

# Comprehensive Review Phase 1: Consultation on Feed-in Tariffs for Solar PV

Please use the table below as a template to respond to the consultation. It will help us to record and take account of your views.

Also, please provide evidence for your answers and comments where possible.

## PERSONAL DETAILS

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Would you like this response to remain confidential? No

If yes, please state your reasons:

## CHAPTER 2: PROPOSED TARIFF CHANGES FOR SOLAR PHOTOVOLTAICS

**Q1: Do you agree or disagree with the proposed new tariffs for solar PV? Give reasons to support your answer.**

Agree/Disagree: **DISAGREE STRONGLY**

**Comments:** *Note that our comments on Q1 are grouped under subheadings.*

*Cost of PV systems:*

The proposed reductions in the tariffs are far greater than the reduction in actual PV installation costs in the UK. Based on figures for similar systems installed at various times in our village, we believe that the average *total installation cost* for domestic systems in the UK has only decreased by approximately 25% over the period the FiTs scheme has been in operation, while the proposed reduction in the tariffs is more than 50%.

We believe there is confusion between the cost of PV panels, which initially dominated the cost of small systems, and the total installation cost. Although prices for PV panels have come down considerably, this means that other items are now a larger fraction of the cost of a typical installation, especially for small domestic systems. The costs of the inverter, mounting and electrical hardware, scaffolding, and skilled mechanical and electrical labour have not come down significantly. In addition, the falling exchange rate of the pound has tended to counteract cost reductions of the panels and inverters since most of the panels

and virtually all of the inverters being installed in the UK are imported.

*The future cost of FiTs:*

We do not agree that the strict spending envelope proposed for FiTs should be the sole criterion for deciding on their level. We comment below on other costs that have not been taken into account if FiTs are reduced as proposed, e.g. due to the detrimental effects this would have on the solar energy industry.

However, even within the spending envelope shown in Table 2 we question the predictions of very high future costs that are claimed in the consultation and used to justify the proposed cuts in the tariffs.

FiTs payments have not yet exceeded the envelope shown in Table 2. The model used up to now to predict future FiT payments is based on Figure 1, which shows the number of *new* PV installations rising slowly year by year. DECC's sudden panic concerning the cost of the payments in the future is said to be due to assuming that the 'unexpected', much higher rate of installations in the latter part of 2011 will continue into the future. However, we believe that *this analysis is incorrect* because the sudden increase in the rate of installations was entirely predictable and is temporary.

We say that because everyone expected a substantial decrease in FiTs in April 2012. Consumers and community groups were repeatedly warned, by the media, by groups promoting renewable energy, and by the solar energy industry, that to benefit most from FiTs they should install PV before 1 April 2012. Coupled with the gradual reduction in the cost of PV systems, it looked like an optimal time to install PV, and this has led to the big rise in the number of new installations. We have spoken to many homeowners and community groups who have recently installed or planned to install PV, and without exception they were working to that deadline. In the consultation document's discussion of background to the proposals there is no mention at all of this effect, which has hugely skewed the number of new installations.

We therefore believe that the number of new installations would not have continued rising, but instead would have dropped substantially as April 2012 approached. This means that *DECC's predictions of future numbers of PV systems, and thus of FiTs payments exceeding the spending envelope, are not correct.*

*Effect on the solar energy industry: (This is also related closely to Qs 2 and 3)*

Another important consideration is the effect on the solar energy industry, now employing 25,000 people and thriving despite the overall economic situation. The drastic reduction in the tariffs, combined with the possible imposition of severe energy efficiency requirements (Qs 6–8) and a general loss of confidence in DECC due to abruptly changed deadlines (Qs 2 and 3) would do immense damage to the industry. The predicted loss of many thousands of jobs would cost the government money in terms of lost income and corporation taxes, national insurance revenue, and the need to pay out unemployment benefit.

We cannot understand why these proposals show no concern for encouraging employment

and business opportunities in the solar energy industry, especially as Point 58 mentions the Green Deal as a way to do this. Instead, we believe that these proposals will do immense damage to the solar energy industry, reducing employment and bankrupting many companies.

*Rate of return for small (<4kW) systems:*

No justification is given for the statement in point 41 of the proposals to further reduce the tariff for small systems in order to have a yield target of 4.5% rather than the general target of 5.0%. This seems to be making up the rules as you proceed.

*Conclusion for Q1:*

We do accept that the initial level of the tariffs was set more generously than expected. (Why were they raised as a result of the first FiT consultation?). We feel that a reduction of approximately 30% would be justified, while still keeping investment in PV attractive enough to continue the success of FiTs. The proposed reduction of more than 50% is unjustified, and based on a misunderstanding of why the number of new systems has recently increased. Combined with an excessively severe requirement to improve the energy efficiency of the property (see Qs 6–8 below), this will most likely make PV a very unattractive proposition.

It is necessary to ensure that FiTs encourage domestic and local community microgeneration wherever feasible to help meet renewable targets. If, as seems likely, interest rates go up the proposed tariffs would make little sense as an investment and the success of the scheme to date will be short-lived.

**Q2: Do you agree or disagree with the proposal of applying the new tariffs to all new solar PV installations with an eligibility date that is on or after a reference date that comes before the legal implementation of those tariffs? Give reasons to support your answer.**

Agree/Disagree: **DISAGREE VERY STRONGLY**

**Comments:** *Also see our reply to Q3, which is closely related.*

Holding a consultation that ends after the reference date is, due to its effects, a form of retrospective legislation and may be illegal. It is certainly unethical to do things in this manner. Planning for the future, by consumers and community groups, becomes impossible.

Instead of celebrating the better than predicted success of the first two years of the FiTs programme and adjusting the tariffs in a reasonable way – as originally promised – in April 2012, the situation has been treated as if it were a catastrophe.

Following on from the early review of tariffs for large systems (>50kW), there have now been two unexpected 'emergency' adjustments in well under a year. We believe that the combined effects of these two changes and how they have been handled will do immense damage to DECC's overall credibility with the solar energy industry, community groups and the public. This lurching, stop-go-stop way of doing things is highly disruptive and incompetent. It is in complete contrast to the FiTs situation in Germany, for example, which

is subject to review at known, regular intervals and only changes within pre-announced limits (maximum annual reduction of 24%). We comment under Q1 about the effect this will have on the solar energy industry.

**Q3: Do you agree or disagree with the proposed reference date of 12 December 2011? Give reasons to support your answer.**

Agree/Disagree: **DISAGREE VERY STRONGLY**

**Comments:** *Also see our reply to Q2, which is closely related.*

The proposed reference date makes a complete nonsense of this consultation ending after that date, on 23 December 2011. It gives a strong impression that the conclusions are already decided and that the consultation is just going through the motions without listening. We find the justifications for moving the reference date forward by just 15 weeks to be totally unconvincing (see our comments under Q1), and DECC's reputation for fairness has been shattered.

The ridiculously short timescale, giving only six weeks notice before the proposed reference date, is highly objectionable. It has led to a mad rush, with installation companies working flat out seven days per week (there are examples in our village), to be followed by no work at all. The cost of FiTs to the energy industry for what would have been installed and commissioned in the extra 15 weeks from 12 December 2011 to 1 April 2012 at the current FiT rates would be relatively very little over the next 25 years, especially as many of those systems would have been the same ones that are being installed in the mad rush before 12 December.

This has been completely unfair to those who have made commitments, and in many cases already spent money on preparations, for systems which cannot be fulfilled by 12 December 2011. Some people have not been able to complete the process due to planning permission being needed for unusual installations, listed buildings, or buildings in conservation areas. Others have found that their chosen installation company simply could not obtain the required hardware, or do all the work in time due to the mad rush of last-minute installations. Some people have been caught out while trying to arrange the finance.

Community projects have been affected for a number of reasons, for example not having sufficient time to complete fundraising, or because the project was too big to complete in time. For example, a PV system on our village school is in jeopardy because it could not be completed before 12 December 2011 and would not be financially viable at the lower FiT rate. This loses three benefits: (a) a source of income for village community projects, (b) an excellent educational opportunity for the children, and (c) a useful, renewable contribution to the electricity supply.

Proposing these changes without adequate consideration for the many community projects is a serious blow to the good faith of many people who have worked hard, usually without reward, to try to achieve these projects. It is not good enough to make a vague promise that community projects will be reconsidered in the part 2 FiTs consultation.

**Q4: Do you agree or disagree with the proposal to introduce new multi-installation tariff rates for all new solar PV installations that meet the definition set out above and have an eligibility date of on or after 1 April 2012? Give reasons to support your answer.**

Agree/Disagree: **PARTLY AGREE, PARTLY DISAGREE**

**Comments:**

We *agree* that the proposal does seem appropriate for ‘Rent-a-Roof’ schemes, where they are installed for commercial reasons.

We *disagree* with the proposal where multiple installations are being used for social reasons, for example on low-income housing or as part of other genuine community projects. We believe that community projects should receive the full tariff, and that adequate provision for community projects should have been spelled out in these proposals rather than as a vague promise for the part 2 FiTs consultation.

**Q5: Do you agree or disagree with the proposed multi-installation tariff rates? Give reasons to support your answer.**

Agree/Disagree: **DISAGREE**

**Comments:**

As stated in Q4, we agree that the tariffs for ‘Rent-a-Roof’ and other commercial multiple installations should be lower than the full tariff rates, and we agree that 80% of the full tariff rates seems reasonable. However, as explained in Q1 we *disagree* with the proposed full tariff rates on which they would be based.

We also *disagree* with a lower rate for community projects, as we have stated in Q4.

**CHAPTER 2: PROPOSAL TO STRENGTHEN THE LINK BETWEEN ENERGY EFFICIENCY AND FITS**

**Q6. Do you agree or disagree with the proposal that for solar PV attached to a building, eligibility for the standard tariffs proposed in chapter 2 should be contingent on a minimum energy efficiency requirement being met? Do you have views on whether such a requirement should apply in relation to all buildings or just to dwellings or non-domestic buildings? Give reasons to support your answer.**

Agree/Disagree: **PARTLY AGREE, PARTLY DISAGREE**

**Comments:** *Also see our related comments in Qs 7 and 8.*

We *agree* that it is desirable to require reasonable, affordable energy efficiency measures to be installed along with solar PV in *all* buildings. Indeed, that was the approach used for the domestic up-front grants that preceded FiTs, and we were surprised that the initial phase for FiTs did not impose similar requirements.

However, we believe that the proposals, especially the first option (energy rating 'C'), are far too rigid, and take insufficient account of the situations faced with old or problematic properties – particularly if their occupants have low incomes, are in fuel poverty, or the properties are located in conservation areas or are listed buildings.

The net effect of these proposals as stated (especially when considered together with the proposed huge reduction in the level of FiTs) would be to greatly reduce the number of buildings that could or would ever be considered for installing PV. From a renewable energy point of view this would be a very retrograde step.

A serious problem with both of the proposed main options (Q7) is the reliance on Energy Performance Certificates (EPCs). We have seen examples of EPCs that were inaccurate, contained errors, or which proposed improvements that were simply unrealistic. Nor do EPCs take full account of the energy efficiency of electrical appliances, which is particularly relevant for a PV installation.

We note that the proposals for the Green Deal include an energy assessment based on an improved EPC. We hope that these upgraded assessments do indeed make sensible, affordable, cost-effective suggestions for improving energy efficiency and do not demand very expensive or disruptive measures, as promised in the Green Deal consultation. If that turns out to be the case then we could support the option to require the installation of the measures identified under the Green Deal.

However, we do not understand how these new energy assessments can possibly be introduced in time for new PV systems being installed in the very near future, for example starting from 1 April 2012. The Green Deal is still out for consultation, and even when the arrangements are fixed there will be the need to redesign the new energy assessments and to train assessors. *It would seem better to put these requirements off until the next FiTs review, or at minimum until 1 April 2013.*

We recommend that DECC makes representation to the Government to have petty planning guideline restrictions modified so that local planning authorities can best judge what may be permitted. One important example is double glazing for buildings located in conservation areas, and for listed buildings.

We also hope that there is consistency and integration with any requirements introduced for the domestic side of the Renewable Heat Incentive, due to start in October 2012.

**Q7: Which of our two lead options for the energy efficiency requirement – requiring a building to achieve a specified EPC rating, or requiring the installation of all measures that are identified on an EPC as potentially financeable under the Green Deal – do you prefer for (1) dwellings, and (2) non-domestic buildings? Give reasons to support your answer.**

**DISAGREE VERY STRONGLY WITH SPECIFIED EPC RATING, PARTLY AGREE WITH IDENTIFIED MEASURES**

**Comments:** *Also see our related comments in Qs 6 and 8.*

It is important to ensure that all buildings are as energy efficient as can be achieved in a reasonable, affordable way. The 'one size fits all' imposition of a specific energy rating takes no account of the type of building and other circumstances, and is far too blunt an instrument to achieve that goal.

The required rating would have to be either lower ('D') than it should be for many modern buildings, or if set higher ('C') it would be difficult, unfeasibly expensive, or unachievable for many buildings, most notably older ones – see our comments on Q8. This is not the way to lower the carbon emissions of the UK in a rational and cost-effective way.

Therefore we cannot accept the option requiring a fixed EPC rating, which imposes a blanket requirement that takes no account of the nature of the building and other factors. We favour the use of identified measures based on the situation for each building.

As we stated in Q6, we have reservations about the use of EPCs as they currently exist for identifying the measures required. However, the Green Deal consultation currently in progress promises improved energy assessments. We hope these materialise as stated, and lead to fair assessments of affordable, cost-effective measures.

However, we must repeat our comment in Q6: We do not understand how these new energy assessments can possibly be introduced in time for new PV systems being installed, for example starting from 1 April 2012. The Green Deal is still out for consultation, and even when the arrangements are fixed there will be the need to redesign the new energy assessments and to train assessors. *It would seem better to put these requirements off until the next FITs review, or at minimum until 1 April 2013.*

**Q8: Under the first option for the energy efficiency requirement, do you agree or disagree with the proposal that the EPC rating required to be achieved should be level C or above? Give reasons to support your answer.**

Agree/Disagree: **DISAGREE VERY STRONGLY**

**Comments:** *Also see our related comments in Qs 6 and 7.*

We disagree very strongly with an inflexible, uniform criterion such as the proposed EPC level 'C'. If the goal is to reduce carbon emissions, surely it is far better, fairer and less arbitrary to tailor the requirements to the building.

Many modern buildings are already rated 'C' or could easily achieve it, and in many cases there are still cost-effective measures that can be installed to further improve the energy efficiency of the property.

On the other hand, there are many buildings – mainly but not always old – which would struggle to reach a rating of even 'D', and which could never achieve 'C' in a cost-effective way. There are examples in our own village. There is also a fairly modern, DIY-insulated house with solar PV and solar thermal panels which is almost carbon neutral – yet does not qualify for EPC 'C' rating.

For fairness the situation of the occupants should also be considered – they may be in fuel poverty, and/or on low incomes, and unable to afford some energy efficiency measures, even under the Green Deal. We have already seen analyses (e.g. from the Consumers' Association) that the Green Deal might not be as cost-effective for the public as claimed.

In addition, buildings in conservation areas or listed buildings are often severely restricted by planning conditions and cannot install even elementary measures such as double glazing. Even where measures could be installed, the requirements to preserve the features of the building often make the installation prohibitively expensive, far outweighing the benefit of FiTs.

Requiring measures potentially financeable under Green Deal might be acceptable, but the final details of the Green Deal and how the finance will work are not yet known.

As we have already said, the combination of a blanket energy efficiency requirement and the drastically lowered levels of FiTs would most likely reduce the number of new PV systems to a trickle. This will damage the solar energy industry and cost many jobs, as well as making targets for reducing carbon emissions impossible to achieve. The use of a bespoke list of measures tailored to the individual properties, as outlined in points 72–74, would be much more reasonable and fair.

We agree that if an energy efficiency criterion based on a bespoke list of requirements is demanded for solar PV, then it should certainly be demanded for other FIT technologies as well (point 80).

However, we must again repeat our comment in Q6: We do not understand how these new energy assessments can possibly be introduced in time for new PV systems being installed, for example starting from 1 April 2012. The Green Deal is still out for consultation, and even when the arrangements are fixed there will be the need to redesign the new energy assessments and to train assessors. *It would seem better to put these requirements off until the next FiTs review, or at minimum until 1 April 2013.*

**Q9. Do you agree or disagree with the proposal that, for a transitional period only, all solar PV installations attached to a building should initially qualify for the standard tariff, and their continued eligibility for that tariff should be conditional on the building to which the PV installation is attached achieving the energy efficiency requirement within a specified period? Give reasons to support your answer.**

Agree/Disagree: **AGREE**

**Comments:**

A transitional period seems very reasonable.

We do not see how the required new energy assessments, used to ascertain what is required to improve energy efficiency, can possibly be up and running in the very short term. The Green Deal is still out for consultation, and even when the arrangements are fixed there will be the need to redesign the new energy assessments and to train assessors. *It*

*would seem better to put these requirements off until the next FiTs review, or at minimum until 1 April 2013.*

**Q10. Do you agree or disagree that this transitional arrangement should apply to installations with an eligibility date on or before 31 March 2013, and that the specified period should be 12 months from the installation's eligibility date? Give reasons to support your answer.**

Agree/Disagree: **DISAGREE**

**Comments:**

We believe that people installing PV need to have some idea of the requirements that would be imposed in order to get the full FiT tariff rate. We do not see how that can happen until the new-style energy assessments for the Green Deal are running, and that seems unlikely during most if not all of the period up to 31 March 2013. It is not fair for people to install PV on the assumption that they would get the full rate and then discover later that they won't. Therefore, the transitional arrangement, and the requirement to install energy efficiency measures, should not begin until at least 1 April 2013.

**Q11. Can you identify any other issues, besides those discussed in this chapter, in relation to the implementation of an energy efficiency requirement for (1) dwellings, and (2) non-domestic buildings?**

**Comments:**

Our main concern with the issues discussed in this chapter is how things will work in terms of energy efficiency requirements, and the assessments needed to establish them. As already noted, it will be some time before the details of the Green Deal are announced, and even longer before the improved energy assessments are up and running. We don't know how attractive the Green Deal will be and how well it will work, yet these proposals depend crucially on it.