DEPARTMENT OF ENERGY & CLIMATE CHANGE

Summary of Responses

Statutory Consultation on the Renewables Obligation Order 2011

December 2010

1. Offshore Wind Phasing

Issue

The consultation proposed to allow operators of large offshore wind generating stations to register for ROCs in phases of operational capacity to account for long construction periods.

Summary of Responses

Of those responding to the questions in this chapter there was almost full agreement (approximately 96% of respondents) to the principle of introducing phasing for offshore wind to take account of longer construction periods. Views were split as to whether phasing capacity should be once a year for five years, with approximately half of the respondents considering this to be reasonable to prevent gaming and to minimise the administrative burden. Conversely however approximately half of respondents felt this was too restrictive, and given this policy would apply to only a small number of stations, suggested the administrative burden would not be considerable. A number of responses suggested generators be allowed to register in phases over a certain capacity (minimums of 50MW and 30MW were proposed) for a maximum of five years, but with the frequency of the registration at the generators discretion.

Almost all respondents felt that each phases should be based upon operational capacity, given that this would most accurately reflect actual generation, and should not be split equally as construction would not be carried out in equal phases. A quarter of respondents suggested that the capacity to be included in each phase should be determined by the generator.

Views were split between whether each phase should be metered separately or whether a pro-rata approach was more appropriate. Approximately 45% of responses favoured separate metering, 40% favoured a pro-rata approach, with the remaining 15% suggesting there should be a choice between the two. Those in favour of separate metering highlighted that it provided a greater degree of certainty and ensured only ROC eligible generation was rewarded. Those favouring a pro-rata approach considered separate metering to be an uneconomic solution and suggested a number of projects were too advanced in their development to incorporate separate metering at this stage.

Nearly all responses (just over 80%) agreed that the band applied to each phase should be the same as the band awarded at initial accreditation, given that in taking investment decisions the support levels for the whole windfarm will need to be known. It was suggested that were this not applied, generators would be forced to accredit the full capacity in advance of a banding review and so negating the ability to phase support.

In the main responses were in favour of a minimum accredited capacity criteria being applied to ensure the policy captures the projects for which it was intended and to minimise administration for Ofgem. Suggestions were made for minimum qualification capacities of 25MW, 50MW and 100MW. A number of responses highlighted that offshore wind stations were likely to be of a substantial size anyway and therefore additional criteria would not be necessary.

Nearly 80% of responses disagreed with the proposal that phasing be limited only to offshore wind stations. Responses suggested that other technologies which take a long time to construct could also benefit from phasing and the policy should not favour offshore wind alone.

It was suggested that large onshore wind projects and marine technologies in particular should also be able to benefit from phasing, but other respondents called for any modular project or any project taking over a year to commission should qualify for phasing.

2. Sustainability Criteria for Biomass

Issue

The consultation proposed to introduce sustainability criteria for the use of solid biomass and biogas fuel. We sought views on how this would apply in practice.

Summary of Responses

Just over 50% of responses agreed that a 60% saving (equating to 285.12 kgCO2/MWh) was the right minimum GHG emission threshold. Around 25% (mainly from industry) disagreed with this proposal, feeling the target would put the UK at a competitive disadvantage as the target exceeded the recommended EU target. Around 25% of respondents (mainly NGOs) disagreed with the 60% threshold, believing the target was not stringent enough and suggesting greater GHG savings could be made.

Approximately 76% of responses agreed that the sustainability criteria restricting the types of land used should be consistent with the criteria imposed on bioliquids by the Renewable Energy Directive (RED). Respondents stated that they felt a similar approach to the method outlined for bioliquids would offer simplicity and consistency. A number of NGOs disagreed, stating that the RED land use criteria was not stringent enough, especially in relation to indirect land use change (ILUC) criteria.

Around 45% of respondents agreed that generators over 50kW should be required to report against the sustainability criteria from April 2011 and agreed with the information that needed to be included in the report. Of those that disagreed most felt that the 50kW minimum reporting requirement was too high and would oblige many small scale users to report at significant administrative cost. A higher minimum threshold of between 200kw – 1MW was suggested.

There was almost unanimous (approximately 93%) agreement that for biomass generators of 1MW and above there should be a transition period of mandatory reporting against the sustainability criteria from April 2011, before compliance is linked to the receipt of ROCs from April 2013. Similarly there was almost unanimous agreement (around 93%) with the exclusion of waste, sewage waste and landfill gas from the sustainability criteria.

Responses on whether sustainable forestry management practices should be a mandatory part of the criteria or addressed in guidance were mixed, with roughly a 50/50 split.

3. Bioliquids Sustainability

Issue

The consultation proposed to introduce sustainability criteria for bioliquids in order to be eligible to receive ROCs, as required by the Renewable Energy Directive (RED).

Summary of Responses

Approximately 85% of responses agreed that the RFA calculator was an appropriate mechanism to use to calculate the GHG savings, and that it was necessary to ensure consistency between the method used for bioliquids and that used for biofuels for transport. This is partly due to the fact that the RFA calculator has been in existence for a while and a number of respondents were familiar with it due to their participation in the RTFO. The fact that the RFA calculator will need to be amended to ensure it is wholly consistent with the EU Commission Guidelines was recognised. Some respondents made the point that the RFA calculator did not cover all of the bioliquids (e.g. tall oil) which might be used in generation of electricity (and heat). It was suggested that the RFA calculator should therefore be extended.

86% of respondents agreed that ISAE 3000 was an appropriate standard as it was currently used for the RTFO, though some suggested that we should allow some flexibility for other standards to be included, e.g. ISO 14064. It was suggested that Ofgem could maintain a register of appropriate standards as they are identified. A number of respondents questioned whether an annual audit is necessary for some bioliquids, e.g. used cooking oil.

Around 80% of those responding agreed that Ofgem should have the power to revoke ROCs/withhold a commensurate number of ROCs in the next Obligation period where the audit is late, qualified or not carried out. There was greater support for withholding future ROCs rather than revoking issued ROCs. Some respondents suggested that ROCs should not be revoked where an audit qualification was minor and could be swiftly corrected, or where all reasonable endeavours were being made to have the audit carried out suggesting instead that the penalty should be delayed until the audit can reasonably have been completed. There were no suggestions for other reasons why bioliquids should be excluded from the RO other than on sustainability grounds.

The majority of respondents (around 84%) agreed that we should maintain the reporting criteria in line with solid biomass reporting requirements. It was recognised that this was important to ensure that we are able to judge the use of biolqiuids and biomass consistently. There were some comments that this would lead to double collection of data where information was required by both Article 54 and the RED transposition.

A number of additional comments were made in response to this chapter:

- Ofgem asked that we move the verification date to May following the Obligation.

- A company suggested that the cost of biolqiuids fuel was 2.5 times that for biomass and this should be reflected in the banding

- A company registered their concern that bioliquids or biomass grown outside EU should not be supported as auditing compliance with the sustainability criteria could be subject to fraud.

- A number of people registered that they were happy to see Biodiesel included in the RO.

4. Refurbishment and Replacement

Issue

The consultation issued a call for evidence on whether additional RO support should be extended to stations using refurbished parts or replacing major components. Including converting existing co-firing generation to dedicated biomass.

Summary of Responses

The majority (around 80%) of those responding to this chapter agreed in principle with this proposal. Those opposed to the proposal did not want further complexity added to the RO or suggested that this is not an issue which needs to be considered at this time.

The majority agreed that support should only be extended where major refurbishment or replacement had taken place. Some respondents suggested only repowering or replacement of parts should be supported so that there is a material enhancement of the station using better technologies. It was suggested that, given advances in technology, it is unlikely that like-for-like replacement or refurbishment would take place. Others suggested that only stations where there is a significant change of use should receive additional support.

Whilst most respondents considered that there was a need for the definitions of major replacement and major refurbishment to differ between technologies there were few specific suggestions as to what these terms should cover for differing technologies. Suggestions included

- Where there was a significant investment so as to extend the life of the station
- Where key components have been replaced or refurbished.
- For windpower stations, the refurbishment or replacement of most/all of the drive-train (gearbox, bearings, main shaft), generator and turbine blades.
- For biomass, boiler replacement or refurbishment or work to convert co-firing stations to dedicated biomass.

In general respondents felt that major refurbishment and major replacement should not be related to the number of generating parts refurbished or replaces.

Views were split as to whether repowering of wind stations could be defined in the same way as other forms of replacement and refurbishment. Those who disagreed suggested that the costs of repowering a station are not substantially different to the costs of a new build given the need for new planning consents, new infrastructure, new foundations and grid reinforcements and involved many of the same risks as developing a greenfield site. A number of responses therefore suggested that repowering wind stations should receive the same ROC banding as new sites for an additional 20 years.

The majority of respondents (just over 80%) agreed that RO support received should be less than for new stations. Concern was raised that differing support levels could distort the biomass fuel market and plants must not be disadvantaged in their ability to procure fuel. A number of respondents felt that a judgement on this issue could not be made until there was more evidence about the costs involved.

There was no clear preference amongst the responses as to whether support should be at a lower level than for new stations, for a shorter period of time or a combination of the two. Several responses felt that the decision should be left to generators or taken on a project-by-project basis. Those in favour of a shorter duration of support suggested that it would be less complex and would reflect that stations with refurbished or replaced parts would have a shorter operating life than a new plant. Others suggested that a shorter duration of support may work for non-fuelled plants but fuelled plant would need to be able to compete for fuel on a longer term and support needed to be sufficient for generators to enter into longterm fuel contracts. Although it was also suggested that biomass stations that refurbished or replaced parts would be more competitive than new plants if they were awarded the same level of support, even if it were for a shorter duration.

Co-firing stations converting to dedicated biomass

The majority (88%) of respondents agreed that we should support conversion of existing co-firing generation to dedicated biomass under the RO. A number suggested that the level of support should be the same as the level they would have received if they were a new generator under the RO.

One company expressed their concern that this should not be supported as the capital cost for construction of the coal fired generation had for the most part been recovered already. They felt that there was a significant risk that support under the Ro would not necessarily represent good value for money.

Concern was also expressed that requiring refurbishment and replacement for combustion generation to qualify would add to an already complicated regulatory landscape.

One company suggested the need for a grace period for conversion ahead of the 2013 Banding Review implementation date

5. Renewable Heat Support

Issue

The consultation proposed keeping CHPQA good quality requirements for Combined Heat and Power (CHP) stations in the RO in order to qualify for the CHP uplift. It also proposed that the forthcoming banding reviews should remove the CHP uplift (and requirement for CHPQA) for all CHP stations accredited on or after 1st April 2013.

Summary of Responses

60% of respondents disagreed with the proposal that the Banding review should consider removing the uplift for CHP generating stations accrediting on or after 1st April 2013. Those who disagreed usually qualified this by stating that how the RHI worked needed to be clearer and that any change should occur later than 2013.

There was almost unanimous agreement (92%) with the proposal that the CHPQA requirements for CHP stations should remain for those stations benefiting from the CHP uplift under the RO. Similarly, nearly all respondents (91%) agreed that the CHPQA requirements should remain for all EfW with CHP stations.

In response to this chapter there were a number of calls for clarity on the RHI and suggestions that the proposed transitional arrangements should be extended beyond 2013.

6. Mutualisation

Issue

This chapter sought views on whether there is a need to change the mutualisation trigger to reflect the size of the Obligation as set by headroom. In addition views were sought on whether it is necessary to change the cap on the size of the mutualisation fund.

Summary of Responses

Views were generally split regarding whether there was a need to change the mutualisation trigger. Just over 40% of respondents felt the trigger should be maintained as it is, given that under headroom the recycle level will reduce and therefore the impact of a shortfall will also be reduced. Just under 40% of responses suggested a need for the trigger to be changed and to be set annually in proportion to the size of the obligation. Several respondents suggested that changes for 2016/17 should be considered closer to the time. Around 60% of respondents suggested a need for the mutualisation cap to be changed so that there was a link between the cap and the size of the obligation.

Of those responses that felt the mutualisation trigger should be changed, nearly all suggested the trigger should be set in proportion to the obligation, so for example if the Obligation was set at 0.124ROCs/MWh, the trigger would be £12.4million. One response suggested the trigger should be set as 1% of the actual obligation and then adjusted by the same RPI factor used to adjust the buyout fund.

Around 80% of respondents agreed that mutualisation payments should be capped, and adjusted as they are now in line with inflation, to provide certainty by ensuring that liability is known. Those who disagreed argued that the impact of a supplier defaulting was the same whatever the level of the obligation and the shortfall amount needs to be recovered in full. It was also suggested that there could be a cap in relation to their size for small generators.

Approximately 64% of responses did not consider that small suppliers would be disproportionately affected by significant increases in mutualisation fund payments, given that the impact would be relative to the size of their supply. It was suggested that in the event of a very large shortfall small suppliers could spread payments over more than one year, particularly as a large increase in mutualisation fund payments could have significant cash flow implications for smaller suppliers.

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