



#### **FITs Team**

Clean Electricity Directorate  
Department for Business, Energy & Industrial Strategy  
3rd Floor Spur  
1 Victoria Street  
London  
SW1H 0ET

07 September 2018

Dear FIT Team,

#### **Consultation on the Feed-in Tariffs Scheme**

Thank you for the invitation to respond to the above consultation. Bristol Energy is an independent supplier of electricity and gas with a business model that has a regional focus on the South West of England, although we supply customers across Great Britain. We have a commitment to support the UK's community of renewable generators, including by offering a range of Power Purchase Agreement products and associated services to generators across the country, as well as by being a voluntary FIT licensee, providing support to customers who are taking charge of their energy use and decarbonising the energy system.

This is a joint response between Bristol Energy and Bristol Energy Network (BEN), an independent umbrella organisation for individuals and community groups with an interest in energy in Bristol and the surrounding area. BEN has over twenty member groups working towards a fair, sustainable energy system. They are involved in many different energy projects, including assisting people struggling to pay their energy bills, advising people on how to reduce their energy use and raising money for and installing community-owned renewable energy projects.

#### **Executive Summary**

We believe that the government's proposals to close the export element of the FIT scheme to new generation after April 2019 is disappointing, particularly in the absence of clear plans as to how the government will continue to support small scale and community generators beyond this date. We urge the government to reconsider its position, particularly with regards to community energy, and to recognise the wider benefits that this sector can deliver.

We believe the government is taking an unfoundedly positive view of the environment in which these generators operate and the specific challenges they face. Small scale renewables play an important role in meeting the country's legally binding carbon reduction targets. Furthermore, community energy groups provide social benefits beyond those

outlined in the government's present assessments, which is particularly relevant at a time when austerity cuts have significantly limited local authorities' ability to invest in communities. As such, the government needs to ensure that investment in this form of generation continues and deployment does not stall completely.

We argue that a more appropriate solution would be to reconsider the design and detail of the scheme, rather than to propose its complete removal by scrapping the export rate altogether. This is an option that the government appears to dismiss, and we would to a minimum request a more transparent justification of its position.

**Question 1: 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.**

We disagree with BEIS's proposal to end the export tariff beyond 31 March 2019. We believe that ending all forms of support for small scale renewables is difficult to justify in an industry where all other forms of energy – including the more established, conventional technologies – continue to receive subsidies, either directly or indirectly (through tax exemptions). The current proposals also appear to contradict the National Infrastructure Commission's Assessment<sup>1</sup>, published last month, which makes a clear recommendation to prioritise energy efficiency and keep investing in renewable energy. The report states:

*"Reducing emissions has often appeared costly and difficult, but this is no longer the case. Today consumers pay an average of £1,850 per year for the energy they use...[and] the same services could be delivered at the same cost (in today's prices) in 2050 by a low carbon energy system. But this will only be possible if the right decisions are taken now."*

Despite these recommendations, the government is proposing to end the only incentive scheme available to small scale renewables, which undermines the positive impact that these generators can have in terms of supporting the transition to a cost effective low carbon economy. Ultimately, we believe that a lack of balance between the levels of support afforded to fossil fuel extraction on the one hand, and renewables on the other, will only serve to slow down progress towards meeting the country's legally binding carbon reduction targets.

Without doubt, the impact on deployment will be significant, particularly for community energy groups and smaller developers who require certain, long-term routes to market in order to hedge their risks and get projects off the ground. Data from Community Energy England has shown that the rate of new community energy groups being set up has fallen

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<sup>1</sup> [https://www.nic.org.uk/wp-content/uploads/CCS001\\_CCS0618917350-001\\_NIC-NIA\\_Accessible.pdf](https://www.nic.org.uk/wp-content/uploads/CCS001_CCS0618917350-001_NIC-NIA_Accessible.pdf)

from an average of 30 a year before 2015, to just one in 2017, following the government's cuts to green energy subsidies, including the Feed-in Tariff (FIT) scheme, in 2015<sup>2</sup>. It is reasonable to assume that scrapping the export element of the scheme – without any clear commitment and plans for further support from the government beyond 1 April 2019 – will serve to further and significantly affect the sector.

We believe the government should therefore go further in demonstrating its commitment to supporting the industry, and we would encourage it to consider community energy in particular. Beyond its role in meeting climate change targets, community energy can also fill gaps that exist due to government cuts by providing additional income streams and in some instances helping communities achieve energy independence in times of rising energy prices. It is true that during its initial stages the scheme delivered the most benefits largely to affluent households despite being levelised across the entire market, including energy bill payers on low incomes. However, it is equally important to recognise that the subsequent high levels of deployment since the launch of the scheme have helped to significantly bring the cost of technology down and today FIT-subsidised community energy delivers benefits beyond the most affluent communities<sup>3</sup>.

In Bristol we have seen this take place with deployment of renewable energy extending into poorer areas of the city, and local groups taking responsibility for the installation of solar panels on community buildings such as schools, children's centres and halls. At the same time, larger renewable projects such as Bristol Energy Cooperative's solar park in Lawrence Weston – the development of which relied on FIT support to secure investment – are delivering an income stream to the local community and funding the neighbourhood's regeneration plan, which includes plans for improving the energy efficiency of the house stock in the area<sup>4,5</sup>. However, the cuts to the FIT scheme which the government implemented in 2015 served to limit the city's energy cooperatives ability to deliver benefits other than being able to offer lower bills via "behind the meter offers"<sup>6</sup>. Further cuts are only likely to aggravate this, and as a result the sector's social contribution will be severely undermined.

It is crucial to recognise that this sector enjoys few of the benefits that larger developers do. The government's call for evidence regarding the future of small-scale renewable energy quotes the possibility of subsidy-free projects, referencing a solar park recently commissioned in Milton Keynes. This is a large scale project that has been accomplished due to the developer's "strong partnership with the supply chain" and dedicated resources to

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<sup>2</sup> [https://communityenergyengland.org/files/document/169/1530262460\\_CEE\\_StateoftheSectorReportv.1.51.pdf](https://communityenergyengland.org/files/document/169/1530262460_CEE_StateoftheSectorReportv.1.51.pdf)

<sup>3</sup> <https://www.cse.org.uk/downloads/file/bringing-local-energy-benefits-to-deprived-communities.pdf>

<sup>4</sup> <http://www.bristolenergy.coop/news--events/the-renewables-revolution-comes-to-lawrence-weston-with-our-solar-switch-on>

<sup>5</sup> <http://www.ambitionlw.org/ambitionlworg/link/main/one/wordpress/wp-content/uploads/2018/06/Amb-LW-community-plan-2018-2023.pdf>

<sup>6</sup> <http://www.bristolenergy.coop/solar2018.html>

navigate “a range of commercial and technical complexities”<sup>7</sup> – all of which are unlikely to be readily available to community groups. We therefore believe that community energy is still in a position where it requires support from the government, and cutting all forms of financial incentive risks compromising the sector entirely.

The lack of support for clean energy will also drive technological innovation and job creation to other countries. This was demonstrated clearly in 2015 when a third of the total jobs in the solar industry were lost as a result of the government’s significant cuts to the FIT scheme. The government’s Impact Assessment rightly recognises that this impact is difficult to quantify but it is only reasonable to assume significant consequences in terms of both R&D and employment. Moreover, focusing entirely on large technologies and corporate developers is likely to see procurement being moved outside of the UK, with negative impacts on local and national supply chains and workforce.

It is surprising to note the policy options which the government has considered in its Impact Assessment (IA). In particular, it seems counter-intuitive that the government has failed to assess the key scenario where it implements the 2015 decision to close the generation tariff but allows the export tariff to continue beyond this point; which means that a cost-benefit comparison of this scenario against the “no-support” options presented is not possible. Instead, the IA only provides a comparison between the “no-support” scenarios and a counterfactual option whereby both the generation and export tariffs would continue beyond April 2019. Yet there is no question here of a departure from the decision made in the government’s 2015 FIT reform with regards to the generation tariff, so why this constitutes the scenario against which current proposals are being assessed is unclear to us.

It is also disappointing to note, at paragraph 10 of the IA, that the government states it has considered extending the export tariff in a revised form but concluded the case for this has not yet been made. Surely, such evidence gathering should constitute part of this consultation and IA, and we would expect this consultation to specifically seek views and proposals regarding options for a new export tariff model that protects consumer bills whilst taking advantage of market developments.

**Question 2: Do you agree or disagree with the administrative closure and exception arrangements? Please explain your reasoning.**

We welcome BEIS’s proposals to allow time extensions where installations have MCS certificates issued, or apply for ROO-FIT accreditation, before the 31 March. We also particularly welcome the government’s proposal to allow community installations additional time to convert their pre-accreditation status to a full accreditation. However, as we explain above, we do not believe this is a sufficient level of support for this sector.

In addition, we suggest that the government should make special provisions for over-subscribed deployment caps which include community energy projects. In particular, we

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<sup>7</sup> <https://anESCO.co.uk/clayhill-uks-first-subsidy-free-solar-farm/>

believe that – to a minimum – the cross-allocation between deployment pots should be utilised to allow additional generation to come online when it is demonstrated that this can benefit local communities.

**Question 3: Do you agree with the proposal to levelise net metered export payments? Please explain your reasoning.**

We welcome these proposals, although we would seek further transparency with regards to the suggestion that this would take place where there are “significant net costs” to the suppliers. Specifically, how, when and by whom this will be determined are areas that need clarification.

The current arrangements mean that smaller scale generators receive deemed export payments from suppliers but the benefit of that export is not captured in the settlement process. Smart meters should allow export to be recorded and this is likely to become mandatory in due course, but there remain issues with the way the DCC works for export suppliers and requires Ofgem to act, which it has been reluctant to do. With regards to larger FIT generators, the historic issue has been the requirement for suppliers to pay for exported electricity at the guaranteed rate which is not adjusted in line with the wholesale market prices. This has subsequently had negative impacts on the PPA market, limiting suppliers’ ability to purchase green power at competitive rates.

**We have combined our responses to Q4 and Q5 below**

**Question 4: 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.**

**Question 5: 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.**

We agree with the proposal to use the average time-weighted SSP to determine the value of metered export. We also believe that levelising the absolute value of metered export, rather than mirroring the market share approach used for deemed export, is reasonable.

**We have combined our responses to Q6, Q7 and Q8 below**

**Question 6: 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.**

**Question 7: What would the impact be of not allowing replacement of generating plant? Please provide evidence?**



**Question 8: How can government ensure that any budgetary impact from allowing the unlimited replacement of generating plant can be controlled in an administratively practical manner?**

We of course support the use of more efficient technologies and would generally be supportive of the government's proposals to allow replacement of generating plant. However, there is a clear conflict and we take issue with the fact that this would be allowed at the detriment of new accreditations. To a minimum, we would expect a lower rate to apply for units where plant replacement would take the estimated annual generation significantly over that of the original installation. This would be particularly suitable where the "revamped" installation would inherit the most advantageous rates of the original plant, whilst similarly advanced generators installed at a later stage of the scheme benefit from significantly lower rates.

I hope you find this response useful. If you have any queries, please do not hesitate to contact me.

Kind Regards,

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