

Date: 19 March 2010

Dear Sir/Madam,

Introduction of the Feed-In Tariff scheme and transition from the Renewables Obligation

As the nominated point of contact for the microgenerating stations that you represent, I am writing to you in respect of the attached policy letter¹ from the Department of Energy and Climate Change (DECC).

Proposed changes to the Renewables Obligation (RO) legislation mean that any renewable electricity generated by solar photovoltaic, wind, hydro or anaerobic digestion microgenerating stations on or after 1 April 2010 will not be eligible to receive support under the RO. Hence, from 1 April onwards, FITs will provide support for the renewable electricity that is generated by such installations.

Given that you represent your generators for the purposes of the RO, it is important that you inform them of these legislative changes as soon as possible. Without such notification and necessary action by these generators, their support under the Government's renewable schemes may cease.

Should they wish their installations to be considered for accreditation under FITs, they will need to undertake the following steps:

Step 1

They will need to appoint a FITs licensee who will be responsible for, amongst other things, making payments to them once they have agreed to a "Statement of FIT Terms". We have advised other generators that further information on how to do this and the FITs scheme in general is available via the Energy Saving Trust on 0800 512 012 or at www.energysavingtrust.org.uk.

Step 2

In accordance with proposed FITs legislation, they will need to notify **us** that they wish their renewable installation to be accredited under the FITs scheme. They will also need to inform us of which FITs licensee they have nominated. In order to do this, they will need to complete the notification and information schedule at Appendix 2 of this letter.

This schedule also asks them for some further information which is relevant to the FITs scheme and may not have been required or captured when they applied under the RO. In particular, we ask for some information relating to any grants that may have been awarded in respect of renewable installations. In accordance with the grants criteria set out in DECC's letter, we will need to take account of this information when determining eligibility under FITs. The nominated FIT licensee may also need some of these details, especially the starting generation and export meter readings.

¹ See Appendix 1

Once we have received this information it will be reviewed and, assuming the grant prohibitions do not apply to the generator, we will withdraw the RO accreditation and accredit the installation under the new scheme. We will also notify their nominated FITs licensee that the installation has been accredited. Please note that until a "Statement of FIT Terms" has been agreed by the generator and their nominated FIT Licensee, the licensee is not obliged to make any FIT payments to the generator.

It is very important to note that, should generators wish their installations to be accredited under FITs, they must complete and return the notification and information schedule and return it to us by no later than **1 October 2010**.

ROO-FIT Migration and Data Protection and the Central FIT Register

Under the FITs legislation, we are required to establish and maintain a Central FIT Register. The data to be placed on the register will include data on generators and installations. The register will be used primarily by FITs licensees and us for the proper administration of the scheme.

The Central FIT Register will be maintained by Ofgem in accordance with the Data Protection Principles under the Data Protection Act 1998. Any parties who will have access to the register will be required to abide by strict principles of confidentiality which will be upheld and enforced at all times.

Should generators opt to transfer from the RO to FITs, then we propose to use the information previously submitted by them, as well as the additional information they will be providing in as set out below, for the purposes of undertaking FITs accreditation. Our view is that such use is compatible with the purpose for which the data was originally submitted i.e. for the RO. However, in order to be certain that they are comfortable with this, the additional information request asks them to confirm this.

Accreditations under other renewable schemes

As an agent acting under the RO, you will have an account on the Renewables and CHP register (the "register"). Despite the fact that the relevant RO accreditations will move to a new IT system, you will still be able to access your agent account for the purposes of claiming Renewable Energy Guarantees of Origin (REGOs). The login details for this account will not change.

In addition to this, please remember that the microgenerators you represent will still be eligible to claim and receive ROCs for generation that occurred up to and including 31 March 2010. With this in mind, you should submit annual output data in the usual fashion for this generation within the statutory two month deadline i.e. by 31 May 2010 at the latest. We will be in contact in due course with regards to this process.

Schedule of accreditations

We will send you a schedule of your entire accredited and pending generator portfolio during the first week of April. This will allow you to review the applications we have received and track their progress as we accredit them throughout April and May.

Yours sincerely

Luke Hargreaves
Head of Renewables and CHP

Appendix 1

Transition from the Renewables Obligation (RO) to Feed-In Tariffs (FITs) for microgenerators 50kW or less

The Government is introducing a system of feed-in tariffs (FITs) for small-scale low-carbon electricity generation from 1 April 2010. FITs are a per-unit support payment made directly to generators by electricity suppliers.

We intend that FITs will replace the RO as far as possible as the financial support mechanism for microgeneration (with a declared net capacity 50 kW or less) in Great Britain.

FITs will complement the RO by providing the simplicity and certainty needed to support householders, communities and businesses involved in small-scale generation. Installations with a capacity of 5MW or less will be eligible for FITs. Whereas the level of reward under the RO is exposed to fluctuations in the value of Renewables Obligation Certificates (ROCs), FITs will guarantee a fixed level of reward for each unit of electricity you generate, for as long as you are eligible to receive support.

Proposals for the design and operation of the FITs scheme, and changes to the RO, were published in the Consultation on Renewable Electricity Financial Incentives on 15 July 2009. Following the close of the consultation on 15 October, we published two separate Government Responses:

- the Government Response on the Renewables Obligation, published on 18 December, which set out our decisions on the transitional arrangements as they affect the RO; and
- the Feed-In Tariffs: Government's Response to the Summer 2009 Consultation, published on 1 February, which set out the remaining decisions in relation to the treatment of generators under FITs.

The consultation document and both Government Responses can be found on the DECC website at:

http://decc.gov.uk/en/content/cms/consultations/elec_financial/elec_financial.aspx

The FITs scheme will be implemented by amendments to electricity supply licences, and legislation setting out the functions and duties of Ofgem and the Secretary of State under the scheme, both of which are currently before Parliament. Subject to Parliamentary approval and any European state aids and technical standards approvals, FITs will come into force on 1 April 2010. In addition, amendments to the Renewables Obligation Order 2009 (also due to come into force on 1 April) are currently before Parliament. These amendments will prohibit the issue of ROCs to microgenerators in technologies eligible for FITs.

This letter sets out how these changes will affect you as an existing microgenerator with an accreditation or pending application under the RO, and **the steps you will need to take to receive support for the electricity you generate through the FITs scheme.**

Microgenerators in technologies covered by FITs (anaerobic digestion; hydro; solar photovoltaic (PV); wind) will no longer be eligible to receive ROCs as of 1 April 2010, and will instead be eligible to receive support through the FITs scheme when it starts. You will need to notify Ofgem that you wish to be accredited under the FITs scheme within 6 months of the start of the scheme (i.e. by 1 October 2010). You will also need to contact an electricity supplier to inform them that you wish to receive FITs so they can undertake the necessary registration processes.

FITs payments will consist of two elements: a generation tariff, which differs by technology type and scale, and will be paid for each kilowatt hour (kWh) of electricity generated and metered, and a separate export tariff for each kWh exported to the grid. For microgenerators under 30 kW the payment of export tariffs may be based on estimated (deemed) quantities of exported electricity.

Microgenerators commissioned before 15 July 2009

Microgenerators that commissioned before 15 July 2009 and are accredited under the RO will receive a generation tariff of 9p/kWh, and will continue receiving support until 31 March 2027. This is an equivalent level and duration of support as these microgenerators would have expected to receive when they applied for accreditation under the RO. All tariffs, including the 9p transfer tariff, will be adjusted each year for changes in the Retail Prices Index.

The RO transfer tariff is only available to installations commissioned before 15 July 2009, and there is no requirement to pay back any grants received to access the RO transfer tariff.

Microgenerators commissioned on or after 15 July 2009

Microgenerators that commissioned on or after 15 July 2009, the date of publication of the proposals for FITs, and are accredited under the RO will receive the appropriate generation tariff for their scale and technology, and will receive support for 20 years (25 years for solar PV).

Non-residential property microgenerators that commissioned on or after 15 July 2009 and are accredited under the RO (and will therefore transfer to FITs at the relevant tariff for new generators) will have to repay their grant should they choose to access support through FITs. Depending on the FITs scheme's final status in relation to state aids, non-residential property microgenerators in this category that have received other grants from public funds, apart from the LCBP scheme, may also have to pay these back in order to be eligible for FITs. DECC will ensure that its website (www.decc.gov.uk/fits) is updated with any new information as it becomes available. Grants awarded in respect of installations on residential properties through the Low Carbon Buildings Programme (LCBP) Phase 1 will not need to be paid back in order to access support through FITs, regardless of when the generator in question commissioned and accredited under the RO.

Further details can be found on the FITs pages of the DECC website (www.decc.gov.uk/fits), by clicking on the link in the left-hand menu to 'Feed-In Tariffs (FITs) and the Low Carbon Buildings Programme'.

The accompanying letter from Ofgem provides further details on the process for this transition from the RO to FITs, as well as details of who to contact with any queries you may have.

RFI team, DECC