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Ofgem

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Re: Default Tariff Cap: Statutory Consultation

Ms. Rossington,

Thank you for the opportunity to comment on the proposed derogation for renewable SVTs within the new Default Tariff Cap regulations. Although we support this proposal in principle, and view it as potentially providing some valuable flexibility to new and innovative suppliers committed to advancing renewable energy in the UK, we do not view it as necessary at this time. We are concerned that the proposed criteria for the derogation may be inadequately defined, and may not reflect the current realities on the ground for our industry. Moreover, we do not anticipate that this derogation would meaningfully help to accelerate deployment of new utility-scale PV in the near term.

Since the closure of the ROC program to new entrants in March 2017, there has been no direct subsidy support for new utility-scale solar PV developments. Facing continued exclusion from Contracts for Difference, large-scale solar remains effectively penalised for its status as a proven, well-established renewable technology, whilst far costlier and less predictable renewable technologies are eligible for this support.

We believe that the meteoric rise in demand for “Green” tariffs is indicative of the extent to which the general public supports low-carbon, renewable energy and action on climate change. Bulb, reportedly the UK’s fastest-growing renewable energy supplier, has grown from 50,000 to 750,000 customers over the past year. However, even at these growth rates, Bulb founder Amit Gudka has predicted that it will likely not be before 2023 that demand for renewables could outstrip available generation capacity. This is in line with our own view of that market going forward, which is that it will be at least five years before consumer demand alone becomes a significant market driver for investment in new large-scale PV developments.

We concur with Ofgem’s stated view that there is not currently sufficient evidence that renewable SVTs support generation of renewable energy materially beyond what is already in place. The most effective market intervention to drive forward deployment of affordable and proven renewable zero-carbon generation capacity would be for onshore wind and solar PV to be included in a technology-neutral CfD. This would significantly help to drive down the cost of capital and restore investor confidence in the sector.

We would also concur with the view expressed by an unnamed supplier earlier in Ofgem’s consultation process that there is a risk that allowing for exemptions for renewable tariffs could “perpetuate the myth” that renewable energy must be more expensive.

Most importantly, we remain uncertain as to the specific derogation criteria that would be determined and how they would be applied. Needless to say, it is unfortunate that this information was not available in time for the consultation to be published as it prevents us from giving an informed perspective on the

proposal at stake. What level of financial or non-financial support would justify a derogation in Ofgem's view? Over how long a time scale? What would the monitoring and auditing process look like?

The possibility of a supplier securing a derogation by entering into a PPA, presumably as the intermediary, with a generator to help them obtain financing is an interesting one, but we are uncertain as to how it would justifiably translate into a higher retail tariff. This concept may warrant further exploration but there is insufficient detail to evaluate the proposal here.

If there is to be a derogation from the Default Tariff Cap for 100% renewable tariffs, we would urge that it apply only to new-build development of unsubsidised generation assets. This is the bold and innovative model currently being pursued by [Ripple Energy](#), an energy start-up aiming to build and manage a wind farm as a Community Benefit Society owned by the household customers who are its off-takers. If this structure proves successful, it could be taken up by more mainstream suppliers and there could conceivably be sufficient consumer demand to incentivise new-build wind and solar PV development through higher tariffs.

Yours sincerely,



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