



23 December 2011

Our ref: ICAEW Rep 123/11

Feed-in Tariffs team
Department of Energy and Climate Change
3 Whitehall Place
London
SW1A 2AW

By email: fits@decc.gsi.gov.uk

Dear Sirs

Comprehensive Review Phase 1: Consultation on Feed-in Tariffs for solar PV

ICAEW is pleased to respond to your request for comments on *Comprehensive Review Phase 1: Consultation on Feed-in Tariffs for solar PV*.

Please contact me should you wish to discuss any of the points raised in the attached response.

Yours sincerely

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ICAEW REPRESENTATION

COMPREHENSIVE REVIEW PHASE 1: CONSULTATION ON FEED-IN TARIFFS FOR SOLAR PV

Memorandum of comment submitted in December 2011 by ICAEW, in response to the Department of Energy and Climate Change consultation paper Comprehensive Review Phase 1: Consultation on Feed-in Tariffs for solar PV published in October 2011

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INTRODUCTION

1. ICAEW welcomes the opportunity to comment on the consultation paper *Comprehensive Review Phase 1: Consultation on Feed-in Tariffs for solar PV* published by the Department of Energy and Climate Change on 31 October 2011, a copy of which is available from this [link](#).

WHO WE ARE

2. ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter which obliges us to work in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 136,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.
3. ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.
4. ICAEW has a significant presence in the Small and Medium Sized Enterprise (SME) sector. Approximately a third of our business members are employed in the SME sector. A majority of our UK practice members provide services to SMEs and are SMEs themselves.
5. The ICAEW Chief Executive is a member of the Department of Business Innovation and Skills Small Business Economic Forum. Our Head of Enterprise is a member of the Small Business Economic Forum Working Group and the British Bankers Association Business Finance Forum. The Head of Enterprise is a Public Authority on the [Businesslink.gov.uk](#) Finance and Grants website.
6. The ICAEW has made representations to the UK government on numerous issues affecting SMEs including proposed new financial reporting standards for Micro Entities, Access to Finance for SMEs, HM Revenue & Customs Service Standards and UK Regional Economic Strategy.
7. In 2011 ICAEW started the Business Advice Service whereby ICAEW Chartered Accountants in over 3,000 offices across England, Scotland and Wales offer SMEs advice at no cost on how to overcome the challenges they face in starting and growing a business. This followed on from an earlier initiative called SME Funding Adviser scheme whereby ICAEW Chartered Accountants identified the services they offered to SMEs to support their needs for a wide variety of finance. ICAEW provides technical support to its members of both schemes.
8. ICAEW believes that sustainability is one of the biggest challenges facing business today. Our sustainable business thought leadership work examines the actions, activities, and obligations of businesses in achieving a sustainable world. We work at the forefront of debate around how markets can promote sustainable business and how this creates opportunities for our members and the wider business community.

MAJOR POINTS

Support for the initiative

9. We do support in principle the proposal to reduce the feed in tariff rates over time in line with increased market maturity and to reflect reductions in the cost of infrastructure. We also welcome the opportunity to comment on the Consultation paper *Comprehensive Review Phase 1: Consultation on Feed-in Tariffs for solar PV*. As a professional accountancy body we do not seek to comment on the technicalities of the specific questions included in this

consultation. However we have concerns about the process by which the consultation has been undertaken, which we summarise below.

10. Given the significant implications that implementation of this policy necessitates for business in terms of anticipated costs of installation we consider that the process of consultation has not been well executed. Business needs certainty in order to plan adequately and it is imperative that investors and consumers are provided with a level of consistency if additional investment is to be attracted into this sector. The manner of these changes has not created the stability that is needed for UK business in the renewable sector, which is weathering harsh economic conditions at the moment.
11. The changes are likely to affect new entrants to the market disproportionately, especially SMEs who represent the majority of solar panel installers. They will have had to gain additional skills and to have registered under the Microgeneration Certification Scheme (MCS) in order to tap into the expected market. These changes will mean that for many, this investment may be wasted.
12. The decision to reduce the tariff has been taken at short notice. Limited time has been provided for this consultation, a period of just eight weeks (31 October to 23 December). This is a much shorter timeframe than typically given for Government consultations. In addition, the decision to change the scheme on 12 December, before the completion of the official consultation, seems unfair for those affected by the proposals. The retroactive nature of this consultation has caused uncertainty, fear of financial loss and has eroded the credibility of any future initiatives by the government.
13. Expectations of the scale of proposed changes were not managed in advance. There was an unreasonable volume of changes made since the first Comprehensive Review in February 2011. This has had a negative impact on the fledgling market for solar energy.
14. Plans have not been set out to explain how further changes will be approached in 2012. We would urge DECC to bring a level of certainty and stability to the sector in the following ways:
 - issue the results of the Phase 1 consultation as a matter of urgency;
 - set out and publish Phase 2 of the consultation by the year end as originally intended; and
 - agree workable parameters and a set procedure of regular reviews of degression rates, including sharing formulae and published data so that installers can estimate future downward changes to tariff rates from the same information the DECC uses and plan with some degree of confidence.

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