



RECC response to BEIS Call for Evidence: Future Support for Small-Scale Renewable Energy

Renewable Energy Consumer Code (RECC) is pleased to submit this response to the BEIS consultation: A Future Framework for Small-Scale Renewable Energy.

RECC is the main Consumer Code setting and requiring high standards of protection for consumers wishing to buy or lease small-scale renewable energy generating systems, with some 2,000 members. RECC was set up in 2006 by the Renewable Energy Association (REA) and is approved by Chartered Trading Standards Institute (CTSI) as part of its self-regulation initiative, the Consumer Codes Approval Scheme.

Businesses working with domestic consumers who wish to access the Feed-In Tariff or the Renewable Heat Incentive must be members of a CTSI-approved Consumer Code. RECC has 1,700 members who work with the full range of renewable heat and power generating technologies and with related products.

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Summary of views

RECC is firmly of the view that small-scale renewables must be supported in the UK after the Feed-in Tariff scheme closes to new applications on 31 March 2019. Support will deliver clean energy, comfort and savings for consumers, jobs and investment for the sector and a pathway to a low-carbon, flexible energy system. If the Government is serious about cultivating a sustainable clean energy and innovation sector, it must ensure that there is something to build on. Failure to support small-scale renewables will increase costs for consumers and cost thousands of jobs in the sector. It is estimated that the 2016 changes to the FIT Scheme resulted in 9,000 people in the sector losing their jobs.

Without a clear pathway to continued support there will be an impending 'cliff-edge' after which when support will drop off for small-scale renewables. RECC's experience from previous sudden

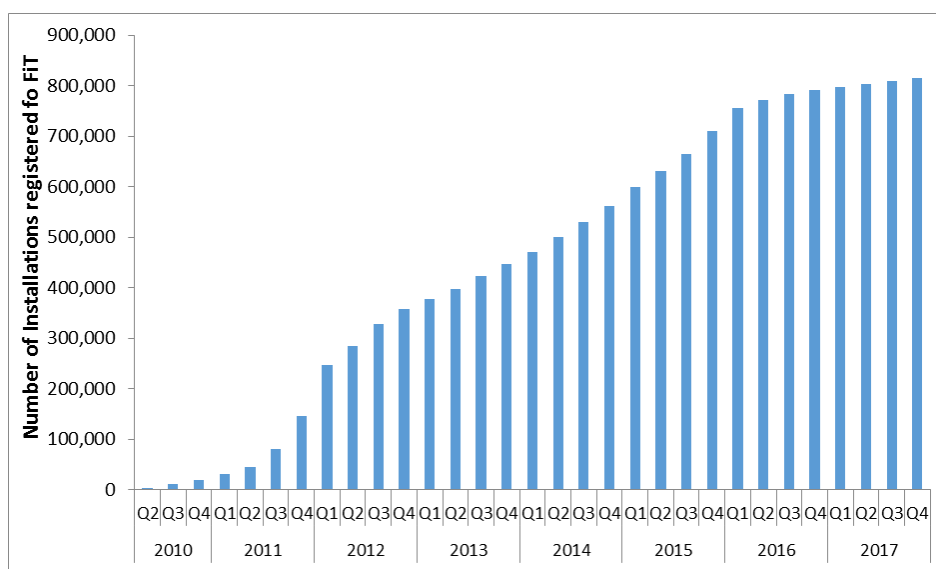
changes to the scheme tells us that there will be a headlong rush to ‘beat the deadline’ which will result in mis-selling, fraudulent installations and a spike in levels of consumer detriment. This will be followed by far-reaching job losses and companies ceasing to trade, leaving consumers high and dry, and unable to resolve the issues they have. This all comes in the face of uncertain economic circumstances for manufacturers and installers and the Brexit negotiations.

This is why, in RECC’s view, a successor support scheme must be announced and introduced without delay. We also agree that a series of ‘grace periods’ should to be introduced to help manage the transition and build on principles established in the Renewables Obligation and CfD support schemes.

Responses to a survey of RECC members in August show an overwhelming belief that the proposals to end the Feed-In Tariff will result in widespread job losses in the industry. (Over 40% of companies said they were considering withdrawing from the solar industry entirely.) They also highlight strong support for a continued export tariff. (See next section for the full results of the survey.) One in two respondents told us that they had cut back their operations dramatically since the changes to the scheme were introduced in 2016. Many others have left the scheme altogether.

This picture is backed up by Government data captured in Figure 1, below, which shows the capacity of renewable energy installed under the Feed-In Tariff since its inception in 2010. The level has reduced dramatically since 2016.

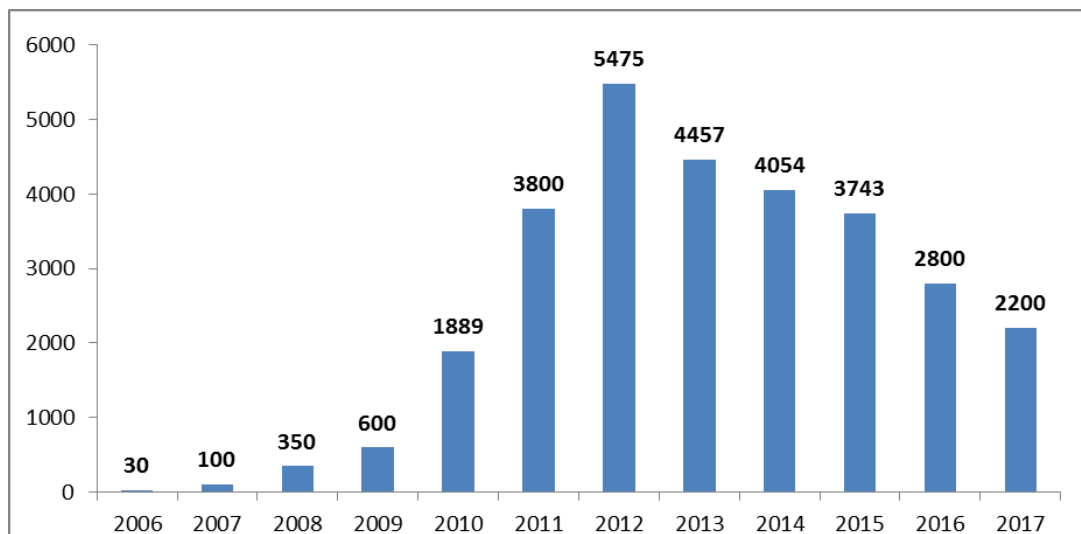
Figure 1: Renewable electricity installed capacity under the FIT scheme



Source: <https://www.ofgem.gov.uk/publications-and-updates/feed-tariff-installation-report-31-december-2017>

Figure 2, below, shows the number of installers operating in the small-scale renewable energy sector over the past 10 years. It shows the dramatic reduction in the number of installers since the peak in 2012, but more especially since the end of 2015.

Figure 2: RECC members by year



Source: <https://www.recc.org.uk/pdf/annual-report-2017.pdf?t=201808301315>

RECC supports the Government's goal of stimulating growth in jobs and investment in UK renewables and clean tech industries while helping to keep energy bill costs down. Sustained support by successive governments for investment in renewables coupled with putting a value on carbon dioxide emissions have been central to the UK's success to date in deploying renewables. However, all the evidence shows that withdrawing support from the sector entirely, as is proposed, will have a disastrous effect on the small-scale renewable sector. The past 8 years have shown that consumers are prepared to act, but that they require comfort that they will be compensated for the disruption and up-front expense that they are expected to bear, whether installing renewable power or heating systems.

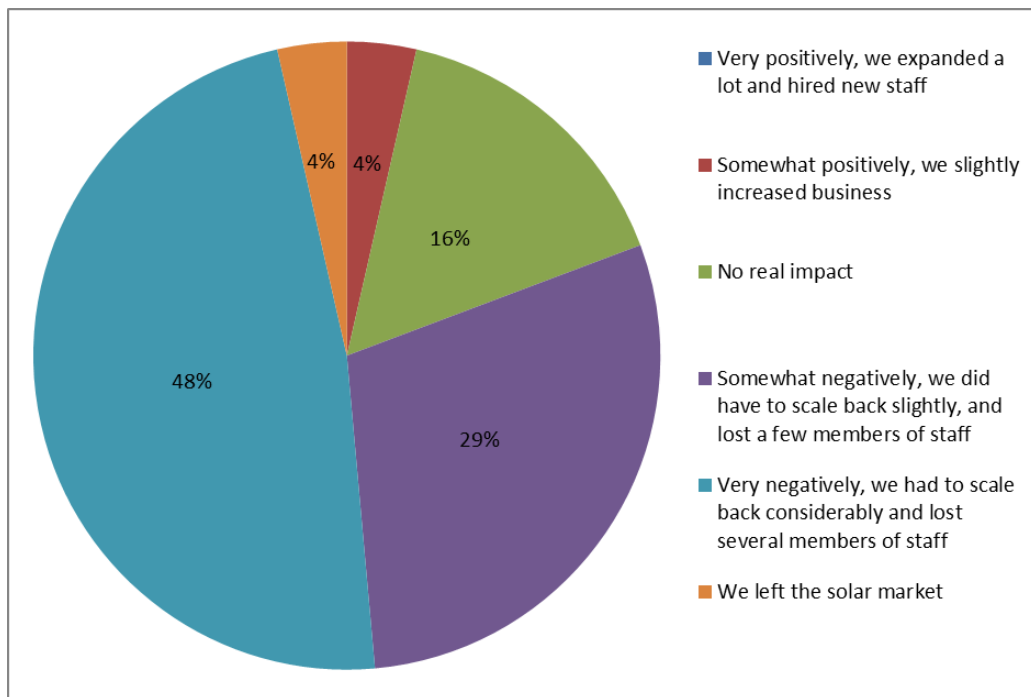
Across the piece new investment in UK renewables is declining and the closure of the FIT scheme will be another serious hit to the investment case for new projects. Uncertainty on what (if anything) will take the place of the FIT, and a lack of policy detail on how the fourth and fifth carbon budgets will be met, are putting at risk the Government's position as a leader in smart, clean energy and as an attractive place for investment at risk.

RECC survey results

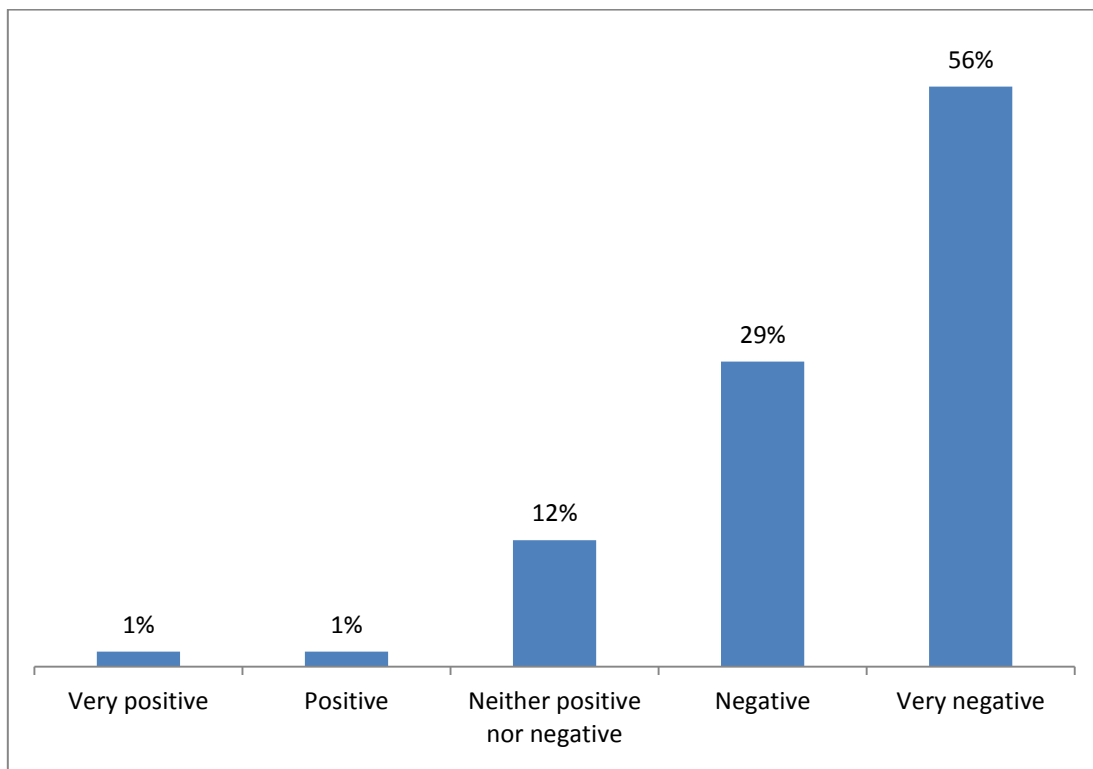
A survey of RECC members conducted in August 2018 in response to the proposals attracted 140 responses at the time of submitting this response, and showed that:

- 48% of respondents had scaled back considerably from the solar industry after the last FIT reforms in 2016, correlating with our estimates of 9,000 job losses in the sector as a result;
- 40% of companies responding said they would have to reconsider remaining in the industry if the changes were implemented as proposed;
- Only around 22% said they would continue with current staffing levels or hire more staff;
- Over 80% of respondents said they would have to cut half or more of all domestic solar PV installation jobs carried out by their company.

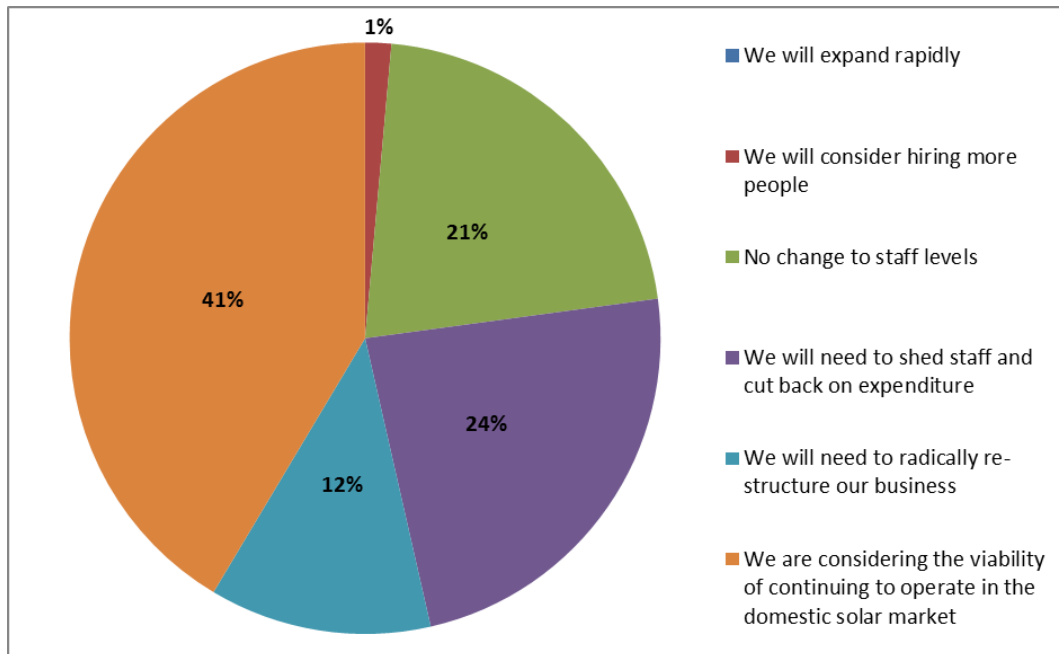
Question 1: “How did the last FiT reforms, implemented in February 2016, impact your business?”



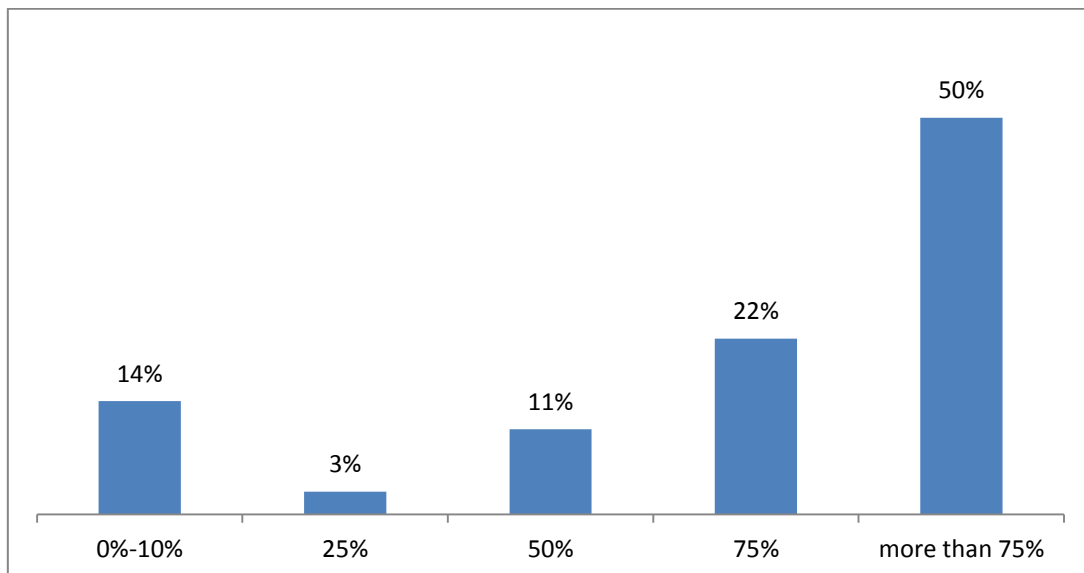
Question 2: “If the FiT scheme closes without an adequate replacement, or a continued export tariff, what will be the impact on your business?”



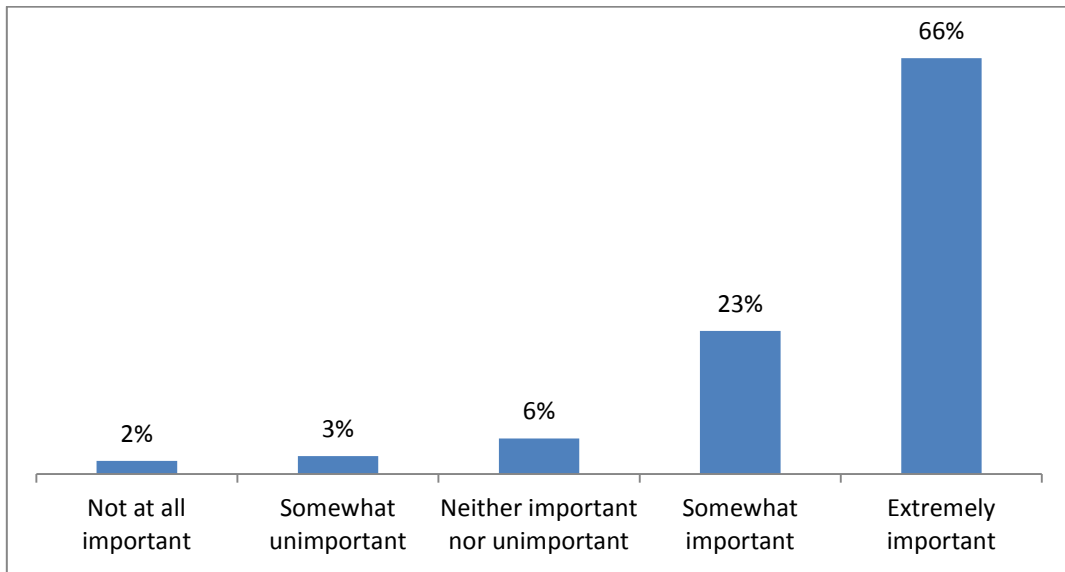
Question 3: “If the FiT scheme closes without an adequate replacement, or a continued export tariff, what impact could this have on staffing?”



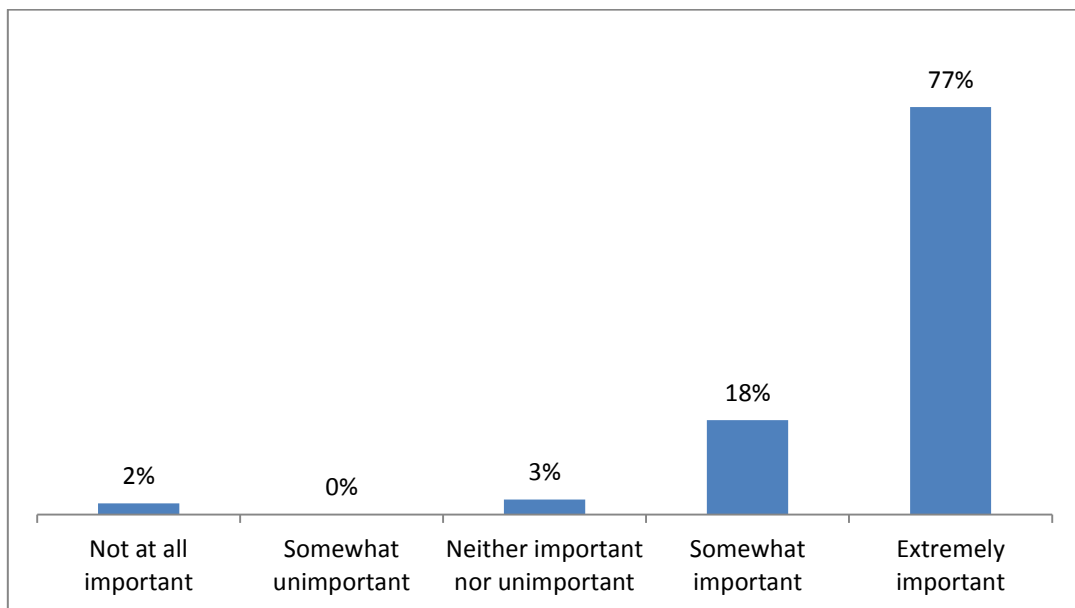
Question 4: “What percentage of domestic solar jobs do you think you could lose if the FiT scheme closes without an adequate replacement?”



Question 5: “How do you rate the importance of maintaining high consumer protection standards within the domestic solar market?”



Question 6: “How do you rate the importance of maintaining high installation standards (MCS or an equivalent) in the domestic solar market?”



Question 7: “Thinking about the future and the closure of the FiT scheme as we know it, what alternative do you think could benefit the industry?”¹

Alternative	Number of times chosen
Retained Export tariffs (as currently operated)	82
Tighter building regulations to mandate that solar PV or other renewables must be installed on all new homes	81
Tax support – 0% VAT rate for all renewables and storage	63
Interest free loans for renewable installations	47
Increase recognition of the benefits of solar/small wind and storage in the EPC (SAP) methodology (i.e homes with these measures would receive a better EPC rating)	31
Tax support – Enhanced Capital Allowances (ECAs)	15
A reformed ECO Scheme to mandate on-site renewable installations in fuel-poor homes	13
Other	10
Support for renewables via the Winter Fuel Allowance	6
Tax support – Enterprise Investment Scheme (EIS)	3

Below is a sample of the responses received concerning possible alternatives to the FiT scheme:

“Assistance with Captial [sic] expenditure costs for customers as this is where the bulk of the cost for renewable technology sits”

“Net Metering (same price paid for exports as for imports). How this interacts with initiatives to promote on-site storage would need careful thought.”

“Support for installing battery storage, possibly funded by the energy companies, or clearer methodology of the potential income from grid balancing services that customers could benefit from as part of the selling process.”

“Need a vision to build a true Smart grid with relocation of resources to support the smart grid...”

“...it is essential that some means of maintaining standards is implemented otherwise poor installations carried out in an unregulated manner will result in dangerous installs. If all the regulation was necessary under FITS to ensure safety it should not disappear now.”

¹ The table above displays the responses provided to a question on possible alternatives to the FiT scheme. Respondents were asked to select their top 3 choices. 117 of the 140 respondents answered this question, while 23 skipped it.

Suggested alternative support measures

Continued 'export tariff' payments

Until there are meaningful price signals in the market, RECC sees the retention of some form of export payments as the first step in a longer term transition to the 'end point' whereby export meters are widespread and a system of individual PPAs or directly metered payments from suppliers can be made. The stronger challenger supply companies are already working on this and expect to be able to implement such a system once various hurdles have been overcome.

In the longer term, we expect that there will be changes to underlying energy market and regulatory structures will mean small-scale renewable generators will be able to access markets that reflect the value of the electricity they supply to the grid. However, Ofgem's proposed timeframes to address this through its review of access and forward looking network charging is unlikely to lead to changes until at least 2023.

A successor export tariff will ensure that small-scale generators are paid for the electricity they export to the grid. This will provide recognition for the power provided to the system which will otherwise not be compensated for at all. In the absence of an export tariff, some energy suppliers will be able to take advantage of small-scale generators will get the benefit of the exported for free. This will disincentivise consumers and communities from participating in the transition towards renewable energy.

We consider that the export tariff should be available for all projects that are currently eligible for FiT payments and which do not have an export MPAN meter. This will allow for a phased approach to the installation of export MPAN meters, which is costly, and will impact disproportionately on smaller generators. This will risk slowing the market at a critical time after the removal of the FiT generation tariff.

RECC supports the options for implementing the export tariff put forward by Renewable Energy Association, our parent company. Like the REA we urge Government to retain the existing system of deemed export tariffs, initially at least. This, together with some options for adapting the existing system to better reflect the market value of exporting electricity the grid, are set out below. In addition, extending the export tariff would allow for the continued regulation of products and installations in line with the MCS standards, as they currently are, and for consumers who purchase them to be assured of high consumer protection standards. RECC therefore favours requiring generators who wish to benefit from the export tariff to register with their energy supplier as they are currently required to, and produce a valid MCS certificate. (See below for more on this.)

Option A: Retain existing export tariff system

The simplest option is to retain the existing system of export tariff payments, whereby the tariff does not change by hour or day and is flat-rate, inflation-linked (currently at 5.34p/kWh). This would then be paid for by the electricity suppliers as at present, although adjustments may be required for levelisation.

Export tariffs are only a subsidy if they give a higher return than the market value of the electricity being exported. If all export tariffs do is to guarantee fair market value for the electricity exported to the grid, then the export tariff can be considered as a guaranteed route to market, rather than as a 'subsidy'.

It would be possible to index export tariff payments to an indicative reflection of wholesale prices so as to more accurately reflect the actual value of the power at a given moment in time. Two possible options for linking export tariffs to wholesale prices are discussed below:

Option B: Index export tariffs to System Imbalance Price

Linking the payments to the 'Single Imbalance Price', otherwise known as the System Spill Price, what used to be termed the System Sell Price, would provide an indication of the impact on the system of generation at a particular time. Currently, any half hourly settled generation asset that has an export MPAN meter can receive this price on any power exported to the grid. Therefore it would be fair and logical to apply this to smaller scale generators. Otherwise they would be the only generators not compensated for the electricity they export.

An examination of the data shows that, in the past year, the price has been broadly similar to the FiT export rate:

Year	System imbalance ("spill") price (£/MWh)	FiT export tariff (£/MWh)
2015	36.5	52.4
2016	40.0	52.4
2017	45.1	52.4
2018	54.5	53.4

Figure 1: System Imbalance Price, and FiT Export Tariff rates, 2015-2018

Source: Elexon Portal, 2018

Option C: Index export tariffs to day-ahead 'spot' electricity price

Alternatively, as with the CfD mechanism, the export tariff could be linked to the day-ahead 'spot' electricity price on the London market, for example the N2Ex market. This reflects the changing price of power throughout the day. There is a precedent for using these exchanges already in place. However there can be low volumes traded on these exchanges at times and they can be volatile in nature. (Power is traded on an hourly basis, which would require the use of smart meters.)

Option D: Retain a fixed export tariff for deemed exports; and introduce time-of-export rates for generators with an export meter.

A hybrid option such as this has the simplicity of retaining a fixed export tariff for installations without a smart export meter and, at the same time, mimicking the effect of variable price signals

that will become available with the evolution of flexibility in the market for those generators with an export meter. If the fixed export tariff element of the hybrid system were time-limited it would act as an incentive to encourage generators to invest not only in small-scale renewables, but in systems that are more flexible and controllable.

In addition, setting default variable export tariff rates would encourage suppliers to design better TOU offerings to attract customers, thereby contributing to accelerating the introduction of time variable pricing signals and the associated consumer benefits. To avoid any additional cost impact on consumer bills such time of export rates can be fixed to fit within existing budgetary envelopes.

Importance of maintaining high standards of consumer protection in the sector

The closure of the FIT Scheme will mean that products and installations no longer need to comply with MCS standards, nor meet high standards of consumer protection. Extending the export tariff would provide a ready avenue for requiring products and installations to continue to be carried out by MCS-certified installers who are signed up to a CTSI-approved Consumer Code. This would ensure a well-regulated sector, and allow for the 'MID' Database to be maintained.

Without this consumer protection in the sector, standards will drop, there will be an increase in consumer detriment, with an increasing number of cowboys targeting vulnerable consumers. The dual regulation of installers by MCS and Consumer Codes has meant that, to a considerable extent, high-pressure selling and shoddy workmanship have been dealt with quickly and effectively. Nonetheless, the value of consumer detriment in the sector is high, and will grow if a hiatus is created. This risk must be contained.

RECC works tirelessly on behalf of consumers in the small-scale renewable sector. By way of illustration, in 2017 RECC asked 25 members to respond to suspected breaches of the Code and/or Bye-Laws. 10 of these went on to have formal non-compliance action invoked against them, of which these 2 members agreed a Consent Order with RECC, 1 had its membership terminated following an invitation to agree to a Consent Order with RECC and 2 were referred to an independent Non-Compliance Panel Hearing.

In 2017 RECC received 780 complaints from consumers in total. The complaints registered were in respect of 336 different RECC members and ex-members. 235 of these only had 1 complaint registered against them; 101 had more than 1 complaint registered against them, and 2 had 20 or more registered against them.

Some 200 of these complaints fell within RECC's remit. 106 of them were successfully resolved: 31 with RECC involvement prior to formal mediation, 21 through RECC's formal mediation process, and 54 by the independent arbitration service. RECC's formal mediation process recovered £43,000 for consumers. The independent arbitration service recovered £282,400 for domestic consumers and £11,860 for micro-business consumers.

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