

FEED-IN TARIFFS – THE DEPARTMENT OF ENERGY AND CLIMATE CHANGE ANNOUNCEMENT OF 9 FEBRUARY AND IMPLICATIONS

In autumn 2011 the Department of Energy and Climate Change (DECC) issued a consultation on feed-in tariffs (FIT) relating to PV Solar asking questions in relation to both domestic and non-domestic buildings.

BACKGROUND - If you install PV Solar, the government's feed-in tariff scheme (also available for other renewable technologies) guarantees you a fixed income from your energy supplier over 25 years for electricity generated. The government recently announced a 50% reduction of the feed-in tariff and is consulting on this and other issues.

The Methodist Church, United Reformed Church, Baptist Union of Great Britain and Quakers submitted a response to this consultation (see www.jointpublicissues.org.uk).

On Thursday 9 February DECC released their response to this consultation which included the following announcements:-

- 1. THE REDUCED 21p TARIFF WILL REMAIN ON OFFER FOR SYSTEMS INSTALLED BEFORE 1 JULY –**
In Autumn 2010 the Government announced its intention to reduce the 43p/kWh generation tariff to 21p/kWh for domestic-sized installations up to 4kW. This will take effect from 1 April this year for systems installed on or after 3 March 2012. Other tariff reductions apply for larger installations (see <http://www.decc.gov.uk/assets/decc/Consultations/fits-review/4312-feed-in-tariff-review-phase-i-gov-response-.pdf> - Page 6). The government announcement on 9 February indicated that further reductions to the feed-in tariff will take place on a regular and predictable basis. DECC proposes to review tariffs every six months with the next review of tariffs to apply to installations after 1 July 2012. It appears therefore that the 21 pence tariff (installations up to 4kW) for systems installed after 3 March will be retained until 1 July 2012.
- 2. ... THEN DECREASES SUBSTANTIALLY** - It is proposed that the tariff rate for July onwards be set in the range 16.5p to 13.6 p/kW (dependant on the level of take-up of feed-in tariffs in March and April). We had asked for and welcome the greater predictability brought into the review of tariffs. But a 13.6p rate would be disappointing and threatens to halt in its tracks growth in this sector. We welcome the indication from DECC Minister Greg Barker of a significant increase in the feed-in tariff budget. This increase must be sufficient to enable DECC to meet its 2020 target for generation from Solar PV.
- 3. AN EPC RATING OF 'D' OR ABOVE IS REQUIRED** to obtain the 21p/kW rate otherwise the tariff will be 9p. - Properties installing solar panels on or after 1 April this year will be required to produce an Energy Performance Certificate rating of 'D' or above to qualify for a full feed-in tariff. The previous options under consideration in the original consultation were for a 'C' rating or a commitment for all Green Deal measures to be installed, but the government decided that this was impractical at this stage. The Green Deal for energy saving measures such as insulation

does not come into operation until later this year and so this requirement will no doubt be considered again at some later stage.

4. **EPCs REQUIRED FOR CHURCHES** - The requirement of an EPC rating of 'D' or above for eligibility for a feed-in tariff will apply to both domestic and non-domestic buildings. This decision is disappointing. We argued strongly for this requirement not to be imposed on non-domestic buildings as EPC ratings are not the best approach to accreditation of energy efficiency in churches. DECC have stated that they will exempt applicants who can show that they cannot acquire an EPC certificate for their building but that exemptions will be rare (and presumably will not apply in the case of most churches). It is unclear as yet how the exemption process will work. There are indications that systems could be fitted to one building but wired to another which could gain EPC rating 'D' or above such as a church hall which would be easier to upgrade.
5. **LOWER MULTI-INSTALLATION TARIFF WILL BE IMPLEMENTED FROM 1 APRIL 2012** - DECC will implement a "multi-site installation tariff" from 1 April 2012 which will provide a tariff at 80% of the standard tariff rate. The multi-site tariff will apply where a single organisation collects the tariff for more than 25 sites. This reflects the economies of scale to be gained by operators of so-called rent-a-roof schemes. However we are concerned about a blanket application of a multi-installation tariff. We argued that charities (and churches in particular) should be exempt as they are less likely to benefit from economies of scale (churches and other owners of historic buildings often have more costly and complex PV Solar projects). The government acknowledged this concern but unfortunately have made no exemption for charitable organisations.

The immediate implications for churches and manses are as follows:-

As the 21p tariff has been extended past 1 April there will not be a further rush to get installations into churches or manses in March. However new projects or those already underway should aim to complete before 1 July 2012 after which income from the generation tariff could be reduced by as much as 35%. 1 July could be a challenging deadline for some church projects.

Churches' planning projects must now get an EPC rating at an early stage of their planning to ensure that it is cost-effective to meet the minimum 'D' rating requirement.

It is possible that the lower level of tariffs from 1 July onwards combined with the multi-installation tariff could see the demise of the 'rent-a-roof' schemes and therefore churches considering this option might do well to implement before 1 July. We would have particular concerns about the negative consequences of the installation of solar power on social housing unless specific exemption were made here (see below).

Now that the threshold for multiple sites is 25 this is of less critical importance to the Methodist Church (and Baptist/URC partners). However, circuits or trustees investing in PV solar on more than 25 properties will receive a tariff of 80% of the normal for the 25th and subsequent sites.

A further consultation has been launched with a deadline of 26 April. This consultation examines possible exemptions from the lower multi-installation tariffs and consideration of other benefits for “community” schemes, social housing and specifically seeks advice on how to treat registered charities.

Meanwhile the installation costs of Solar PV have fallen to about £2-2.5 per kWp capacity (excl. VAT) and are predicted to fall further.

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