Controlling spending on solar PV projects of 5MW and below within the Renewables Obligation

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Consultation response from the Environmental Association for Universities and Colleges (EAUC)

About us

The Environmental Association for Universities and Colleges is the sustainability body for tertiary education in the UK. The EAUC seeks to work with Members and partners to drive sustainability to the heart of further and higher education.

The EAUC Vision is a university, college and learning and skills sector where the principles and values of environmental, economic and social sustainability are embedded.

Our Mission is that we will lead, inspire and equip Members and stakeholders with a shared vision, knowledge and the tools they need to embed sustainability within curriculum and operations.

Our Membership is made up of **215** Member institutions (Universities and Colleges across the UK and internationally) comprising some **4,216** professionals.

Our Response

Question 1 – Do you agree with the proposal's projections for the amount of new solar PV capacity likely to deploy under the RO in 2015/16 and 2016/17?

Our Members tend to disagree, based on DECC not giving enough evidence of when exactly it expects this deployment. The estimate of 300MW-500MW for 15/16 seems more plausible as many projects are likely to have been installed by the time of the consultation. However, deployment in the latter half of the year may be much lower than expected, due to the proposed removal of grandfathering which will remove any financial reassurance that proposed projects may have previously required to deploy. It now seems extremely unlikely that 300MW-500MW can be deployed in 16/17 due to the early removal or the RO scheme for solar PV and the removal of grandfathering and suggest it is difficult to conceive how possible projects will have the financial security to deploy.

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Our Members also suggest it is challenging to agree with DECC's estimates and projections when they have clearly been very inaccurate over recent years, particularly in relation to the deployment of renewable generation and the uptake or subsidies leading to the LCF overspend. For instance, miscalculations of potential generation have led to installations receiving more support than necessary, thereby costing the LCF. We suggest this issue could be resolved without crushing the solar PV industry and halting the promising deployment of renewable technologies by DECC improving its data sources and methodologies used to generate the estimated subsidy rates, rather than removing them altogether. The CfD scheme and other elements of renewables subsidy can be adjusted while maintaining support for solar PV deployment. DECC should update its data and methodologies for estimating generation potential and financial return. Additionally, it can be argued that the value of renewable technologies far exceeds the budget of the LCF. Both the long-term financial gain offered by solar PV in respect to energy security and clean electricity, and the externalities of the energy and climate system, far outweigh the LCF spend, even before cost-saving measures are considered.

When we compare to other government schemes and economic support provided for non-renewable, non-sustainable energy sources (shale gas, coal, oil, nuclear, etc.), the support for renewables is clearly minimal. Removing the support for solar PV is a nonsensical idea which will not offer any solution to the United Kingdom's impending energy security and environmental crises.

We suggest it also appears that the Government underestimated the impact of removing the RO for >5 MW systems, which has encouraged the uptake of smaller systems. These original estimates were therefore unduly conservative.

Question 2 – Do you agree with the proposal to control the costs of the LCF by early closure of the RO to new solar PV projects of 5MW and below from 1 April 2016?

Our Members disagree, based on the view this will cut the costs of LCF, and suggest this is a terrible idea both in terms of the disastrous short-term impacts upon a flourishing industry which supports many jobs and small businesses, and the long-term implications it will have for energy security in the UK and the environmental systems which are already suffering from our chronic dependence upon non-renewable energy sources. We suggest it seems ridiculous to remove RO support for PV at the same time as proposing to cut FIT rates for solar PV by up to 87% at the start of the New Year. Solar industry developers are expecting to struggle to cope with this combination of cutbacks to support, each of which on their own has been poorly thought out. The deployment of new solar projects may cease almost entirely as they are viewed by potential financers as being economically unviable.

The Higher & Further Education Sector have planned to install solar PV on a number of our buildings, but it is difficult to imagine how this will now be able to go ahead given the recent changes planned by DECC. The intention to drive the costs of solar PV down through cutting subsidy may allow very few large developers to continue, but the majority of small, regionally-based businesses installing solar PV predominantly on domestic properties will be unable to adjust to this setback. It is difficult to see how their operations will be able to make any savings to reduce the cost of installation, without compromising quality or safety. The above-expected deployment of solar PV in line with Government targets does not justify the removal of subsidies. On the contrary, if the uptake of a renewable, small- or micro-scale generation technology proves successful, it should be nurtured and used as an example of good policy.

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We suggest given the urgent need to develop a grid of resilient and renewable electricity generation, it is imperative that we support any system which succeeds in achieving this aim. Energy security, climate change and growing energy demand will necessitate a cleaner generation infrastructure. Halting deployment of solar PV now, simply because it has met its targets and is costing slightly too much, is ludicrous. It makes more sense to spend money now on strengthening the grid and installing renewable generation than to spend a vastly greater sum in the future to attempt to mitigate the adverse impacts of our sluggishness, inertia and poor policy-making decisions.

Also, by the Government's own impact analysis, removal of the RO for solar projects up to 5 MW will save between £0.50 and £1.20 on consumer's bills. Therefore, in reality, this proposal will damage the uptake of renewables unnecessarily and do little to reduce the impact of LCF on consumers' bills. By the Government's own analysis, the rise in LCF is substantially due to the Electricity Market Reforms, which include capacity payments to existing fossil fuel plants which should not need further incentives. This would be a better area to target reducing the costs of LCF.

Question 3 – Do you agree that deployment costs for solar PV projects of 5MW and below have reduced significantly since the last banding review?

Our Members are undecided. However, they suggest solar PV deployment costs have certainly declined, though the levelled cost of solar PV electricity is still not at grid parity. It is essential to support the solar PV industry until the technology can be deployed with minimal or zero subsidy, and this point has not yet been reached. The cost reductions will be felt by large developers, not individual installers.

Question 4 – Do you agree with the proposal to control the costs of the LCF by the removal of grandfathering for solar PV projects of 5MW and below that are not accredited as of the date of this consultation?

Our Members disagree; suggesting the removal of grandfathering will control costs but will certainly curtail the vast majority of projects which had been planned. Removing grandfathering will eradicate any security of return on investment which any project developer would need to undertake the installation of solar PV. If there can be no assurance that capital costs will be recovered through RO income, no projects will be undertaken. This will sign an abrupt halt to solar PV deployment, which is a terrible scenario and is certainly not worth the comparatively meagre financial savings which will be achieved.

We suggest it is also unreasonable to introduce a policy from a date before a consultation has been completed, in addition to which, organisations looking at installations on their property (rather than large developers) need some surety on the business case for investment. Without this, organisations such as universities and colleges may feel any installations are too risky to consider.

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Question 5 – Do you agree with the proposed grace periods for early closure, including the date from which eligibility would apply and their duration of one year?

Our Members disagree, and suggest it is completely unfair to retrospectively assess whether a project had accumulated enough evidence before July 22 2015 to allow the project to benefit from the grace period. There are numerous scenarios where projects may have been firmly assured of going ahead, but due to these new regulations will now no longer be financially viable and will have to be abandoned. Any project which had not yet accredited, but which would have been installed and generating well within the proposed closure of the RO scheme will now not benefit from grandfathering which will completely alter the financial outlook of the deployment. There may be many funds which had been committed but could potentially be irrecoverable. Having a grace period in the past will completely prevent any new projects from deploying between now and the end of the RO scheme, which completely eliminates any point in having the RO closure date 9 months after the end of grandfathering.

Our Members also suggest the eligibility date should be after the consultation has closed and been reviewed.

Question 6 – Do you agree with the proposed exception from the removal of grandfathering, including the date from which eligibility would apply?

Our Members tend to disagree, suggesting the same issue applies here as with Question 8. Having a retrospective eligibility date to qualify for the RO scheme and associated grandfathering seems ridiculous and will severely impact any projects currently underway which, through no fault of their own, had not met all of the required eligibility criteria. Additionally, the past-date for eligibility will surely preclude any new deployment initiatives between now and the closure date of the RO scheme.

Our Members also suggest this proposed policy is unclear and therefore difficult to comment on.

Question 7 – Do you agree with the proposed forms of evidence to demonstrate eligibility for the grace periods?

Our Members tend to disagree, and suggest the stringency of the evidence required will likely prevent many perfectly valid and worthwhile projects from being accredited under the RO scheme if for whatever reason they cannot complete by 1st April 2016. Furthermore, it is likely that many other projects will be able to accredit under the RO scheme, but will now not benefit from grandfathering simply because one piece of evidence may be missing. This will severely impact the financial viability of these projects, potentially causing abandonment and wasted investment, time and effort.

Our Members also suggest this proposed policy is unclear and therefore difficult to comment on.

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Question 8 – Do you agree with the proposed forms of evidence to demonstrate eligibility for the exception from the removal of grandfathering?

Our Members tend to disagree, as mentioned in Question 7 above, and suggest the stringency of the evidence required will likely prevent many perfectly valid and worthwhile projects from being accredited under the RO scheme if for whatever reason they cannot complete by 1st April 2016. Furthermore, it is likely that many other projects will be able to accredit under the RO scheme, but will now not benefit from grandfathering simply because one piece of evidence may be missing. This will severely impact the financial viability of these projects, potentially causing abandonment and wasted investment, time and effort.

Our Members also suggest this proposed policy is unclear and therefore difficult to comment on.

We appreciate the opportunity to respond to this Consultation.

Iain A Patton

Iain Patton
EAUC CEO