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Cabinet Secretary for Energy, Planning and Rural Affairs



Llywodraeth Cymru  
Welsh Government

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Rt Hon Claire Perry MP  
Minister of State for Energy and Clean Growth  
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Dear Claire

## CONSULTATION ON FEED-IN TARIFFS SCHEME

Renewable energy is an extremely important part of Welsh Government's vision for a more sustainable future for Wales. We are committed to supporting the development of new renewable energy generation.

The Feed-in Tariff scheme (FiT) has been a very successful policy intervention. It was a key enabler for deployment of small-scale low-carbon electricity generation in Wales, providing a vital route to market particularly for wind, solar, hydro and anaerobic digestion. It has enabled households, small businesses and communities to play their part in our ambition for a low carbon economy whilst securing access to long term low cost energy.

Almost 54,000 FiT installations have been deployed in Wales since 2010, delivering an installed capacity of 455MW. There has been a noticeable decline in deployment since the new tariffs and deployment caps were introduced in 2016. The increase in total capacity being deployed fell to 18% in 2017 and for 2018 is down to just 2%. This compares to an average increase of 41% between 2013 and 2016. We are already seeing the effects in the hydropower sector, where just 8 new applications for abstraction licences have been received by Natural Resources Wales since January 2017.

We have identified a list of community and public sector projects in Wales, which currently have no route to market and where development is largely on hold. This pipeline includes 46MW of community and 14MW of public sector projects we consider to be at risk should FiT be closed to new projects.

I have previously written to ask you to consider re-opening Pot 1 under the next Contract for Difference allocation round to include onshore wind across mainland UK. Should you proceed with the proposal to remove the export tariff from FiT, effectively closing the scheme to new applicants from April 2019, there will be no support available for wind and solar, two of the lowest cost electricity generating technologies. Deployment is already stalling and it will be very hard to regain momentum. The sector urgently needs clarity on what future support for the small scale renewables might look like, particularly with the uncertainty surrounding EU exit.

The benefits of small scale generation are substantial. By encouraging investment in these technologies, we are not only creating components of the local resilient systems we need in order to perform as a strong economy in a decarbonised global market. The Centre for Low Carbon Futures undertook research across a range of global city regions, which found between 5.9% and 18% of GVA was being exported from the UK regions studied, simply by paying energy bills. Locally owned generation provides a strong opportunity to retain money in the local economy, contributing significantly to prosperity in the UK over the lifetime of the development and particularly after the capital cost has been recouped.

Other benefits include not only the skilled employment generated by development, installation and maintenance, but also network improvements, system flexibility and delivery against decarbonisation goals. Health benefits from improved air quality and increased social cohesion from community and cross sector developments can also be evidenced in order to demonstrate multiple benefits.

I believe there is a clear and continuing role for supporting renewable energy deployment in order to meet Wales', and the UK's, renewable energy and decarbonisation targets. I strongly recommend extending the current scheme until successor arrangements have been agreed and put in place, otherwise we risk losing the considerable momentum, jobs and economic benefit the tariff has brought to the UK over the last ten years. Failing to develop and support new forms of renewable energy will restrict our ability in the future to decarbonise, to maximise the use of Wales' renewable sources and to meet renewable energy targets.

The Call for Evidence on allowing renewables access to the Capacity Market is a welcome solution which would enable some continued deployment of larger scale projects. However, our response to the Call for Evidence on the future of small scale generation provides robust indication the market is not sufficiently developed for the established small scale renewable energy technologies to operate without some support. I believe some form of route to market is required in order for the industry to have a viable future. However, no market solution currently offers an immediate alternative to FiT.

Half-hourly metering, time of use tariffs, and smart meters are likely to provide a framework which will in future make small scale renewables a common-sense option. However, we do not expect this framework to be in place until the mid 2020s. Therefore there is an urgent need for a transitional solution to preserve the necessary skills and jobs in the intervening period.

The current FiT scheme provides two elements, a subsidy and a price guarantee. We have no evidence of the relative value of each element. However, we do have some evidence, particularly in the public sector where there is access to low cost borrowing, of capacity to pursue developments if a long term price guarantee exists. You may wish to consider options providing such a guarantee alone, which could unlock the most advantageous sites at little or no cost to the UK Government.

The initial aim of FiT included the desire to enable small organisations access to develop renewable generation for social purposes, including broader public acceptability of renewables. There is substantial evidence of organisations in all sectors taking forward generation projects with very low immediate payback, with a range of motivations. We currently support the public sector and community organisations in order to deliver a number of outcomes in Wales. One solution for the future of FiT could be a scheme aimed at organisations delivering social purposes rather than exported electricity. This could include fuel poverty alleviation, improved grid constraints, decarbonisation, or other benefits previously described. Focusing on paying for these outcomes could allow cost control whilst inviting innovative solutions to local problems.

Net metering might also be an effective solution to support very small scale installations (potentially up 30kW) to bridge the gap to the 2020s. The approach to net metering would need to take into account the relative impact of behind the meter generation on the system.

I would also draw your attention to two other potential impacts of ending the FiT scheme. FiT accreditation drives the use of installers accredited under the Microgeneration Certification Scheme (MCS). Its closure increases the likelihood of cheaper installations by unregistered and less skilled installers, with the risk of ineffective and possibly dangerous installations undermining confidence in the market.

The other impact relates to data. The majority of data on generation is collected through the schemes run by Ofgem on your behalf. As these schemes cease, so does data collection. My officials have raised this issue with yours previously and I would urge you to consider an improved regulatory approach to mandating data collection and reporting for all grid connected generation and storage.

I strongly urge you to act on the evidence we and others are providing, in response to your consultation and call for evidence, in order to preserve the success the FiT scheme has delivered and avoid significant economic and social impact.

I am copying this letter to the Secretary of State for Wales.

Regards  
Lesley

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