# RECC response to BEIS Consultation: The Feed-In Tariffs Scheme

Renewable Energy Consumer Code (RECC) is pleased to submit this response to the BEIS Consultation on the Feed-In Tariffs Scheme.

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 Tariffs (FiT) or the Renewable Heat Incentive (RHI) must be members of a CTSI-approved Consumer Code. RECC members work with installers of the full range of renewable heat and power generating technologies and with related products.

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## Summary of views

### *Continued support essential for small-scale renewables*

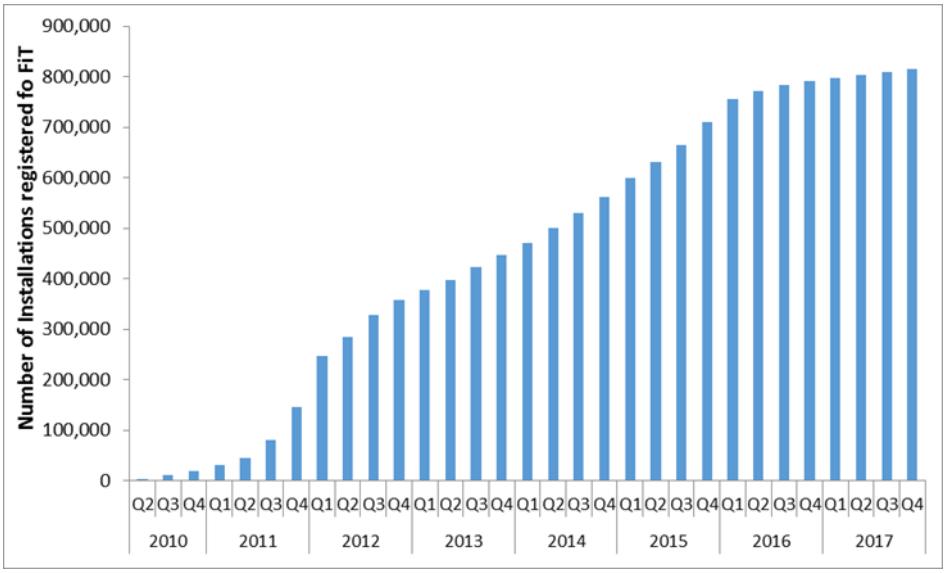
RECC is firmly of the view that small-scale renewables must be supported in the UK after the Feed-in Tariff scheme closes to new applications on 31 March 2019. Responses to a survey of RECC members in August highlighted strong support for a continued export tariff. (See Annex for the full results of the survey.)

The closure of the FiT scheme is likely to be followed by large-scale solar PV job losses and liquidated installer businesses. 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. 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.

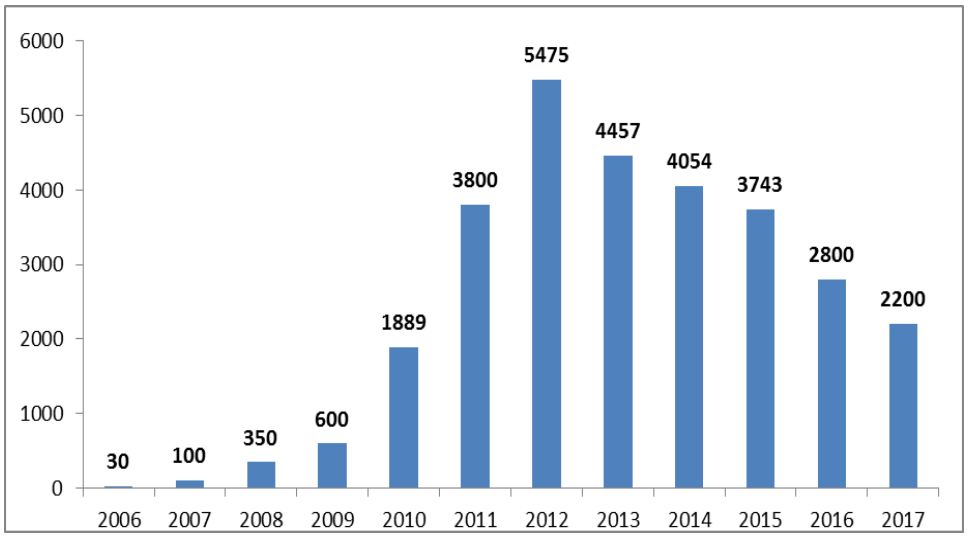
Figure 1, below, shows the decrease in the amount of installed capacity uner the FiT scheme since 2016. Figure 2, below, shows how the number of installers operating in the small-scale renewable energy sector has declined in parallel with this, especially since 2016.

**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: RECC members by year**




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

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 Government is serious about cultivating a sustainable clean energy and innovation sector, it must ensure that there is something

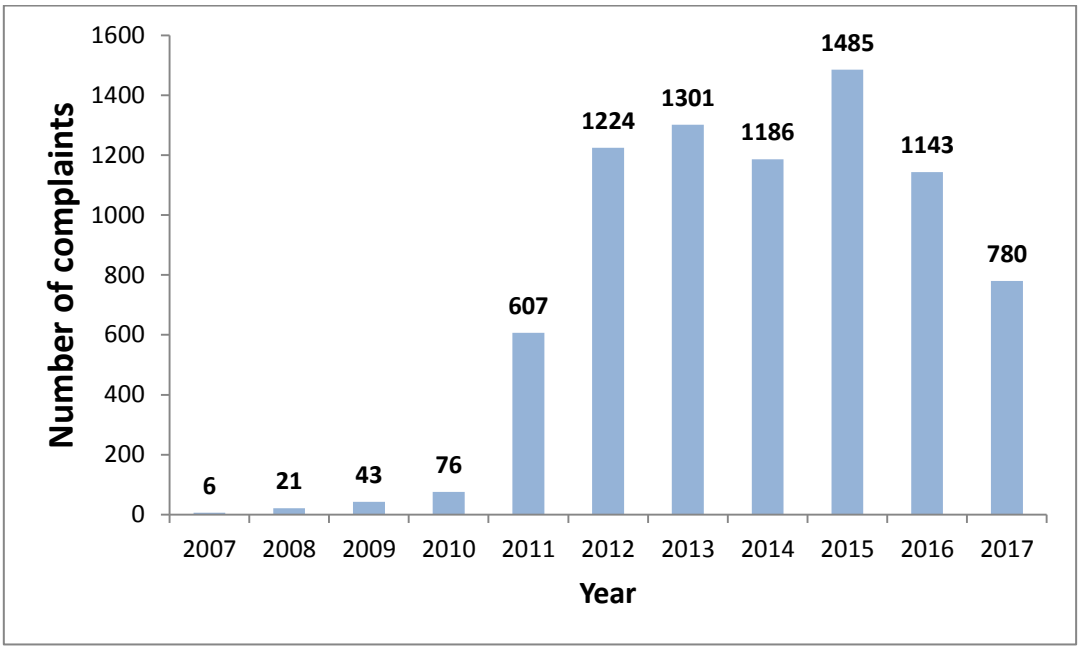
to build on. Without a clear pathway to continued support there will be an impending 'cliff-edge' after which support will drop off for small-scale renewables. This is why, in RECC's view, it is vital that a successor support scheme is announced and introduced without delay.

***Proposals will result in widespread consumer detriment***

RECC's experience from previous sudden changes to the FiT scheme tells us that there will be a headlong rush to 'beat the deadline', proposed to be 31 March 2019. This will result in an avalanche of high pressure selling, misleading and inaccurate claims, poor quality or non-existent installations and fraudulent registrations on the Microgeneration Installation Database (MID).

This spike in the level of consumer detriment will, on the basis of previous experience, take several years to manifest itself fully: RECC was registering complaints about installations carried out in 2012 well into 2015 (see Figure 3, below). Once businesses liquidate it is impossible for consumers to seek redress unless they have paid by credit card or have a valid insurance-backed warranty policy. Based on previous experience, typically they have not paid by credit card and do not have a valid policy. This leaves many, typically older or otherwise vulnerable, consumers with debts that can amount to £10,000 without access to justice. In addition, it is unclear who will be expected to deal with all these complaints.

**Figure 3: Total number of complaints registered with RECC by year**



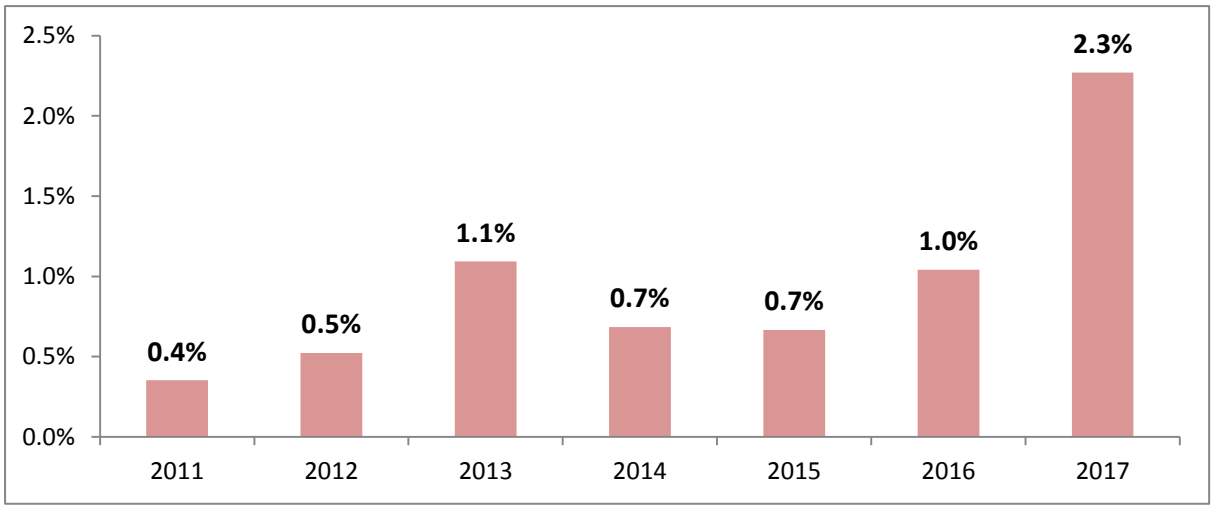

*Source: https://www.recc.org.uk/pdf/annual-report-2017.pdf?t=201809131519*

**Table 1: Solar PV Complaints registered with RECC as a % of all domestic solar PV installations**

| Year | Solar PV complaints registered with RECC | Total domestic solar PV installations | Total domestic solar PV installed capacity | Percentage |
|---|---|---|---|---|
| **2011** | 439 | 124,385 | 381 MW | 0.4% |
| **2012** | 1,051 | 201,178 | 687 MW | 0.5% |
| **2013** | 937 | 85,755 | 313 MW | 1.1% |
| **2014** | 754 | 110,120 | 406 MW | 0.7% |
| **2015** | 948 | 142,250 | 517 MW | 0.7% |
| **2016** | 764 | 73,433 | 288 MW | 1.0% |
| **2017** | 484 | 21,325 | 77 MW | 2.3% |

*Source: https://www.recc.org.uk/pdf/annual-report-2017.pdf?t=201809131519*

**Table 2: Solar PV complaints registered with RECC as a % of all domestic solar PV installations**




*Source: https://www.recc.org.uk/pdf/annual-report-2017.pdf?t=201809131519*

***Actions required to mitigate consumer detriment***

The small-scale renewables sector, particularly that part of it made up by domestic consumers, is, for the most part, particularly vulnerable to mis-selling and ill-equipped to judge good practice. In RECC's view Government needs to take steps to mitigate the consumer detriment that will result from its proposal to close all aspects of the Feed-In Tariff on 31 March 2018. These could include:

- maintaining the deemed export tariff for new entrants for a defined period of time which will not only ensure that small-scale generators are treated equitably, but also reduce the cliff-edge effect of closing both elements of the FiT on 31 March 2019;
- recycling unspent FiT funds, specifically by ensuring that the value of unused capacity in the < 10 kW band remains available for small-scale generators until it is exhausted - these consumers are

unlikely to install solar PV at their homes without being compensated for the disruption and up-front expense that they are expected to bear;
- introducing a series of 'grace periods' to help manage the transition and build on principles established in the Renewables Obligation and CfD support schemes.
- working with Ofgem and electricity suppliers to tighten and expand the evidential requirements for registering installations with the MID, including the provision of photographic and online evidence of the installation before an MCS Certificate can be issued;
- ensuring that the MID has sufficient resilience to withstand a high level of traffic in the weeks leading up to 31 March 2019; and
- requiring MCS Certification Bodies to inspect a representative sample of installations registered on the MID, based on certain triggers which might include a sudden spike in registered installations, a report from a whistle blower, a complaint received or a history of non-conformances.

***RECC survey results***

A survey of RECC members conducted in August 2018 in response to the proposals had attracted 170 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.

See Annex for full results of the survey.

***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. A good example of this is battery storage which is currently unregulated.

RECC receives many complaints about badly or inappropriately installed battery storage or about misleading claims about battery storage. Unless the installers happen to be RECC members we are unable to help them. MCS cannot consider technical complaints about battery storage since there is no standard.

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 hese 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. None of this would be possible in an unregulated sector.

RECC receives a high numer of complaints about uncertified companies who prey on vulnerable consumers, seeking to sell them bogus solar PV maintenance plans, voltage optimisers, replacement inverters and other expensive equipment. Which? recently published an article on the same subject: https://www.which.co.uk/news/2018/09/solar-panel-add-ons-you-dont-need/ .

Which? carried out a survey of 2,163 members who have a solar PV system installed in May 2018. In it, Which? asked its members whether they had been approached by companies trying to sell them unnecessary solar panel products or services they didn't ask for. Three quarters of solar panel owners said they had. In particular:

- 36% said they had been offered a solar panel service e.g. to check their system is running correctly
- 20% said they had been offered a voltage optimiser
- 19% said they had been offered a replacement inverter
- 11% said they had been approached about solar buyback.

**Consultation questions**

**Q1: 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 meter. This will allow for a phased approach to the installation of export 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.

The simplest option would be to retain the existing system of export tariff payments for all small-scale generators without an export meter. On this basis, the tariff would not change by hour or day and would be flat-rate, inflation-linked (currently at 5.34p/kWh), deemed and paid for by the electricity suppliers as at present, although adjustments may be required for levelisation. Alternatively, it would be possible to vary export tariff payments so as more accurately to reflect the actual value of the power at a given moment in time, for example the System Imbalance Price or the day-ahead 'spot' electricity price.

Payment of the export tariff could be time-limited in order to incentivise small-scale generators to install an export meter with a given amount of time, for example three or five years. During this time, generators would be incentivised to install an export meter. Once they had they would be free to agree a power purchase agreement directly with an electricity supplier to ensure that they were paid a reasonable amount for the electricity they actually exported. This would ensure that consumers' bills were not adversely affected since export payments would reflect as closely as possible actual value to the system, and deemed payments would in any case be time-limited.

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.

**Q2: Administrative arrangements for closure**

RECC agrees that small-scale (< 50 kW) generators with a valid MCS Certificate issued before 31 March 2019 should have until 31 January 2020 to apply to their electricity supplier for accreditation with the FiT scheme. This should give generators plenty of time to put their applications together.

RECC's concern remains with the strict cut-off for registration on the MID by 31 March 2019. Very sudden changes to FiT payments in the past, for example in 2012 and 2016, have caused the MID to crash, in turn causing consumers to miss the deadline. In addition, as explained above, the more insidious effects of the cliff-edge include installers registering installations before they have been carried out in order to beat the deadline, carrying out very shoddy workmanship and persuading consumers to waive the cancellation period in order to beat the system.

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.

**Q3: Levelisation of net metered export payments**
**Q4: Using the average time-weighted System Sell Price to determine value of metered exports**
**Q5: Proposed calculation for adjusting annual levelisation payments**

RECC does not have specific views on these proposals which we can support.

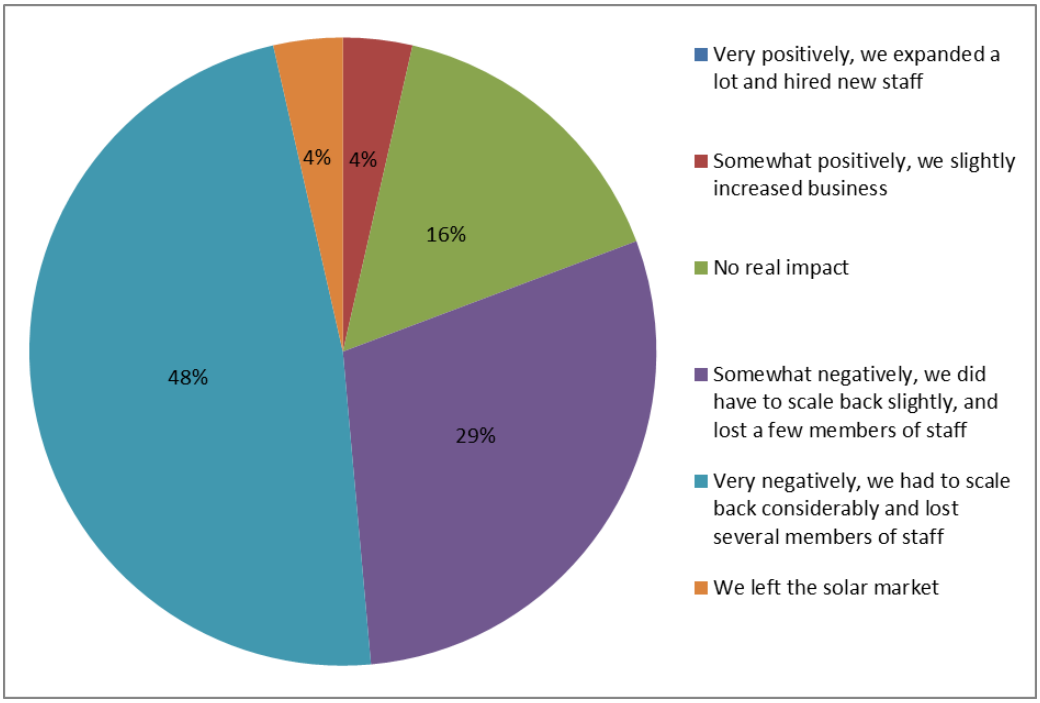
**Q6: Likely replacement rate for generating plant**
**Q7: Likely impact of not allowing replacement of generating plant**
**Q8: Control of budgetary impact of replacement of generating plant**

RECC considers it essential that generators are allowed to replace plant that is not functioning correctly. There are many reasons why plant might need to be replaced, and so not allowing replacement would adversely affect many consumers. It would also adversely affect the carbon dioxide emission reductions from accredited installations.

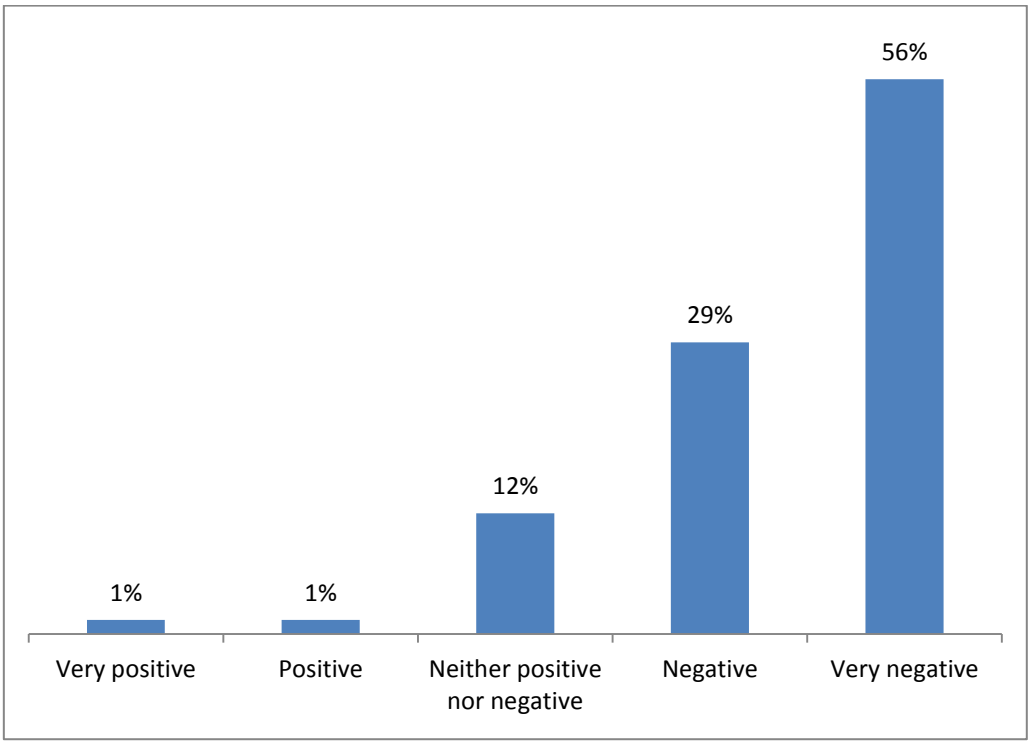
So long as the replacement of plant is effectively monitored and carried out by a certified installer, and a replacement MCS Certificate is generated for it, it should be possible to guard against fraudulent use of replacement plant. Tight regulation would also ensure that the budgetary effects are kept in check.

**Annex – RECC survey of members carried out in August 2018**

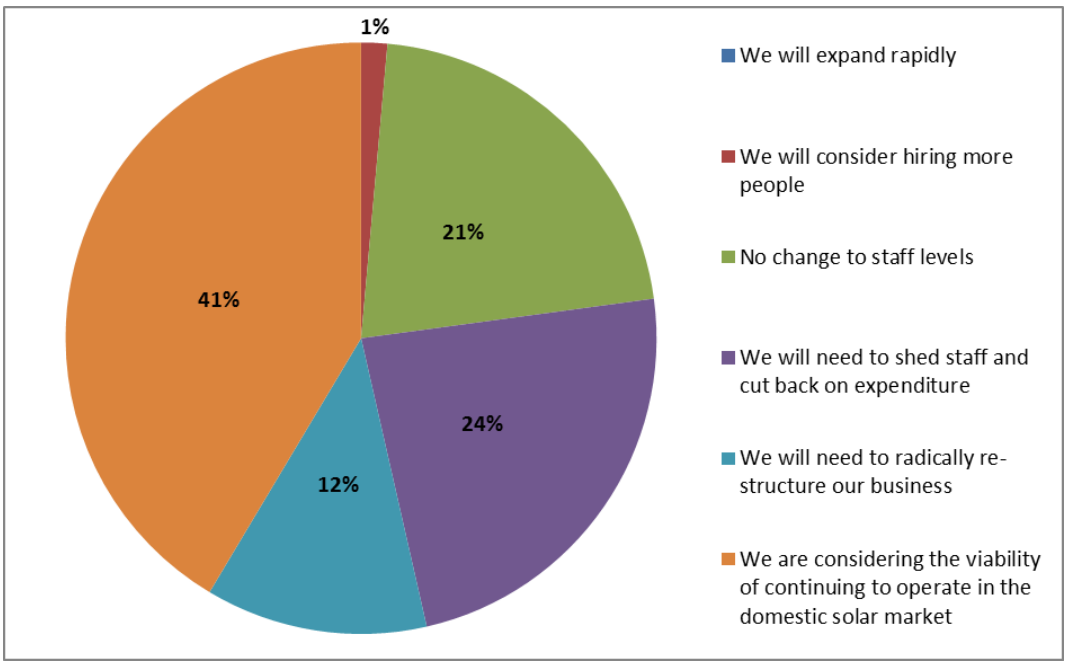
**Question 1: "How did the last FiT reforms, implemented in February 2016, impact your business?"**



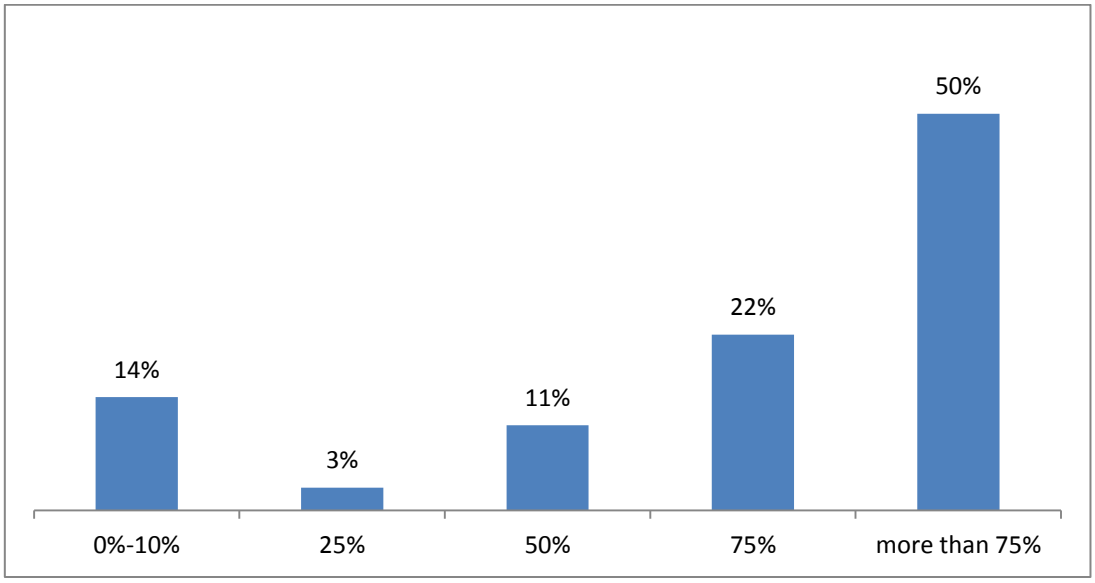

**Question 2: "If the FiT scheme closes without an adequate replacement, or a continued export tariff, what will be the impact on your business?"**



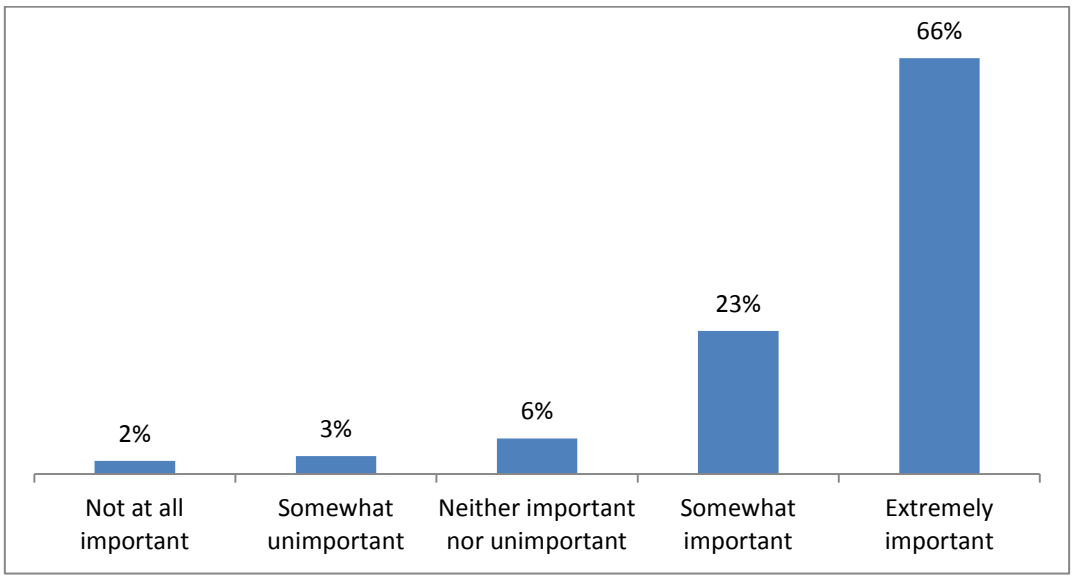
**Question 3: "If the FiT scheme closes without an adequate replacement, or a continued export tariff, what impact could this have on staffing?"**



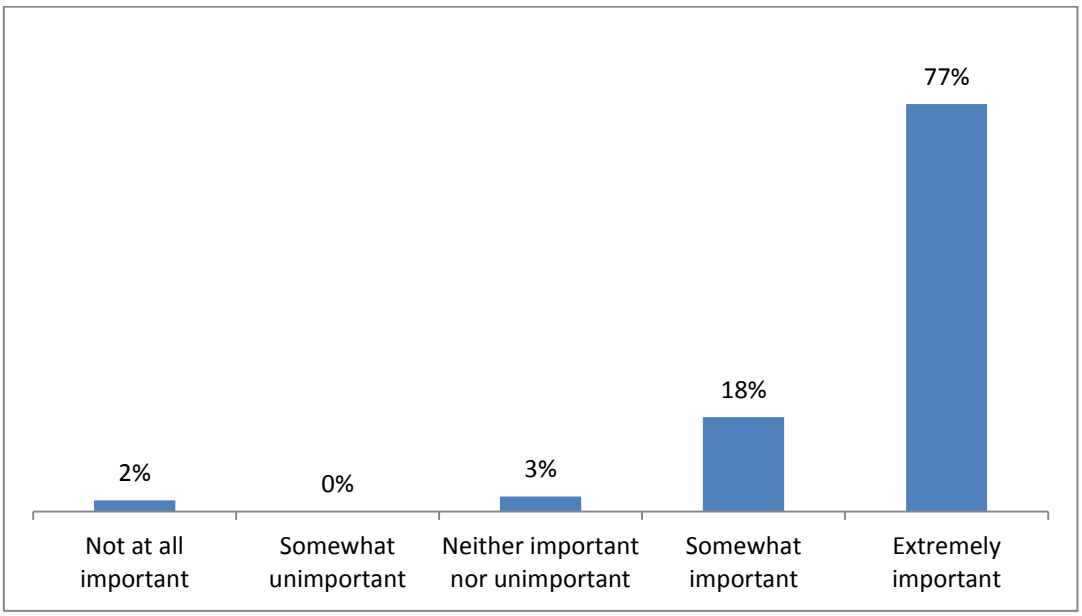

**Question 4: "What percentage of domestic solar jobs do you think you could lose if the FiT scheme closes without an adequate replacement?"**



**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 support mechanism | 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."*

**13.09.2018**

[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.