

Fact Sheet: Grandfathering and cost control for biomass co-firing and conversions

1. The *Government response to the consultation on proposals for the levels of banded support under the Renewables Obligation for the period 2013-17 and the Renewables Obligation Order 2012*¹ set out a number of decisions regarding the full or partial conversion of coal-fired power stations to generate biomass renewable electricity supported by the Renewables Obligation.
2. This included the creation of new bands (see table below) and adoption of a unit-by-unit approach for the co-firing and conversion bands.

Band	Description ²	Support level (ROC/MWh)
Low-range co-firing of biomass (SCF)	Less than 50% biomass co-fired in a unit	0.5 (currently consulting on reduction to 0.3 in 2013/14 and 2014/15, increasing to 0.5 from 2015/16)
Mid-range co-firing of biomass (ECF-mid)	50% - less than 85% biomass co-fired in a unit	0.6
High range co-firing of biomass (ECF-high)	85% - less than 100% biomass co-fired in a unit	0.7 (increasing to 0.9 from 2014/15)
Biomass conversion	Electricity generated by a unit using 100% biomass	1.0

3. The Government response also set out how our grandfathering policy would apply to some of these new bands, together with proposals for further cost control mechanisms for the co-firing and conversion bands. We proposed to consult on a mandatory requirement to pre-register units in order to be eligible for support. The pre-registration requirement was intended to increase the visibility and predictability of future generation, whose scale is potentially significant for the Renewables Obligation, so providing greater assurance of its sound operation.
4. This fact sheet sets out a more detailed explanation of how our grandfathering policy will apply to some of the co-firing and conversion bands, together with details of the further cost control mechanism that we have decided to adopt. As we have now decided not to propose a mandatory cost control mechanism, we no longer plan to issue a public consultation on the mechanism. However, we will consider any comments that are made on this fact sheet by 30 November 2012.
5. This fact sheet applies to England & Wales. Decisions regarding the operation of the RO, including grandfathering policy, in Scotland and Northern Ireland are for the Scottish Government and the Department of Enterprise, Trade and Investment in Northern Ireland respectively.

The voluntary cost control mechanism

¹ see: www.decc.gov.uk/en/content/cms/consultations/cons_ro_review/cons_ro_review.aspx

² In each case up to 10% fossil fuel can be used in a unit for permitted ancillary purposes without affecting the eligibility of that unit for the band.

6. We are looking to obtain increased visibility and predictability of future co-firing and biomass conversions through a voluntary mechanism. Long term stability and sound operation of the RO is in the interests of all of its participants. Under the voluntary mechanism, the operators of co-firing stations and biomass conversions will be asked to pre-notify DECC of their generating intentions in advance of each RO obligation period. DECC will write to generators annually to ask them for information on their generating intentions over the next RO obligation period including the expected output in the relevant bands over time. DECC will monitor this information for budgetary purposes and also use it to inform the setting of the renewables obligation each year.
7. As a voluntary process, there will be no explicit link to triggered reviews of support under the RO over and above Government's pre-existing review powers. Nor do we propose to link our grandfathering policy to meeting the request for pre-notification.

Grandfathering

8. The aim of our grandfathering policy as set out in the Government response is to strike the right balance between recognising the significant upfront capital costs of converting existing fossil-fuel generating units to biomass, limiting volatility within the RO, and ensuring that consumers are not overpaying for this type of renewable generation in the longer term.

What is and what is not grandfathered?

9. Co-firing of biomass within a combustion unit at relatively low rates i.e. at the level eligible for the low-range or standard co-firing (SCF) band, is relatively low cost and potentially volatile. Therefore, as in the past, support for low-range co-firing is not covered by our grandfathering policy. Co-firing of bioliquids is also not covered by our grandfathering policy.
10. We recognise the higher capital cost and longer term commitment represented by mid-range and high-range co-firing and full conversion and, in addition to the higher support levels, we intend that those support levels should be covered by our grandfathering policy in some circumstances.
11. Grandfathering policy for the conversion, high-range and mid-range co-firing bands will apply on a unit-by-unit basis (not a station-wide basis). Grandfathering of support levels will apply from the date at which the combustion unit becomes eligible for the mid-range or high-range or conversion band, and applies for as long as the combustion unit remains eligible for that band. For the purposes of our grandfathering policy, the date at which a combustion unit becomes eligible for a band is the date on which the unit generates electricity in respect of which ROCs are issued under that band by Ofgem.
12. Grandfathering does not remove the need for all types of biomass to meet any applicable sustainability criteria as updated from time to time in order to be eligible for support. We are currently consulting on limited grandfathering of the sustainability criteria.

How grandfathering works when support levels change

13. Grandfathering is a policy that when there is a change in support levels following a banding review, the change should not apply to those combustion units that are covered by the grandfathering policy before the date of the change. This means that, subject to any necessary State Aids clearance, and Parliamentary approvals, the grandfathered units would not be affected by any reduction in support levels.

14. However, in the case of the high-range co-firing band, combustion units in receipt of support for high-range co-firing in 2013/14 at 0.7 ROCs/MWh will be automatically moved up to support at 0.9 ROCs/MWh for high-range co-firing in 2014/15.

How grandfathering works when a unit moves between bands

15. If the unit ceases to be eligible for the conversion band and moves into an ECF band, the unit would no longer be covered by our policy to grandfather the conversion band, and will be eligible for the ECF band at the date that it moves to that band. If the unit later moves back into the conversion band, it would become covered by our grandfathering policy again, but at the rate which applies as at the date of the move back into that band.
16. We recognise that all plants must, at some time, stop generating in order to carry out works associated with the conversion process or re-permitting process, routine maintenance or repairs, in the case of an unplanned outage. Provided that a combustion unit is not generating at a different RO band, or outside of the RO completely, then it will retain its grandfathered status.

Grandfathering and the duration of RO support

17. Grandfathering does not change the rules for the maximum length of time that a generating station may receive support under the RO. The maximum length of time is based on the date of accreditation of the station, or in the case of additional capacity added after 25 June 2008, the date on which the additional capacity first formed part of the station. There will be no re-start to the clock if an accredited station moves to conversion or to enhanced co-firing bands.
18. Permitting under environmental legislation is separate from accreditation under the RO. The re-permitting of a generating station under environmental regulation does not change the date of accreditation of that generating station under the RO.