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This response was prepared by Citizens Advice. Citizens Advice has statutory responsibilities to represent the interests of energy consumers in Great Britain and welcomes the opportunity to respond to Ofgem's consultation on changes to the feed-in tariff accreditation.

Q1. Do you agree that, in the context of deployment and spend under the FIT scheme significantly exceeding expectations, it is appropriate to remove the ability to pre-accredit from the FIT scheme?

Citizens Advice welcomes both this review of the pre-accreditation policy, and the forthcoming wider review of the Feed-in Tariff (FiT) programme. DECC is right to recognise the problem of overspend on policies governed by the Levy Control Framework (LCF), including the FiT. This consultation on pre-accreditation appears to be a necessary forerunner to the wider FiT review, given demonstrated previous instances of deployment surges as cuts to subsidy rates approach. While it may be too late to prevent a similar surge this time round, it may at least forestall future deployment surges.

Nevertheless, changes are essential, both to avoid overpaying through the FiT and to increase government's ability to direct and manage it, necessitated by the LCF being not only over its budget, but looking perilously close to breaching its 20% permitted headroom as well. This proposal fits with the second of those goals, ensuring that future changes made to the scheme by government are not weakened or undone by a flurry of pre-accreditations.

Deployments of solar PV have far exceeded expectations set out at the beginning of the Feed in Tariff. While in part, that is a result of the welcome trend of lowering technology and labour costs, it is also a reflection of the failure of policy to keep up with those trends. Automatic degression is a useful way to ensure policy keeps pace with the actual costs of technology, but pre-accreditation weakens the influence of degression as a tool for cost control. The Consultation document sets out the extent to which deployment rates have surpassed expectations (Para 1.7). It omits that returns to investors have also been well in

excess of the 7.5% targeted in the initial State Aid approval for the scheme. Recent research suggests returns of at least 12% are achievable.[1] The industry cannot credibly claim to be short-changed by the current regime, nor by changes that revert back to expectations when the scheme was designed.

As a result, we support the proposed changes as a necessary first step in reforming the FiT.

Q2. Are the assumptions made above on the impact of removing pre-accreditation reasonable? Please provide robust evidence to support your response.

The context of the upcoming FiT review makes it somewhat difficult to judge the impact of the specific proposals being made in this consultation. With more significant changes almost certainly coming on its heels, the number of projects affected and the size of the effect it will have must be inevitably hard to assess.

The consultation document states that £120 million worth of projects pre-accredited before previous degressions, but it is unclear how many of these projects would have come forward at lower subsidy rates and how many would have been abandoned, making an assessment of the overall impact on billpayers impossible. £120 million is therefore the theoretical ceiling on the past savings that would have been possible without pre-accreditation, but the likely actual saving may have been much lower.

Nonetheless, the attraction of clear degression rates is that the pathway of subsidy rates is clear to developers. If technology and experience are making progress projects should be viable at the next ratchet down the degression curve. Deterring inefficient and high-cost operators from continuing in the market is a positive aspect of the policy, not a problem. If developers are incapable of working at lower subsidy rates following a degression change, they should leave the playing field to their more efficient rivals, ensuring that consumers' money goes as far as possible.

Q3. Are there additional measures which could achieve the objectives of encouraging deployment under the scheme while ensuring value for money under the LCF?

The answers to the previous two questions have assumed that the fundamental structure of the feed in tariff will remain intact. There will hopefully be more opportunity to comment on the programme as a whole when the full FiT review is released later in the summer.

Given the evident strains on the low carbon budget for the remainder of the decade, and the need to focus on the most cost-effective solutions to ensure we are maximising the

[1] Page 48, 'The customer is always right,' Policy Exchange, July 2015. http://tinyurl.com/og99ueb

return on our investment in decarbonisation, that review should look seriously at whether alternative policy instruments can deliver greater decarbonisation for lower costs.

The original DECC impact assessment found that for the projected £8.6 billion in costs to 2030, only £420 million in expected carbon benefits could be expected.[2] The remaining, unquantified benefits were thought to be a mix of 'contributing to the UK's renewable energy target; greater consumer engagement; diversifying the energy mix; reducing dependence on (imported) fossil fuels; greater energy security at the small scale; business and employment opportunities in developing and deploying renewable technologies; reductions in losses through transmission/distribution networks; innovation benefits and potential reductions in technology costs as a result of roll-out.' It is not clear that any post implementation review has taken place to quantify these benefits or to consider whether they exceed those that could be delivered by alternative policy instruments. Such review would be appropriate.

Yours sincerely

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[2] 'Impact assessment of Feed-in Tariffs for small scale low carbon electricity generation,' DECC, 1 February 2010. htl'm not sure it's necessary to go tp://tinyurl.com/o9p7s9m

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