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Electricity Market Reform Project
Department of Energy & Climate Change
4th Floor Area E
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London
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**EnergieKontor
UK Ltd.**

22.12.2010

Your Reference:

[REDACTED]

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email:

Initial response to the market reform proposals published on the 16th of December

Dear Sirs,

We wish to provide an initial and quick response to the proposals published last week. EnergieKontor is currently in final negotiation to reach financial close for the Hyndburn and Withernwick wind farm projects (21 turbines, investment of ca. GBP 65 Million). Clarity on electricity price is central to gain project finance, and uncertainty surrounding the new proposals represents a very significant obstacle to reaching financial close at the end of January as planned. We believe that a significant number of projects will be delayed unless this uncertainty is removed and that this is likely to result in a hiatus for projects which would otherwise have reached financial close in 2011.

We urgently need a statement from DECC confirming the likely level of the price of ROC and Recycle elements under the grandfathering proposals. The only indication as far as we are aware is the statement in the accompanying Redpoint report which states "*Based on DECC guidance we assume from 2014 onwards, plant falling under the RO would receive grandfathered payments set at the prevailing buy-out price plus 10% to cover headroom, multiplied by the respective ROC band level*".

We would also urge DECC to clarify which of the three proposals will be chosen to set the RO price at the earliest opportunity. The financing bank's view is that ROCs may not have a value after 2017, as the mechanism chosen for grandfathering could lead to an illiquid market for ROCs and the price is uncertain. We therefore support the proposal that Ofgem should purchase the ROCs at a fixed price.

Yours faithfully

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