

FITs – Response to Consultation on Extensions

Lines to take:

- Following analysis and careful consideration of the responses to the consultation on extensions, Government has [today] confirmed the way forward.
- We remain convinced of the need to take urgent action to close the technical loophole created by the extensions rules, given the budgetary risk from ongoing use of the loophole.
- We have therefore today laid an amendment order in Parliament which will come into force on 18 October 2011.
- Any extension which has not been both commissioned and notified before 18 October will be eligible for the tariff that is in force when the extension becomes eligible for FITs, rather than the tariff that was in force when the original installation became eligible.
- This addresses the loophole created by the current rules which mean that extensions to large scale solar PV projects could benefit from the pre-fast track review tariffs. This was not the policy intention of the original extensions rules and allowing this loophole to continue would clearly have risked undermining the outcome of the fast-track review.
- We have listened to the feedback received through the consultation process and in the light of this have made two changes to the proposal set out in the consultation document to provide greater certainty and transparency to stakeholders.
- Firstly we have included a transitional provision in response to concerns about lack of clarity on the treatment of extensions made to installations awaiting accreditation. In the interim period before the new extensions rules come into force, generators in this position will be able to notify an extension to Ofgem for treatment under the current extensions rules as long as they do so before 18th October.
- Secondly, we have included modifications to ensure that where extensions do take place, the tariff of the original installation is not affected. For example, if a generator installed 80kW of solar PV before 1 August 2011, and then extended that by 50kW in November 2011, the 50kW extension would be eligible for the current 19p/kWh tariff; and the original 80kW installation would continue to be eligible for the 32.9p/kWh tariff. This is effectively applying to all installations the situation that currently applies to those extended after more than 12 months

Q+A

What changes are being made to the extension rules?

- Under the FITs scheme, the rules on extensions are set out in Articles 15 and 16 of the Feed-in Tariffs (Specified Maximum Capacity and Functions) Order 2010.
- Through an amendment to this order, the extensions rules are being changed.
- Under the new rules, any extension that is notified on or after 18 October will be eligible for the tariff in force when the extension becomes eligible for FITs, rather than the tariff which was in force when the original installation became eligible.

When will the changes be implemented?

- The changes to the rules on extensions will apply from 18 October 2011.

Will there be any provision for transitional arrangements?

- The new rules on extensions will apply to all extensions of which Ofgem or suppliers receive notice on or after 18 October. There are no exceptions to this.
- The transitional provision we have included is designed to give clarity where an extension has been made to an installation that has not yet been accredited for FITs.

Why have you acted now; why not include this as part of the comprehensive review?

- Following the fast-track review, there was growing evidence of some developers planning to use the FITs extension rules to take advantage of the pre-fast track tariffs.
- Since publishing the consultation, we have continued to monitor the situation closely. In doing so, we have become aware of further evidence about the number of projects positioned to use the extensions rules to prolong access to the pre-fast track review tariffs.
- On the basis of this further evidence, we estimate that there could be 30 large-scale solar PV sites that are planning to extend.
- Given the financial constraints on the FITs scheme, this leaves us with no choice but to act and to do so quickly.

Will the new extensions rules apply to all technologies?

- Yes

Will the new extensions rules have a practical effect on FIT technologies other than those covered by the fast-track review?

- The new rules should have no immediate practical effect on FIT technologies other than those covered by the fast-track review.
- However, in the event of any future tariff changes, the new rules will mean that other technologies are also unable to use the extensions rules as a means of “banking” historic tariffs.

What was the original purpose of the extensions rules?

- When the FITs scheme was developed, it was recognised that there were likely to be instances where generators would increase the size of their installation over time. The extensions rules set out how such extensions should be dealt with.

- The original rules were intended to allow extensions to happen and to avoid incentivising artificial staging of extensions over a short period of time in order to take advantage of tariffs in certain bands.
- The extensions rules were never intended to provide a means of “banking” old tariffs in the event of a tariff change.

Why was there such a short consultation?

- We consulted from 27 July 2011 to 31 August 2011 on the proposal to amend the provisions on extensions.
- The consultation length reflected the nature of the consultation – on a discrete issue relating to one aspect of the FITs scheme – and the urgency of the budgetary concerns about the impact on the FITs spending envelope.
- It was considered appropriate on these grounds to consult for a shorter period than is recommended as standard in the Cabinet Office guidance on consultations.
- In addition to the public consultation process, we will be following the full recommended 21-day period for Parliamentary consideration of the changes.