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Feed-in Tariff Annual Report

2012-13 Summary

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Overview of the Feed-in Tariff (FIT) Scheme

- The number of installations registered in Year 3 was 131,650 giving a total of 379,122; these generated almost 1,700 GWh of electricity
- The value of the scheme was just over £506m
- New legislation introduced changes to the scheme including degression and preliminary accreditation
- Introduction of degression stabilised the volatility of Year 2 of the scheme and led to consistent growth in applications at the end of Year 3 to about 7,000 per month.

The FIT scheme is a Government programme introduced on 1 April 2010 and designed to promote the uptake of a number of small-scale renewable and low-carbon electricity generation technologies.

It is available through licensed electricity suppliers and requires some of them (FIT licensees) to pay tariffs to generators for renewable and low-carbon electricity generated and exported. Licensees are responsible for accrediting eligible solar photovoltaic (PV), wind installations with a declared net capacity (DNC) ≤50 kW, and micro-CHP installations with DNC ≤2kW, processing generation and export data and making FIT payments.

Ofgem is responsible for the administration of the scheme, including maintenance of the Central FIT Register, monitoring supplier compliance and administering levelisation. Ofgem is also responsible for accrediting solar PV and wind installations with a DNC >50 kW and all anaerobic digestion and hydro (ROO-FIT Installations) and verifying community/school status. The Department of Energy and Climate Change (DECC) is responsible for scheme policy and legislation.

Uptake and Legislation Changes

A total of 379,122 installations were registered as at 31 March 2013. Of these, more than 98% were Solar Photovoltaic (Solar PV), with the remaining 2% made up of the other four technology types. The high proportion of Solar PV installations reflects the success of this technology under the scheme over the first three years of operation.

During the first 15 months of the scheme, the uptake was marginal. However, the number of registered installations increased notably from July 2011 ahead of a significant Solar PV Tariff drop in March 2012. The effect of solar PV tariff cuts on the number of installations registered can be seen from the corresponding peaks and troughs in Figure 1. Not withstanding this, the uptake in Year 3 remained reasonably strong and the total uptake to date is over half of the amount originally expected by the end of the first ten years.

Preliminary Accreditation

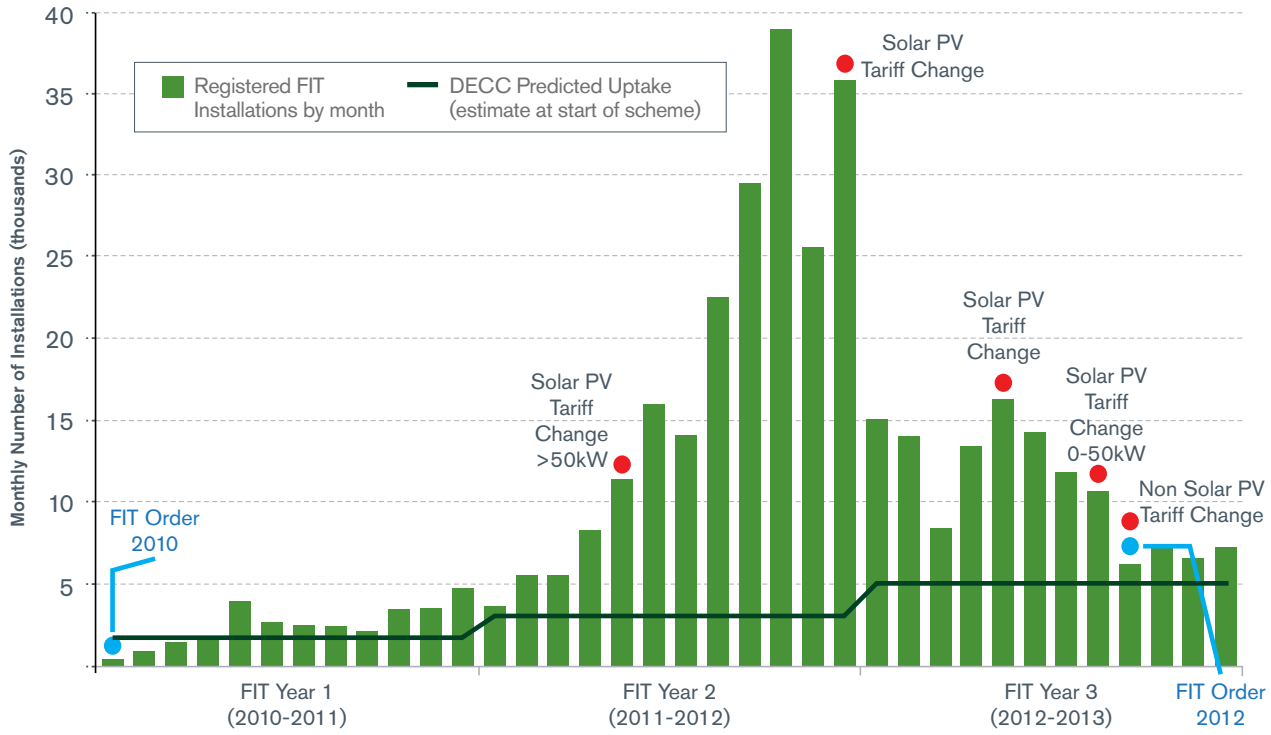
Preliminary accreditation was introduced on 1 December 2012 for all ROO-FIT Installations allowing generators to fix their tariff date to the date of preliminary accreditation application so long as commissioning of the installation completes within the specified time period (solar PV=six months; AD and wind=one year; hydro=two years). The final four months of Year 3 saw 110 applications for preliminary accreditation, of which 28 were approved. This compares to a total of 180 accreditation applications (including full accreditation) in the same period.

Changes to the Scheme

A significant number of changes occurred in the scheme in Year 3 following consultation and DECC's publication of Phases 2A-2C of its Comprehensive Review of the scheme. As a result, new legislation and policies were introduced, which were:

- Reducing the eligibility period to 20 years for Solar PV
- A degression mechanism for Solar PV
- A degression mechanism for non-Solar PV technologies
- Preliminary accreditation for all ROO-FIT technologies
- New measures for communities and schools
- Threshold for mandatory licensees increased to 250,000 domestic customers.

Figure 1: Accredited installations registered by month



Communities and Schools

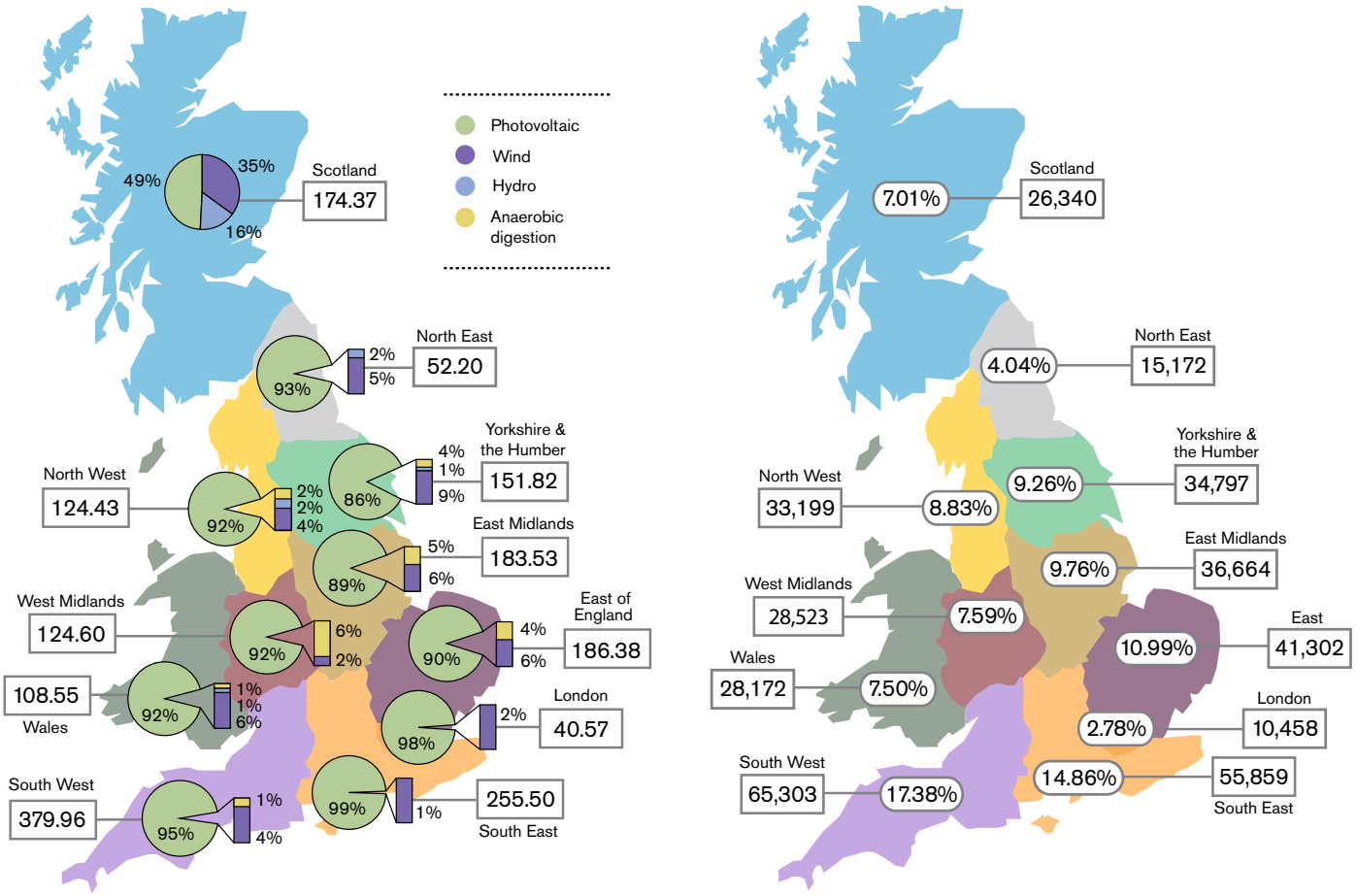
New benefits for community organisations and education providers were introduced on 1 December 2012. These focused solely on non-domestic Solar PV installations ≤50 kW DNC with eligibility dates on or after that date. They allow community organisations planning to commission or having already commissioned installations to pre-register with Ofgem to "guarantee" their tariff rate in a similar way to ROO-FIT preliminary accreditation. Community energy and school installations that meet the criteria for their type of installation only require an EPC of level G or above is required to benefit from the "higher" tariff (if not subject to the multi-installation tariff) instead of an EPC of level D or above. Between the introduction of the new legislation and the end of Year 3, three applications were received for either communities or schools.

Great Britain Regional Overview

Figure 2: National and Regional growth in installation numbers

As shown in Figure 2, the reduction in new installations in Year 3 (as discussed above) was not uniform across all regions. The South East and South West regions saw significant decreases compared to other regions. The largest capacity exists in the southern regions of Great Britain, followed by the East and Scotland. Across all regions Solar PV is prominent, except Scotland, having a majority of capacity registered in this technology. This is shown in Figure 3.

Figure 3: Breakdown of technology TIC and share of number of installations

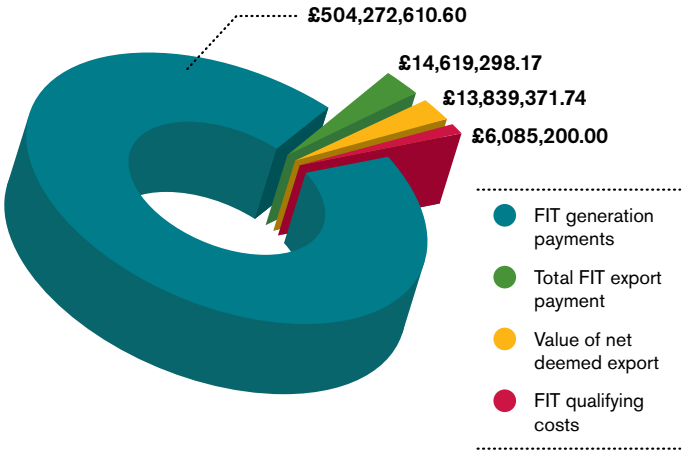


Scheme Costs

Just over £504 million was paid by licensees in generation payments and a little over £14.5 million was paid in FIT Export payments to eligible generators during Year 3. Total generation costs account for 94% of total payments, an increase on previous years. This is largely due to a reduction in the proportion of qualifying costs (set annually by the Secretary of State) from 13% and 10% in Years 1 and 2 to 1% in Year 3.

By a process called periodic levelisation the costs of the scheme are fairly shared across all electricity suppliers. The total payments are redistributed by Ofgem quarterly based on licensees' percentage share of the Great Britain supply market and share of the scheme. At the end of each year the total costs are reconciled and a final redistribution occurs in a process called annual levelisation. The amount redistributed at the end of Year 3 was just over £211 million.

Figure 4:
Annual Breakdown of Scheme Costs by Percentage



Licensed Electricity Supplier Compliance

There were a number of instances of late submission of data for both quarterly and annual calculation periods but all of these were managed by Ofgem and were received before they impacted on the final calculations. However, there were a few occurrences of licensees failing to make payments into the fund before the mandated deadline. Following communication by Ofgem payments were received in time so as not to affect the payments from the fund.

Further Information and Conclusion

This report provides a brief summary of the scheme during its third year of operation. A lot of change took place during the year both legislatively and in how the scheme is administered. This added more complexity to the scheme. We have invested a considerable amount of time in providing guidance and holding workshops for scheme participants, particularly licensees. We appreciate the assistance and collaboration from participants through the many changes.

Regardless of the changes that occurred, the scheme still remains very popular. The total number of registered installations far outweighs the original predictions. While uptake has slowed since the March 2012 peak, it is still at a steady rate and is more in line with expectations. The lowering in tariff rates reflects the reduction in the installation costs for FIT technologies, meaning that over the span of an installation the generator should still see a viable return on their investment.

Further details about the topics covered in this summary and other information can be found in the full Annual Report[1].

Key contacts

For more information, visit **www.ofgem.gov.uk/fits**

Alternatively, you can contact the FIT compliance team via e-mail at **fitcompliance@ofgem.gov.uk**

Press enquiries
For press enquiries please contact the Ofgem press office on **020 7901 3858**

[1] www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme/feed-tariff-reports/annual-reports