



Havering
LONDON BOROUGH

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Notice of executive decision by individual Cabinet member

Subject Heading:	Consultation response to the Department of Energy & Climate Change Comprehensive Review Phase 1: Consultation on Feed-in Tariffs for solar PV
Cabinet Member:	Councillor Barry Tebbutt Cabinet Member for Environment
CMT Lead:	Cynthia Griffin Group Director for Culture and Community
Report Author and contact details:	Sheri Lim Tel : 01708 432590 E-mail : Sheri.lim@havering.gov.uk
Policy context:	'Living Ambitions' agenda Climate Change Action Plan Climate Change Strategy
Financial summary:	The proposals in the review will affect the financial viability of schemes currently being investigated by the Council.

Member Key Decision

Forward Plan entry number:	Not applicable
Relevant OSC:	Environment
Is this a Strategic Decision?	No
If it is a Strategic Decision, when should this matter be reviewed?	Not applicable
Is it an urgent decision? If so, please refer to the note at the end	No

The subject matter of this report deals with the following Council Objectives

- Clean, safe and green borough X
- Excellence in education and learning ☐
- Opportunities for all through economic, social and cultural activity ☐
- Value and enhance the life of every individual X
- High customer satisfaction and a stable council tax ☐

SUMMARY

The Department of Energy and Climate Change have published a consultation document proposing changes to the government's solar photovoltaic Feed-in-tariff rates and this report recommends a response from the Council.

Part A

DETAIL OF THE DECISION

That the consultation response set out in Appendix 1 be approved.

AUTHORITY UNDER WHICH DECISION IS MADE

The decision is made under the following terms of the Council's constitution:

Member Key Decision

Part 3, Section 2.5, sub-paragraph (b) of the Council's Constitution):

Where there are implications for policies of the Council, to agree members of staff's responses to consultation papers from:

- (i) the Government (including White and Green papers)*
- (ii) the London Councils, the Greater London Authority, Government Association and all other bodies*

where those papers affect the services allocated.

STATEMENT OF THE REASONS FOR THE DECISION

Background

1. The Feed-in Tariffs (FITs) scheme was introduced on 1 April 2010, under powers in the Energy Act 2008. The scheme allows people to invest in small-scale renewable electricity, in return for a guaranteed payment for the electricity they generate and a guaranteed payment for the surplus electricity they export back to the grid.
2. Since FITs were introduced there has been a significant growth in the industry, including several companies in Havering that now specialise in solar installations. Households, local authorities, schools and community groups across the UK are now benefitting from renewable energy, including Havering residents and the Council.
3. On 31st October, the government published its Comprehensive Review Phase 1: Consultation on Feed-in-tariffs for solar photovoltaics (PV).
4. The purpose of the review is to propose adjusted tariffs and criteria requirements for varying tariff levels. Proposals are being made to reduce take-up of the scheme and ensure that the budget envelope set for FITs is not breached.
5. The speed and severity of the proposals have led to uncertainty in the sector and many large-scale schemes that were to benefit households, local authorities, schools and community groups across the UK may have to be abandoned.
6. London Councils, the GLA and many other local authorities and housing associations are responding to the consultation. It is important for Havering Council to respond to this review as the government proposals will impact on the delivery of Council schemes to increase renewable energy and reduce electricity costs for the Council and Havering residents.
7. A copy of the consultation document is in the Members' Resource Room.

Summary of the proposals in the DECC Comprehensive Review Phase 1

8. The review proposes reduced tariff levels and additional eligibility requirements for the Feed-in-tariff, to come into effect from 12th December 2011.

(a) Revised tariff levels

9. Reduced tariff levels have been set with the intention of delivering a lower rate of return on investment. There has been a higher level of uptake of solar pv schemes than the government projected. This is due to the reduction in costs, particularly through economies of scale, and the increase in retail electricity prices which have been much greater than the government anticipated. The reduction in tariff ranges from 44%-56%, depending on the size of the system.

(b) Multi-installation tariffs

10. The government is concerned about third-parties benefiting from FITs and the reducing costs for solar pv systems generated by economies of scale. They are proposing further reductions in the tariffs for organisations which have more than one installation, effective from 1st April 2012. The proposed tariffs would result in a 56%-65% reduction depending on the size of the installation.

(c) Linking energy efficiency and solar photovoltaic installations

11. The government is proposing to link the installation of solar photovoltaics and home energy efficiency, to ensure that energy efficiency is undertaken first before renewable energy. If a household does not meet a minimum requirement for energy efficiency (either an Energy Performance Certificate rating of C or implementation of potential Green Deal-funded measures), then an even lower tariff will apply. The proposed single tariff for schemes not meeting energy efficiency requirements results in a 73%-79% decrease in tariff levels. This would apply to both domestic and non-domestic properties.

Questions asked in the consultation

12. The paper poses 11 questions seeking agreement or disagreement on the proposals outlined in the review. A template is provided for responses to be submitted to DECC, which is the format used for the Council's own response.

Recommended response from the Council

13. A recommended response from the Council is attached as Appendix 1.
14. The response points out the detrimental impact the proposals will have on the emerging solar photovoltaic industry, on delivering renewable energy schemes, on enabling residents to reduce their electricity costs and the equality of access to renewable energy.
15. The response is reflective of the Council's own experience with solar photovoltaic schemes that have been initiated and potential future schemes. It questions the proposition that the reduced tariffs would come into effect eleven days before the consultation closes. The response highlights the effect the proposal for a reduced multi-installation tariff will have on developing market efficiencies, and on organisations that are trying to help reduce electricity costs for others, such as local authorities, housing associations, community groups and schools. The response also notes the inequity the energy efficiency requirement will have against those who live in hard-to-heat homes, and that the level of the tariff reduction will make solar energy only accessible to individual households with access to their own capital who already have highly energy efficient homes. The response proposes that returns from the feed-in-tariff should be used to help pay for energy efficiency measures, rather than using energy efficiency as a requirement.
16. The response agrees with the view that feed-in-tariffs should be adjusted to bring down the rates of return currently experienced. However, the response contends

Member Key Decision

that the scale of the reduction, the additional requirements and the speed that it is being implemented will be significantly detrimental to the solar industry, and the associated jobs, as it is beginning to grow. The future of schemes in Havering (not just related to the Council buildings, but also schools, community groups and residents) and businesses in Havering involved in the solar industry is uncertain due to these proposals.

Next steps

Subject to Member approval, the response set out in Appendix 1 will be submitted to the Government.

Officers will review the further documents published on this topic (likely to be Spring 2012) and ensure that any further issues requiring Member attention are identified.

Member Key Decision

OTHER OPTIONS CONSIDERED AND REJECTED

None. It is important that the Government is aware of the impact of these proposals on the Council's ability to contribute to renewable energy targets, promote the green economy and assist residents and schools with rising energy costs.

NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: Sheri Lim

Designation: Sustainability Officer

Signature:



Date: 13th December 2011

Part B

LEGAL IMPLICATIONS AND RISKS

There are no legal implications arising directly from the consultation.

Cleared by Vincent Healy, Legal Manager – Regeneration
By e-mail 13th December 2011

FINANCIAL IMPLICATIONS AND RISKS

The proposals in the review will affect the financial viability of schemes currently being investigated by the Council.

Cleared by Conway Mulcahy, Strategic Finance Partner
By e-mail 7th December 2011

HUMAN RESOURCES IMPLICATIONS AND RISKS

There are no human resource implications arising from the consultation.

Cleared by Julian Sivill, Strategic HR Business Partner
By e-mail 1st December 2011

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

The Government consultation has not included publication of a specific impact assessment to support the consultation document.

The suggested proposals will disadvantage households that cannot access funding for improving energy efficiency of their homes, who may often be facing fuel poverty. Renewable energy, through 'free-to-install' schemes, would have provided an opportunity to assist those facing fuel poverty to reduce their electricity bills, but the proposals favour those who have high levels of available capital to undertake measures, or already live in energy efficient homes.

Cleared by Martha Goodhill, Diversity Programme Manager
By email 1st December 2011

Member Key Decision

BACKGROUND PAPERS

None.

Member Key Decision

Confirmation of decision

I confirm that I have made this executive decision, in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Signed:



Name: Councillor Barry Tebbutt

Portfolio held: Cabinet Member for Environment

Date: 13th December 2011

Lodging this notice

This notice should be delivered to the proper officer, currently the Democratic Services Manager via Ian Buckmaster, in the Town Hall. A copy of this notice should be retained by the individual Cabinet member making the decision in question.

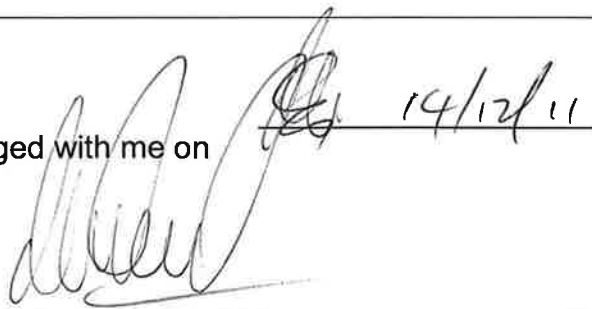
Urgency

Where the executive decision recorded in this notice has been made in accordance with the special urgency provisions of the Overview & Scrutiny Procedure Rules, a copy of the written agreement obtained under rule 18 must be attached to all copies of this notice.

For use in Democratic Services

I confirm that this notice was lodged with me on

Signed





Roger McFarland
Head of Regeneration, Policy and Planning

Energy Strategy Team
London Borough of Havering
Town Hall, Main Road,
Romford RM1 3BD

Please call: Sheri Lim
Telephone: 01708 432590
Fax: 01708 432512
email: Sheri.lim@haverling.gov.uk
Textphone: 01708 433175

Date: 23rd December 2011

Feed-in Tariffs Team
Office for Renewable Energy Deployment
Department of Energy and Climate Change
4th Floor, Area A
3-8 Whitehall Place
London, SW1A 2AW

To whom it may concern,

Consultation response from London Borough of Havering:
Feed-in Tariffs scheme: consultation on Comprehensive Review Phase 1
– tariffs for solar pv

Please find enclosed the official response from the London Borough of Havering on the consultation. Thank you for the opportunity to comment on this review.

Yours sincerely,

A handwritten signature in black ink, appearing to be "S. Lim", written in a cursive style.

Sheri Lim
Sustainability Officer

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
<p>Respondent Name: Sheri Lim, Sustainability Officer</p> <p>Email Address: Sheri.lim@haverling.gov.uk</p> <p>Contact Address: Romford Town Hall, Main Road, Romford, Essex, RM1 3BB</p> <p>Contact Telephone: 01708 432590</p> <p>Organisation Name: London Borough of Havering</p> <p>Would you like this response to remain confidential? No</p> <p>If yes, please state your reasons:</p>
CHAPTER 2: PROPOSED TARIFF CHANGES FOR SOLAR PHOTOVOLTAICS
<p>Q1: Do you agree or disagree with the proposed new tariffs for solar PV? Give reasons to support your answer.</p> <p>Disagree</p> <p>Comments: The Government indicates that it is revising the tariffs to deliver a 5% rate of return on solar PV. Calculations undertaken for London Borough of Havering (LBH) planned schemes, however, indicate a much lower rate of return, particularly as almost all schemes will fall into the lower tariff bands of the multi-installation category and the energy efficiency requirement. LBH agrees that tariffs need to be adjusted to bring down the higher rates of return due to reduction in system costs and increases in electricity prices. From our experience, though, not all schemes were delivering such high rates of returns – some only in the range of 7-8%. This is due to the additional costs beyond the renewable system equipment, such as roof repair works, asbestos removal, additional scaffolding, etc. that are often experienced on projects on schools, community halls and social housing and lower electricity rates than domestic consumers.</p> <p>LBH suggests that the 44-56% immediate reduction proposed for the standard tariff (for the</p>

typical size of installations that households and organisations will be installing) is too great to undertake so swiftly. This will have significant detrimental impacts on the solar industry and those keen to adopt renewable energy measures.

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.

Disagree

Comments: By proposing to apply new tariffs on a reference date before the legal implementation of the tariffs for the new FIT year, misgivings and uncertainty are raised among the solar industry, organisations and households that are investing in renewable energy. This approach would seem contrary to the statutory instruments legislated for implementing the FITs scheme.

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

Disagree

Comments: With the proposed reference date being not only before the legal implementation of the revised tariffs but also eleven days before the close of the consultation period, this raises questions of the government's commitment to the consultation process.

Schemes have been initiated with the government's assuredness that the feed-in-tariff rates would change in the new FIT year. Local authorities, LBH included, have commenced schemes to enable our residents, schools and community groups to access renewable energy, reduce their electricity bills and contribute towards the government's renewable energy targets. Under a reference date of 12th December 2011, many schemes will no longer be financially viable and contracts will not be able to be honoured. There will be financial implications for local authorities and housing associations having to cancel contracts, in addition to the time and effort invested in developing these projects.

In Havering a number of local companies have developed expertise in solar renewable energy, and they will be facing great strain with such an immediate reference date. Proposing a reference date six weeks from the start of the consultation, does not give these small to medium-sized businesses time to adjust their long-term business plans and will ultimately lead to job losses at a time when the UK economy needs growth and job creation.

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.

Disagree

Comments: The approach proposed by the government for lower multi-installation tariff rates penalises many organisations that are undertaking solar pv schemes to benefit residents and the community. Housing associations, local authorities, schools and community groups are developing schemes on more than one site on their estate for the benefit of tenants, pupils and local communities using these facilities.

LBH agrees that third-parties are financially benefitting from multiple installations through the Feed-in-tariff. However, LBH wishes to point out that the residents, schools or community groups whose roofs are being used are also benefitting through the renewable energy generated, which is a greater benefit than they would have without an installation on their roofs.

The way the multi-installation tariff is designed will make solar pv only accessible to individuals and organisations with a high level of available capital, thereby biasing against households and organisations that often require the most assistance to reduce their electricity bills. By skewing the rate of return in favour of one-off individual installations, individual affluent households will be the only beneficiaries. Multiple installations by third parties (i.e. on social housing estates, schools, community buildings, etc.) ensure that the benefits of reduced energy costs are shared widely.

From a broader economic perspective, LBH believes that the proposed multi-installation tariff penalises the development of market efficiencies that are necessary for the solar industry to grow, provide more job opportunities and enable it to become a cost-effective renewable technology.

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

Disagree

Comments: As discussed in Q4 above, LBH does not agree with having lower multi-installation tariff rates, as this will reduce the ability for residents and communities to access renewable energy. In the case of LBH, one of the schemes we will have to reconsider is a combined programme of solar installations, energy metering and energy efficiency

awareness with Council tenants to reduce their energy use and maximise their use of the renewable energy, which will no longer be financially viable under the government's proposals.

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.

Disagree

Comments: In LBH's view, setting a lower tariff for buildings which do not meet minimum energy efficiency standards will again penalise those who are least able to afford these opportunities. The government's illustrative costs presented in the consultation suggest that residents of solid-wall properties would be virtually unable to afford solar pv on top of the cost of energy efficiency measures, and the multi-installation tariff would make it unattractive for third parties to provide it for them. With 52% solid wall properties in London (and a similar figure in Havering), this would discriminate against a large proportion of our residents.

It is unclear how the energy efficiency criteria would be applied on blocks of flats, where each unit may have a different EPC rating, but the building may have high communal daytime electricity consumption and a suitable roof for installing solar pv. On non-domestic buildings, LBH agrees with the government's recognition that energy efficiency is more complex, varied and costly, on which setting an energy efficiency requirement for non-domestic may prove an insurmountable barrier to generating renewable energy (see further discussion in Q11).

The capital costs for energy efficiency measures in the UK have been heavily subsidised through government and energy company grants. For local authorities and housing associations, where energy efficiency measures are not undertaken on the housing stock it is typically due to constraints on capital funding and other housing priorities that must be met. The mechanism of the Feed-in-tariff was able to unlock finance for renewable energy measures from a much wider range of sources, where no capital has been provided. This opened up opportunities for properties that were not prioritised for energy efficiency measures to gain energy savings through private capital and investment. Setting a lower tariff for low energy efficient dwellings will result in many properties not being able to access energy efficiency measures or renewable energy, particularly for properties that may

not meet the Green Deal criteria.

LBH suggests that the returns from the FITs on solar pv installations should be used to help pay for energy efficiency measures, rather than act as a deterrent. The standard tariff should apply, but a requirement placed on the FITs monies to be ring-fenced for energy efficiency measures where there are measures that could be undertaken. This would ensure that the FITs received by third parties is fully benefiting residents and building users. For local authorities, housing associations, schools and community groups who have an interest in reinvesting the monies into their estate, this would be a mechanism to enable equitable access to solar energy and improving energy efficiency, rather than lower tariffs acting as a deterrent to undertake either.

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.

Comments: As the government is still currently exploring mechanisms and procedures for Green Deal delivery, schemes will not start until Autumn 2012 and they may not be widely available initially, LBH believes that this is not a suitable option for setting an energy efficiency requirement. The government's suggestion that CERT funding could partly pay for measures to achieve an EPC rating of C before the Green Deal is fully implemented would still create inequitable access to renewable energy and energy efficiency measures. LBH has delivered significant amount of CERT-funded schemes in the borough, and our experience has been that CERT is only made available for easy measures such as loft and cavity wall insulation. In cases where properties need solid wall insulation or replacement boilers to reach an EPC rating of C, they would not be able to access funding.

LBH wishes to note that it does not support setting a minimum requirement for energy efficiency, but proposes that the FITs be used towards energy efficiency measures for the property.

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.

Disagree

Comments: The illustrative costs provided in the consultation for achieving an EPC rating of

C may prove prohibitive for households, even before adding on the cost of a renewable energy system. LBH contends that with the rate proposed, the FITs tariff would not make the upfront costs more palatable to householders as the government suggests, and would in effect give government assistance to households that can already afford renewable energy and already have energy efficient homes (or can afford to undertake energy efficiency measures).

The government has pointed out that basing the energy efficiency criteria on an EPC level of C would result in 86% of dwellings needing measures. Bringing those homes up to standard through insulation and heating improvements would "in most cases" cost up to £5,600, according to the Department of Energy and Climate Change own figures

Based on the government's figures, LBH views the energy efficiency criteria as putting the large majority of UK homes at a disadvantage. Many properties that do not have EPC certificates, such as older properties with long-term owners or residents who have moved before 2007 intending to be long-term owners of their current property, may also find themselves deterred from accessing renewable energy and energy efficiency measures simultaneously. For the hardest-to-heat houses, solar PV is a practical way of reducing carbon emissions, and probably much less disruptive than solid wall insulation.

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.

Disagree

Comments: If qualifying for the standard tariff was conditional on the FITs being reinvested into energy saving measures for the property, rather than setting energy saving requirements which will create an inequitable system (as proposed), then LBH would agree with the proposal.

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.

Disagree

Comments: LBH contends that irrespective of the length of transitional period provided for the energy efficiency measures, the proposal itself is inequitable and throws away the opportunity to tap into broader financial sources to support households which may not have access to energy efficiency funding.

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: A number of LBH buildings have undergone programmes of measures to improve their energy efficiency, with significant financial investment. However, these buildings will not be able to achieve a C rating on their Display Energy Certificates because of their age and being listed buildings. In such cases, renewable energy is an appropriate option, since if LBH cannot improve the energy efficiency of the building further, it can reduce its grid electricity requirements by generating renewable energy. As buildings with high daytime electricity consumption, solar pv is a suitable renewable technology to improve the energy rating, and should not be penalised on buildings which do not have the capacity to achieve a C rating. This issue would similarly apply to other organisations and residents in listed and older hard-to-heat properties.