, have been developed by community groups to generate clean, local electricity and also provide a much needed long-term and sustainable income for these remote and fragile communities.

However despite being an area with a significant natural renewable resource our communities have often faced significant constraints in regard to developing renewable projects as a consequence of a lack of Grid capacity especially on our islands, of which we have 23 that are inhabited, and our more remote mainland locations. This has meant that our communities have not been allowed to benefit from the higher FIT's rate as much as some other areas and communities across the UK as a consequence of this constraint. This has also had an impact on the ability of the Council to take forward their own renewable projects. In light of the fact that there has not been fair access to the FIT allocation for our communities it is felt that this provides even more justification as to why any new FIT rates should allow this position to be addressed and priority should be given to both community and Council renewable projects.

We have concerns that at the rates set down in Figure 2, communities would be unable to proceed with renewables projects especially as these often have to be scaled back to take account of the Grid constraint making projects even more marginal in regard to their business case and payback. The level of risk associated with these high cost, high uncertainty projects would be just too much for a community organisation to take on. We would support a higher rate of feed in tariff for local community organisations as well as a reintroduction of pre-accreditation.

A number of local, rural businesses (such as farms) have also utilised renewables as a cost effective way to reduce overheads and small scale solar, wind and hydro exists across the area. The Council itself has also looked to develop renewables as a mechanism to reduce overheads and meet carbon targets. We have concerns that the proposed changes to the FIT would impact on the Council, communities and the number of business able to invest in this type of technology, which in turn could impact upon their viability in what is often already very challenging conditions. It is critical that there is long term with regard to the FIT rates to remove uncertainty enable planning and fundraising opportunity to be realized.

Community groups should be given better opportunity and this should include the public sector as we are a part of the community and work with the community; and the benefits effectively fall to the tax-payer.

- 2. Do you agree or disagree that the updated assumptions produced by [Parsons Brinckerhoff](#) are reflective of the current costs of deployment for UK projects in your sector? If you disagree, please set out how they differ and provide documented evidence, such as invoices and/or contractual agreements to support this evidence. Please also mark this evidence as commercially sensitive where appropriate.**

We disagree with the cost assumptions.

Using wind as an example

We are currently progressing a wind turbine proposal however the Capex bears no resemblance to the Parsons Brinckerhoff report which appear to be vastly underestimated. The turbine (rated at 60 kw and to be installed in a rural location) has Capex of £6,257/kw.

In addition the Opex figures also appear to be far too low; we are expecting Opex to be in the region of £129/kw/annum.

We note that 3.2.1.6 of the Parsons Brinckerhoff report states that “smaller projects (typically <50kW) can often be connected to localised distribution boards (such as in domestic/commercial properties) in place of being connected to a substation, which therefore incurs no grid connection cost”. However in the case of the wind turbine (which is to be limited to 50kw of embedded generation due to grid constraints) grid connections charges in the region of £11,000 have been applied and it is not therefore appropriate to assume that small projects will not have costs to bear in relation to grid.

For many communities in Argyll, the grid constraints are such that the grid connection costs are prohibitive or the time delays associated with grid improvements make a project unviable.

3. **Do you consider the proposed default degression pathways fairly reflect future cost and bill savings assumptions in your sector? Please provide your reasoning, supported by appropriate evidence where possible.**

-

4. **Do you consider it appropriate to harmonise the triggers for contingent degression across all technologies, and do you consider the proposed triggers will ensure tariffs reflect falling deployment costs? Please provide your reasoning, supported by appropriate evidence where possible.**

-

5. **Which of the options for changing the export tariff outlined above would best incentivise renewable electricity deployment while controlling costs and enabling the development of the PPA market? How should we account for the additional and avoided costs to suppliers associated with exports in setting the export tariff? Please provide reasons to support your answer.**

-

6. **Do you agree or disagree with the proposed changes to the indexation link under the FITs scheme? Please provide reasons to support your answer.**

-

7. **Do you agree or disagree with the proposal not to include any additional technologies in the FITs scheme? Please provide reasons for your response.**

At this stage, and given the existing pressure on the FIT budget we agree that it is appropriate to continue to concentrate resources on those technologies which already benefit from the FIT.

8. **Do you agree or disagree with the proposal to introduce deployment caps under the FITs scheme? Please provide your reasoning.**

Whilst we understand the need to control costs and the fact that caps will provide a mechanism to assist in doing this we have serious concerns about the uncertainty that this will introduce to projects, especially since the removal of the ability to pre-accredit generation. If quarterly caps are to be introduced, we would request that a form of pre-accreditation is offered again so that those starting a renewables project can seek some certainty that they will be able to obtain FIT once the scheme is up and running.

9. **Do you agree or disagree with the proposed design of the system of caps (i.e. quarterly deployment caps broken down by technology and degression band)? If you disagree, are there any alternative approaches? Please provide your reasoning, making clear if your answer is different for different technologies or sectors.**

If degression caps are to be deployed then they should be set in such a way as they enable the relevant industries to move to a position where the renewable technology can operate profitably for the generator without subsidy.

Separate deployment caps for the different technologies and bands would seem appropriate to ensure that all the technologies can be progressed however where there is less than the deployment cap in any quarter this surplus should be rolled forward to the next quarter to enable further deployment at the new FIT rate.

- 10. Do you agree or disagree with the proposed approach to implementing caps? If you disagree, are there any alternative approaches that you'd suggest? Please provide your reasoning, making clear if your answer is different for different technologies or sectors and provide any views on what should happen to applications for FITs for installations which miss out on a cap.**

Notwithstanding our concerns regarding the impacts of the caps, we would support a mechanism where at the point that the cap is reached all those who have applications in the system are rolled into the next quarter. Those schemes which do not make the current quarter will already be disadvantaged by the reduction in FIT rate (without benefiting from any reducing deployment costs) and should be guaranteed to get accreditation within the next period.

We would support the reintroduction of a form of pre-accreditation so that those developing renewables could fix their FIT rate based on an expected date for commencement of generation.

If caps are to be introduced a transparent monitoring system will be required so that potential renewable developers can understand how much of the cap remains in any quarter and historically how much of the cap has been used.

- 11. If it is not possible to sufficiently control costs of the scheme at a level that Government considers affordable and sustainable, what would be the impact of ending the provision of a generation tariff for new entrants to the scheme from January 2016, ahead of the 2018-19 timeframe or, alternatively, further reducing the size of the scheme's remaining budget available for the cap? Please consider the immediate and broader economic impacts and provide your reasoning.**

We would have serious concerns that early closure of the scheme would significantly impact on renewables deployment at a community and local level, this would appear contrary to the DECC Community Energy Strategy.

If our communities were unable to progress renewable energy schemes because of the removal of FIT, they would not benefit from the costs reductions and revenue generation associated with these which would have serious implications for moving towards more sustainable futures. In many locations across Argyll the communities are remote and in some cases very fragile. The electricity generated by some small-scale renewables helps to support facilities such as village halls whilst some of the larger community renewables provide valuable revenue which supports a range of community activities many of which would be unable to take place without such support.

There are many calls on local communities to deliver facilities and services but this can only be done if they are given the appropriate resources. Investing in renewables is a way in which communities can generate their own income and can secure a long-term revenue stream to support their ambitions and the Government should be doing all that they can to

support them in this.

In addition we would have concerns that there are viable projects which were not able to pre-accredit and perhaps will not be ready to get accreditation before any removal of FIT but which have already progressed significantly through the development process (especially likely for wind, hydro and AD projects). These projects have been progressed in good faith and should be able to benefit from the FIT.

We would not support the removal of FIT.

**12. What would be the impact of pausing applications to FITs for new generators for a short specified period to allow the full implementation of the cost control mechanisms? Please consider the immediate and broader economic impacts and provide your reasoning.**

Pausing applications for a short period of time would add to the uncertainty surrounding the FIT regime and would act as a break to renewable energy deployment. We would not support a pause in FIT applications.

**13. What would be the impact if FITs continued as an export-only tariff for new generators on reaching the cap of £75-100m additional expenditure? Please provide your reasoning.**

FIT should seek to get to a position where the renewable schemes can progress without the need for subsidy. Assuming this could be achieved then continuation as an export only tariff would be acceptable. If the need for subsidy has not been removed within the budget cap then deployment of renewables, which would continue to drive down costs, would be inhibited and we would not support this situation.

**14. Do you have any views on the use of competition to prioritise applications within a system of caps? What do you think are the advantages and disadvantages of this approach? What forms of competition may be appropriate and is this different for different sorts of installations? Please provide your reasoning.**

We would not support the use of competition to prioritise applications; those developing renewables should have as much certainty as possible regarding their ability to claim FIT.

**15. Should FITs be focussed on either particular technologies or particular groups (e.g. householders)? Please provide your reasoning.**

We would prefer a situation where FIT is available to all however should it be determined that availability should be restricted then we would support the focus being on communities, rural businesses and the public sector.

As we have stated elsewhere renewable development within communities can provide a valuable income and can help them to provide the services and facilities which they need.

Continued support for renewables within rural businesses can help to sustain businesses and to cover additional costs which might be associated with their location in rural locations e.g. a reliance on electric or oil heating systems.

Development of renewables by the public sector can also help to reduce running costs of premises which can be important for continued service provision especially given reducing budgets in many areas. Savings and revenue generated from a renewables scheme can help to support public services for the benefit of all, especially those most vulnerable in society.

- 16. Do you agree or disagree with the proposal to remove the ability of installations to extend their capacity under the FITs scheme? Please provide your reasoning**

-

- 17. Given our intention to move to fully metered exports for all generators, do you agree with the proposal that new and existing generators should be obliged to accept the offer of a smart meter (or advanced meter) when it is made by their supplier? Please provide reasoning for your response.**

We would have no objection to this proposal but would have concerns that the infrastructure may not currently be in place for large parts of Argyll to enable the installation of smart meters. The limitations of any infrastructure required for smart meters should not constrain the ability of those within Argyll applying to get the FIT.

- 18. Do you agree or disagree with the alternative proposal that new applicants must have a smart meter (or advanced meter) installed before applying to the FITs scheme, with existing generators being obliged to accept the offer of a smart meter (or advanced meter) when it is made by their supplier? Please provide reasoning for your response.**

Disagree. As stated above we have concerns that the infrastructure may not currently be in place for large parts of Argyll to enable the installation of smart meters. The limitations of current infrastructure should not constrain the ability of those within Argyll applying to get the FIT.

- 19. Do you have any views on possible approaches to introducing remote reading for generation meters? Please provide reasoning for your response.**

-

- 20. Do you agree or disagree that recipients of FITs should be required to notify the relevant DNO of new installations as a condition of the scheme?**

We would have no objection to a requirement to notify the relevant DNO however this requirement should not introduce additional costs or restrictions over and above those already in existence. In most parts of Argyll generation is constrained to 50kw and we would not support changes which constrained this further. Where DNO's are involved (grid connection applications, meter installations, witness testing etc) in the FIT process, it is important that they do not introduce bureaucracy and extend application etc timelines.

- 21. Do you agree or disagree the FITs scheme should be amended to include requirements that help mitigate and limit the impact on grids such as**

**requiring generation to be co-located with demand or storage?**

Disagree. There are already significant constraints associated with grid access in Argyll which limit the opportunity for installing renewable technology significantly adding to the costs and can causing considerable delays and uncertainty. We would not support any requirement which exacerbated this situation.

**22. Do you agree or disagree that the FITs scheme or wider networks regime should be amended to ensure generators pick-up the costs they impose on the network?**

Disagree. Generators are already required to pay significant costs associated with grid connections and we do not believe that these should be increased (especially given the additional uncertainties being introduced as a result of changes to the FIT regime). Small-scale generators should not be required to pay for existing issues associated with the wider grid system, there is a need for sufficient grid capacity to be provided and local distributed networks should be upgraded where there are capacity issues.

**23. Do you agree or disagree that payments to newly accredited AD installations, at all scales, are conditional on meeting the proposed sustainability criteria? Please provide your reasoning.**

-

**24. Do you agree or disagree that the proposed criteria and GHG trajectories set out above would set the necessary bar to meet our objective to incentivise the multiple benefits from waste-fed AD? Can you suggest alternative criteria which would help to achieve this goal? Please provide reasoning and evidence for your answer.**

-

**25. Do you agree or disagree with the proposed reporting system to underpin sustainability criteria? Please provide your reasoning.**

-

**26. Do you agree or disagree that only imported renewable electricity produced by generators in other EU Member States that are under 5MW and commission on or after 1 April 2010 should be used to offset levelisation costs? Please provide your reasoning.**

-

**27. Do you agree or disagree that we should introduce a cap on the amount of overseas generated renewable electricity that can be exempt from the costs of the scheme? Do you agree that the cap for 2016/17 should be calculated based on the number of GoOs recognised in 2013/14, increased by 10% twice to match the cap under the CFD Supplier Obligation?**

-

**28. Do you agree or disagree with the proposed change to the FITs legislation to refer to specific versions of relevant MCS standards? Please provide your reasoning?**

-

**29. Do you agree or disagree with the Government's proposal to use interest accrued on the FITs Levelisation Fund to part-fund administrative changes to the scheme which would otherwise be borne through public funding? Please provide your reasoning.**

-

**30. Do you agree or disagree with the revision being considered to increase the energy efficiency threshold to EPC band C for anyone with an installation to which the criteria apply? Please provide your reasoning.**

Disagree.

The Council is actively looking at the ways that it can minimise its energy use and make its buildings more efficient however it has a wide range of buildings some of which are less energy efficient due to their construction, age etc. The ability to install renewable technologies, in addition to any appropriate energy saving measures, is an important part of reducing our carbon footprint and lowering the running costs of these buildings. We would have serious concerns about the proposed change and the impact that this would have on the Council's rollout of renewable energy technology which would in effect be limited to only the most efficient buildings and schools.

We would also be concerned about impact that this would have on rural businesses, many of which look to install renewables to reduce running costs but which may also operate from premises which are less energy efficient.

The consultation document acknowledges that whilst 75% of homes fall within an EPC rating of A-D just 25-30% fall within A-C. To increase the EPC rating to band C would disadvantage those that currently have lower energy efficiency levels but are looking to reduce their carbon footprint. Furthermore, many homes across Argyll are reliant on electric and oil heating systems as gas networks are not widely available. The Energy Saving trust acknowledges that currently "mains gas is one of the cheapest forms of fuel" and therefore those using even highly efficient oil or electric heating systems will get a lower rating.

The 2014: Rural Scotland in Focus Report identifies that "Fuel poverty is in part a result of the higher prevalence of houses that are 'off-gas' and are therefore often heated via more expensive means such as fuel oil. Nationally, in 2012 approximately 10% of households are off-gas, with 54% of rural households being off-gas... Fuel poverty is also a function of older housing stock being less energy efficient ... This is also related to the difficulties in increasing the energy efficiency of rural homes, which are often older with solid walls, limiting uptake of insulation schemes."

Premises across Argyll should not be penalised because they are unable to access main gas or are of a construction where improving energy efficiency is difficult or costly to undertake, they should still be entitled to apply for FIT where installation of renewable



energy can play a part in making their premises more energy efficient and reducing their running costs.

**31. Do you agree or disagree with the revision being considered to remove FITs eligibility from anyone with an installation to which the criteria apply who does not have at least an EPC band C? Please provide your reasoning.**

Disagree. This would exclude premises across Argyll which are keen to utilise renewable energy as a way of reducing their carbon emissions, reducing their running costs and providing an income. Those premises which are already at a disadvantage because of higher heating costs associated with oil and electric heating would be further disadvantaged.

**32. Do you agree or disagree with the exceptions for community groups, schools and fuel poor households to the revision to the energy efficiency criteria being considered? Please provide your reasoning.**

We would prefer no changes were made to the EPC requirements however if these are made we would agree that exemptions should be put in place but consider that these exemptions should be extended to include all public sector buildings, rural businesses and those premises which are unable to access the mains gas network.

The 2014: Rural Scotland in Focus Report states that "Housing conditions in rural Scotland lead to a greater likelihood of experiencing fuel poverty and extreme fuel poverty compared with the rest of Scotland. Such poverty has been declining nationally, but less so in rural Scotland due to older housing stock and off-grid (54%) properties. Indeed, amongst those off-gas grid, fuel poverty has increased." We would support an exemption which covered those areas where access to the gas grid is not possible.

#### **Appendix 4      Controlling spending on solar PV projects of 5MW and below within the Renewables Obligation**

Consultation 28/08/2015 – Submission by (02/09/2015)

Q.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? Please give reasons and provide evidence to support your answer.

No specific comments

Q.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? Please give reasons and provide evidence to support your answer.

Argyll and Bute Council through its Renewable Energy Action Plan (REAP) seeks to place our communities at the heart of renewable energy development by taking full advantage of our unique and significant mix of indigenous renewable resources and to maximize local economic opportunities for the future. In addition the Council itself operates within the Argyll and Bute Renewable Sourcing Strategy Framework, the framework seeks to ensure that the Council is making best use of its assets and securing carbon reduction providing that the costs and revenue generation represents best value for the public investment being made. The sourcing strategy highlights scenarios where various renewable technologies would be appropriate, one of which is solar.

The removal of the RO contract would bring uncertainty into the process and to the development of projects themselves, as its withdrawal and the further review of the FIT legislation introduces greater economic uncertainty into developing and future renewable projects

Such Economic uncertainty has the potential to hinder if not withdraw solar uptake, with regards to not only Council but also community based projects where confidence can be particularly fragile .

Argyll and Bute Council voices concern over the proposed changes, as early closure of the RO would conflict with the projects being planned and for which costs may already have been incurred.

Q.3 - Do you agree that deployment costs for solar PV projects of 5MW and below have reduced significantly since the last banding review? Please give reasons and provide evidence to support your answer.

No evidence to provide at this point

Q.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? Please give reasons and provide evidence to support your answer.

Legislation applies to England and Wales

Q.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? Please give reasons and provide evidence to support your answer.

Due to the nature of the solar developments, they are predominantly quicker through the project development stages due to the specifics of the technology and the accompanying planning and legislative framework, thus making the proposed grace period of a year suitable for the smaller scale commercial installations (predominant project size within Argyll and Bute).

Q.6 - Do you agree with the proposed exception from the removal of grandfathering, including the date from which eligibility would apply? Please give reasons and provide evidence to support your answer.

Legislation applies to England and Wales

Q.7 - Do you agree with the proposed forms of evidence to demonstrate eligibility for the grace periods? Please give reasons and provide evidence to support your answer, specifying the form(s) of evidence to which each comment relates.

With regards to the forms of economic eligibility, the council stresses the need for a well-structured and detailed framework. As there is a wide variance with regards to project sizes and economics involved, highlighting the fact that every project has a different scenario and nature:

Economics:

With the introduction of simplistic eligibility systems communities projects could be categorised within inaccurate economic boundaries, the proposal does not take into account the fact that economic input will be different from one project to the next, with regards to independent characteristics. The introduction of a detailed system or accompanying legislation will allow for the correct categorisation with regards to the project nature thus dictating grace period eligibility.

Grid Connection:

Due to the geographic constraints of Argyll and Bute, grid connection is a primary concern. Due to the underlying constraints of the grid, it can be a difficult and timely process to obtain grid offer/acceptance due to the limited capacity and high demand for connection. This often means that projects face a difficult and prolonged process which potentially conflicts with the grace period eligibility due to time periods.

Q.8 - Do you agree with the proposed forms of evidence to demonstrate eligibility for the exception from the removal of grandfathering? Please give reasons and provide evidence to support your answer, specifying the form(s) of evidence to which each comment relates.

Legislation applies to England and Wales

## Appendix 5 Consultation on Changes to Feed-in Tariff Accreditation

In response to your consultation document we would like to make the following comments.

1. Do you agree that, in the context of deployment and spend under the FIT scheme significantly exceeding expectations, it is appropriate to remove the ability to pre-accredit from the FIT scheme?

We have significant concerns that the removal of the pre-accreditation process within the FIT scheme will have a significant detrimental impact on community renewable energy projects. These projects are often taken forward with a view of securing much needed revenue for often fragile or remote communities. The revenue generated from these projects can help to create a more sustainable community including supporting services and facilities which otherwise may not be available to residents and visitors despite being widely available elsewhere.

The proposals introduce uncertainty in the achievable FIT rate at the point where significant investment is required in a project for progressing development (e.g. ordering of equipment, securing grid capacity, etc.). In stark contrast to the assumption made in the consultation document this proposal has already led to those bodies that would be financing these projects (banks, third party investors and individuals) to re-consider their position, we have been made aware of a particular circumstance where one bank providing community groups with non-recourse finance will not lend to sites that are not able to pre-accredit. The proposed changes, if implemented, will therefore lead to projects which have made significant progress in development not being able to secure finance from third party lenders.

Development of community renewables projects is supported by the Community Energy Strategy which states that “Community-led action can often tackle challenges more effectively than government alone, developing solutions to meet local needs, and involving local people. Putting communities in control of the energy they use can help maintain energy security and tackle climate change; help people save money on their energy bills; and have wider social and economic benefits.”

Financing existing community projects is extremely challenging especially given that they often don't have the existing financial backing or assets which established developers may benefit from. The pre-accreditation process enables organisations to set out a clear business case based on the payment levels locked in through the pre-accreditation process. The removal of the level of certainty which the pre-accreditation process brings and the inability to prepare a robust business case is likely to further exacerbate the issue of accessing finance and would be contrary to the desire to encourage community energy.

We are also concerned that if any change in the ability to pre-accredit was brought forward quickly and without a grace period it could negatively impact projects which are already progressing (based on an assumption that they would be able to pre-accredit) and where significant amounts of funding have been spent undertaking the feasibility and preparatory works required before pre-accreditation is possible.

In addition to community projects we would also be concerned about the impact of removing the ability to pre-accredit on public sector projects. The Council is actively investigating opportunities for renewable energy projects as a way of reducing carbon generation and facility running costs (which is particularly important as many of our buildings are reliant on oil or electric heating systems). Development of projects can only be progressed where there is a

positive business case to do so, removal of the pre-accreditation process would increase the uncertainty associated with some of these projects and may impact our ability to deliver some projects.

We do not agree that it is appropriate to remove the pre-accreditation process from the FIT scheme, particularly in relation to the community energy sector.

2. [Are the assumptions made above on the impact of removing pre-accreditation reasonable? Please provide robust evidence to support your response.](#)

We consider it is reasonable to assume that the impact of removing pre-accreditation will be that some projects may not come forward however we note that there is no specific consideration as to how this is likely to affect community developers although the additional difficulties associated with community development are acknowledged through the additional time limits associated with community development under the current FIT pre-accreditation scheme. We would be keen to see further detail regarding how the proposals are likely to impact on community schemes and what could be done to mitigate these issues given the support provided by government to community energy.

Developers who have made significant financial commitments to be ready to pre-accredit in the current period should not be unfairly penalised by the consultation, which would not have been possible to plan for. We are of the view that there should not be a closure of the pre-accreditation process until the end of the year (31<sup>st</sup> of December 2015). This was the timeframe that most projects that are currently in planning, or in the final stage prior to submitting planning, have been working towards. These projects have committed significant development costs (for example on planning costs, securing grid and property agreements

3. [Are there additional measures which could achieve the objectives of encouraging deployment under the scheme while ensuring value for money under the LCF?](#)

No specific suggestions in regard to this.

4. [Are there groups or sectors where it may be appropriate to reintroduce pre-accreditation in the future?](#)

It would be appropriate for community or third sector groups developing their own renewable projects to be able to pre-accredit. The projects developed by these groups are often the ones which are viewed as the higher risk and which are the most difficult to secure funding against. Without pre-accreditation this position will be further exacerbated.

Please note that these views are an officer response and have not been ratified by Council or Council committee. We would be grateful if you could please acknowledge receipt of these comments in due course.