



Department
of Energy &
Climate Change

Government response to the consultation on the Renewables Obligation: notification process for new build dedicated biomass projects



Department
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Climate Change

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This Government response and the original consultation can be found on DECC's website:
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Executive summary

Introduction

In May 2013, the Government launched a 4 week consultation on our proposals for a notification process to allocate places within the 400MW cap on new build dedicated biomass projects under the Renewables Obligation (RO).

Projects allocated a place within the cap will be covered by our grandfathering policy. Grandfathering is a policy intention that the ROC levels applicable at the time of full accreditation of the generating station will be maintained for the accredited capacity of the station for the entire duration of its RO support. Therefore, those projects which complete the notification process and are allocated a place within the cap will be able to progress with greater confidence.

Once the 400MW cap is triggered, we will consider consulting on proposals to exclude any further new build dedicated biomass deployment from our grandfathering policy.

This Government response to the consultation summarises the comments received and sets out the Government's decisions on the issues raised.

Responses to the consultation

18 responses were received, mostly from, or representing, energy developers.

Post-consultation decisions

Sections 1 - 8 summarise the comments received and set out our response to the issues raised. This covers both the changes that we will make to the process, the reasons for not accepting some suggestions, and clarifications on some parts of the notification process.

The key changes are as follows;

- Where planning permission is not relevant because the project can be constructed and operated without it, the developer will only need to explain why this is the case. A copy of the planning permission will still be required where this is required for the development of the project (see paragraph 2.7);
- Developers will not be required to provide a copy of the environmental permit (see paragraph 2.8);
- Developers will not be required to provide a copy of the grid connection agreement. Instead, the application form will ask questions to establish that, where appropriate, an agreement exists (see paragraph 2.9);
- Where the full postal address for the project is not known, developers will be able to provide the address given on the planning permission or a grid reference (see paragraph 2.17);
- The application form will ask for both declared net and installed capacity (see paragraph 2.18);

- Declarations from investors will be expressed as a percentage of the total funding package, rather than by specifying sums of money (see paragraph 2.21);
- The deadline for responding to a request to correct an application or declaration will be extended from 1 week to 2 weeks (see paragraph 2.24);
- Developers issued with a ranking letter once the 400MW cap is full will be given additional time to re-start the project if capacity within the cap subsequently becomes available (see paragraph 2.26);
- The priority notification process will be extended to cover projects that can demonstrate they have reached financial close at any time **before** the notification process opens for priority applications (see paragraph 3.3);
- The priority application window will be extended to run for 3 weeks (see paragraph 3.4);
- The website database will be updated with any new information at least once a week. Developers will be able to register for email updates of any changes to the database (see paragraphs 7.2 - 7.3);
- Projects will only be named on the website database once they receive a priority cap allocation letter or a final acceptance letter (paragraph 7.4).

Key issues of clarification are as follows:

- The consultation on the draft Electricity Market Reform Delivery Plan was published on 17 July 2013 and seeks comments on DECC's proposal that a strike price should not be set for dedicated biomass without CHP (see paragraph 1.4);
- The Government response to the consultation on reviewing the qualification criteria for renewable CHP schemes was published on 12 July 2013 (see paragraph 1.7);
- A project will not be able to apply for a place within the cap at a declared net capacity that is larger than that stated in their planning permission, Electricity Act or Planning Act consent. If the application states a declared net capacity that is **smaller** than that stated in the planning permission or consent, the allocation for the purposes of the cap will be based on the higher figure in the planning permission or consent (see paragraph 2.18);
- If a project subsequently accredits under the RO at a **larger** declared net capacity than that stated in the planning permission or consent that was submitted with the application form, DECC will consider whether the allocation letter should be withdrawn (see paragraph 2.19);
- DECC published a consultation on RO Transition on 17 July 2013. This requests stakeholders' views on grace periods for new generating stations who miss the 31 March 2017 cut-off date for the RO (see paragraph 2.31);
- **All** projects that apply within the priority application window and demonstrate that they meet the specified eligibility criteria for a priority project, will be allocated a place within the cap even if the total exceeds 400MW (see paragraph 3.3);
- The priority application window will run from 21 August 2013 to 10 September 2013 (see paragraph 3.7);
- Applications under the standard notification process and the variation of the standard notification process will be considered from 11 September 2013 onwards (see paragraphs 4.6 and 5.3).

Introduction

Background to the consultation

On 13 May 2013, the Government launched a consultation on proposals for a notification process to allocate places within the 400MW cap on new build dedicated biomass projects under the Renewables Obligation (RO). This consultation closed on 7 June 2013.

The decision to introduce this capacity cap was previously announced in the Government response to the follow-up RO consultation on biomass affordability and value for money, published on 18 December 2012.

Projects allocated a place within the 400MW cap will be covered by our grandfathering policy. Grandfathering is a policy intention that the ROC levels applicable to the dedicated biomass band at the time of full accreditation of the dedicated biomass generating station will be maintained for the accredited capacity of the station for the entire duration of its RO support (provided that the station continues to meet the eligibility criteria for the dedicated biomass band, and any other criteria for RO support). Therefore, those projects which complete the notification process and are allocated a place within the cap will be able to progress with greater confidence.

Once the 400MW cap is triggered, we will consider consulting on proposals to exclude any further new build dedicated biomass deployment from our grandfathering policy.

As the notification process is non-legislative, completion of the notification process will not be a pre-condition for support under the RO. Projects may accredit under the RO regardless of whether or not they have participated in the notification process. However, dedicated biomass projects which accredit under the RO after the notification process has opened, risk not being covered by our grandfathering policy unless they fall within an exemption to the cap or have completed the notification process and been allocated a place within the 400MW cap.

A place within the cap will only be allocated to projects that have reached financial close and have either taken a decision to move to the construction phase of the project or have actually started construction.

Responses to the consultation

18 responses were received. 11 of these came from energy developers, plus two from trade associations representing developers. One comment each came from an engineering consultancy, a financier, a network opposed to support for incineration, a sawmilling business and a trade association supporting the wood panel industry. The list of respondents is at Annex A. We are grateful to all the respondents for their comments.

A number of comments were on issues beyond the scope of the consultation. These were divided between objections to, and support for, the underlying decision to constrain new dedicated biomass in the RO.

Some respondents specifically indicated their support for individual proposals from the consultation document but most only commented when they had an objection to a proposal or wanted clarification on a specific point. This summary focuses on the objections and requests for clarification.

As three responses were from trade associations and presumably represented the consolidated views of their membership, we have not calculated the percentage of respondents who put forward each particular point. This is because a comment from one of the trade associations could represent the views of many members.

Comments are grouped together in the following sections:

- Section 1: Eligibility to participate in the notification process;
- Section 2: Issues common to Sections 3 to 5;
- Section 3: Priority notification process;
- Section 4: Standard notification process;
- Section 5: Variation of the standard notification process;
- Section 6: Process when insufficient capacity remains within the cap;
- Section 7: Database of applications;
- Section 8: Comments on issues beyond the scope of the consultation.

These sections summarise the key points made in the consultation responses and set out the Government's post-consultation decisions. Where a similar point was raised by a number of respondents, these are consolidated into one comment that captures the key issue. Some of the comments made under only one section could apply equally to the same proposal in another section. These are grouped together in section 2 as common issues. Some comments were made under one section but are considered in a different section in order to group together similar issues.

Next steps

The priority application window will run from 21 August 2013 to 10 September 2013. Applications under the standard notification process and the variation of the standard notification process will be considered from 11 September 2013 onwards.

Detailed guidance on the notification process, plus the application forms, will be available by 21 August on DECC's Renewables Obligation webpage (see: <https://www.gov.uk/government/policies/increasing-the-use-of-low-carbon-technologies/supporting-pages/the-renewables-obligation-ro>).

Section 1: Eligibility to participate in the notification process

Exemptions and inclusions to the cap

Key points from the consultation responses

- 1.1 There were calls for a variety of additional exemptions from the cap, beyond those listed in the consultation document. These included projects:
 - Using specific feedstocks such as agricultural residues, wastes, recycled wood;
 - Using waste wood and mandated under the Waste Incineration Directive;
 - That can exceed a stated reference level (e.g. 100kgCO₂eq/MWh);
 - Under 15MW (in line with Scotland);
 - Up to 20MWe;
 - That were “shovel ready”;
 - That had reached financial close before announcement of the cap in Dec 2012;
 - That were already in existence (that is, the cap should only apply to new projects).
- 1.2 There was also a call for:
 - Biomass conversions and co-firing plants to be included within the cap;
 - Clarity that the cap relates to dedicated biomass projects only;
 - Clarity on the required qualifications for projects to be excluded from the cap.

Post-consultation decision

- 1.3 The consultation document explained that the exemptions to the 400MW cap had been announced in the “Government Response to the further consultations on solar PV support, biomass affordability and retaining the minimum calorific value requirement in the RO”, published on 18 December 2012 and that these were not open to re-consideration. We have considered the consultation comments but our position remains that we will not re-open the exemptions. However, the guidance for applicants will set out the exemptions from the cap. Projects that reach financial close before the notification process opens will be able to apply under the priority application process (see section 3).
- 1.4 The consultation on the draft Electricity Market Reform Delivery Plan was published on 17 July 2013. This seeks comments on DECC’s proposal that a strike price should not be set for dedicated biomass without CHP. The full details are available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/223650/emr_delivery_plan_consultation.pdf. The consultation is open until 25 September 2013. Until the final decision on this issue is announced, the eligibility criteria set out in the consultation on the biomass notification process for projects considering Final Investment Decision (FID) Enabling for Renewables or Contracts for Difference will remain in place. These criteria said that projects would be able to express an interest in participating in FID Enabling for Renewables, or to discuss a Contract for Difference with DECC, without

affecting their eligibility to participate in the notification process used to allocate places under the 400MW cap under the RO. The criteria also said that projects that subsequently exercised their one-off choice of scheme by entering into a binding application for an Investment Contract or CfD, would cease to be counted towards the 400MW cap.

Exemption for good quality CHP under the CHP Quality Assurance (CHPQA) programme

Key points from the consultation responses

- 1.5 There was some concern over the position of combined heat and power (CHP) projects and some suggestions for alternative proposals. The key points were as follows:
- Proposed changes to the CHP Quality Assurance (CHPQA) programme are of serious concern for some developers and the continuing uncertainty and retrospective nature of the intended changes has had wider ramifications for investor confidence in government policy;
 - Need the results of the consultation on the new CHPQA criteria to provide full certainty of the eligibility requirements for CHP stations;
 - Allow CHP to register an interest as possible dedicated biomass but not secure capacity under the cap;
 - Only full certification under CHPQA should qualify for exemption from the cap;
 - Clarify that partial CHPQA certification is sufficient for exemption from the cap;
 - If allow partial exemption, should require a minimum level of heat to deter potential gaming of this rule;
 - Allow CHP to apply to the cap as insurance against failing to achieve full or partial CHPQA qualification, or not getting a heat load;
 - If a project was intending to qualify for CHPQA but no longer achieves full or partial accreditation, would it have to retrospectively apply for a place within the cap or would the project remain exempt?
 - There is conflict between planning permission and the notification register over CHP - planning permission requires facilities to be capable of CHP and to have considered the opportunities for CHP even if it will actually be electricity-only because there is no commercially viable heat customer and no intention to certify under the CHPQA programme for the foreseeable future;
 - Need a mechanism to remove projects that install CHP after notification;
 - Exemption from the cap will not encourage the uptake of CHP: as the future for CHPQA is still uncertain and CHP schemes are unable to apply under the cap, these projects are currently considered high risk and unable to get funding;
 - Danger that developers will drop CHP in favour of the financial security of getting within the cap.

Post-consultation decision

- 1.6 As explained above, our position remains that we will not re-open the exemptions announced in the Government response published on 18 December 2012. A CHP station with partial or full CHPQA certification will be permanently exempt from the cap even if the station subsequently loses its certification.
- 1.7 The Government response to the consultation on reviewing the qualification criteria for renewable CHP schemes was published on 12 July 2013. This sets out the revised requirements to certify under the CHP Quality Assurance (CHPQA) programme (see: <https://www.gov.uk/government/consultations/revising-certification-criteria-for-renewable-combined-heat-and-power-schemes>). The revised arrangements will be applied from 1 January 2014.
- 1.8 Neither the current nor the revised CHPQA criteria include any minimum requirement on the **quantity** of useful heat supplied in order to partially qualify as Good Quality CHP. So a CHP station can partially qualify as Good Quality CHP provided it supplies **some** heat to an economically justifiable heat demand. A CHP station can also achieve partial CHPQA certification even if it is taking time to establish a network of heat customers.
- 1.9 As the new CHPQA criteria are now available, projects will be able to see if they will be able to meet them before the notification process is launched. Therefore, our view remains that there is no need for CHP projects to participate in the notification process as a safeguard against failing to achieve at least partial certification under the CHPQA. As a result, projects intending to apply for CHPQA certification will not be able to apply for a place in the 400MW cap.
- 1.10 If a project intends to supply **no** useful heat at all, it will not be able to achieve partial CHPQA certification. Such a project will not be exempt from the cap and will be eligible to participate in the notification process.
- 1.11 Where projects are designed to be CHP-ready in order to meet planning requirements but there is **no** intention to apply for partial or full certification under the CHPQA programme, then the project will be eligible to participate in the notification process.
- 1.12 If a project gains a place within the cap with no intention to certify under the CHPQA programme but subsequently develops the heat side and then achieves partial or full CHPQA certification, the project will become exempt from the cap. We will then remove that project's capacity from the cap. This may free capacity which might be re-allocated to other projects.

Section 2: Issues common to Sections 3 to 5

Definition of financial close

Key points from the consultation responses

- 2.1 The comments were split between those that wanted the requirements to be strengthened and those that wanted them to be relaxed. The key points were as follows (the paragraph number for the response to each point is given in brackets):
- Should require evidence only of agreement in principle that 100% funding is available. This is the best that can be reasonably achieved in the timescales given (see paragraph 2.2);
 - Projects not financed by bank lending should be required to commit irrevocably to the construction of the project (see paragraph 2.2);
 - The definition favours projects 100% funded from the Balance Sheet (see paragraph 2.3);
 - DECC should ensure the definition of financial close remains consistent across policies (see paragraph 2.4).

Post-consultation decision

- 2.2 The intention of the notification process is to allocate places within the 400MW cap only to projects that have reached financial close and have either taken a decision to move to the construction phase of the project or have actually started construction. It is important that the definition is strict to prevent projects that are some way from financial close from applying and blocking capacity that could be used by a more advanced project. For that reason, it is not sufficient for developers to provide “in principle” agreement to fund the project. But the criteria should not impose unreasonable demands, such as requiring an irrevocable commitment to construction, as we recognise that despite the best intentions, some projects do fail after financial close. We have made some changes to the evidence requirements for financial close as described in later sections, but we have decided not to alter the definition of financial close.
- 2.3 We do acknowledge that it is easier for projects funded from the balance sheet to comply with the criteria: that is unavoidable as such projects do not have to negotiate with other parties in order to finalise their funding package. However, we confirm that all projects that apply within the priority application window and meet the specified eligibility criteria for the priority application process, will be allocated a place within the cap even if this exceeds 400MW. This means that investor-funded projects that are able to demonstrate that they meet the priority application criteria will not be at risk of losing out to eligible projects that are funded from the balance sheet. Further details are given in section 3.
- 2.4 We agree that where appropriate, the definition of financial close should be consistent across policies. However, differences may, for example, reflect the different purposes for which the definition of financial close is being used, the different technologies involved and experience gained.

Evidence to support applications

Key points from the consultation responses

- 2.5 Most of the comments wanted to remove the requirement to supply some or all of the specified pieces of evidence. The key points were as follows (the paragraph number for the response to each point is given in brackets):
- Require only that an initial application has been made for planning permission, environmental permit or grid connection (see paragraph 2.6);
 - Require a declaration that the documentation has been obtained, without supplying copies of the documents themselves (to reduce burden and expense) (see paragraph 2.6);
 - Keep the requirement for evidence of planning permission but remove the requirement for the environmental permit and grid connection agreement (see paragraphs 2.6 -2.9);
 - Remove the requirement for evidence of planning permission, environmental permit or grid connection agreement because:
 - Planning permission does not always mean the plant has permission to be built as planning conditions may introduce risks that are unacceptable to funders;
 - Environmental permit and grid connection agreement are usually obtained after financial close. The environmental permit is often not obtained until the construction phase;
 - Grid connection may not be necessary if the facility is entirely private wire (see paragraphs 2.6 – 2.9);
 - Allow for a declaration, where applicable, that an environmental permit and/or grid connection agreement is not needed for financing purposes (see paragraphs 2.8 - 2.9);
 - Include a requirement for a fuel supply contract (see paragraph 2.10);
 - Clarify the purpose of the supporting evidence and how it will be used (see paragraphs 2.6 and 2.9);
 - Amend the definition of planning permission to include permission deemed to be issued under the Town & Country Planning Act 1990 to cover consents under s36 of the Electricity Act 1989 (see paragraph 2.11).

Post-consultation decision

- 2.6 It is important that projects are required to provide robust evidence to ensure they are genuinely shovel-ready and will not block places within the cap for many months while they progress to financial close. Removing the need to provide any supporting evidence, and relying solely on declarations that the documents had been obtained, or accepting applications rather than final permissions, would not provide this robustness. Our intention is to use the planning permission or development consent as a check on the capacity of the plant so we consider a copy of this is essential. This will need to be full permission that allows construction to start straightaway. Permission that is subject to conditions that must be resolved before construction can start, or outline permission that requires a further planning application before construction can start, will not meet this requirement. We will check the document only to ensure that it allows immediate construction. We will not examine conditions that can be discharged after construction has started.

- 2.7 We have considered other ways of obtaining evidence of planning permission, such as through the relevant planning authority's website but we concluded this imposed too great a risk of delays in processing the notification applications if the planning authority's website was unavailable at the time. As the majority of projects will need to obtain planning permission, we have decided to retain the requirement for a copy of the planning permission where this is required for the development of the project. Where planning permission is not relevant because the project can be constructed and operated without it, the developer will need to explain why this is the case. We have decided not to require a copy of a letter from the planning authority explaining that planning permission is not needed as not all planning authorities will provide this.
- 2.8 We have decided to remove altogether the requirement for an environmental permit as few, if any, projects will obtain this before financial close.
- 2.9 We have decided to retain the need for evidence of an agreement with a network operator for the making of a connection between the generating station and a transmission system or distribution system, where this is relevant to the project. This is because applying for the connection demonstrates a commitment to the project. We recognise that not all projects will be connecting to a network but where a connection is needed, we believe that the majority of investor-funded projects will make arrangements for the connection before financial close. Without it, a financier cannot realistically assess whether construction and commissioning will progress as laid out in the developer's plans and so cannot gauge the risk of the project not generating on time. However, to avoid imposing a greater burden on some projects than others, we have decided that developers will not have to supply an actual copy of the agreement. Instead, there will be questions on the application form asking whether or not a connection is needed for the project, and if so, asking for confirmation that an agreement has been entered into for the construction of the connection, the expected date for completion of the connection under the terms of that agreement, and the parties to the agreement (i.e. National Grid or a named Distribution Network Operator (DNO)).
- 2.10 We have rejected the suggestion of requiring a fuel supply contract as not all projects will have this finalised before financial close.
- 2.11 We agree that the definition of planning permission should be expanded to cover consents under Section 36 of the Electricity Act 1989.

DECC procedure for handling applications

Key points from the consultation responses

- 2.12 The key points were as follows:
- DECC must respond quickly when processing applications (see paragraph 2.14);
 - DECC should set and adhere to clear processing times, in line with those outlined in the consultation document (see paragraph 2.14).
- 2.13 Comments on the timescale for updating the database are considered under section 7.

Post-consultation decision

- 2.14 We acknowledge the importance of processing applications quickly and we will endeavour to do this. However, the specified timescales are for guidance only and will be subject to variation depending on the volume of applications received. To avoid

delays, all communications by DECC will be by email (where available), backed up by a hard copy sent by 1st class post.

Cross-cutting issues

Key points from the consultation responses

- 2.15 On many occasions, a comment was made in response to a proposal in only one section of the consultation document but this comment could apply equally to the same proposal in other sections as well. These cross-cutting issues are grouped here to avoid repeating them throughout the document. The key points were as follows (the paragraph number for the response to each point is given in brackets):
- Need clear guidelines of the criteria for submitting a satisfactory application (see paragraph 2.16);
 - The full postal address may not be available as sites tend to secure this following the start of construction. Should accept the location as defined in any planning permission (see paragraph 2.17);
 - Should use declared net capacity, not installed capacity (see paragraph 2.18);
 - Risk that developers will register the maximum possible capacity, which could block capacity (see paragraph 2.18);
 - Clarify what happens if capacity changes once a project is commissioned (see paragraph 2.19);
 - Developer should be allowed to sign the declaration if they are providing some or all of the finance as equity (see paragraph 2.20);
 - Declarations from investors should be expressed as a percentage rather than £x (see paragraph 2.21);
 - Clarify what comprises commencement of construction (see paragraph 2.22);
 - DECC should verify all declarations to ensure they are accurate and to ensure only projects which can viably continue are awarded capacity within the cap (see paragraph 2.23);
 - Clarify how applicants will be notified or should respond if additional information is required to correct an application (i.e. by post or electronically) (see paragraph 2.23);
 - Timespans to reach financial close and the bar on re-applying must be appropriate and take account of the challenges that can arise during a project's development (see paragraph 2.24);
 - The one week period is very short to correct applications/declarations – it may be time consuming to obtain further information from a third party investor. It will take time to submit revised information if this is required to be sent via the post rather than electronically (see paragraph 2.24);
 - A shovel ready project could miss its deadline by a day and lose out to a project less ready to finance – having a short deadline gifts 'ransoming' to those involved in the transaction (see paragraph 2.24);
 - The one month wait to re-apply is too long (see paragraph 2.24);

- Projects likely to miss out under the cap would have little to lose from jamming the system (see paragraph 2.24);
- Priority projects, those not yet at financial close and/or applications received on the same day should be prioritised in order of the estimated date of financial closure (see paragraph 2.25);
- Ranking projects on the basis of the date the application was received, and so allowing a project not at financial close to come ahead of one at financial close, is anti-competitive (see paragraph 2.26);
- Issuing projects in the queue with a ranking letter will not work - projects and funding will not be held in suspension, waiting for a place in the cap to become available. Only major utilities would be able to proceed to financial close on the basis of the ranking proposals (see paragraph 2.26);
- DECC should publish drafts of the stage 1 and 2 letters as part of the Government response to help assure developers and investors (see paragraph 2.27);
- The wording of the final acceptance letter must clearly and unambiguously confirm the station's place in the cap and that its RO support is grandfathered for 20 years (see paragraph 2.27);
- DECC should retain allocation letters as the administrator of the register with backups, rather than placing the onus entirely on developers (see paragraph 2.28);
- Clarify the link between DECC's notification process and Ofgem's RO application process (see paragraph 2.28);
- If possible without further legislation, Ofgem should also request the allocation letters as part of the accreditation process (see paragraph 2.28);
- The process is more straightforward for projects funded from the balance sheet or with a small number of investors (see paragraph 2.29);
- Is likely the PPA market will become increasingly constrained as the large Vertically Integrated Utilities seek to use the cap for their own projects. It will become challenging, and conceivably impossible, for independent projects to secure off-take contracts and therefore secure the financing to enable construction (see paragraph 2.29);
- It is unclear if a project will maintain their place in the cap if their project is delayed beyond 31st March 2017 (see paragraph 2.30);
- Projects should be eligible for grace periods (see paragraph 2.31);
- In late March 2013, DECC said the launch would not be until October, now the intention is to bring it forward. Such changes make it extremely difficult to manage investment projects (see paragraph 2.32);
- DECC's original consultation in September specifically precluded the use of a capacity-based cap, so has the notification process been subject to proper consultation? (see paragraph 2.33).

Post-consultation decision

- 2.16 Detailed advice on completing the application forms, and the supporting evidence required, will be set out in the guidance for applicants.

- 2.17 We accept that the full postal address for a project may not be available at the time the developer applies for a place within the cap. In such situations, we have decided to accept either the address given on the planning permission or a grid reference.
- 2.18 The 400MW cap is based on declared net capacity but some planning permissions for smaller plants may state the installed capacity. We have decided that the application form will require both declared net and installed capacity to be stated to ensure that it can be checked against the capacity given in the planning permission or consent. A project will not be able to apply for a place within the cap at a declared net capacity (DNC) that is larger than the DNC stated in their planning permission or consent. In addition, if a project applies for a place within the cap at a DNC that is **smaller** than the DNC stated in their planning permission or consent, the allocation for the cap will be based on the higher DNC figure in the planning permission or consent. Where the planning permission gives only the installed capacity, we will accept the DNC given in the application form provided it is not higher than the installed capacity given in the planning permission. These measures are to prevent a project from stating a smaller capacity at the application stage in order to fit within the cap but then subsequently accrediting under the RO at the larger capacity allowed in the planning permission or consent.
- 2.19 If a project subsequently accredits under the RO at a **larger** declared net capacity than that stated in the planning permission or consent that was submitted with the application form, the project may be significantly different to the one that applied for a place within the cap. It will have been built under the approval of a subsequent or varied planning application or consent that was not provided with the original application for a place within the cap. In this situation, DECC will consider whether the allocation letter should be withdrawn. The project would then risk not being covered by our grandfathering policy. This decision will be taken on the basis of whether or not the life-time costs of the project pose an acceptable risk to the RO's budget. The decision will be taken in the light of forecasts available at that time of RO spending against the Levy Control Framework budget, and progress towards meeting the UK's 2020 renewable energy target. If the allocation letter is withdrawn, the project will be able to re-apply as a new project at the higher declared net capacity, provided there are still places left within the cap.
- 2.20 Where a developer offers shares to raise equity capital from various investors through a stock exchange, the developer will be able to sign the declaration themselves as it would not be feasible for them to seek a declaration from all the shareholders. However, where the funding is through venture capital, each investor will need to provide a declaration.
- 2.21 We recognise that some developers may not wish to disclose the amount of funding for their project. So we have decided that declarations from investors must be expressed as a percentage of the total funding package. The required wording for this declaration will make it clear that the percentage figure applies to the current estimate of costs for the project and does not bind the investor to increasing their investment if project costs increase. No details of this funding will be included in the website database.
- 2.22 It is difficult to precisely define the commencement of construction as it will vary for different projects. For example, it may start with letting a contract for construction. For those installing in an existing building, it may start with ordering the plant and equipment etc. For the purposes of the notification process, commencement of construction is intended as a further indication that the project is making progress. We do not intend to precisely define this term but we will give the above examples in the guidance for applicants, whilst making it clear that this is not a definitive definition.
- 2.23 We will not verify the viability of projects as this would significantly extend the time to process applications. Where we need to contact the developer to correct a mistake or

omission in the application, we will send an email (where available), with a hard copy sent by 1st class post. We will ask for confirmation of receipt of this request within 2 working days and will attempt to telephone the developer to check that they have received the request if no acknowledgement is received. If an application is found to contain false, misleading or misrepresenting information, it will be rejected. If a place has already been allocated within the cap, that place will be cancelled.

- 2.24 We understand the concerns about complying with the specified deadlines and the bar on re-applying within one month. We also understand that there is a risk that an investor may seek to force through changes to a funding package as a condition for providing the declaration quickly. But we consider it is important to stop projects that are some way from reaching financial close from blocking capacity that could be used by a project that can meet the specified deadlines. However, we do accept that it may be difficult for a developer to reply within the proposed one week deadline if, for example, they need to obtain a corrected declaration from an investor. The one week deadline also favours balance sheet projects as they do not need declarations from outside investors. So we have decided to extend the deadline for reply to 2 weeks.
- 2.25 We have rejected the suggestion that projects should be prioritised in order of their expected date of financial closure. We will accept all satisfactory priority applications received within the priority application window even if these exceed 400MW. We explained in the consultation document that all successfully completed standard applications received on the same day would be treated in the same way, that is, either all would be accepted or all would be rejected. Ranking non-priority applications in order of the date of financial close would require an application window. This would slow down the allocation process as no decisions could be taken until the application window had closed.
- 2.26 Once the cap is full, our intention to rank projects on the basis of the date the application was received is in line with the “first come, first served” principles of the notification process. However, we accept that a project with a ranking letter may not be held in readiness waiting for a place in the cap to become available. We also accept that it will be difficult for investor funded projects to re-start quickly should a place within the cap become available. We have decided that if and when places become available, developers with a ranking letter will be given additional time to re-start the project if they wish to do so. We will start at the top of the ranking list and will contact each of the top listed projects until the cumulative capacity of these projects fills the spare capacity within the cap. The contacted projects will have 16 weeks to submit all the evidence required under the variation of the standard notification process (see section 5). The required evidence will need to be updated to reflect latest project costs. If the required evidence is not submitted within the 16 weeks, the project will lose its ranking. If the required evidence is submitted within the 16 weeks, the project will be allocated a place within the cap. Therefore, if a ranked project is contacted by DECC for this purpose, the project can be confident it will be allocated a place, provided it submits the required evidence by the deadline and still meets the eligibility criteria for participation in the notification process.
- 2.27 We understand that it is important to provide early clarity on the exact wording of the allocation letters, and specimen letters will be included in the guidance for applicants.
- 2.28 In view of the benefits that an allocation letter confers on them, we consider it reasonable that developers and operators should retain a copy of their allocation letters for the lifetime of the station’s support under the RO. However, DECC will retain a copy of the allocation letters until the RO is closed to new entrants in 2017. At the present time, there is no need for Ofgem to hold a copy of the letters as projects can accredit under the RO

regardless of whether they have a place within the cap. The letters only become relevant to Ofgem if support levels change, so that projects within the cap can be grandfathered. DECC will make the necessary arrangements if and when this becomes necessary.

- 2.29 We acknowledge that the whole notification process is more straightforward for projects funded from the balance sheet or with a small number of investors but that is unavoidable given the nature of such projects. Where possible, we have introduced changes to try to reduce this advantage.
- 2.30 We have not set a closure date for the standard notification process. At the latest, it would close at the same time any grace periods expire for the closure of the RO. But we may also decide to close the notification process earlier, for example once over 400MW of new dedicated biomass projects have been allocated places, commissioned and accredited under the RO.
- 2.31 DECC published a consultation on RO Transition on 17 July 2013. This requests stakeholders' views on grace periods for new generating stations that miss the 31 March 2017 cut-off date for the RO. Stakeholders have the opportunity of presenting evidence for their preferred grace period lengths and conditions in responding to that consultation. Three principles are put forward for possible grace period lengths and conditions, that is: being consistent with overarching policy of transition towards Contracts for Difference; being straightforward to prove and assess; and the end date of 2037 not being extended to accommodate extensive grace periods. The closing date for responses to the consultation is 25 September 2013. The consultation is available at: <https://www.gov.uk/government/consultations/transition-from-the-renewables-obligation-to-contracts-for-difference>
- 2.32 We are bringing forward the launch of the notification process from the original date of October because developers told us that such a wait would put some advanced projects at risk of collapse through investors losing patience or interest. We hope that bringing the launch forward will prevent that.
- 2.33 Industry respondents to the original consultation in September 2012 were strongly opposed to the proposed introduction of a 'supplier cap' on new dedicated biomass power that would work through limiting the potential demand for the large power utilities to buy the resulting ROCs. They were concerned that under such a supplier cap, new dedicated biomass power ROCs would trade at a significant discount to conventional ROCs, and independent generators would be unable to access a Power Purchase Agreement (PPA). Many of the industry responses considered that if a cap had to be introduced, the control should be applied at the total new generating capacity level to avoid these issues. This is why the Government response to that consultation announced the decision to impose the 400MW capacity cap.

Section 3: Priority notification process

Key points from the consultation responses

3.1 The comments focused on ensuring that those projects that were closest to financial close would be able to receive a place within the cap. The key points were as follows (the paragraph number for the response to each point is given in brackets):

- The priority notification process is not necessary (see paragraph 3.2);
- Should give priority to all projects that reached financial close before the opening of the register - they will also have invested heavily in the project on the back of positive policy statements of intent (see paragraphs 3.2 – 3.3);
- Should extend the priority process to cover projects currently in the process of financial close (see paragraph 3.5);
- Projects within 8 weeks of financial close should be allowed to apply for priority allocation (although using the standard application process) (see paragraph 3.5);
- A two week priority window is too short (see paragraph 3.4);
- Having to wait until the register opens to receive the allocation risks delaying or even preventing a project from being implemented (see paragraph 3.6);
- Need sufficient time between publishing the Government response and the opening of the priority process, otherwise investors could take advantage (see paragraph 3.7).

Post-consultation decision

3.2 The original intention was to give priority only to those projects that had reached financial close before the announcement of the cap on 18 December 2012. However, we recognise that some developers may have continued to develop their projects since the December announcement with the intention of being ready to apply once the notification process opens. Such projects may have already spent considerable sums of money developing the project. If they are required to apply under the standard notification process, they would be in competition with projects that are not as well advanced. As the purpose of the notification process is to allow the continued development of the most advanced projects, we have considered ways to give comfort to these projects.

3.3 We have therefore decided to extend the priority notification process to cover all projects that can meet the requirements to demonstrate they have reached financial close **before** the notification process opens for priority applications. We will allocate places within the cap to **all** projects that apply within the priority application window and are able to demonstrate that they meet the specified eligibility criteria for a priority project, even if this exceeds 400MW. As a result, such projects will not need to apply on day one of the application window in order to be sure of a place within the cap.

3.4 We have also decided to extend the priority window from 2 weeks to 3 weeks to give priority projects more time to prepare their application. This will reduce the disadvantage that investor-financed projects face compared to those funded from the balance sheet, because it takes them longer to obtain the necessary declarations.

- 3.5 The priority application process will **not** be available to projects that are still working towards financial close as this goes against our stated intention of giving priority to the most advanced projects.
- 3.6 It is not possible to make allocations before the launch of the process. Projects already at financial close before the launch of the priority application process will be able to apply under that process and so receive early certainty of a place within the cap.
- 3.7 We recognise that developers need sufficient time between the publication of the Government response and the opening of the priority process. We will therefore open the priority process on 21 August 2013, 3 weeks after the publication of the Government response.

Section 4: Standard notification process

Stage 1 of standard notification process

Key points from the consultation responses

- 4.1 The comments covered both the timescales and criteria. The key points were as follows (the paragraph number for the response to each point is given in brackets):
- Applying no more than 6 weeks before financial close is not long enough as some of this period will be used by DECC in the allocation process. This is also at odds with the 8 week deadline to achieve financial close. DECC needs to clarify the intent in terms of which dates are priority between the 6 and 8 week allowance (see paragraphs 4.3 – 4.4);
 - Should allow applications to Stage 1 to be submitted 16 weeks before proposed financial close (see paragraph 4.5);
 - Should assess the standard applications during the priority window but delay the decision until the priority window has closed. This avoids a 2 week delay before assessment starts on the standard applications (see paragraph 4.6);
 - Should allow CHP projects to apply to stage 1. This should be followed by a stage 1a, 8 weeks before the estimated date for financial close. If the same documentation can be presented from the same participants (demonstrating that the funding process is healthy and continuing) the capacity should be reserved for a further 8 weeks. Failure to submit stage 1a before stage 1 expires will result in loss of the reserved capacity. Applicants can re-apply to stage 1 with a new estimated date for financial close. CHP projects that fail to secure CHPQA accreditation or lose their heat load can revert to dedicated biomass at stage 1a, provided that evidence can be produced to demonstrate that the dedicated biomass project is 8 weeks away from financial closure (see paragraph 4.7).

Post-consultation decision

- 4.2 The consultation document proposed a two stage standard notification process: stage 1 would allow projects to apply to reserve a conditional place within the cap. The developer would estimate the date when they expected to have agreement, both internally and from finance providers, to provide 100% of the financing needed for the construction of the project, i.e. financial close. This estimated date would be based on the assumption that the project would be successful in reserving a place within the cap. Up to 6 weeks before this estimated date, the developer could apply to reserve a place within the cap. If the cap had not yet been reached, DECC would issue a letter conditionally reserving a place within the cap. This reservation would be subject to the project actually achieving financial close within an 8 week window which would start from the date of the DECC letter. Stage 2 would require confirmation that financial close had been achieved within that 8 week window. If the application met the specified criteria, the project would be allocated an unconditional place within the cap.

4.3 The stated intention of the notification process is to favour those projects that have reached or are close to financial close. We have therefore decided not to change the 6 week period before the estimated date of financial close when applications can be submitted. The aim of this 6 week period is to allow a project to gain early certainty of a place within the cap. The estimated date of financial close is the developer’s own estimate. The greater the level of uncertainty a developer has around their date of financial close, the closer they may wish to get to financial close before they apply under the notification process. This is demonstrated by the two examples below. If the developer is confident they will actually reach financial close no later than 5 weeks after their estimated date, they could apply up to 6 weeks in advance (see Figure 1 below).

Figure 1: Applying 6 weeks in advance of the developer’s estimated date of financial close

No. of weeks in advance of developer’s estimated date of financial close						Developer’s estimated date of financial close	No. of weeks after developer’s estimated date of financial close				
-6	-5	-4	-3	-2	-1		+1	+2	+3	+4	+5
Developer applies at start of the week											
If application is satisfactory, DECC issues provisional allocation letter within 3 weeks of receipt of application			8 week period for				developer to reach financial close				
			1	2	3		4	5	6	7	8
→							→				

4.4 If the developer thinks they may need more than 5 weeks after their estimated date of financial close, then they should consider applying closer to their estimated date (see Figure 2 below).

Figure 2: Applying closer to the estimated date of financial close in order to allow more time to actually reach financial close once the provisional allocation letter is issued

No. of weeks in advance of developer’s estimated date of financial close	Developer’s estimated date of financial close	Number of weeks after developer’s estimated date of financial close									
		+1	+2	+3	+4	+5	+6	+7	+8	+9	+10
-1											
Developer applies at start of the week											
If application is satisfactory, DECC issues provisional allocation letter within 3 weeks of receipt of application	Developer’s estimated date of financial close	8 week period for developer to reach financial close									
				1	2	3	4	5	6	7	8
		→		→							

- 4.5 We have rejected the suggestion of allowing applications 16 weeks in advance of the estimated date of financial close. This would require a lengthening of the 8 week period from the date of the provisional allocation letter to when the developer needs to actually reach financial close. Without extending this period, the developer would be required to reach financial close considerably earlier than their estimated date. Extending the 8 week period goes against our aim of supporting projects that are close to financial close.
- 4.6 During the priority application window our focus will be on assessing the priority applications, which is why we cannot commit to assessing standard applications during this window. We also consider that standard applications that come in early should not have any special treatment compared to those projects that apply on the day the standard notification process opens. Applications under the standard notification process will be considered from 11 September 2013 onwards.
- 4.7 It would add further delay and complexity to the notification process if we allowed projects to participate before they had reached firm intentions as regards CHPQA certification and if we gave those projects extra time. If a project is uncertain as to whether or not it will seek, and be able to obtain, partial or full CHPQA certification, we consider these issues should be resolved before the project participates in the notification process, so that places are not blocked for other projects.

Stage 2 of standard notification process

Key points from the consultation responses

- 4.8 The comments focused on the 8 week period to reach financial close. The key points were as follows (the paragraph number for the response to each point is given in brackets):
- DECC should confirm that the developer and investors/funders should rely on the provisional acceptance letter to move to financial close, before the final acceptance letter is sent by DECC (see paragraph 4.9);
 - Concerned that a large plant may start stage 1 of the standard notification process but eventually face insufficient capacity remaining within the cap further down the process (see paragraph 4.9);
 - Unlikely that any project will achieve financial close within 8 weeks, given the uncertainty the cap has created for investors (see paragraph 4.10);
 - The 8 week window allows little room for any adjustment where the funding package is still subject to certain conditions precedent (see paragraph 4.10);
 - Should be dialogue between DECC and the developer to extend the 8 week window if the developer encountered issues which could delay financial close but DECC was satisfied that the project was expected to reach financial close soon after the 8 week window (see paragraph 4.10);
 - Unlikely that capacity would increase or decrease materially between stage 1 and 2 but it is unclear how capacity is certified under stage 2 (see paragraph 4.11).

Post-consultation decision

- 4.9 Once a provisional allocation letter is issued, space within the cap is reserved for the project for 8 weeks to give the developer and investors time to reach financial close. There is no risk that a project may gain a provisional allocation letter but later find that

there is insufficient capacity remaining within the cap, as long as the project reaches financial close and completes stage 2 of the notification process within the 8 week window.

- 4.10 We recognise that the 8 week window allows little room for any adjustment. However, the stated intention of the notification process is to favour those projects that are near to financial close. If agreement to reach financial close is still some way off, we would not want to hold a provisional place in the cap for that project at the expense of a project that can resolve the remaining issues within the 8 week period. Allowing the 8 week period to be extended on a case by case basis introduces a subjective element to the application process that we are keen to avoid.
- 4.11 We accept that it is unlikely that capacity would increase or decrease materially between stage 1 and 2 but we need a mechanism as protection in case it does happen. The capacity on the stage 2 declaration will be compared against the stage 1 application.

Section 5: Variation of the standard notification process

Key points from the consultation responses

- 5.1 The comments suggested alternative approaches and the key points were as follows:
- Should not accept Stage 2 applications until after the priority applications – financially closed projects should have priority over unclosed ones (see paragraph 5.2);
 - Projects already at financial close should be required to complete both stage 1 and 2 as completing only one of the stages allows them to submit more quickly (see paragraph 5.2);
 - Projects at financial close before they apply should be allowed to use the stage 1 and 2 process if they choose (see paragraph 5.2).

Post-consultation decision

- 5.2 Section 4 sets out our decision to determine priority applications before determining applications from the other projects. The variation to the standard process will allow projects that reach financial close after the notification process is launched to receive a decision on their application as quickly as possible. Requiring such projects to complete both stage 1 and 2 would delay the decision, even though they were already at financial close. However, a project that reaches financial close after the launch of the notification process will be able to choose to follow the standard, two stage application process if they wish.
- 5.3 Applications under the variation of the standard notification process will be considered from 11 September 2013 onwards.

Section 6: Process when insufficient capacity remains within the cap

Key points from the consultation responses

- 6.1 The comments focused on uncertainty over the process when insufficient capacity remains within the cap, the risk of less than 400MW gaining a place within the cap, and the impact on investor confidence. The key points were as follows (the paragraph number for the response to each point is given in brackets):
- Certainty needs to be provided on the process when insufficient capacity remains within the cap (see paragraph 6.2);
 - Proposals allow too much discretion for DECC (see paragraph 6.2);
 - Excluding the project which exceeds the cap would undermine DECC's ability to meet its own target of fulfilling the cap (see paragraph 6.2);
 - DECC gives the impression that it has ignored how developers need to manage commercial risks surrounding a decision to proceed to financial close, and has no concept of the damage that this has had on investor confidence in the entire renewable energy agenda (see paragraph 6.2);
 - DECC Ministers should take account of comments from the project proponent to ensure the decision takes account of the cost per tonne of emissions savings for the project, the need for base-load generation, and the Climate Change Committee's conclusions that the sooner investment in low-carbon generation is made, the cheaper this will be for the UK as a whole (see paragraph 6.2);
 - All of the capacity of the marginal project should be included within cap even if this exceeds 400MW (see paragraph 6.3);
 - A project may receive no support at all if it breaches the cap (see paragraph 6.4);
 - DECC should confirm that all eligible projects applying on the first day of the register will be accepted, even if this exceeds 400MW. The risk that DECC will reject all such projects is undermining finance providers' willingness to progress funding discussions (see paragraph 6.5).

Post-consultation decision

- 6.2 Section 6 of the consultation document set out the process that would be followed the first time that a standard notification application is received that would take the cap over 400MW. We have considered this in the light of the consultation responses but we have decided that we cannot give assurances now that projects that exceed the cap **will** be allocated a place within the cap. In order to protect consumers from paying for excessive costs for the RO through their energy bills, it is important that decisions are taken in the light of circumstances at the time. If projects will cause the cap to be exceeded, DECC will decide at that time whether or not to include the projects within the cap on the basis of whether or not the life-time costs of the projects pose an acceptable risk to the RO's budget. This decision will be taken in the light of forecasts available at that time of RO's

spending against the Levy Control Framework budget, and progress towards meeting the UK's 2020 renewable energy target. The issues of the cost per tonne of emissions savings, the need for base-load generation, and the Climate Change Committee's conclusions that the sooner investment in low-carbon generation is made the cheaper it will be, were taken into consideration in the RO Banding Review which set the support for dedicated biomass.

- 6.3 We explained in the consultation document that an application must either be entirely included within the cap or entirely excluded. This is because it would be difficult to apply grandfathering policy to just part of the accredited capacity of a project. Therefore, if the project is allocated a place within the cap, **all** of the project's accredited capacity will be treated as falling within the cap, even if it causes the cap to exceed 400MW.
- 6.4 We also explained in the consultation document that notification is not a pre-condition for support under the RO. Projects that do not gain a place within the cap will still be eligible to apply for accreditation under the RO. However, they risk losing the benefit of grandfathering policy if they have not been allocated a place within the cap.
- 6.5 As explained in section 3 of this Government Response, we will allocate places within the cap to all those projects that apply within the priority application window and are able to demonstrate that they meet the specified eligibility criteria for the priority application process, even if this exceeds 400MW.

Section 7: Database of applications

Key points from the consultation responses

- 7.1 The comments focused on the need for prompt updates to the database and concerns over confidentiality. The key points were as follows (the paragraph number for the response to each point is given in brackets):
- DECC must commit to keeping the database current (see paragraph 7.2);
 - The database should be updated:
 - At the same time as DECC issues the receipt of the application or issues the allocation letters;
 - Daily;
 - Within 48hrs of sending the letter, allowing just enough time for it to be delivered to the recipient (see paragraph 7.2);
 - Database should say that “This database contains all information known to DECC as at DD MM YYYY” (see paragraph 7.2);
 - Publishing the provisional acceptance letters could undermine commercial confidentiality when projects are being brought to financial close (see paragraph 7.4);
 - DECC needs to ensure no confidential information is published within the letters e.g. investor details (see paragraph 7.4);
 - Projects in the priority category should be named in principle now (see paragraph 7.4).

Post-consultation decision

- 7.2 We recognise the importance to developers of keeping the database up to date and we will revise it as frequently as possible. However, because updates are carried out by a small team that is responsible for changes to all of DECC’s web pages, we cannot guarantee that the database will be updated daily. As a minimum, we will seek to ensure it is updated with any new information at least once a week, although we will aim to do this more frequently if possible. We will ensure that the website clearly shows when it was last updated.
- 7.3 In order to ensure developers do have up to date information, we have decided to offer an email update to those who wish to receive it. Anyone will be able to register their interest by sending an email to bio-notifications@decc.gsi.gov.uk. We will aim to send out update emails by the end of the working day on which any changes are made to the database.
- 7.4 We recognise developers’ concerns about the disclosure of commercially sensitive information and we confirm that the website database will not contain information about investors or the sums of money involved. In view of the concern that publishing the provisional acceptance letters would undermine commercial confidentiality at a critical time when the projects are being brought to financial close, we have decided to give only the capacity information for such projects. Projects will therefore only be named on the website database once they receive a priority cap allocation letter or a final acceptance letter. For similar reasons of commercial confidentiality, we will not name projects likely to be eligible to apply under the priority process.

- 7.5 Although DECC cannot give an assurance that we would not have to disclose information in response to a request made under the Freedom of Information Act or the Environmental Information Regulations, we would carefully consider any such requests, any relevant exemptions and the public interest test. Other than in respect of information to be included on the website database of applications, we would seek to consult with the relevant developer before any decision was made to release information marked as confidential and supplied under the notification process.

Section 8: Comments on issues beyond the scope of the consultation

Key points from the consultation responses

8.1 The comments covered both objections to, and support for, the underlying decision to constrain new dedicated biomass under the RO. Although these comments fall outside the scope of the consultation, they are included here for completeness. The key points were as follows:

- **Objections to the underlying decision to constrain new dedicated biomass under the RO**
 - Dedicated biomass projects could well present cost effective carbon savings and be absolutely necessary as base load generation;
 - DECC should review why it is capping good low carbon projects whilst still pursuing more expensive and lower job creating technologies;
 - Concerned about DECC's reliance on co-firing and conversion projects;
 - The premise for the restriction on dedicated biomass is value for money but some facilities offer excellent value for money by virtue of the feedstock used;
 - DECC's assumptions in the note "Biomass power and Greenhouse Gas sensitivities" shows an improved position for the cost effectiveness of carbon abatement from dedicated biomass. Two concerns arise from this: the analysis presented on the lifecycle emissions from CCGT is incomplete; and as the 400MW cap was set using the old assumptions, and the cost effectiveness of biomass has improved, the cap should be revised to reflect the new analysis;
 - The cap introduces another risk element that developers and funders need to consider in an already difficult process;
 - Given the amount of changes DECC has implemented over the last few years, funders already have no confidence that further changes to subsidies will not occur and without grandfathering to protect against this, funders would decline to take part, with no further generation being capable of reaching financial close;
 - If the intent is to avoid deployment significantly above 400MW, the cap should be set at 600MW, to allow for the tailing off of projects as the limit is approached;
 - There is no justification for the cap. It should be removed or increased to at least 1,000MW to provide the necessary headroom for projects that are well advanced;
 - If the Government decides to consult and subsequently implement measures to restrict further biomass projects in excess of the 400MW cap by excluding them from grandfathering, there will be no further dedicated biomass projects brought forward;
 - Should implement a MW based cap rather than an RO based one;
 - Need certainty on the sustainability criteria and Contracts for Difference;
 - Have concerns about the bankability of DECC's grandfathering policy as this term is not set out in RO legislation.

- **Agreement with measures to cap dedicated biomass**
 - Pleased that biomass electricity will be capped as this will limit the quantity of wood required for these plants;
 - Welcome the cap but it should be smaller than 400MW;
 - Oppose the broadening of incentives to send material to any form of incineration (including all types of gasification and pyrolysis), and advocate removal of existing subsidies;
 - Subsidising incineration discourages waste minimisation and incentivises burning material that should be reused, recycled, composted or anaerobically digested;
 - Serious concerns about the impact of burning wood and large-scale biomass electricity generation on the domestic wood processing sector;
 - Serious concerns about the scale of development of exempt conversions and co-firing. Their impact should be addressed as they will use large quantities of wood;
 - DECC should continue to work with all stakeholders to ensure new installations do not threaten to place too great a burden on domestic wood supplies, and do not seriously damage the wood processing sector.

Post-consultation decision

- 8.2 The decision to implement the 400MW cap was made following the RO consultation on biomass affordability and value for money and was announced in the Government response on 18 December 2012. The consultation document on the notification process made it clear that this decision was not within the scope of the consultation. We have concluded that none of the comments listed above justify re-opening our earlier decision to implement a 400MW cap on new build dedicated biomass capacity under the RO.
- 8.3 The UK Bioenergy Strategy, published in 2012, outlined the objective for bioenergy policy of minimising the impact of the bioenergy sector on other industries in the economy. DECC continues to monitor the impact of biomass uptake on other sectors. DECC's Energy Minister, Michael Fallon, held a workshop on 8 July 2013 with the wood processing and forestry sectors on the potential impacts of demand for UK-sourced wood from the biomass industry on other wood-using sectors. The Bioenergy Strategy and RO Banding Review did not conclude that bioenergy policy would have a significant detrimental impact on other sectors.

Annex A: List of respondents to the consultation

- Balfour Beatty Investments
- BSW Timber
- Burmeister & Wain Scandinavian Contractor A/S
- Copenhagen Infrastructure I K/S and Burmeister & Wain Scandinavian Contractor A/S (joint response)
- Dalkia plc
- E.ON
- Eco2 Ltd
- EDF Energy
- Energy UK
- Fichtner Consulting Engineers Ltd
- Heliuss Energy plc/Heliuss Energy Gamma Limited
- MGT Power Limited
- Peel Energy Limited
- Renewable Energy Association
- Renewable Energy Systems
- ScottishPower
- United Kingdom Without Incineration Network
- Wood Panel Industries Federation

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