Department
of Energy &
Climate Change

The Rt Hon Amber Rudd MP
Secretary of State

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Jennette Arnold OBE AM
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7th January 2016

Dear Jennette,

Thank you for your letter dated 11 November, about a meeting request to discuss the impact of the Government's proposed changes to the Feed-in-Tariff on the viability of the solar industry in London. I apologise for the delay in replying.

Since 2010 we have seen an average of £7 billion a year of investment in renewables and last year we reached a record high of almost £8 billion. However, figures released by the Office for Budgetary Responsibility in July 2015 project that we are likely to exceed the budget set for renewable energy subsidies (the Levy Control Framework, or LCF) by £1.5bn a year in 2020/21. Public expenditure on renewables has therefore exceeded all of our expectations.

Solar deployment is a real success story – with deployment outstripping anyone's expectations. But we must also be mindful of managing the costs to consumers. In 2010, when the Feed-in Tariff (FIT) scheme was set up, we estimated that the scheme would cost £490m in 2020. We now estimate that it will cost £1,740m in 2020. This is driven in large part by increased deployment of solar PV under the scheme.

Earlier in the year, we announced a package of proposed cost control measures that would help tackle this projected overspend on renewable support schemes. This included:

- Measures to constrain support for small-scale solar under the RO – our monitoring since the closure of the RO to large-scale solar demonstrated much higher levels of deployment than expected.
- A review of the FIT, designed to put the scheme back on an affordable, sustainable footing and to ensure that we were not overcompensating projects – a requirement of our state aid approval.

We have consulted extensively on these proposals and taken on board views from a wide range of stakeholders. In considering their responses, we have sought to balance the different needs of industry, consumers and communities and to target support where it is most needed.

We have made the following changes to the FIT scheme:

- Updated generation tariffs, revised in response to evidence on technology costs received during the consultation.
- Introduction of deployment caps to limit spend on the scheme to £100m by the end of 2018/19.
- The reintroduction of pre-accreditation for solar PV and wind generators over 50kW and all hydro and anaerobic digestion generators. We removed pre-accreditation last October to control costs under the scheme by limiting the value of the deployment surge in response to tariff reductions. Under the revised, cost-controlled scheme, pre-accreditation can play an important role for projects with longer lead-in times, such as those developed by the community energy sector.
- Measures to pause acceptance of new applications to the scheme for up to four weeks in the New Year. This will allow time for the implementation of cost-control measures, ensure better value for money for the bill-payer by offering revised tariffs to investors, and preserve budget for the future of the scheme.

These measures will enable us to continue to supporting the renewables industry in a way that keeps control of costs.

By 2020, we expect onshore wind deployment 12.2GW from large-scale projects, which is within the range of our 2013 estimates, and we are also anticipating an additional 1GW to be supported under FITs. We are also expecting there to be an additional 15,000-20,000 solar installations per quarter through FITs which, combined with deployment under the RO and CfDs, is anticipated to result in 12.8GW of solar deployment by 2020.

We believe this package of measures provides a sensible framework to move towards our ambitions for subsidy-free deployment.

Unfortunately, my diary commitments prevent me from being able to accept your request for a meeting on this occasion.

Yours sincerely

Amber Rudd

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