



Department  
of Energy &  
Climate Change

# Renewable Combined Heat & Power Schemes – Review of Qualification Criteria

## SUPPLEMENTARY QUESTIONS

21 January 2013

Department of Energy and Climate Change  
3 Whitehall Place  
London  
SW1A 2AW

Telephone: 0300 068 4000  
Website: [www.decc.gov.uk](http://www.decc.gov.uk)

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For further information on this consultation, contact:  
Heat Strategy & Policy Team  
Department of Energy and Climate Change  
3 Whitehall Place  
London  
SW1A 2AW  
Telephone: 0300 068 6494  
Email: [heatstrategy@decc.gsi.gov.uk](mailto:heatstrategy@decc.gsi.gov.uk)

The consultation can be found on DECC's website:  
[www.decc.gov.uk/en/content/cms/consultations/rev\\_cri\\_chp/rev\\_cri\\_chp.aspx](http://www.decc.gov.uk/en/content/cms/consultations/rev_cri_chp/rev_cri_chp.aspx)

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# General information

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**Enquiries to:**

Heat Strategy & Policy  
Department of Energy & Climate Change,  
1st Floor Area B,  
3 Whitehall Place,  
London, SW1A 2AW  
Tel: 0300 068 6494

Email: [heatstrategy@decc.gsi.gov.uk](mailto:heatstrategy@decc.gsi.gov.uk)

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## Introduction

The Government has issued a consultation on proposals to amend the calculation of CHP Quality Index for renewable CHP schemes. The Consultation Document entitled “Renewable Combined Heat & Power Schemes – Review of Qualification Criteria” was published on 21<sup>st</sup> December 2012 and seeks views on proposals to revise the qualification criteria for biomass, bioliquid, biogas and waste CHP schemes in the CHPQA standard and Guidance Note 44. This supplement to the consultation seeks views on additional questions relating to grandfathering of CHPQA certification criteria. **Responses to these questions are requested by 8<sup>th</sup> March 2013** and the deadline for responses to the original consultation document is also being extended to this date.

## Alternative Approach to Grandfathering of CHP Quality Index Formulae

- S.1 Chapter 7 of the Consultation Document explains that the CHPQA certification criteria are not currently grandfathered. The Consultation Document proposes that the revised criteria should be grandfathered and that the existing criteria should not be grandfathered. Under those proposals, once a scheme has been certified in accordance with the revised QI formulae, the same QI formulae should be applied for the remaining lifetime of Renewables Obligation support for the plant (subject to any changes required by EU law).
- S.2 Grandfathering policy aims to reduce uncertainty and thereby encourage investment. This is why the Government proposed in the Renewables Obligation Banding Review consultation (published on 20<sup>th</sup> October 2011) to adopt a policy of grandfathering the CHP ROC uplift from 1<sup>st</sup> April 2013.<sup>1</sup> The Renewables Obligation Banding Review consultation did not say that this proposal included grandfathering of the current CHPQA certification criteria. However, we understand from stakeholders that some developers may have assumed that the current CHPQA certification criteria were included.
- S.3 The Government response to the Renewables Obligation Banding Review consultation (published on 25<sup>th</sup> July 2012) set out the decision to extend grandfathering policy to include the CHP uplift as from 1<sup>st</sup> April 2013. It also explained that the decision to grandfather the uplift did not include the existing CHPQA qualification criteria, as these were to be examined as part of a consultation on the review of CHPQA later in the year.<sup>2</sup>
- S.4 While we continue to propose that, in general, the current CHPQA certification criteria should not be grandfathered, an alternative approach might be to create an exception for those schemes which can satisfactorily demonstrate that they reached financial close during the 20<sup>th</sup> October 2011 to 25<sup>th</sup> July 2012 period. Any grandfathering of the current CHPQA QI formulae for these schemes would be subject to any change that may be necessitated by EU law.

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<sup>1</sup> <http://www.decc.gov.uk/assets/decc/11/consultation/ro-banding/3235-consultation-ro-banding.pdf>, paragraph 15.10

<sup>2</sup> <http://www.decc.gov.uk/assets/decc/11/consultation/ro-banding/5936-renewables-obligation-consultation-the-government.pdf>, paragraph 15.12

### Consultation Question 6

**Do you agree with this alternative approach on grandfathering? Please provide a justification for your response or any alternative proposed approach, including, in particular, justification for any alternative proposed dates.**

- S.5 If this approach were pursued the evidence required to demonstrate financial close would need to be defined within the CHPQA standard and Guidance Note 44. One way of achieving this might be to require the following information:
- 1) A letter from a company board, investment committee or project finance providers attesting to the fact that they have committed to finance the project subject to ordinary course conditions precedent, which have a reasonable expectation of being met. Such letter would have to be signed by Directors with due authority and state that the information provided is true and accurate in all material respects and that the commitment was made in the period from 20<sup>th</sup> October 2011 to 25<sup>th</sup> July 2012; and
  - 2) Board minutes attesting to the fact that financial close occurred in the 20<sup>th</sup> October 2011 to 25<sup>th</sup> July 2012 period; and
  - 3) Evidence of funds having been disbursed towards the project reaching commissioning (e.g. supply chain contracts, construction work contracts). A minimum threshold of financial expenditure might need to be defined to provide confidence that projects are indeed committed.

### Consultation Question 7

**Do you agree that this would constitute an appropriate and workable requirement for evidence of financial close? Please provide a justification for your response or any alternative proposed approach.**

- S.6 The above alternative approach to grandfathering the revised QI formulae does not supersede that in chapter 7 of the Consultation Document. It is presented as an alternative approach on which we would welcome the views of consultees in parallel to their responses to Consultation Question 3.

