

Subject:	Feed-in tariff (FIT) for Solar Photovoltaic - consultation response		
Date of Meeting:	8 December 2011		
Report of:	Strategic Director, Resources		
Lead Cabinet Member:	Cabinet Member for Finance & Resources		
Contact Officer:	Name:	Lisa Shaw	Tel: 29-2254
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Key Decision:	No	Forward Plan No:	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 The Feed-in Tariff (FIT) scheme was introduced on 1 April 2010 to encourage investment in low-carbon electricity generation, under powers in the Energy Act 2008.
- 1.1 The FIT scheme is currently under review and a fast track consultation was launched on 31 October and runs to 23 December. Government is proposing to significantly reduce FIT rates for new solar photovoltaic (PV) installations as part of their comprehensive review consultation. Installing and registering solar PV with the FIT licensee on or after the 12th December 2011 instead of 1 April 2012, means the proposals would affect the council and city plans considerably. The proposals are currently under consultation and are therefore not final and may be subject to further change. The council has an opportunity to influence this through its response and wider lobbying work.

2. RECOMMENDATIONS:

- 2.1 That Cabinet agree Brighton & Hove's planned response to the Government, as set out in appendix A.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The FITs scheme was introduced on 1 April 2010, under powers in the Energy Act 2008. Through the use of FITs, the Government hoped to encourage the deployment of small-scale (less than 5MW) low-carbon energy generation, particularly by organisations, businesses, communities and individuals that had not traditionally engaged in the electricity market.

- 3.2 This would allow many people to invest in small-scale low-carbon electricity, in return for guaranteed payment for the electricity they generate and use as well as guaranteed payment for unused surplus electricity they export back to the grid.
- 3.3 FITs work alongside the Renewables Obligation (RO) – which is currently the primary mechanism to support deployment of large-scale renewable electricity generation.
- 3.4 On 7th February 2011 the Government announced the first review of the Feed-In Tariffs, which indicated significant changes to the original set up. This focused on PV between 100kW and 5MW, all of which the Government defined as large scale. The resulting change (implemented from 1st August 2011) went further and reduced the payments for any installations over 50kW, instantly preventing installations over this size.
- 3.5 On 9 June 2011 Cabinet at Brighton & Hove agreed borrowing for the installation of Solar PV panels (of up to £2.6 million) for 40 civic and school buildings. On 22 September 2011 Cabinet approved a capital programme budget up to a maximum of £15.0 million for Solar PV on council housing stock. Both of these projects have been developing and progressing since then.
- 3.6 The proposed changes to the FIT for Solar PV would significantly affect the above projects.
- 3.7 In summary, the changes proposed in the consultation would result in changes to the tariff rates payable per kilowatt of electricity generated:
- If solar PV installations are registered for the FIT before 12 December 2011 the rates would remain as they are now and would be paid at this rate over 25 years.
 - Installations registered for the FIT between 12 December and 31 March 2012 would get the current rates until 31 March 2012 and then they would reduce by over 50% thereafter.
 - Installations registered under the FIT after 31 March would see a reduction of over 50% on what they currently are.
 - A new category for multi-installation is proposed for post 31 March 2012 and this would mean all multi-installations (that meet the definition) would see a 70% reduction in the FIT rates from what they currently are.
- 3.8 The following summary highlights some of the proposed changes that the administration at Brighton & Hove City Council disagrees with. The full consultation response can be found in Appendix A.
- **The proposed degree of changes to the FIT rate** because they significantly negatively impact council solar PV projects underway. Changes to the FIT will curtail development in one of the UK's few growth sectors.
 - **Upholding the current FIT rates for installations registered between 12 December and 31 March and then reducing them by 50% thereafter** – this makes little difference to the overall picture and the viability of installations.

- **The reference date of 12 December** – this date comes before the end of the consultation and suggests that a decision on the changes has already been made by the Government. The council (and other organisations in and around the city) will have been working to the original 31 March deadline to install and register solar PV arrays, and would have devoted significant time and resource on pre-installation planning and development.
- **The introduction of multi-installation tariff and rates for all new installations on or after 1 April 2012** - This new category may be justifiable in very limited circumstances, such as the 'rent a roof' type scheme. However, this category should not apply where the tariff beneficiary is the owner of multiple premises, such as local authorities who are facing significant cuts in budgets or where revenue generated will support the community, in particular vulnerable residents living in fuel poverty.

4. **COMMUNITY ENGAGEMENT AND CONSULTATION**

- 4.1 The purpose of this paper is to respond to a Government consultation and in doing so officers across the organisation, particularly in Property & Design and Housing, have been consulted. In addition, Planning were given the opportunity to feed into the response.

5. **FINANCIAL & OTHER IMPLICATIONS:**

Financial Implications:

- 5.1 The current Feed In Tariff (FIT) returns from the proposed investment in solar PV's for civic buildings, schools and council housing stock would have provided the Council the opportunity to self finance the original investment as well as providing energy savings that would be passed directly to schools, housing tenants and provide savings to the Council over a 25-year period. Future years FIT returns, after borrowing costs are repaid, would provide further investment opportunities for both the HRA and general fund. The proposed reduction of Feed in Tariffs would significantly reduce the viability of the schemes over the life of the project. The proposed changes would not affect individual energy savings at each site, however, the Council will need to review funding options or look at the viability of individual sites.

The council has undertaken a procurement process for the schools and civic buildings and has already committed resources to support the project in terms of planning applications, quantity surveyors and consultant costs.

Housing have commenced a small installation programme of approximately 20 homes due for completion prior to 12 December and are currently reviewing the long term options for future installations, which include funding options and viability of the scheme.

Finance Officer Consulted:

Name Rob Allen

Date: 24/11/11

Legal Implications:

- 5.2 As Cabinet have already made two key decisions relating to feed-in tariffs (June and September 2011), Cabinet is the appropriate council body to respond to this government consultation.

The council's response does not constitute an official challenge to the government's proposals. Were the government to proceed with its proposals as currently drafted, notwithstanding any responses to the consultation, the council could consider, either solely or together with other interested parties, seeking a judicial review of the government's decision. The potential ground of challenge would be that the government's 'reference date' of 12 December 2011 precedes the end of the consultation period (23 December), which calls into question the validity of the consultation exercise.

Lawyer Consulted: Oliver Dixon

Date: 25/11/11

Equalities Implications:

- 5.3 Proposed changes to the FIT affect plans to install solar PV on some of the council housing stock. The aims of this project are to reduce fuel poverty by lowering electricity bills for vulnerable residents and to use money generated through the FIT for wider community benefits in terms of energy efficiency.

Sustainability Implications:

- 5.4 This report is specifically regarding a consultation response and not about the implications of any potential changes on projects (of which there would be sustainability implications). Therefore, for the purposes of this report there are no sustainability implications.

Crime & Disorder Implications:

- 5.5 None.

Risk and Opportunity Management Implications:

- 5.6 The proposed changes contained within the consultation place significant risks on the delivery of the planned Corporate and Housing Solar PV projects currently underway. The scope and business cases for these projects would fundamentally change following the consultation if the Government proposals are implemented. The purpose of this paper is to set out our response to the consultation and not set out specific risks involved with the projects.

The Government consultation gives organisations, businesses and individuals the opportunity to influence the proposed changes to the FIT and it is important the organisation takes the opportunity to provide constructive feedback.

Public Health Implications:

- 5.7 None.

Corporate / Citywide Implications:

- 5.8 The proposed changes set out with the consultation would have significant implications for planned corporate projects, including housing, civics and schools). It is likely the scope and business cases of these projects would fundamentally change. Citywide implications would also be far reaching and this includes impacts on community projects (e.g. Brighton Energy Co-op); individual households; local businesses that have developed around the Solar PV industry; University of Brighton and others across the city.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 The alternative option would be to not submit a consultation response. Brighton & Hove City Councils plans for solar PV installations would be significantly affected by the proposed changes to the FIT and consider it a wasted opportunity to not influence the decision on any forthcoming changes.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 It is custom practice to take consultation responses to Cabinet or a Cabinet member meeting. As the consultation on FIT for Solar PV crosses over three Cabinet Member portfolios it was considered Cabinet would be the appropriate avenue to agree the council's response, before returning to Government.

SUPPORTING DOCUMENTATION

Appendices:

1. Feed-in-tariff for Solar PV - consultation response form

Documents in Members' Rooms

None.

Background Documents

1. DECC consultation guidance and further information - [weblink](#)
2. Our Solar Future campaign – 'Cut not Kill' [weblink](#)

