SeaEnergy Renewables Limited
Britannia House
Endeavour Drive
Arnhall Business Park
Westhill
Aberdeenshire
AB32 6UF
United Kingdom
+44 (0) 1224 766100 • Tel
+44 (0) 1224 748481 • Fax
www.seaaenergyrenewables.com

Electricity Market Reform Consultation Response

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SeaEnergy RENEWABLES

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Electricity Market Reform Consultation Response

SeaEnergy Renewables Limited, henceforth referred to as SERL, welcomes the consultation on Electricity Market Reform published by the Department of Energy and Climate Change. SERL is committed to working with government to ensure the delivery of secure, low carbon and affordable energy.

Whilst SERL recognises the desire of DECC to radically transform the entire UK electricity market, as an offshore wind developer it is on renewable energy policy that SERL's greatest concerns lie. Thus, our response to this consultation will primarily address policy relating to renewable energy.

This response will first outline the key concerns which SERL has regarding policy proposed in the consultation and then offer direct responses to the questions posed.

Introduction

SERL is delighted by the clear commitment the government is showing towards the continued development of renewable energy. Renewable energy will play a key role in decarbonising the electricity sector and maintaining security of supply.

The current support mechanism for renewable energy, the Renewables Obligation, has been successful in promoting the development of marine renewable energy in the UK. Today the UK is the world leader in offshore wind with over 1.3GW installed capacity and approximately 45 GW in development. It is vital that any future support mechanism builds upon the successes already delivered by the Renewables Obligation.

Over £110bn of investment in renewable energy will be required over the next decade if the UK is to drive ahead with its decarbonisation plans. It is vital that electricity market reform does not harm the ability of the renewable energy sector to secure this investment. To this end, SERL has identified four key concerns over proposals unveiled in the EMR consultation. These concerns pertain to:

- The belief that the use of the Feed in Tariff with a Contract for Difference will assist the renewable energy sector in securing investment, when the reverse may be more likely
- The use of auctions to determine support levels
- The lack of any obligation from the supplier to source a portion of their energy from renewable sources
- The transition period from the Renewables Obligation to any new Feed in Tariff system

SERL would like to be clear that we are not convinced by the Government's case for change. The Renewables Obligation has been very successful in promoting renewable energy and SERL has benefitted from this success. Fundamental changes to the electricity market create a substantial risk of unintended consequences and should not be implemented unless there is a clear and pressing need. Given the success of the RO in recent years, we do not believe such a need exists.

SERL is, however, aware of the government's desire to radically transform the electricity market and is committed to playing a constructive role in helping the Government formulate new policy through which it can achieve its goals. To this end we have attempted to answer questions in this consultation constructively, but honestly. Where we feel the policy proposed in the consultation can only result in worse outcomes than at present, this view is expressed.

Key Concerns

Feed in Tariff with Contract for Difference

The Feed in Tariff with a Contract for Difference (CfD) is unnecessarily complex and is unlikely to achieve the desired goals set forth in the consultation. The dangers associated with the CfD are especially acute for renewable forms of energy, such as wind.

Most forms of renewable energy are intermittent by nature. This means the generator is unable to control when energy is produced, and thus, when it is dispatched to the grid. Thus, wind energy is termed non-dispatchable.

The current proposals do not indicate what type of price index would be used for CfD, but do assume that a suitable index could be calculated. As no detailed information about the price index has yet been disclosed, economic modelling cannot be conducted. It is difficult for renewable generators to effectively calculate the potential impact that CfD may have without this price index. The assumption that a suitable price index could be calculated is dangerous as there is a very strong risk that the index may end up severely discriminating against non-dispatchable forms of electricity.

If such a price index is used it would not protect renewable generators from the volatility of the wholesale market as is claimed in the consultation. This would significantly hamper the ability of renewable forms of energy to secure the necessary investment.

A Premium Feed in Tariff offers a superior alternative. This system is in many ways similar to the current Renewables Obligation, but with the significant improvement of long term price certainty regarding the premium. Minimising regulatory change, via the adoption of a system similar to the RO, will ensure continued confidence from investors and thus maintain the strong investment in renewable energy which the Renewables Obligation has stimulated.

Additionally, the premium does not necessarily need to be fixed. A variable premium which could be raised or lowered depending on the electricity price would offer increased certainty in remuneration for the generator whilst also ensuring that the generator does not extract excessive rents from the consumer. However, in order for a variable Premium FiT to avoid the pitfalls associated with the CfD any cap on a premium FiT must be relative to the revenue a generator secures from selling electricity, not on a generic price index.

SERL feels, for these reasons, that the Contract for Difference should be carefully re-examined. It should be emphasised that experience from across Europe has shown that simple systems are most successful at securing investment. The CfD is an extremely complex form of incentive system, more complex even than the Renewables Obligation which it will replace; this makes it very questionable

that it will be capable of compelling the vast investment necessary in renewable energy in the future.

Auctions

SERL has significant concerns regarding the use of auctions to determine support levels for low-carbon energy. Such a system has not been successful in promoting emerging industries in the past and this lack of precedent is likely to discourage potential investors.

Research done by Scottish Renewables Forum has shown that the so-called cost reductions achieved under the NFFO auction system were largely illusory and the result of firms making unrealistic bids in an effort to win the auction. These bids subsequently made the project unviable and resulted in 75% being terminated.

If such a system were repeated it could result in a similar failure ratio for new projects. This would endanger both the security of supply and the decarbonisation plans for the UK electricity sector.

There is also a danger that many developers would be unprepared to commit time and capital to bid in these auctions if prospects of success were uncertain.

The international experiences of auctions are also negative. In China, where SERL has made extensive contacts, auctions often result in too low a tariff being set and the developer struggling to construct the project as a result.

In short, SERL is opposed to any form of auction system determining the level of support for low carbon energy.

Removing the Obligation

Under the consultation's proposals the obligation upon all suppliers to source a certain portion of their electricity from renewable sources will be abolished. This risks loading renewable generators with significant offtake risks. These risks will lead to higher discounts in Power Purchase Agreements and subsequently reduce the income a generator could receive from the contract.

This will make it more difficult for smaller generators to ensure financing for projects. The increased risks inherent in any PPA agreement will increase the cost of capital and increase the difficulty for smaller generators to construct capital intensive projects. This will lead to either higher failure rates, or increased end costs for consumers. It will also discriminate against smaller generators in favour of the big six utilities.

Maintaining market liquidity will be vital to the overall success of these reforms. Removing the obligation on all suppliers to source from renewables will significantly harm this liquidity and thus disadvantage smaller generators in the market. This, in turn, will harm the ability of the industry to deliver on the ambitious decarbonisation plans of the government. Whilst the consultation recognises that market liquidity will be vital to the goals of the government, it fails to recognise how adversely the removal of any renewable obligation will affect this liquidity.

SERL believes maintaining an obligation on all generators to develop renewable energy not only improves the overall prospects of delivery for renewables, but will also, ultimately, lead to lower costs for consumers.

Transition from Renewables Obligation to Feed in Tariff

The transition period from the Renewables Obligation to a Feed in Tariff must be conducted smoothly otherwise it risks destroying much of the good work which the RO has delivered.

As with any new incentive scheme it will likely take a number of years for full confidence in a new FiT scheme to emerge. It is important to avoid any investment hiatus caused by uncertainty over the incentive regime. The cut off date for projects to be grandfathered into the RO, 2017, risks doing precisely this. Several UK Round 3 projects will enter construction soon after 2017. Under the current proposals they will not be able to benefit from the RO and they will likely be too early to benefit from complete confidence in the new FiT system. SERL believes postponing the cut-off date by three years, until 2020, so as to avoid this uncertainty, would be a superior option

The scale of these projects means that they will be in the development phase for several years prior to this date. This creates the danger that the construction dates for these projects will be pushed back further so that additional experience with the new FiT scheme can be acquired, or, the danger that they are abandoned completely.

SERL believes the best way to counter this problem is with a form of dual implementation, namely to Allow any projects where a significant amount of development has occurred prior to2017:

- Eligibility for either the RO or the new FiT system. This period should be extended to 2020 to remain coherent with UK and European Renewables targets.
- The option to change from the RO to the FiT within a period of 2 or 3 years from the FiT system being implemented.

EMR Questions

1. **Do you agree with the Government's assessment of the ability of the current market to support the investment in low-carbon generation needed to meet environmental targets?**

The Renewables Obligation has been successful in securing investment in offshore wind. Under the RO the UK has emerged as the world leader in the offshore wind industry with over 1.3GW of installed capacity and approximately 45 GW in development. The Ernst and Young 'Renewable Energy Country Attractiveness Index' now ranks the UK as the number one market in the world for offshore wind. Additionally, the RO has also attracted an array of large international developers to invest in the UK offshore wind market and a significant supply chain is now also beginning to develop, with large investments from major multi-national companies such as Mitsubishi, Siemens and Gamesa in the past year. A number of oil and gas services companies, such as Technip and Subsea 7, have also become involved in offshore wind in recent years.

It should be noted that although the RO was initially unpopular with developers, years of practice and intelligent reforms, formulated in partnership with industry, have transformed the RO into a very attractive incentive scheme which has spurred significant investment in marine renewables.

Whilst we are aware that government reforms may be required to stimulate investment in other forms of low-carbon generation, it is imperative that any future reforms build on the successes already delivered by the Renewables Obligation. SERL is extremely concerned that new reforms may have unintended consequences which harm the exceptional progress which the offshore wind industry has made to date.

2. **Do you agree with the Government's assessment of the future risks to the UK's security of electricity supplies?**

[No response to this question is intended]

Feed in Tariff

3. **Do you agree with the Government's assessment of the pros and cons of each of the models of feed-in tariff (FIT)?**

No, SERL believes the Government has failed to understand the potential negative effects that a CfD will have on renewable energy and failed to grasp the importance of simplicity and risk minimisation when designing an incentive scheme.

Within the consultation, reducing potential volatility in overall remuneration via reducing the exposure of generators to the volatility of the wholesale electricity prices is cited as a key reason for favouring the CfD. However, in practice, for renewable forms of energy, volatility will not be reduced due to the non-dispatchable nature of renewables. The price index adopted will not exactly equal the actual market revenue received by the generator, thus making total remuneration uncertain.

Essentially, uncertainties in wholesale prices are being replaced by uncertainties in the difference between sale prices and index prices. This will not increase investor confidence in the levels of remuneration they can expect from a renewables project. Additionally, it will prejudice investment in renewables relative to investment in dispatchable forms of energy.

SERL would also like to stress the advantages in simplicity, risk minimisation and precedent inherent within both the Fixed and Premium Feed in Tariffs. The primary challenge to the renewable energy sector is securing the large investment necessary to deliver projects on the scale envisioned by UK Round 3 and the STW round. This investment will only be delivered if potential investors can be confident in the incentive scheme. Confidence will only develop if a scheme can be completely understood and modelled. Such confidence will be gained much more quickly via the adoption of either a Fixed or Premium FiT which have successful track records of delivering economically viable projects at large scale in similar markets, such as Germany and Spain.

The Government should also consider that a Premium FiT, with a variable premium which could be reduced in times of higher electricity prices would be able to prevent generators extracting excessive rents, whilst not also disadvantaging renewable forms of energy.

Provided the mechanism which determines the level of Premium is based on the revenue which the generator secures from the wholesale price of electricity, and not on a generic price index set by an average price, this mechanism will accomplish many of the Government's goals, whilst also avoiding the downsides associated with the CfD.

4. **Do you agree with the Government's preferred policy of introducing a contract for difference based feed-in tariff (FIT with CfD)?**

No, SERL is extremely concerned about the negative effects a Feed in Tariff with a Contract for Difference may have on renewable energy, and believes the adoption of a complex, untested system will harm investment prospects for the sector.

As discussed previously, we do not believe that a CfD would reduce price uncertainty for renewable generators; it would simply transfer this risk from uncertainty in the wholesale price to uncertainty in the difference between the index price and the sale price.

SERL does not believe that a suitable index could be calculated that would adequately mitigate this risk for renewable energy, although we would welcome additional information about the index being released for consultation in the future.

As no form of CfD has ever been implemented in the UK, and no form of CfD on the scale envisioned by the government has ever been implemented anywhere in the world, we are extremely concerned about potential unintended consequences that may result from choosing this option.

Confidence in the Renewables Obligation took many years to develop, primarily because it was a complex and unprecedented system. Replacing such a system, just as confidence has begun to manifest, with an equally complex and unprecedented system has the potential to create an investment hiatus and stifle renewables for several years.

If the government is committed to replace the RO with a feed in tariff system, SERL believes such a system must have simplicity at its backbone so that the fragile confidence which has developed is not harmed. To this end, either the fixed or premium FiT is a superior option.

5. **What do you see as the advantages and disadvantages of transferring different risks from the generator or the supplier to the Government? In particular, what are the implications of removing the (long-term) electricity price risk from generators under the CfD model?**

SERL believes that the CfD would not remove the exposure which renewable energy generators face from the electricity price; only the fixed FiT would accomplish this.

Wind generators have no control over short run electricity prices, which are principally set by gas prices. Therefore, reducing their exposure to the electricity price risk is sensible, will decrease uncertainty and encourage investment.

6. **What are the efficient operational decisions that the price signal incentivises? How important are these for the market to function properly? How would they be affected by the proposed policy?**

For renewable energy, such as wind, price signals will not significantly affect operational decisions. This is due to the non-dispatchable nature of renewables. As wind is intermittent by nature and marginal costs are low, the operator will have very little ability to respond to price signals.

With non-dispatchable energy the price signals will only affect the timings of planned downtime; however for marine renewables this, too, will be limited as weather and availability of necessary equipment will also be major considerations when planning downtime.

7. **Do you agree with the Government's assessment of the impact of the different models of FITs on the cost of capital for low-carbon generators?**

No. SERL believes that the CfD will not reduce uncertainty for the developer, in the case of renewable energy, as the government has claimed. Its level of complexity, and the uncertainty which will arise from this complexity, as well as the uncertainty which will occur under the transition from the RO to the new FiT system is likely to further negatively affect the cost of capital for renewable generators.

8. **What impact do you think the different models of FITs will have on the availability of finance for low-carbon electricity generation investments from both new investors and existing the investor base?**

SERL believes the Fixed and Premium FiTs represent the best options for attracting investment in renewable energy.

The Fixed FiT offers simplicity and long term certainty to investors, and has a track record of delivering significant investment in other similar markets. The Premium FiT represents a degree of continuity from the previous RO system, which had been successful in securing investment in renewables, and also has a significant track record in similar markets.

The CfD does not offer long-term certainty for renewables, is an unprecedented change for the UK market and adds a level of complexity to the UK market which will make investors wary, at least until the system develops a track record of its own, which may take several years.

SERL would like to stress that when dealing with investors, their primary concern is the uncertainty and complexity inherent within the RO. It is only recently, after many years of experience with the

RO, and significant reforms worked out in conjunction with industry, that investors have developed the confidence to commit the large sums of capital required for offshore wind development.

The complexity of the RO has been especially problematic when dealing with foreign investors. It is important to recognise that UK renewables projects are in competition for investment with renewables projects in other European countries. When faced with a choice between a project supported by a simple, clear and stable incentive scheme, as exists in several European countries, and the more complex and unstable scheme in the UK, investors will favour the simple, clear and stable system.

Convincing foreign investors about the merits of the RO, in spite of its complexity and inherent uncertainty, has been the biggest challenge in securing foreign investment in the UK offshore wind market. The FiT with a CfD will make securing foreign investment in the UK even more difficult in the short term, due to the uncertainty inherent in adopting an unproven system. It is also unlikely to make securing foreign investment easier in the long-term, due to its complexity and volatility.

Abolishing the RO, for something fundamentally different, but neither simpler, nor capable of offering greater certainty for investors, runs a serious risk of creating an investment hiatus at a time when the industry can ill afford it.

9. **What impact do you think the different models of FITs will have on different types of generators (e.g. vertically integrated utilities, existing independent gas, wind or biomass generators and new entrant generators)? How would the different models impact on contract negotiations/relationships with electricity suppliers?**

SERL is more concerned about the potential impact that abolishing the obligation for suppliers to source renewable energy will have than about the impact of any particular type of FiT.

Under the RO the big six utilities have strong incentives to contract with smaller renewables generators in order to gain access to their ROCs, and fulfil their obligation under the RO. The removal of the obligation on suppliers will make them less inclined to contract. This will lead to higher discounts in power purchase agreements and reduce the potential income for a generator.

The subsequent increased risks inherent in any PPA agreement will increase the cost of capital and increase the difficulty for smaller generators to construct capital intensive projects. This will lead to either higher failure rates, or increased end costs for consumers. It will also discriminate against smaller generators in favour of the big six utilities.

Maintaining an obligation on all generators to develop renewable energy not only improves the overall prospects of delivery for renewables, but will also, ultimately, lead to lower costs for consumers.

In terms of ensuring the continued ability of smaller generators to construct significant projects, the specific type of FiT is secondary to an obligation on suppliers.

10. **How important do you think greater liquidity in the wholesale market is to the effective operation of the FIT with CfD model? What reference price or index should be used?**

SERL is concerned that a suitable reference price or index could not be established that would adequately protect renewables generators from electricity price volatility. There is a significant risk that any reference price or index would prejudice against renewables in favour of dispatchable forms of energy.

11. **Should the FIT be paid on availability or output?**

SERL favours a FiT paid based on output as we believe this represents the fairest and simplest method. A FiT based on availability would be feasible, however the potential need to vary the FiT for actual generation and curtailed generation, in order to incentivise generation at peak times, risks adding an unnecessary layer of complexity to the system. Additionally, it may be very difficult to quantify/agree on availability figures for the purpose of calculating FiT payments to wind generators.

Emissions Performance Standard

SERL does not intend to respond to the Emissions Performance Standard Questions posed in the Consultation.

Options for Market Efficiency and Security of Supply

SERL does not intend to respond to the Options for Market Efficiency and Security of Supply Questions posed in the Consultation.

Implementation Issues

30. **What do you think are the main implementation risks for the Government's preferred package? Are these risks different for the other packages being considered?**

[No response to this question is intended]

31. **Do you have views on the role that auctions or tenders can play in setting the price for a feed-in tariff, compared to administratively determined support levels?**
    - **Can auctions or tenders deliver competitive market prices that appropriately reflect the risks and uncertainties of new or emerging technologies?**

- **Should auctions, tenders or the administrative approach to setting levels be technology neutral or technology specific?**
- **How should the different costs of each technology be reflected? Should there be a single contract for difference on the electricity price for all low-carbon and a series of technology different premiums on top?**
- **Are there other models government should consider?**
- **Should prices be set for individual projects or for technologies**
- **Do you think there is sufficient competition amongst potential developers / sites to run effective auctions?**
- **Could an auction contribute to preventing the feed-in tariff policy from incentivising an unsustainable level of deployment of any one particular technology? Are there other ways to mitigate against this risk?**

SERL is extremely concerned about the proposed auction scheme to determine support levels for low carbon energy.

The UK regulatory system is not suited to the use of auctions and changes needed to make auctions practical would require a massive overhaul of the current system. Simply inserting an auction process within the system would result in major problems.

In the UK, developers are required to perform the relevant site evaluation for projects. Developers cannot be expected to bid in an auction until this evaluation is complete. However, such evaluation requires significant time and capital and it is unlikely developers would be prepared to engage in such a process if they could not be certain of adequate remuneration at the end of this process. Thus, an auction process, as proposed, could not function within the UK regulatory system.

Auctions in other countries, such as Denmark, are practical only because Government agencies perform much of the necessary pre-development work on potential sites. Comparisons of the UK against Denmark, as presented in the consultation, are invalid given the distinctly different nature of the regulatory process in each country.

Further, experience from past NFFO auctions, as well as from other countries which use auctions to determine the levels of support for low carbon projects, have indicated that auctions often result in developers bidding for the project at such a low price that the project is ultimately terminated. In China, where SERL has extensive contacts, this is especially true and auctions are generally viewed as the worst part of what, in other ways, is an excellent incentive scheme for wind energy.

The Chinese system has delivered world leading growth in onshore wind energy, but recent auctions have resulted in developers submitting uncompetitive bids for offshore projects. These projects will almost certainly not materialise, and have placed the regulator in the uncomfortable position of facilitating a development hiatus due to their requirement to select the lowest bid, even if such a bid will not result in the project being delivered. The Chinese are now concerned that their auction system risks jeopardising their ability to construct a world leading offshore wind industry.

SERL is opposed to technology neutral methods of setting support levels. Whilst the consultation effectively identifies the risks inherent in such an approach, the proposed solution of offering technology specific premiums on top of any single tariff would be ineffective. Firstly, this would not be technology neutral as it would inevitably result in winners and losers based on the premiums administratively decided by government, and, even with specific technologies it must be recognised that different projects can have substantially different economics. The economics of certain UK Round 3 projects would not be comparable to certain UK Round 2 projects. Thus providing one level of support for all offshore wind projects would not be practical.

SERL is also very concerned about the timing of an auction within the development schedule for a proposed project. UK Round 3 projects, which require years of development prior to construction and have already been awarded in exclusivity zones to development consortia, possess no obvious period for the auctioning process. In addition, the differing scale, economics and timings of various Round 3 projects make auctioning between them difficult, whilst auctioning with other offshore wind projects which are also likely to have different scales, economics and timings would be equally difficult.

A superior option would be to continue to set the remuneration levels administratively, in consultation with industry, whilst periodically reviewing the support levels in order to ensure that levels continue to match the costs of each technology.

However, whilst the value of setting costs for each technology in order to encourage efficiency is recognised, for large scale renewable projects such as UK Round 3, it must also be considered that different projects may have significantly different economics due to factors such as water depth, distance from shore and technology used (e.g. turbine/substructure/installation methodology). This may require certain premiums to be available within each technology bracket in order to factor these considerations. This is achieved under the German FiT system where the length of the FiT is dependent upon the water depth and distance from shore of the given project.

Within the consultation document no specifics are provided about the levels of differentiation which would be possible within the devolved regions of the UK. Under the RO the Scottish Government has increased levels of support for various marine renewable energy sources relative to the rest of the UK. Under the new FiT system it is unclear whether the devolved governments would undergo their own auction process for determining support, or retain the ability to set their support levels administratively.

Differing systems across different regions of the UK risk further complicating the UK incentive scheme.

34. Do you agree with the Government's assessment of the risks of delays to planned investments while the preferred package is implemented?

The fundamental changes to the electricity market which the consultation proposes makes some degree of uncertainty inevitable. This uncertainty creates risk for investors, which in turn creates the risk of delays or even termination for some projects. The best way to remove this uncertainty is to adopt proven methods with track records in similar markets, and/or allow time for the new system to establish its own track record via some form of dual implementation whereby the new EMR reforms coexist with existing arrangements through a transition period.

35. **Do you agree with the principles underpinning the transition of the Renewables Obligation into the new arrangements? Are there other strategies which you think could be used to avoid delays to planned investments?**

The timings of the UK's largest Renewables projects, included in UK Round 3, should be taken into account when developing a transition strategy. Most Round 3 projects will come online after the RO expiry date (March 2017). Forcing these projects to adopt an unproven system will hinder investment as some developers will choose to delay their project long enough for the new system to be proven. In order to ensure these projects are constructed on schedule, and thereby ensure the UK remains on course to meets its Renewable Energy obligations, the expiry date for the RO should be moved back 3 years until 2020.

Additionally, the Government should consider offering these large projects, which require several years of development and significant capital expenditure prior to construction, special allowances to choose which incentive scheme they are certified under. This would guard against potential delays in these major projects whilst also allowing the more rapid adoption of the new system.

The Government should also consider allowing developers who certify under the RO between 2014-2017(2020) the opportunity to switch from the RO to the new system. Cautious developers concerned about the complexity of the new system may be reluctant to embrace a nascent system before a track record is established. Offering these developers the opportunity to switch after a track record is established will ensure a much higher take-up of the new system

36. **We propose that accreditation under the RO would remain open until 31 March 2017. The Government's ambition to introduce the new feed-in tariff for low carbon in 2013/14 (subject to Parliamentary time). Which of these options do you favour:**
    - **All new renewable electricity capacity accrediting before 1 April 2017 accredits under the RO;**
    - **All new renewable electricity capacity accrediting after the introduction of the low-carbon support mechanism but before 1 April 2017 should have a choice between accrediting under the RO or the new mechanism.**

SERL prefers the second option as it will allow investors the opportunity to assess the performance of the new mechanism before making a commitment to it. The adoption of a complex system, such as the CfD favoured in the consultation, may take a significant period of time to be fully understood

and accepted. In order to avoid an investment in hiatus in this time period it is vital that the option of adopting the previous system remains open to the developer, and for as long as possible.

37. **Some technologies are not currently grandfathered under the RO. If the Government chooses not to grandfather some or all of these technologies, should we:**
    - **Carry out scheduled banding reviews (either separately or as part of the tariff setting for the new scheme)? How frequently should these be carried out?**
    - **Carry out an "early review" if evidence is provided of significant change in costs or other criteria as in legislation?**
    - **Should we move them out of the "vintaged" RO and into the new scheme, removing the potential need for scheduled banding reviews under the RO?**

[No response to this question is intended]

38. **Which option for calculating the Obligation post 2017 do you favour?**
    - **Continue using both target and headroom**
    - **Use Calculation B (Headroom) only from 2017**
    - **Fix the price of a ROC for existing and new generation**

SERL favours the adoption of a fixed price ROC for existing and new generation. This option essentially transforms the RO into a Premium FiT, which SERL has advocated the Government adopts throughout this consultation response.

Fixing the price of the ROC will remove the uncertainty in remuneration which generators can expect, and thereby remove one of the major concerns investors had with the RO. This simpler system would be better placed to secure the investment necessary in Renewables over the coming decade.

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