

## **The Consultation on Renewable Electricity Financial Incentives 2009 – UK Environmental Law Association (“UKELA”) Response**

### **INTRODUCTION**

- The UK Environmental Law Association (UKELA) aims to make the law work for a better environment and to improve understanding and awareness of environmental law. UKELA's members are involved in the practice, study and formulation of environmental law in the UK and the European Union. UKELA attracts both lawyers and non-lawyers and has a broad membership from the private and public sectors.
- UKELA prepares advice to government with the help of its specialist working parties, covering a range of environmental law topics.
- UKELA Climate Change Working Party makes the following comments on the Consultation.

### **RESPONSE**

UKELA Climate Change Working Party sets out, in the table below, its responses to the individual questions posed in the Consultation in respect of modifications to the Renewables Obligation Order (“RO”) and the introduction of the Feed-in Tariff (“FIT”).

However, we feel that it is important also to communicate some more general observations on the proposed changes to the Renewable Obligation (“RO”), which we set out below.

We consider that the effect of many of the proposed changes to the RO will be to make the scheme even more complex than it already is. Many aspects of the RO and of the proposed modifications are clearly intended to avoid excessive profit by generators, to ensure delivery of the UK's renewables targets in a way that minimises the cost to consumers. While agreeing with this aim in principle, we question whether the additional complexity created will undermine this aim.

The proposed changes to the RO (in particular the 20 year limit on support and the price stabilisation mechanism), in combination to the banding that was introduced earlier this year, will have the effect of altering the RO so that it behaves in a very similar manner to a feed in tariff. Once the FiT is introduced, there will be two support mechanisms for renewables in the UK that are essentially the same (albeit with a capacity limit under the FiT). However, one (i.e. the RO) will be much more complicated and, no doubt, more expensive to administer than the other.

If a feed-in tariff style support is desired for generators with capacity over 5MW, it is not clear why FiTs should not simply be offered to renewables generators of all sizes rather than ‘contort’ the RO with ever more complicated mechanisms? Of course, we recognise that

change to primary legislation would be needed to make this possible (i.e. lifting the 5MW cap on the FiT under the Energy Act 2008).

At the same time, we question what will be the effect of price stabilisation and whether this might, especially if it became mandatory, actually be counter-productive and disincentivise investment in renewables? Looking at offshore wind as an example, the only investors left interested in the UK market are major utilities who have both the budgets, risk appetite and in-house teams to take on these major projects that have the potential to make a significant impact on the UK's renewables targets. 'Price stabilisation' in their eyes would be synonymous with a constraint on returns from renewables investments. Since no such constraint applies in any other part of the energy market, we question whether this would have a discriminatory and distortive effect, disincentivising renewables investment.

The motivation behind imposing constraints on returns is to limit the cost of the RO to consumers. However, the Consultation document acknowledges that the degree of protection afforded to consumers will actually depend on the extent to which repayments are passed through to consumers when the wholesale electricity price is high. In the absence of any mandatory pass-through mechanism, we think it unlikely that suppliers will pass through such benefits to consumers unless there is an obligation to do so or sufficient competition in the generation and supply markets. Ofgem now recognises that there is insufficient competition in the retail electricity market. If this view is correct, and pass through is not mandatory, then it would appear that price stabilisation may not even reduce the cost of the RO to consumers.

Consequently, in our view, there is a real risk that the price stabilisation mechanism will neither encourage greater uptake of renewables nor reduce the cost to the consumer of providing renewables with support under the RO. Instead, there seems a real risk that it may do little more than introduce another layer of complexity.

If our reasoning is correct but there is some other policy justification for the proposed modifications then this justification should be made transparent.

If the changes are introduced, then as we say, structurally, the changes proposed to the RO will make it resemble the FiT. From an administrative (and better regulation) perspective, we must then question the merit of running two such similar schemes in parallel. Again, if there is a view that the schemes would operate in parallel for a transitional period only, then this should also be made clear.

In our view, however, even if the FiT proves a success, there may continue to be a longer-term role for the RO. It may be preferable to use the FiT to target small-scale, relatively mature renewables technologies and for the [un-stabilised] RO to be used to incentivise engagement by the larger players who have the resources and necessary sophistication/appetite for risk to invest in newer technologies and in riskier locations, where the prospect of higher returns might be necessary to incentivise these players to take on this higher risk.

Finally, in relation to the possible extension of the RO to projects overseas (whether or not the direct connection test is applied), it is interesting to note that an overseas utility might then

enjoy the ability to locate plant overseas, sell power through a licensed supply sister company in the UK, benefit from support under the RO, all paid for by UK customers. It is easy to see how this could be seen to deliver poor value for UK customers and UK business.

Special thanks to Sandy Abrahams, Tom Bainbridge, Becky Clissman, Noel Dorran and Liz Thomas for their contributions.

Question	UKELA response
Q1. Do you agree that, at this point, no extension beyond 2037 is required?	<p>The 2037 limit appears arbitrary.</p> <p>We understand the policy objective of providing a time limit on financial support received by any individual project. This clearly is the function of the 20 year limit.</p> <p>However, the 20 year limit on projects and 2037 limit on the RO conflict as soon as we reach 2017. If projects are not then to receive less than 20 years support, the RO will need further modification.</p> <p>In our view, it is better to abandon the 2037 limit.</p>
Q2. Do you agree that the criterion for treating projects under either the old 2027 end date or the new 2037 end date should be accreditation before or after 26 June 2008? If not, what should the criterion be and why?	<p>We agree all projects going forward should have support limited to 20 years. (See above re conflict between 20 year period of benefit and 2037 end date).</p>
Q3. Do you agree that additional capacity or plant that is refurbished or replaced should be entitled to the full 20 years of support, regardless of when the original capacity started to receive support?	<p>We can see the merit in extending the availability of ROCs to replacement, refurbishment, upgrade etc that achieves a suitable degree of additionality. However, whatever test of 'additionality' is developed, it must be reasonably easy to administer.</p>
Q4. Do you agree with the proposal to increase headroom to 10% by 2014?	<p>We support the concept of maintaining headroom, but make no comment on the proposed level of increase.</p>
Q5. Do you agree that the proposed series of 0.5% annual increases in headroom over the time period set out is the best approach to implementing any increase?	<p>No reasoning is given in the Consultation Paper as to why this move should happen incrementally. However, we support the concept of maintaining headroom.</p>
Q6. Do you agree a wholesale price stabilisation mechanism would bring benefits to renewable generators by providing a predictable and adequate level of compensation?	<p>We would consider that <i>if</i> it is necessary to control the market, a cap and collar mechanism is more appropriate than flat rate. However, we would be concerned that selectively applying 'price stabilisation' to renewables will discriminate compared to other forms of energy generation (see further our covering note).</p>
Q7. Do you believe that these benefits can be realised in practice? In particular, during periods of high fossil fuel prices, would suppliers pass the benefits on to consumers?	<p>We consider that, without either a legal requirement or intense competition, the benefits are unlikely to be passed through to consumers in any meaningful way. Further, imposing an obligation on renewable energy producers to pass through this particular benefit may also discriminate against renewables over non-renewable production.</p>

<b>Question</b>	<b>UKELA response</b>
<p>Q8. Do you agree that a revenue stabilisation mechanism could help us meet our target by encouraging more deployment?</p>	<p>As outlined in more detail in our covering note, we consider using the revenue stabilisation mechanism risks disincentivising the investment of major utility players in large renewables projects if their returns were to be limited by the means proposed.</p> <p>We would suggest using the FiT mechanism for providing a stable support mechanism for mature/ low scale renewables, leaving an uncapped (or a high capped), but collared RO to support riskier newer emerging technologies.</p> <p>We recognise that primary legislation would be required to increase the scope of the FiT beyond 5MW.</p>
<p>Q9. What would be the best choice of wholesale power price index to adopt for use with any stabilisation mechanism and why?</p>	<p>No comment</p>
<p>Q10. What impact do you think a stabilisation mechanism would have upon the operation of the wholesale electricity market?</p>	<p>As discussed in our response to question 8, we consider that any future mandatory application of the mechanism could lead to discrimination against renewables.</p>
<p>Q11. Do you envisage any other implementation challenges which might result from the introduction of a stabilisation mechanism? If so, how do you propose we deal with them?</p>	<p>No comment</p>
<p>Q12. Do you agree that this approach will minimise undesirable effects on market confidence whilst we consider the introduction of revenue stabilisation? If not, what further steps could we take to maintain confidence in the market?</p>	<p>The transitional provisions may soften the impact of a mechanism that we consider may actually have a negative impact on the attractiveness of renewables and therefore investment (if mandatorily applied to renewables).</p>
<p>Q13. Do you agree that a Contract for Difference option would be the best choice of wholesale price stabilisation mechanism? If not, what would you recommend as the best option and why?</p>	<p>Whilst we recognise the potential for CfDs to stabilise price, we repeat our concern over any future mandatory application of a price stabilisation mechanism.</p>

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<p>Q14. Do you have any initial views on whether a stabilisation mechanism should remove wholesale price risk from generators altogether or leave them with some degree of risk, via a “cap and collar” mechanism?</p>	<p>We consider that a "cap and collar" mechanism would be preferable to a fixed price, provided the cap and collar are far enough apart to justify the additional administration costs.</p> <p>However, we would suggest that if a cap and collar mechanism is to be adopted at all, consideration must be given to how to avoid discriminating against renewables investment. Clearly, an industry wide limit on returns would represent a significant departure from existing policy driven by EU law and would serve to disincentivise investment in the energy industry – which cannot be a good outcome.</p>
<p>Q15. Do you have any initial views on whether a stabilisation mechanism after 1 April 2013 should be optional or mandatory for generators under the RO?</p>	<p>In our view an optional mechanism is preferable as it allows those generators who are sufficiently large to have managed the price risk to use market mechanisms (e.g. PPA with a floor price) to do so while allowing smaller players to take advantage of smoother revenues</p> <p>If, in the future, the FiT is extended to any capacity, we would view the role of the RO potentially as a support mechanisms for riskier projects.</p>
<p>Q16. Do you agree that biomass and generation involving co-firing should be excluded from any new stabilisation mechanism? If not, why not?</p>	<p>We agree with the arguments regarding the complexity of biomass economics. However, as discussed above, we have concerns regarding price stabilisation. We would argue that if it were applied to some renewable energy types and not others (i.e. not biomass), this will potentially create perverse incentives with the returns of some renewable generators constrained.</p>
<p>Q17. Considering the balance between the benefits and the implementation challenges, do you think we should introduce a wholesale price revenue stabilisation mechanism?</p>	<p>We do not think a wholesale price revenue stabilisation mechanism should be introduced for the reasons outlined in more detail above.</p>
<p>Q18. If you believe that a price stabilisation mechanism should be introduced for the wholesale power price, do you think that it should be applied to the ROC price as well?</p>	<p>See comments above.</p>
<p>Q19. Do you agree with the proposed conditions? Are there any more conditions we should consider?</p>	<p>See comments above.</p>

Question	UKELA response
Q20. Do you think we should set support levels for stations located outside the UK in line with those for UK-based generation?	<p>Generally - yes - unless there is a particular reason (such as those provided in the consultation) for differentiating the support to UK and non-UK projects. Simplicity would be beneficial, so maintaining the same levels of support for the same technology types would be supported.</p> <p>However, see the comments in our cover note concerning the value this may represent for UK customers and business.</p>
Q21. Do you agree with our proposal to limit the eligibility for stations located outside the UK to those with a direct interconnection to the UK? If not, why?	<p>Subject to the above concerns - no.</p> <p>Firstly, 'direct connection' may not be technically or economically feasible. If a European power grid is the long-term aim, then this seems to run counter to that policy. It also limits the location of renewables projects to locations with the ability to provide a direct connection, rather than based on best renewable resources. This may increase, rather than reduce, costs for UK customers.</p> <p>Secondly, EU rules on the unbundling of transmission and generation assets and on third party access to transmission, distribution, interconnectors and, potentially, 'direct lines' (certainly, since UK interpretation has lead to the introduction of the Offshore Transmission Operators regime) would seem to render this criterion virtually inoperable in any event.</p>
Q22. Are there any other specific issues we should consider when implementing international trading in renewable electricity through the RO?	No comment.
Q23. Do you have any comments on the Ernst & Young report on the current capital and operating costs for offshore wind projects? Is there any other evidence which we should take into account? If so, please provide details.	No comment.
Q24. Do you agree with our proposed level of support for offshore wind, including our proposal to step down support from 2 ROCs/MWh to 1.75 ROCs/MWh over 2 years?	The increased levels of support are only proposed to be available for a very short window of time. Given the current economic uncertainty, it might provide better support to would-be offshore wind projects if the support left at 2 ROCs/MWh until further notice with a commitment to review the situation in 2 years time.
Q25. Do you agree the proposed eligibility criteria and cut-off date for offshore wind are appropriate?	No comment.
Q26. Do you think the differential in ROC support	No comment.

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<p>between projects that signed just before the 2009 Budget announcement in the existing regime and projects which could become eligible for 2 ROCs will create an unfair advantage? If so, please provide evidence.</p>	
<p>Q27. Do you agree that we should not impose a restriction on the use of tallow in the RO until clarity of the new marketplace has been established?</p>	<p>No comment.</p>
<p>Q28. Do you consider the cap be retained at 12.5% going forward?</p>	<p>No comment.</p>
<p>Q29. If you think the cap should be changed, when should this happen and at what level should the cap be set? Please provide evidence supporting your answer.</p>	<p>No comment.</p>
<p>Q30. Do you have a view on how we should predict expected electricity use in a subsequent obligation period? What are the advantages/disadvantages of any suggested methods of predicting expected electricity use?</p>	<p>No comment.</p>
<p>Q31. Do you have a view on how we should predict the expected level of ROCs generated from existing generating stations in a subsequent obligation period? What are the advantages/disadvantages of any suggested method?</p>	<p>No comment.</p>
<p>Q32. Do you agree with our proposal for accounting for banked ROCs?</p>	<p>No comment.</p>
<p>Q33. Do you agree with our proposal for predicting new generation capacity for the subsequent obligation period? What are the advantages/disadvantages of this method of predicting this</p>	<p>No comment.</p>

Question	UKELA response
new capacity?	
Q34. Do you agree that the proposal to offset redeemed ROCs against a generator's future output presents a proportionate approach?	No comment.
<b>FITs</b>	
Q35. Do you agree that FiTs should be structured in order to recognise all generation, rather than just exports?	Yes
Q36. Do you agree that the best way of delivering security for the investor is to set a long-term guaranteed price for exports?	Yes – this is appropriate for the class of investors that this scheme is aiming to attract (i.e. low risk, guaranteed returns: projects funded by retail debt, pension funds, etc)
Q37. Do you agree that FiTs generators should also benefit from on-site use of their generation?	Yes – to preclude this would simply create an artificial distinction between onsite-own generation and on-site third party generation, penalising the former and rewarding the latter.
Q38. Do you have any other views on the basic structure of the FiTs?	No comment.
Q39. Do you agree with the proposed limits of 5MW for renewable technologies and 50kW for gas fired CHP for FiTs installations?	Yes – we certainly do not believe there should be any limit below the 5MW threshold in Act but please see response on RO/FiT generally. In our view, there would be clear merit in raising the FiT limit over time so that it can apply to all renewable electricity generation regardless of size. We recognise that this would require amendment of primary legislation.
Q40. If you disagree with the proposed limits, what lower limits would be more suitable and why?	
Q41. Do you agree that generators off the electricity grid should be eligible for FiTs? If so, what safeguards should be put in place for these generators to ensure the electricity is being used?	Yes, this scheme should incentivise decarbonising the grid and off-grid networks. Off-grid production should be incentivised – the energy efficiency benefits are no less although the capital cost of providing off-grid networks may be equally high.  Generation and consumption metering would be needed to ensure that the electricity is being used.
Q42. Do you agree with the selection of technologies for which we will be providing tariffs from April 2010?	We agree that mature technologies, especially where there is existing certification, should be recognised with the differing FiT rates
Q43. Should technologies for	In our view, new technologies should receive a default rate

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<p>which we do not propose to offer a specific tariff from April 2010 be handled by:  Providing a single tariff from April 2010 for all remaining technologies; or  – Considered as a new tariff band as part of regular FiTs reviews?</p>	<p>until a review demonstrates the need for a different rate of support.</p> <p>There should be a periodic review of technologies to determine whether any new technology should be included within another tariff rate or if a new rate should be set for it. Further, it should also be possible to trigger an extraordinary review, for example, where the Secretary of State is made aware of a new technology and it is considered appropriate to accelerate the next review.</p> <p>Any review must respect 'grandfathering' principles. As such, any existing project should never be subject to a downward review. Where it is considered appropriate to reduced the level of support afforded by a tariff, this should only impact upon future, not then existing, projects.</p>
<p>Q44. Do you agree that the FiTs should not require on-site generators to comply with any energy efficiency standards as a condition for eligibility?</p>	<p>Yes – it is important that the scheme is kept as simple as possible.</p> <p>However, it seems credible to believe that many of the types of individuals or businesses wishing to install renewable generation at their sites are those likely already to have undertaken energy efficiency measures and who are now seeking to take further steps to reduce their carbon footprint. However, this should not be a pre-condition to receiving support under the FiT.</p> <p>We also note that there are other programmes that focus on improving energy efficiency in houses and small businesses e.g. the EST, Building Regulations, CRC, etc.</p> <p>We would place emphasis on keeping the scheme as simple as possible.</p>
<p>Q45. Are there any issues regarding eligibility that we have not foreseen here? If so, how should we address them?</p>	<p>The drafting of FiT should be co-ordinated with the drafting of the CRC so as to avoid an inadvertent penalty being imposed on renewable generation.</p> <p>A FiT generator should not be treated as having grid average emissions under the CRC. Under the current CRC proposal, there will be an additional carbon cost burden imposed under the CRC on renewables generator-consumers in respect of entirely fictional emissions.</p> <p>We recognise Government's desire to avoid double-counting. However, other ways of avoiding this include:</p> <ul style="list-style-type: none"> <li>(a) reporting achievement under the CRC less achievement of FIT generation within the CRC; or</li> <li>(b) adjusting cap in CRC auction downwards by level of previous year FIT.</li> </ul> <p>We would emphasise that double-counting is not the same as delivering a double benefit. Renewable generation should be incentivised, not penalised. If extra benefits accrue to the</p>

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	<p>renewable generator this should not be deemed a negative.</p> <p>Further, not recognising FIT generation as zero carbon acts as disincentive to installation, the CRC attaches additional cost and risk to renewable generation.</p>
<p>Q46. Do you agree with our approach not to offer up-front capitalisation to schemes as part of the FiTs? If not, what alternative approach do you propose and why?</p>	<p>Yes. We agree that the development of a market based solution based on the revenue that installations will receive under FiTs is preferable. In the event that a review of the FiT (after 2 years?) determines that, in fact, the finance markets have not responded to the signal given by the FiT then alternative government funded financing can be considered. It is noted that local authorities or charities are not precluded from offering financing packages.</p>
<p>Q47. Do you agree with our approach that a generator may assign the rights to their FiTs payments to a third party? If not what alternative approach do you propose and why?</p>	<p>Yes – this freedom will be critical to the development of innovative financing packages by equipment suppliers, banks, property owners, etc. It is anticipated that a variety of different financing packages will be developed e.g. an installer of equipment may continue to own the generating equipment but may merely lease the roof space of the householder/ business. The installer may also apply for and deal with the administration regarding FIT support. In our view, it will be important to allow flexibility as to who receives FIT.</p> <p>Note, however, that a third-party FIT generator (eg. installer/generator) will need to have access rights over consumer meter data.</p> <p>It is not clear from the consultation document who would be the generator and have the right to make the nomination/assignment in this scenario – the householder/ business as lessor or the equipment owner as lessee.</p> <p>An alternative scenario would be where the installer offers a householder the generating equipment for free or at a discounted price and to pay for the equipment/ the remaining payment by assigning the householder’s right to FIT support for e.g. the first 10 years. Here, although it seems more likely that the householder would be the generator, it is likely that the equipment installer would want to have control of the administrative arrangements for FiT support to ensure that it received its payment.</p> <p>We think these scenarios are workable but careful account needs to be taken of consumer rights where a householder or small business may be entering into a long-term agreement that has both financial implications and impacts on a main residence. In addition, this may also impact on financing arrangements for houses/ business properties as the installer may wish to take a charge over the equipment or even the house/ business premises. Working through these impacts may result in the need to make changes to other legislation and will require the bilateral agreement that assign rights to FIT support to be carefully structured to take account of these issues. Similar issues were considered by</p>

Question	UKELA response
	the Green Building Council earlier this year when it produced a study on a proposed Pay as You Save (“PAYS”) scheme to finance energy efficiency refurbishments in existing homes – it is suggested that DECC refer to this work to avoid duplication of effort.
Q48. Do you agree with the proposed model for registration and accreditation of plant claiming FiTs discussed in the Accreditation, Registration and Connection section?	<p>Yes – it is preferable to use existing systems and procedures that the industry will already be familiar with. This should make the implementation of FiTs as efficient as possible.</p> <p>However, technologies that are not accredited should not be precluded. Instead, there should be a 'default' tariff plus periodic review (see above) for non-accredited technologies.</p>
Q49. Do you agree with the principle that all generation should be metered to qualify for FiTs? Do you foresee any issues with that approach?	Yes – it is vital that FiTs are robust and auditable and metering is key to this.
Q50. What are your views on regulating which suppliers should be required to offer FiTs, and in what circumstances?	<p>All licensed suppliers should be obliged to offer FiTs. The ability to choose a supplier must be accompanied by an obligation on supplier to offer FiTs.</p> <p>Supply tariffs available to non-FiT customers must be available also to FiT customers otherwise there is a risk of discrimination.</p> <p>The more pertinent question relates to consumers who are going to bear the cost.</p>
Q51. Do you agree with the tariff levels, lifetimes and degression rates we have set out for the chosen technologies? If not, what evidence do you have for choosing alternatives?	No comment.
Q52. Do you agree with our proposed guaranteed minimum price for the exported electricity? If not, what price would you propose and what is your proposal based on?	No comment.
Q53. Does the proposed review structure provide the right balance between providing certainty and adapting FiTs to the changing circumstances in which it operates?	Yes –the review structure strikes a good balance between flexibility and certainty.
Q54. Do you have any initial views on the relationship between FiTs and those in fuel	Fuel poverty should be dealt with by other mechanisms. Trying to address within FiT risks over-complicating. FiT may, in any event, contribute to alleviating fuel poverty

Question	UKELA response
poverty or on low incomes?	because may allow installation of non-fuel dependent technologies
Q55. Do you agree that the levelisation process described above provides the best system for redistributing costs amongst suppliers? If not, what other ways can we levelise costs across suppliers?	Levelisation focussing on suppliers above a given threshold results in competitive advantage potentially given to smaller suppliers (they could offer supply tariffs that don't include FIT levy and can offer full benefit of FiTs). However, if they were successful, they would eventually gain customers and be likely to exceed the threshold. Therefore, this really seems to help new entrants in early stages.
Q56. How can the levelisation process facilitate participation in FiTs for small suppliers?	Staggering the levelisation process and the quarterly payment to generators so that levelisation takes place at the beginning of each quarter (based on an estimate) and quarterly payments made at the end of each quarter should facilitate smaller suppliers to participate in FiTs.  Also see above q. 55
Q57. Should suppliers be able to include an administration cost in the levelisation process? If so, what should the level of that allowance be and how should it be determined?	Our view is that both sets of costs should be levelised across entire customer base of all suppliers.  Costs of administering FiT and levelisation should not be allowable customer service charges (under 3.110 of the Consultation Document). Otherwise, there is a risk of disproportionately burdening FiT generators, and undermining the intended benefit of scheme.  Both sets of costs should be spread across all supply customers. Suppliers will include these costs in any event within supply tariffs unless they are so significant that they could separately identify this cost on bills as a discrete charge.
Q58. Should the levelisation process include consideration of large and unforeseen price differences between prices paid to generators and the market value?	The levelisation calculation should include all administration costs, including unforeseen costs, provided they are 'reasonable' and subject to Ofgem scrutiny.
Q59. Do you agree with the proposed approach to auditing, assurance and enforcement? If not, what alternative approach do you propose and why?	Yes.
Q60. Are there any issues regarding the role of suppliers that we have not foreseen here? If so, how should we address them?	
Q61. What do you think is the best way of defining an installation for the purposes of FiTs?	The scheme needs to recognise that ownership may be sub-divided below 'planning' for entirely legitimate reasons.  Therefore, the test of "site" should adopt the lesser

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	<p>geographic boundary of planning or ownership or technical connection.</p> <p>Ultimately, if the 5MW threshold is raised – this issue falls away.</p>
<p>Q62. Once an installation is defined, do you think further checks are required to verify this? If so, what would these checks be?</p>	<p>See above. Lifting the threshold will resolve this issue. In the interim, the effort and complexity required to avoid 'mischief 'may be disproportionate.</p>
<p>Q63. How could we deal with installations at a single site installed in different years?</p>	<p>This raises two issues:</p> <p>(i) the 5MW limit (ii) the time period of support</p> <p>We consider that increases to the installed capacity of a given technology should be treated as a separate installation in the interests of simplicity and in the interest of encouraging further investment in renewable technology on-site. This will put the increased capacity on the same footing as a new project at a site without existing installed capacity.</p> <p>If the existing installation is enhanced, then the new capacity should be certified and entitled to additional capacity benefits from FiT for the full 20 years. The initial capacity should benefit for the remainder of its initial 20 years</p>
<p><b>Cross Cutting</b></p>	
<p>Q64. Do you agree with the proposed approach for the treatment of existing generating stations?</p>	<p>While it may be appropriate to transfer microgenerators already accredited under the RO to the FiT, consideration should be given to allowing them the full benefit of the FiT (i.e. for 20 years) rather than stopping their support at 2027 (i.e. after 17 years).</p> <p>We note the view that the FiT they will receive will be approximately equivalent to the band of ROCs that they were receiving. It is not clear from the Consultation Document, however, how precise this match will be. Any mismatch may not be significant in policy terms but will be very significant to individual generators and investors.</p>
<p>Q65. Do you agree with the proposed approach for the treatment of generating stations that completed installation during the interim period?</p>	<p>We think the deductions to be made to the length of FiT support make the scheme unnecessarily complicated and may have the result of installations receiving less support than they would have under the RO. This may discourage installations moving to FiT even if this scheme is actually the most appropriate type of support for them. The purpose of transitional provisions must be to acknowledge and protect organisations against regulatory risk affecting their economic position. As such, translational provisions should err on the side of too much rather than too little support.</p> <p>To do otherwise may lead organisations not to install renewable generation for the next 12 months while the system sorts itself out. Given the size of entity that is likely</p>

Question	UKELA response
	to be affected it is unlikely that they are sufficiently sophisticated to be trying to game the system. We think it might be preferable just to let these generators make their decision and to receive the support under the scheme of their choice without making deductions to the length of FIT support they will receive.
Q66. Do you agree that, for non-household installations built during the interim period, we should make access to FiTs conditional upon repayment of any central Government grant received for such installations?	It is not clear from the Consultation Document how DECC propose that central government grants will be refunded. As it is the capital investment in the renewable technology that is the barrier to renewable electricity, if the grant is to be repaid as a lump sum then this may mean that generators who might benefit overall from the FIT cannot repay their grant and switch to the FIT as they are unable to find the capital sum. It might be fairer to allow them to decide to switch but then for their FIT payments to be diverted to the relevant government department until they are repaid allowing the generator then to receive the remainder. This effectively converts the grant to a loan. Of course it is possible that the financing market will develop loan products that will allow generators to repay their grant and to take advantage of the higher overall support of FiTs.
Q67. Do you agree with the proposed approach for the treatment of new generating stations once the FiTs scheme becomes operational?	Yes.
Q68. Do you agree with the decoupling of support for heat and electricity for new renewable CHP plants? What are the technical issues that need to be considered in implementing transitional arrangements towards the introduction of FiTs and RHI for CHP installations?	No – from the perspective of a generator it would be administratively simpler to receive support for both the electricity and heat that they generate from the one scheme. If the RO cannot be amended to incentivise the maximum amount of heat produced/ used then the first option suggested – i.e. retaining the CHP uplift and rewarding the heat that exceeds the GQCHP minimum standards is preferable to all renewables generators who produce both electricity and heat having to deal with two schemes. This will allow generators who can obtain sufficient support under the RHI to justify the extra administration to make a choice to exceed the minimum standards but allow those who wish to avoid the inconvenience of dealing with two schemes to do so.
Q69. Do you agree that FiTs should not restrict access for those projects covered by other schemes?	No comment.