Appendix 1

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
Respondent Name: Phillip Charlton Email Address: phil.charlton@leeds.gov.uk Contact Address: Sustainable Development Unit, City Development, Leonardo Building, 2 Rossington Street, Leeds, LS2 8HD Contact Telephone: 0113 2476063 Organisation Name: Leeds City Council Would you like this response to remain confidential? ~~Yes~~/No (Delete as appropriate) If yes, please state your reasons:
CHAPTER 2: PROPOSED TARIFF CHANGES FOR SOLAR PHOTOVOLTAICS
Q1: Do you agree or disagree with the proposed new tariffs for solar PV? Give reasons to support your answer. Agree/Disagree **Disagree** Comments: The proposed tariffs for installations under 4kW of 21p/kWh (and 16.8p/kWh for aggregated schemes), and associated return on capital of 4.5%, make any domestic installation funded through borrowing economically unviable. Even an organisation as large as Leeds City Council can only access borrowing at an interest rate of c4.5%. Clearly a return on capital of 4.5% would only cover the interest incurred and not cover repayment of the sum borrowed, operational costs (such as monitoring and maintenance etc) or

lifecycle costs (such as inverter replacements). We understand that interest rates for individuals wishing to borrow c£8-10k to fund PV installation might be c8%. As such, the proposals mean that only those with sufficient funds available to cover installation costs are likely to even consider investing in PV. This is acknowledged in the CEPA/PB document informing the proposals (p10).

We consider that the vast majority of 'middle britain' will not have ready access to the funding required and are therefore excluded from installing PV systems on their homes (although they will probably still be able to pay their fuel bills).

The poorest members of society, who are most likely to be in fuel poverty, and who could derive most benefit from the free electricity generated, are also effectively excluded. They are also contributing to the FITs paid out. The Impact Assessment for these proposals notes that under a 'do nothing' scenario the additional cost of FITs to individual fuel bills in 2012 is £3.90. This should be compared to the potential annual saving of c£120 for households with PV installed. This seems highly inequitable and we would like to see a way of redressing the balance, through a re-focussing of the remaining FIT budget to those in social housing and/or the fuel poor.

Also given the lack of 'liquidity' in a PV investment, and the relative inability to withdraw the funds invested if required, we consider PV is likely to be an unattractive investment for those with sufficient funds, who are far more likely to continue investing in more standard products such as savings and bonds.

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.

Agree/Disagree
Disagree

Comments:
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 leaves potential installers in an extremely difficult and confusing situation. Installations with an eligibility date after the proposed reference date will be left in a policy vacuum, with nobody knowing what FIT rate will apply from the 1 April 2012 until the outcome of the consultation is announced (in late January/early February 2012?).

We expect this to cause a significant run on PV installations in the lead-up to the reference date (and the potential for significant short-term price

increases due to high demand) followed by a significant crash, with very few installations being conducted after the reference date due to the uncertainty about future FIT rates. We also anticipate that this will result in significant job losses in the solar industry. This volatility would appear to be directly at odds with the Ministers stated intentions of putting 'the solar industry on a firm footing …. so that it doesn't fall victim to boom and bust.'

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

Agree/Disagree
Disagree

Comments:
Allowing just 6 weeks between announcing the consultation and the effective implementation of the proposed FIT reductions has meant that proposals for a large PV scheme for council housing in Leeds have had to be put on hold indefinitely. We anticipate that the vast majority, if not all, of the other social housing schemes in development are similarly affected.

No consideration seems to have been given to the lengthy legal and financial negotiations required to get social housing schemes 'off the ground', nor to the lengthy lead-in times associated with ordering and installing PV systems in volume. Our understanding is that the statutory timescale for a Distribution Network Operator to respond to a G83 Stage 2 application for multiple PV installations is 45 working days (or 9 weeks) alone.

We had G83 Stage 2 approvals in place for c3,000 installations but, as noted above, our scheme is now on hold.

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.

Agree/Disagree
Disagree

Comments:
We understand the government's rationale for introducing a further 20% reduction for the new multi-installation FIT rates is to reflect the economy of scale available to aggregated scheme operators. Applying a 20% reduction on the £9,000 cost of installing a 2.6kWp system quoted in the consultation equates to c£2,769/kWp installed. While these economies may be

achievable for commercial 'rent-a-roof' operators, offering multiple one-off installations for the most economically beneficial (large, directly south facing) roofs over a wide geographical area, it is not our experience that these savings can be realised on aggregated social housing schemes in concentrated areas.

Some discounts may be available for purchasing materials in bulk but these are likely to be off-set by the additional costs of, for example, engaging with the DNO and making formal G83 applications ahead of installation (rather than a simple notification process as for individual installations), providing an intensive tenant liaison function during the survey and installation stage or providing extensive warehousing facilities.

We also consider that government should make a more subtle distinction than aggregated or non-aggregated schemes to differentiate between the treatment of, and FIT rates for, commercial PV offerings generating a financial return for private sector interests and the community schemes being developed by Local Authorities and Registered Providers which focus on community benefits, energy efficiency and alleviating fuel poverty.

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

Agree/Disagree
Disagree

Comments:
Based on our principle that FITs should cover the costs of purchasing, installing and operating the PV systems over the life of the FIT, we estimate that a FIT of c31p/kWh would allow aggregated social housing schemes to break-even. This is based on capex costs of 6% p.a. over 25 years (to allow for interest and repayment of capital) and annual opex costs at c£85 p.a. for a 2.6kWp system (or 10% of the original fit rate - ie 4.33p/kWh) – which is the mid-point between the medium (£70) and high (£110) opex costs quoted in the CEPA/Parsons Brinckerhoff document supporting the consultation proposals.

We therefore urge DECC to set FIT rates at 31p/kWh for community schemes under Phase 2 of the consultation. This rate can be reviewed and reduced further in a controlled manner in the future as capital costs reduce further.

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.

Agree/Disagree
Agree

Comments:
We consider the proposal to make eligibility for standard FITs dependent on meeting a minimum energy requirement is sensible and will ensure a 'whole-building' approach to energy performance and conservation.

We think that the requirement should be applied to all buildings. This is because we believe that fundamental energy efficiency measures should be prioritised in all buildings before considering renewables such as PV.

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:
We prefer the application of the Green Deal approach for both dwellings and non-domestic buildings (assuming that the Golden Rule is still applicable to the overall cost of measures installed). We believe that the Green Deal approach offers more flexibility and is less arbitrary than the EPC rating, as it will take into account the potential for, and cost of, installing different measures.

Both options would also require some form of assessment of the property to be carried out to determine which measures are required (EPC survey or Green Deal assessment). Another assessment will need to be made at a later date to confirm that the relevant measures have actually been installed. This will add to the cost, and administrative burden, of installing PV but could be minimised if structured in a co-ordinated way with other professional visitors to each installation, such as building control or the Micro-generation Certification Scheme, for example.

We would also like to see an assessment of the *practicality* of carrying out Green Deal financeable measures. This would deal with possible issues

relating to, for example, installing dry-lining to a solid walled property with an elderly resident, where the level of disruption is unjustified and works might be better carried out when the property is re-let/sold.

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.

Agree/Disagree

Disagree

Comments:
As noted above we are not supportive of an EPC based approach and consider it arbitrary and inflexible. We note that this proposal would require energy efficiency works to be carried out to most dwellings (86%). We have concerns about the additional costs involved to householders (even if financed via the Green Deal) becoming a barrier to those households where investment in PV is economically marginal.

We are also particularly concerned about the effective exclusion of hard-to-treat properties where EPC C cannot be achieved economically (e.g. because the works do not meet the Golden Rule of the Green Deal and/or are too expensive for the landlord or owner to finance independently) or practically (due to planning issues or the disruption to residents for example). We estimate that in Leeds 30% of households in pre 1919 stock and 35% of households on 1900-1918 stock are in fuel poverty. They will all effectively be excluded form the benefits of PV as it is unlikely that their properties could be brought up to EPC level C economically.

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.

Agree/Disagree

Disagree

Comments:
We believe that incorporating a 'grace period' into the proposals in this way is a rational approach. It will avoid introducing another potential disincentive to PV installation at the same time as implementing the reduction in FIT rates. We believe the grace period will provide the time required for PV installers to

assess options and conduct energy efficiency works. FITs may even provide the funding required to finance those works.

We do not believe that this should be for a transitional period but that it should form part of the ongoing operation of the FIT scheme.

We do however have concerns over the potential cost and administrative complexity involved in checking buildings pre-installation to determine the energy efficiency measures required and then post-installation to ensure they have been carried out.

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.

Agree/Disagree

Agree

Comments:
As noted above, we believe that the arrangements should form an ongoing part of the FIT scheme rather than being introduced for a transitional period. If a transitional period is implemented then the dates above would seem to give sufficient time for the Green Deal to bed-in and for PV installers to use this route to finance energy efficiency works (regardless of the method chosen for qualifying for different FIT rates).

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:
We consider the proposal sensible in principle but have concerns as to how it is implemented. Care needs to be taken in the detailed implementation stages to ensure it does not exclude large parts of the population and housing stock from benefitting from PV.