

FITs | Contingency Plan | Q&A

1. Why are you taking this action?

- We need to act as quickly as possible. It's not clear when we will get judgement from the Court of Appeal, so we are acting now to protect consumer bills and to avoid bust in the industry
- This is too important for us to sit and do nothing while we wait for the judgment – which could be weeks away
- We're putting in place a contingency that will bring a 21p rate into effect from April for installations with eligibility dates on or after 3 March
- Doing this now puts us in a better position to protect the budget for everyone involved

2. How much money will it save in terms of the budget?

- If we lose the Judicial Review, the impact on the budget could be around £100m in subsidy costs per annum from April 2012 onwards, which is around an additional £1.5bn over the lifetime of the tariff.

3. Does this mean you have admitted defeat?

- **No it does not.**
- We could wait for the Judges to make their decision, but doing so would have risked the budget running dry
- This is a backup measure designed to reduce the impact on everyone in the event we lose the Judicial Review
- It's forward planning, to provide some clarity and I'm sure consumers and the industry will appreciate that

4. What does this mean if I installed between 12th December and 2nd March – do I get 43p for 25 years?

- If we win the appeal, then we'll announce our final policy intention on the phase 1 proposals (tariffs for solar PV and energy efficiency) as soon after the judgment as possible. We have not withdrawn our proposal for a December reference date
- If we lose, then yes—subject to any further appeal - for a very limited time, the tariff will be 43.3p for eligible sub 4 kW systems
- Our action today reduces the length of time during which this over compensation could continue

5. What else is in the licence modifications – just the reduction of tariffs for PV?

- Yes – as that's what creates the urgent risk to the budget

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6. *What about the other things in the consultation eg. energy efficiency requirement etc? When are you going to publish the decisions on this?*

- We propose to publish our decisions on the rest of the review shortly, in time to enable us to bring further licence modifications into effect by 1 April.

7. *What evidence have you got that you should reduce it to 21p from 1st April for those with an eligibility date of between 12th Dec and 2nd March? How can you do this without publishing the government response?*

- We have today published a government response to the relevant question (Q1) from the consultation document – this is available on our website
- Many respondents to the consultation agree that tariffs need to be reduced
- We will publish the full government response to the rest of the consultation alongside our final decisions on the whole package

8. *What should I tell my customers? 43p or 21p?*

- Our proposal to offer a tariff rate of 21p from April 2012 to installations following a December reference date remains firmly on the table.
In the event that we lose, then, for a very limited time, the tariff will be 43.3p for eligible sub 4 kW systems. This action today reduces the length of time which this over compensation can continue
- which in turn ensures as much money as possible remains for future installers, of all eligible low carbon technologies, under the FITs scheme

9. *What about the second consultation on the other technologies – when are you going to publish this?*

- As soon as we can
- We expect to publish in early February.

10. *What are the latest figures of budget against spend under FITs?*

- The figures change day by day as new installations are registered, but the total budgetary impact is impossible to determine as we don't yet know if we will have to pay 43p for the next 25 years for all installations between 12 December and 1 April, nor how many of these installations there will be.
- We're fighting to keep the FITs scheme open for all

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11. Haven't you already overspent the budget?

- Under the terms of the levies control framework, DECC's levies policies have an aggregate annual spending limit.
- We are currently working through consultation responses on both the FITs Review and RO Banding Reviews and so it is impossible to provide precise estimates of future projections.
- Current deployment trends suggest we expect to reach the levies caps in 2012/13 and 2013/14.

12. Hang on – you can't do this! You've not consulted on this option

- This was part of the Phase I consultation we launched on 31 Oct 2012. We have analysed over 2,300 responses
- This contingency plan is our response to Question 1 of the consultation document and we have published a formal Government response document which is on our website
- The legal challenge relates to the proposed approach to applying new tariffs from an earlier creation of a reference date (this was question 2 in the consultation document) – clearly we must wait for the judgment on this aspect of the consultation
- If we win the appeal, then we'll announce our final policy intention on the phase 1 proposals (tariffs for solar PV, multi-installation tariff rates, and energy efficiency) as soon after the judgment as possible.
- We have not withdrawn our proposal for a December reference date

13. Are you doing this because FoE have been pushing for it?

- No – we're doing this to provide a contingency so that we can manage the budget and provide certainty to installers and consumers all over the country

14. Feed-in Tariffs policy has been horrendously managed, few people understand it and this is only going to make things more complicated

- We're taking this back up step to provide certainty in the event we lose the appeal – I want to ensure the FITs scheme can continue
- There are two possible outcomes, either we win the appeal and all the consultation proposals are back on the table
- Or we lose and this action means that everyone knows what the tariff will be if that happens – we are providing certainty.