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of Energy &
Climate Change

The Rt Hon George Howarth MP
House of Commons
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Secretary of State

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30 September 2015

Dear George,

Thank you for your letter dated 14 September, enclosing an example of correspondence you have received from a number of your constituents, about the proposed changes to Feed-in Tariff (FIT) scheme.

We are required by our EU State Aid approval to carry out a review this year to ensure tariff levels under the FIT provide sufficient incentive to potential generators, whilst not over-compensating applicants to the scheme. In light of the direct impact on consumer bills, through the Levy Control Framework (LCF), we must also consider fully the significant overspend within the LCF projected for 2020/21 and take action to bring costs under control to protect households and businesses. The FIT is not financially sustainable in its current form and is not providing optimal value for money for bill payers.

Solar PV deployment is one of the key technologies helping us to reach our 2020 ambitions. However, in delivering those targets, we must consider the level of incentives offered to the industry and their impact on consumer bills. We are proposing measures to place policy costs on bills on a more sustainable footing. As your constituents quite rightly highlight, if implemented these cost control measures equate to a saving of £5-6 per average household bill in 2020/21.

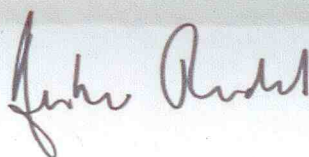
The evidence gathered for the FIT review suggests that our proposals will still enable well-sited solar installations to be able to deploy with reasonable returns. We are aware that many community-led renewable projects rely on the FIT for a reliable source of income on which to build a business case for funding. However, this needs to be balanced against costs to energy consumers. Community energy groups will still be able to access a generation tariff under our proposals.

The impact of the review of the FIT scheme on businesses in the solar sector will depend on the options taken forward after the review. We expect the deployment rate under FITs will fall as a result of the measures proposed in this consultation, which will likely cause a redeployment of some of the jobs currently being supported by FITs. We hope to gather more information from the industry as part of the consultation on the review which runs until 23 October.

The Government wants an energy market that works first and foremost for hardworking families and businesses, not just for energy suppliers. As you may know, following concerns about the level of competition in the energy market, the regulator Ofgem referred the gas and electricity markets to the Competition and Markets Authority (CMA) to ensure those markets are working effectively. The CMA has recently published its provisional findings and a notice of remedies. These can be found at: <https://www.gov.uk/cma-cases/energy-market-investigation>.

I hope that this information is useful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Amber Rudd', written in a cursive style.

AMBER RUDD