

**EXPLANATORY MEMORANDUM TO  
THE FEED-IN TARIFFS (AMENDMENT) (No. 2) ORDER 2014**

**2014 No. 2865**

**AND**

**MODIFICATIONS TO THE STANDARD CONDITIONS OF ELECTRICITY  
SUPPLY LICENCES 2014**

1. This explanatory memorandum has been prepared by the Department of Energy and Climate Change and is laid before Parliament by Command of Her Majesty.
2. **Purpose of the instruments**
  - 2.1 The Feed-in Tariffs scheme (“FIT scheme”) is the Government’s main policy measure to encourage the deployment of small-scale low-carbon electricity generation in Great Britain, and is implemented by Conditions 33 and 34 of the standard conditions of electricity supply licences (“the Standard Licence Conditions”) and the Feed-in Tariffs Order 2012 (“the 2012 Order”).
  - 2.2 The Draft Modifications to the Standard Conditions of Electricity Supply Licences 2014 (“the 2014 Modifications”) amend Schedule A to Standard Licence Condition 33 to implement a change to the FIT scheme’s cost control mechanism (“the degression mechanism”) in its application to stand-alone solar photovoltaic installations and other than stand-alone solar photovoltaic installations of a capacity greater than 50kW.
  - 2.3 The Feed-in Tariffs (Amendment) (No. 2) Order 2014 (“the 2014 Order”) amends the 2012 Order to reflect the changes made by the 2014 Modifications, by amending the categories of data that the Secretary of State is required to publish on the quarterly deployment of solar photovoltaic installations.
3. **Matters of special interest to the Joint Committee on Statutory Instruments**
  - 3.1 None for the 2014 Order.
  - 3.2 Not applicable for the 2014 Modifications, which are not a Statutory Instrument.
4. **Legislative Context**
  - 4.1 The 2012 Order (made under sections 41(4), 43(3)(a) and 104(2) of the Energy Act 2008 (“the 2008 Act”), sets out the functions of the Gas and Electricity Markets Authority (“the Authority”) and the Secretary of State in connection with the administration of the FIT scheme. The 2012 Order was amended with effect from 1 July 2013 by S.I. 2013/1099, and with effect from 14 July 2014 by S.I. 2014/1601.

4.2 The 2014 Order is made in exercise of the powers conferred on the Secretary of State by sections 43(3)(a) and 104(2) of the 2008 Act.

4.3 The Standard Licence Conditions were made in exercise of the powers conferred on the Secretary of State by section 41 of the 2008 Act to modify the licences for electricity suppliers as established under the Electricity Act 1989, and came into effect on 1 April 2010. They impose obligations on electricity suppliers which are to pay feed-in tariffs to accredited small scale generators of electricity using an eligible low-carbon energy source, and also make provision about the rate of the tariffs to be paid to those generators for each unit of electricity generated by an eligible installation.

4.4 The 2014 Modifications amend Schedule A to Standard Licence Condition 33, and are to be made in exercise of the powers conferred on the Secretary of State by section 41 of the 2008 Act. They are laid before Parliament in draft in accordance with section 42 of the 2008 Act. Schedule A to Standard Licence Condition 33 was substituted and consolidated with effect from 1 December 2012, and amended with effect from 1 July 2013.

4.5 It is intended to bring both the 2014 Order and 2014 Modifications into effect on 1 January 2015.

## **5. Territorial Extent and Application**

5.1 These instruments apply to Great Britain.

## **6. European Convention on Human Rights**

6.1 As the 2014 Order is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

6.2 No statement is required for the 2014 Modifications.

## **7. Policy background**

- *What is being done and why*

7.1 Article 2 of the 2014 Order makes amendments to Schedule 2 of the 2012 Order concerning the determination and publication of quarterly solar photovoltaic (“solar pv”) installation deployment data by the Secretary of State. The changes made to the 2012 Order complement the modifications to Schedule A of Standard Licence Condition 33 made by the 2014 Modifications, which are intended to help facilitate the deployment of building-mounted solar pv installations.

7.2 As set out in the Solar Strategy 2014<sup>1</sup>, it is the Government's intention to encourage the deployment of commercial and industrial scale building mounted solar pv installations. Under the FIT Scheme, these kinds of installation are considered to generally equate to solar pv installations of a capacity greater than 50kW that are

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<sup>1</sup> <https://www.gov.uk/government/publications/uk-solar-pv-strategy-part-1-roadmap-to-a-brighter-future>

wired to provide electricity to a building (and known as ‘other than stand-alone’ under the terms of the scheme). Given the relatively high take-up of stand-alone solar pv installations (which are those not wired to provide electricity to a building, and are considered to generally equate to ground-mounted installations), the 2014 modifications are intended to link the degression of other than stand-alone tariffs to the deployment levels of those installations alone. It is considered this change will avoid reductions in tariffs that do not reflect a reduction in the cost of deployment of these kinds of installation.

7.3 The FIT scheme provides for nine separate solar pv tariff bands. For other than stand-alone installations, there are eight tariff bands based on the size of the installation, while all sizes of stand-alone installations share one tariff band. All the tariff bands can be subject to regular reduction through the operation of the degression mechanism. The tariff bands for solar pv are allocated between three degression bands (based generally on capacity/size specific groups), and the tariffs can reduce quarterly if the level of deployment seen in said degression band in a previous quarter exceeds certain thresholds. The degression band for all other than stand-alone installations over 50kW also covers stand-alone installations, so tariff reductions seen for both types of installation are determined by cumulative deployment in a previous quarter of both types of installation.

7.4 The 2014 modifications will replace the existing degression band described above with two new degression bands: one for other than stand-alone installations of a capacity greater than 50kW and one for stand-alone installations. As a result, tariff reductions for other than stand-alone installations over 50kW will be determined by deployment of other than stand-alone installations and tariff reductions for stand-alone installations will be determined by deployment of stand-alone installations. This means that high levels of deployment of stand-alone installations will no longer have implications for the tariff reductions seen for other than stand-alone installations over 50kW. The levels of deployment at which reductions in tariffs are triggered (‘degression triggers’) have also been split, to allow this change to be made without increasing future pressure on the cost of the FIT scheme.

7.5 The 2014 Modifications also introduce an amendment to the ‘lower rate’ tariff for other than stand-alone solar pv installations of a capacity less than 250kW that do not meet the energy efficiency requirement. At present, the lower rate tariff for such installations is the same as the stand-alone tariff rate. The amendment will mean that the lower rate is instead linked to the tariff rate for other than stand-alone installations of a capacity greater than 250kW, which is considered more appropriate as these installations will have similar benefits, including the use of electricity generated onsite.

7.6 Under the 2012 Order, the Secretary of State is required to publish data on the quarterly rates of deployment of solar pv installations. The Authority uses this data to determine whether the degression triggers have been met and which, if any, rate of degression to apply to the solar pv tariffs. The amendment to the 2012 Order made by the 2014 Order means that the data determined and published by the Secretary of State will match the new degression bands for other than stand-alone solar pv over 50kW and stand-alone solar pv installations.

- ***Consolidation***

7.7 The 2014 Order comprises the third amendment made to the 2012 Order, and the 2014 Modifications comprise the second amendment made to the Standard Licence Conditions since consolidation in 2012. Further consolidation is not proposed at this time. If further amendments or modifications are proposed to the 2012 Order or Standard Licence Conditions, the Department will consider whether consolidation would be appropriate.

## **8. Consultation Outcome**

8.1 A consultation paper was published on 13 May 2014 outlining proposals to amend the FIT scheme to help facilitate the deployment of mid-scale building-mounted solar pv installations under the scheme. The consultation period ended on 7 July 2014. The consultation proposed amendments to the FIT scheme to amend how the degression mechanism applies to other than stand-alone installations of a capacity greater than 50kW and stand-alone installations.

8.2 The Government's response to this consultation was published on 2 October 2014 setting out our final decisions following the consultation, which received thirty six written responses. 53% of respondents either supported the proposal or believed it was better than a do nothing option.

8.3 Following careful consideration of the consultation responses it was decided to progress with the legislative changes, with only minor amendments. A document summarising these responses and setting out the Government's response has been published and is available from the Department's website (<https://www.gov.uk/government/consultations/consultation-on-changes-to-financial-support-for-solar-pv>).

## **9. Guidance**

9.1 The Authority already provides detailed guidance for electricity suppliers and potential and existing participants in the FIT scheme in a variety of forms. That guidance will be updated as appropriate to reflect the changes to the FIT scheme made by this Order.

## **10. Impact**

10.1 There are no impacts on business, charities or voluntary bodies additional to those described in the Explanatory Memorandum supporting the 2012 Order.

10.2 There are no impacts on the public sector additional to those described in the Explanatory Memorandum supporting the 2012 Order.

10.3 An Impact Assessment for the 2014 Order and 2014 Modifications is attached to this memorandum and will be published alongside the Explanatory Memorandum on [www.legislation.gov.uk](http://www.legislation.gov.uk).

## **11. Regulating small business**

11.1 The legislation applies to small business.

11.2 There are no impacts for firms employing up to 20 people as the approach taken is that no electricity supply companies employ 20 or fewer people.

## **12. Monitoring & review**

12.1 The Department will continue to carry out on-going monitoring of the FIT scheme to ensure that its objectives are delivered in a way which ensures value for money, particularly to consumers who ultimately pay. The Authority also carries out monitoring to ensure compliance by electricity suppliers and participants in the FIT scheme with their obligations.

## **13. Contact**

Rosemary Love at the Department of Energy and Climate Change Tel: 0300 068 6907 or email: [rosemary.love@decc.gsi.gov.uk](mailto:rosemary.love@decc.gsi.gov.uk) can answer any queries regarding the instrument.