SCENE CONSULTING

Consultation on a Review of the Feed-in Tariff Scheme

Consultation Response on behalf of Scene Consulting

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Introduction

This consultation response is written with the view that continued growth of the community energy sector is greatly worthwhile, for five principle reasons stated below. Whilst some reform of the FiT scheme is encouraged, we appeal to the government to do this with the future of the community energy sector in mind. The mechanisms by which this might happen are explained in response to a selection of the consultation responses within.

(1) Collective action, -ownership and participation can bring benefits not realisable through individual private action (Olson, 1971; The World Bank Group, 2013).

(2) Community project ownership helps overcome public opposition facing renewable energy development such as wind-farms, thus advancing its uptake (Rogers et al., 2008).

(3) Community renewable energy projects provide economic, environmental and social benefits (Warren and McFayden, 2010) and local multiplier effects amplify benefits.

(4) Engagement with renewable energy generation helps reduce greenhouse gas emissions by incentivising demand reduction and energy efficiency behaviour (Bahaj and James, 2006; Dobbyn and Thomas, 2005; Haas et al., 1999; Hondo and Kenshi, 2009; Keirstead, 2007; Whitcomb, 2013a; Whitcomb, 2013b).

(5) Communities present a potential source of investment in the renewable energy sector (Hain et al., 2005; Kellett, 2007).

Consultation Question 1. Do you agree or disagree with the proposed generation tariff rates set out above? Please provide reasons to support your answer.

The justification offered for reducing the number of generation tariff bandings is clearly set out, and if done carefully, we agree it could stand to strengthen the FiT scheme. The rationale that doing so would help reduce the scope for 'false economies' is, in our view, appropriate. Furthermore, we agree that for some technologies and capacity bands, generation tariffs have been set incorrectly in the past, leading to inappropriately high level of financial returns to some developers in some cases.

The revised tariff rates proposed are reasonable for some technologies and capacity bands, and unreasonable for others. For example, the proposals would render most single wind turbine schemes unviable, despite the fact that single turbines are very popular and impactful design options for local and community energy projects. We encourage the government to consider rethinking this particular banding change, and consider introducing a banding for wind that encourages single turbine development without derating (e.g. 50 - 900kW, and 900 - 1500kW).

Reduced FiT rates, coupled with the recent removal of FiT pre-accreditation, now puts the local and community energy sector at a severe disadvantage compared to the commercial sector. Mechanisms to resolve this imbalance are suggested in response to Question 8.

We have serious concerns over several elements of the proposed changes. The rate of change is forcing project plans to be abandoned, places severe pressure on supply chains to deliver before the end of the year, and is causing chaos for businesses and NGOs that operate in this sector. We encourage the government to reassess its time frames in implementing any changes to the scheme and we consider the timelines proposed to be inappropriate. The effect on the community sector, which is known to have much longer development times (particularly in the period leading up to a planning determination being made) will be especially severe.

Consultation Question 2. Do you agree or disagree that the updated assumptions produced by Parsons Brinckerhoff are reflective of the current costs of deployment for UK projects in your sector? If you disagree, please set out how they differ and provide documented evidence, such as invoices and/or contractual agreements to support this evidence. Please also mark this evidence as commercially sensitive where appropriate.

Throughout the Parsons Brinckerhoff report, consultees, developers and specialists suggest that in future 'the market would see a move towards a larger number of community projects,' and that 'community ownership could become more prevalent.' Alongside this, the report recognises that community groups face greater barriers to development when compared with similar commercial projects. Although acknowledged, the report contains 'no real evidence' of these differences in capital and operating costs as data was not collected as part of the exercise. Further analysis would greatly improve the understanding of these differences and allow for more accurate structuring of changes which will impact on the community energy sector.

Data collected and analysed for the Scottish Government and published in a report format under the title 'The Comparative Costs of Community and Commercial Renewable Energy Projects in Scotland' by Scene Consulting is compared to the analysis presented in a report by Parson's Brinkerhoff, below. Due to the time required in order to complete this task and the differences in formatting of the data in the two studies, capacity bandings have been merged together, so a direct comparison can be undertaken. We suggest that this requires further analysis and is presented here as a guide only.

Whilst the Parson's Brinkerhoff analysis generally shows similar trends to the Scene Consulting community analysis, community projects are generally shown to be more expensive than in Parson's Brinkerhoff's overall findings. In view of the added benefits that local and community renewable energy brings, we therefore suggest that community projects merit either (i) a separate generation tariff; and/or (ii) insulation from rapid degression via a 'carve out' within the capacity deployment caps.

Tech	Banding	Average Community Cost (£/kW)	PB Cost Findings (£/kW)
Solar	<50 kW	3412	1460
	50 – 2,000 kW	1334	1089
Wind	<500 kW	2698	2625
	500 – 5000 kW	1684	1158
Hydro	<100 kW	6287	4779

	100 – 500 kW	3778	4150

Consultation Question 8. Do you agree or disagree with the proposal to introduce deployment caps under the FITs scheme? Please provide your reasoning.

The proposal to introduce deployment caps is likely to be a sensible way to control expenditure within the FiT Scheme. While this measure would help, the sheer number of commercial projects would be likely to still use up most of the remaining Feed-in Tariff budget before communities can develop their projects.

Work commissioned by The Scottish Government entitled 'The comparative costs of community and commercial renewable energy' clearly shows that community projects have longer development timescales and are therefore suffer from greater exposure to degression. Quarterly deployment caps and contingent degression triggers will only exacerbate the disadvantage faced by the community sector.

For this reason we propose that the community sector is given a 'carve-out' (separate budget allocation) within the deployment caps, which is capacity available for community projects only. This is to make sure that a significant part of the remaining budget gets used for CE. Ring-fencing 50% of the remaining budget would enable a significant number of community projects to still progress and leave a legacy more in line with the original intentions of the policy. In this way the community sector would be competing for tariffs within a certain cap against other community projects, in a level playing field. If this separate playing field for community energy was achieved, then pre-accreditation, which has been very helpful to the community sector, could be reintroduced.

The community carve out would protect the community sector from high levels of contingent degression which may be caused by rapid deployment by the private sector.

Consultation Question 11. If it is not possible to sufficiently control costs of the scheme at a level that Government considers affordable and sustainable, what would be the impact of ending the provision of a generation tariff for new entrants to the scheme from January 2016, ahead of the 2018-19 timeframe or, alternatively, further reducing the size of the scheme's remaining budget

available for the cap? Please consider the immediate and broader economic impacts and provide your reasoning.

The community sector is a rapidly expanding sector, with growth in the UK of about 30% per year from 2004–2015 (Scene, 2013 and data from Energy Archipelago for 2014–15). The socio-economic impacts of community energy have been widely documented (e.g., ResPublica (2012) 'Re-energising Our Communities'; Scene (2012) 'A Report on Community Renewable Energy in Scotland'; University of Edinburgh (2013) 'Community Energy in Scotland: the Social Factors for Success', amongst others).

The growth of the community energy sector has been supported by the Feed-in Tariff, and is gradually moving towards a systems based approach in which the value of the projects are derived from energy use and savings on bills, rather than generation and export tariffs. The Scottish government has outlined its commitment to this approach in its Community Energy Policy Statement (2015). We encourage the UK government create a mechanism for the continued growth of the community energy sector through the provision of the a deployment cap 'carve-out' (separate budget allocation) for community energy projects, which would not stand to be affected even if costs of the rest of the Feed-in Tariff scheme cannot be controlled as anticipated.

Consultation Question 15. Should FITs be focussed on either particular technologies or particular groups (e.g. householders)? Please provide your reasoning.

By virtue of their simplicity and robustness, FiTs are the most appropriate instrument available for smaller and non-specialist stakeholders (domestic-, farmers, small business & community sector) to get engaged with renewable energy. FiTs involve very low transaction and administrative (financial modelling, legals, etc.) costs, and unlike other mechanisms, do not pose a barrier to market entry. Where governments changed or halted Feed-in Tariff schemes early in the past (e.g., Denmark early 2000s), it is clear that the smaller market players have been hit disproportionately the hardest.