



Department for
Business, Energy
& Industrial Strategy

REVIEW OF SUPPORT FOR ANAEROBIC DIGESTION AND MICRO-COMBINED HEAT AND POWER UNDER THE FEED-IN TARIFF SCHEME

Government Response

February 2017



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Executive Summary

Background

1. Government is committed to moving to a low-carbon economy and meeting its carbon reduction and renewable energy targets. The Feed-in Tariff scheme (FITs) forms part of our measures to meet these objectives. FITs is funded through levies placed on the electricity bills of households and businesses.
2. In August 2015, Government consulted (the core FIT Review¹) on measures to place FITs on a sustainable footing and address concerns about the impact of the scheme on consumer bills. The consultation in part reviewed the level of tariff support for solar photovoltaic (PV), wind and hydro to ensure value for money and that generators were not over-compensated. One of the changes was the introduction of quarterly deployment caps covering February 2016 to March 2019.
3. The consultation did not seek views at that time on the level of support for anaerobic digestion (AD) or micro-combined heat and power (mCHP) because of the complexities associated with the review of these technologies. However, the FIT Review Government Response set out the intention to launch a separate consultation covering support for these two technologies and revisiting the topic of sustainability criteria for new AD plants. On 26 May 2016, Government published that consultation.
4. This document is the Government Response to that consultation.

Responses to the consultation

5. The consultation closed on 7 July 2016. There were 76 unique responses and 446 campaign responses regarding payment restrictions based on feedstock. Responses were received from a broad range of stakeholders including AD and mCHP trade associations, manufacturers, project developers, consultants, local authorities, charities and individuals. A list of respondents can be found in Annex A.
6. A number of meetings were held with stakeholders from the AD and mCHP industries during and after the consultation to gather more information and evidence. These meetings have also informed our thinking and final decisions.
7. The following is a summary of the consultation responses received. We would like to thank all those who participated.

¹ <https://www.gov.uk/government/consultations/consultation-on-a-review-of-the-feed-in-tariff-scheme>

Feedback and decisions

Anaerobic Digestion: Value for Money

8. The consultation proposed a reduction in generation tariff rates for AD tariff bands based on an updated set of assumptions and an amended default degeneration mechanism. Most respondents were opposed to Government's package of changes.
9. Many respondents felt that the assumptions used as the basis for setting the proposed generation tariffs were not justified. Of particular concern were the assumptions on gate fees, Renewal Heat Incentive (RHI) payments, heat usage and feedstock mix. Furthermore, there was disagreement with using the length of the AD application queue as an indicator of market appetite for current tariffs. Respondents opposed the amended default degeneration mechanism with the majority suggesting that it was not proportional to the technology cost reductions observed to date.
10. The assumptions have been re-evaluated based on the evidence provided and **Government has decided to implement revised AD generation tariffs as shown in the table below from 1 April 2017**. Details on the updated assumptions can be found in the accompanying Impact Assessment (IA).

Generation Tariffs p/kWh (2017 prices)		Apr-2017	Jul-2017	Oct-2017	Jan-2018	Apr-2018	Jul-2018	Oct-2018	Jan-2019
AD	0 – 250 kW	6.93	6.88	6.83	6.78	6.73	6.68	6.63	6.58
	250 – 500 kW	6.56	6.51	6.47	6.43	6.38	6.34	6.30	6.25
	500 - 5000 kW	2.49	2.45	2.42	2.38	2.35	2.31	2.27	2.24

* Indexation for 2016 and 2017 has been included in these rates, which are subject to change should contingent degeneration occur

11. The tariff table above reflects the Government decision to amend quarterly default degeneration to AD generation tariffs from 1 April 2017 (see question 3).

Micro Combined Heat and Power: Cost Control

12. For mCHP, Government proposed the introduction of a deployment cap of £1m (3.6 MW) and a 10% contingent degeneration mechanism for new installations. Most respondents were opposed to Government's package of measures.
13. There was strong feedback that Government should retain support for up to 30,000 units until 2019 in order to provide long term certainty to industry. It was claimed that the proposal to cap deployment at 3.6 MW would significantly stifle investment in the sector, reduce investor confidence and prevent the cost reductions needed in order for mCHP to deploy at scale. Most respondents also opposed the introduction of contingent degeneration, viewing it as unnecessary given the implementation of the proposed cap. Though opinions varied on whether the proposed tariff was sufficient, the key point stressed was the need to support 30,000 units to reduce costs.
14. With little robust evidence provided, **Government has decided to make no change to the mCHP tariff rate**.

15. **Government has decided to bring mCHP within the FITs £100m cap on 1 April 2017 and based on the evidence provided to allocate a cap of £9.8m (20 MW).** This equates to approximately 15,500 units. This level of support will allow industry to deploy in line with their projections shared during the consultation. The assumptions underlying these figures are detailed in the accompanying Impact Assessment.
16. **In addition, Government has decided to introduce six-monthly deployment caps of 5 MW,** to begin on 1 April 2017. If industry fails to meet the allocated deployment capacity, it is our intention that this budget should be redirected. This approach will form part of any future consultation on how to manage underspend.
17. **Government has decided to implement a 10% contingent degeneration to mCHP should a cap be met,** to align with other technologies under the scheme.

Summary table

18. The table below sets out who the new changes will apply to:

Technology	Installation Description	Subject to new measures?
AD	Installation commissioned on or after 1 April 2017; application for full ROO-FIT accreditation received by Ofgem on or after 1 April 2017 (where pre-accreditation has not been applied for)	Yes
	Installation commissioned before 1 April 2017; application for full ROO-FIT accreditation received by Ofgem on or after 1 April 2017 (where pre-accreditation has not been applied for)	Yes
	Application for ROO-FIT pre-accreditation received by Ofgem before 1 April 2017 and qualified for a quarterly cap before 1 April 2017	No
	Application for ROO-FIT pre-accreditation received by Ofgem before 1 April 2017 but qualified for a quarterly cap on or after 1 April 2017	Yes
	Application for ROO-FIT pre-accreditation received by Ofgem on or after 1 April 2017	Yes
mCHP	MCS certificate issued before 1 April 2017	No
	MCS certificate issued on or after 1 April 2017	Yes

Anaerobic digestion feedstock: sustainability and carbon cost effectiveness

19. Most respondents broadly supported the introduction of sustainability criteria, agreeing that it would be worthwhile to align with the Renewable Heat Incentive (RHI) and Renewables Obligation (RO) schemes, as well as ensuring the use of sustainable feedstock. There were some concerns around the administrative burden of implementing and reporting on the criteria.
20. The responses to the proposals to limit payments made on electricity generated from non-wastes and residues were mixed, with some respondents emphasising the importance of ensuring that all AD plants under FITs are using wastes, and others arguing that some purpose-grown crops could be carbon cost-effective when used in AD. A number of respondents drew attention to the use of residues. As with sustainability, respondents raised concerns about implementing the proposals.
21. **Government has decided to introduce sustainability criteria and feedstock restrictions, which will apply to all new AD installations from 1 May 2017.** Government will monitor the implementation of these criteria to ensure objectives are

being met, as well as how best to support AD in a way which minimises any negative air quality impacts.

22. **Government has decided that every feedstock consignment must meet the minimum GHG threshold, currently 66.7gCO₂e/MJ of electricity generated, and the land criteria.** Feedstock that is made up wholly of waste will not have to comply with the applicable GHG emissions limit.
23. In line with a number of responses, **Government has decided that the land criteria will allow the use of material from a protected area (including wetlands), where the production of the material does not interfere with the nature protection of the area.** This reflects the requirements currently in place on the RO and RHI. Feedstock that is made up wholly of waste will not have to comply with the land criteria.
24. **Government has decided to limit payments in relation to electricity generated through the anaerobic digestion of feedstocks not derived from wastes and residues to 50% of the total biogas yield on an annual basis.** All feedstocks which are wastes or residues will be able to receive unlimited payments under the FIT scheme.
25. **In the event of non-compliance to any of the above criteria, Government has decided that export payments will not be deducted from a generator.** The export payment is offered as an alternative to a power purchase agreement for small-scale generators, offering them a route to market. Independent power purchase agreements would not be affected by these criteria, and Government believes that the export tariff should be treated in the same way.
26. **Government will introduce provisions to ensure that generators are given a fair hearing before tariff payments are withheld permanently.** The details of this will be confirmed in the amended FITs Order.
27. The table below sets out who the new AD sustainability criteria and feedstock restrictions will apply to:

Anaerobic Digestion Installation Description	Subject to new Sustainability and Feedstock Criteria?
Installation commissioned on or after 1 May 2017; application for full ROO-FIT accreditation received by Ofgem on or after 1 May 2017 (where pre-accreditation has not been applied for)	Yes
Installation commissioned before 1 May 2017; application for full ROO-FIT accreditation received by Ofgem on or after 1 May 2017 (where pre-accreditation has not been applied for)	Yes
Application for ROO-FIT pre-accreditation received by Ofgem before 1 May 2017 and qualified for a quarterly cap before 1 May 2017	No
Application for ROO-FIT pre-accreditation received by Ofgem before 1 May 2017 but qualified for a quarterly cap on or after 1 May 2017	No
Application for ROO-FIT pre-accreditation received by Ofgem on or after 1 May 2017	Yes

Implementation

28. An amended FITs Order and Licence Conditions modifications will be laid in Parliament as soon as practicable and subject to their respective praying periods the revised AD tariffs and mCHP caps will come into effect on 1 April 2017.
29. The AD sustainability criteria and feedstock restrictions will be implemented on 1 May 2017, to align with the implementation of similar requirements for the RHI scheme.

Budget Reconciliation Review

30. Government intends to conduct a review of the balance of deployment caps between and within technologies, taking into account deployment patterns and wider government priorities. Both the Government Response to the 2015 Core FIT Review and the consultation document for AD and mCHP stated Government's commitment to carry out such an exercise. This review will be published later this year.

Securing Value for Money

Question 1 - Generation tariff rates for AD and mCHP

1.1 We proposed to amend generation tariffs as set out in Table 1a.

Table 1a - Proposed generation tariffs

	Proposed Generation Tariffs for 1 Jan 2017 (p/kWh)	Ofgem Tariffs for installations with an eligibility date on 1st April to 30th of June 2016 (p/kWh, 2016/17 values)
AD		
0 – 250 kW	5.98	8.21
250 – 500 kW	5.52	7.58
500 - 5000 kW	0.00	7.81
Micro CHP		
<2 kW	13.61	13.61

Main messages from responses

Q1 Responses	Total	AD	mCHP	Both
Agreed	17	2	15	
Disagreed	40	25	9	6
Indeterminate	2			
No Comment	18			
Total Responses	77			

Anaerobic digestion

- 1.2 The two respondents that agreed were opposed to large-scale AD installations and sought to discourage plants they felt adversely affected surrounding areas.
- 1.3 The majority of respondents disagreed; the main concern was that the assumptions used to calculate the proposed rates did not reflect current market conditions. Seven respondents provided some form of evidence to support their views. The assumptions are considered in more detail in Question 2 below.
- 1.4 Twenty respondents thought the tariffs were set too low, which would weaken the incentive to invest and introduce significant risks and uncertainty to developers. This could lead to reduced deployment and the potential loss of skill sets developed to date. It was claimed that revenue from industrial and commercial heat opportunities were insufficient to make up for the decrease in FIT support.
- 1.5 For the smaller bands, ten respondents disagreed with using the length of the application queue to support a reduction in tariff rates. It was argued that a build-up in demand had been observed due to the scheme pause and changes to

preliminary accreditation. Respondents felt it was wrong to draw a conclusion that the increase in applications before the consultation related to the attractiveness of the scheme, and high levels of attrition were to be expected if the proposed tariff reductions went ahead.

- 1.6 Concerns were raised by three respondents on the zero tariff for >500 kW plants, fearing that this would stagnate wider market development, slow deployment of new technologies and lead to greater reliance on traditional gas infrastructure.
- 1.7 The creation of a separate <100 kW band was proposed by six respondents in order to encourage investments that would offer decentralised energy, cost effective emissions reduction and improve the local sustainable economy.

Post-consultation decision

- 1.8 Government has carefully considered all the comments and evidence provided, and in light of this **has revised the AD generation tariffs as shown in Table 1b**. These will be implemented from 1 April 2017.

Table 1b – Summary of AD Generation tariffs

Generation Tariffs p/kWh (2017 prices)		Apr-2017	Jul-2017	Oct-2017	Jan-2018	Apr-2018	Jul-2018	Oct-2018	Jan-2019
AD	0 – 250 kW	6.93	6.88	6.83	6.78	6.73	6.68	6.63	6.58
	250 – 500 kW	6.56	6.51	6.47	6.43	6.38	6.34	6.30	6.25
	500 - 5000 kW	2.49	2.45	2.42	2.38	2.35	2.31	2.27	2.24

* Indexation for 2016 and 2017 has been included in these rates and are subject to change should contingent depression occur

- 1.9 These generation tariffs are calculated based on the consultation evidence supplied, the inclusion of new data points from industry, latest evidence on price projections and additional sources of information (WRAP², NNFCC³, 2014 Biomethane Model⁴).
- 1.10 Government acknowledges the calls from a number of respondents suggesting the need for a new <100 kW band for AD. However, current data do not suggest significant differences in capital costs for plants below 100 kW and up to 250 kW. Therefore Government is not minded to introduce a new band at this time.

Micro CHP

- 1.11 Respondents that agreed with maintaining the current tariff level pointed to the importance of the number of units deployable under the scheme, which they acknowledged would diminish under a higher tariff rate.

²<http://www.wrap.org.uk/content/wrap-gate-fees-report-2015-download-summary-report>

³<http://www.nnfcc.co.uk/tools/ad-cost-calculator-standard-edition-economic-assessment-of-anaerobic-digestion-technology-its-suitability-to-uk-farming-waste-systems-tool-nnfcc-10-010>

⁴https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/384203/Biomethane_Tariff_R_eview_-_Impact_Assessment_-_Annex_G.pdf

- 1.12 Fifteen respondents agreed with the mCHP tariff; six considered the current tariff adequate to support industry deployment, with five stressing the need for a higher number of units to be supported rather than an increase in tariff support. Two respondents observed that the proposed rate would only be sufficient for the more established internal combustion engine based mCHP.
- 1.13 Nine respondents also stated that the tariff was too low and therefore not sufficient to deliver competitive returns. Various alternative tariffs were proposed, and there was also a suggestion of compressing the subsidy period from ten to seven years in line with the RHI to increase the tariff rate and reduce payback time.

Post-consultation decision

- 1.14 In the absence of robust evidence to the contrary, **Government has decided to retain the current generation tariff for mCHP as set out in Table 1c.**

Table 1c – Summary of mCHP Generation tariffs

Generation Tariffs p/kWh (2017 prices)		Apr-2017	Oct-2017	Apr-2018	Oct-2018
mCHP	2 kW	13.95	13.95	13.95	13.95

* Indexation for 2016 and 2017 has been included in these rates, which are subject to change should contingent depression occur; default depression does not apply to mCHP

- 1.15 Government notes there are currently limited deployment data and will continue to monitor developments in the sector. If we become aware that tariff levels are not in line with technology costs, we will consider conducting a review of tariff levels.

Question 2 - Updated AD assumptions

- 2.1 The consultation set out the assumptions used in Government’s model to calculate AD tariffs.

Main messages from responses

Q2 Responses	Total
Agreed	0
Disagreed	28
Indeterminate	5
No Comment	44
Total Responses	77

- 2.2 No respondents agreed with the updated AD assumptions. Five respondents said there was a lack of transparency and clarity around certain assumptions, which made it hard to evaluate and frame their responses. Varying degrees of evidence were provided, with two respondents completing the evidence survey.

Gate Fees

- 2.3 The general view was that the data and rationale used to determine the gate fee of £20/tonne were not entirely clear. This number was seen as overly optimistic. It was stated that this figure did not match available market information which was in the range of £5-£30/tonne. Data provided suggested a fall in prices in recent years with a decline expected to continue with rising demand. Furthermore, industry said it had seen a negative gate fee for certain types of feedstock.
- 2.4 Respondents noted that the consultation data seemed to have relied on historic contracts which are no longer applicable or available to new entrants. Contract lengths are now more likely to be short term and with a lower gate fee. Moreover, due to the fluctuations in gate fees this is not normally considered as a long-term source of revenue for developers when putting together a business case to investors if contracts are not in place.
- 2.5 Overall respondents thought it inappropriate to base the FIT rate on gate fees that are highly sensitive and prone to fluctuations.

RHI incentive / Heat Usage

- 2.6 There were 12 respondents who disagreed with the projected income from RHI and/or assumptions used to calculate the level of 'useful heat'. They found the 'useful heat' definition and assumptions used to reach the figure of 80% unclear.
- 2.7 Respondents claimed the availability of heat to use outside of plant operations varies considerably depending on factors such as plant size and type of feedstock. Figures provided by respondents for heat availability ranged from 14% to 70%.
- 2.8 Respondents argued that agricultural heat use and resulting heat loss meant 80% utilisation is not possible, and that the consultation did not consider seasonal effects that prevent guaranteed amounts of RHI payments. It was also mentioned that a large proportion of heat generated is recycled back to digester tanks (parasitic loads) which does not meet RHI heat use eligibility criteria for payment.

Feedstock

- 2.9 The majority of respondents who disagreed with the feedstock assumptions commented that using 100% food waste was not justified or reflected in industry practice, where it is only applicable to a small proportion of plants.
- 2.10 Respondents observed that transportation of food wastes is often unviable for rural agricultural plants. Food waste was becoming increasingly difficult to obtain due to local authority waste reduction programmes, whereas mixed feedstock plants were becoming more common to ensure stability of supply.
- 2.11 Other feedstocks such as brewery / distillery waste, dairy, potatoes, rye, and straw waste, which are currently underutilised, were put forward for consideration for AD

feedstock. It was also mentioned that a recent Defra report⁵ stated there was a risk of not having sufficient food waste to supply expected AD deployment, and therefore to assume 100% reliance on food waste may not be reflective of future market scenarios. There were also concerns around load factor assumptions and rates of return needed to secure investment.

Post-consultation decision

- 2.12 We recognise the uncertainty around the AD assumptions and requested supporting data and evidence from respondents to improve our model. In response to this information, Government has amended a number of key assumptions underpinning the consultation model which has resulted in the revised tariffs. Further details of the updated assumptions can be found in the accompanying IA.

Question 3 - AD default depression

- 3.1 It was proposed that the default depression of generation tariffs for AD should be in line with other FIT technologies, as set out in Table 3a.

Table 2a - Proposed default depression rates for AD between Apr-2017 and Mar-2019

	2017			2018			2019
	Q2	Q3	Q4	Q1	Q2	Q3	Q4
0 – 250 kW	-0.5%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%
250 – 500 kW	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.3%
500 - 5000 kW	Not applicable (zero generation tariff)						

Main messages from responses

Q3 Responses	Total
Agreed	3
Disagreed	20
Indeterminate	4
No Comment	50
Total Responses	77

- 3.2 Respondents that agreed the rates were acceptable stated the need for consistency of treatment with other technologies. The majority of concerns regarding default depression were related to the assumptions used that did not reflect actual conditions and would further reduce generation tariffs that were already considered too low.

⁵ Defra, 2015. Anaerobic Digestion Strategy & Action Plan, page 8:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/406928/pb14019-anaerobic-digestion-annual-report-2013-14.pdf

- 3.3 Ten respondents stated that the levels of depression proposed were not proportionate. It was seen as unreasonable to assume benefits from presumed technology cost reductions that have not been witnessed by the industry. It was suggested that AD had not yet matured compared with other technologies and the observed cost reductions were insignificant to date. In addition, it was suggested that smaller-scale AD would not see the same level of cost reductions as larger projects. Cost reductions require sufficient drive from the market to increase deployment, which would be discouraged by the proposed depression.
- 3.4 Five respondents believed that there was no need for default depression because the deployment caps for AD were already tight and a significant level of contingent depression was expected in the future.

Post-consultation decision

- 3.5 Government believes that the revised AD assumptions and generation tariffs have addressed industry’s prime concern about the low tariffs proposed within the consultation. To ensure consistency across the scheme and to reflect the expected decrease in technology costs resulting from economies of scale following higher levels of deployment, **Government has decided to amend default depression to a quarterly basis so that it aligns with the timing of the deployment caps.** The chosen depression path is based on the Parsons Brinckerhoff report. Post-consultation, the Parsons Brinckerhoff report remains the best evidence available to us about projected technology costs.
- 3.6 In line with all other technologies under FITs, the AD quarterly rate of default depression of 0.6-1.2% has been calculated based on projected cost reductions. The generation tariffs for AD in Table 1b above include the impact of default depression. The quarterly default depression rates are set out below in Table 3b.

Table 3b - Default depression rates for AD between Apr-2017 and Mar-2019

	2017			2018			2019
	Q2	Q3	Q4	Q1	Q2	Q3	Q4
0 – 250 kW	N/A	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%
250 – 500 kW	N/A	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%
500 – 5000 kW	N/A	-1.4%	-1.5%	-1.5%	-1.5%	-1.5%	-1.6%

Question 4 – Proposal to cap mCHP

- 4.1 It was proposed that support for mCHP should be brought within the £100m budget as with other FIT technologies. An overall budget of £1m over the period to March 2019, divided into annual caps and amounting to 3.6 MW of new installations was proposed.

Main messages from responses

Q4 Responses	Total
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Agreed	3
Disagreed	32
Indeterminate	3
No Comment	39
Total Responses	77

- 4.2 Two respondents who agreed with the cap did so because they would prefer to see the budget spent on renewable technologies instead of mCHP.
- 4.3 The majority of respondents were opposed to the £1m cap as this represented a significant reduction in the number of units supported. Most respondents declared their support for mCHP and thought funding should be continued on the basis of the significant investment made by industry to date. It was also suggested that the merits of mCHP have not been fully considered, for example the ability to generate energy during peak demand, therefore relieving pressure on the grid.
- 4.4 There were varying views on what the proposed cap would mean in practice for the industry, with a large proportion of respondents focussing on the negative impacts. Sixteen respondents stressed the need for a sufficient number of units to be supported, with many arguing that having an appropriate number of units deployed was crucial to establishing economies of scale. It was argued that any cap should be based on units instead of capacity and that Government's previous statement of support for 30,000 units should be retained or increased; significant financial and technical investment was claimed to have been made on this basis. Some manufacturers said they were on the verge of launching their products, dependent on continued support from FITs.
- 4.5 Three respondents specifically objected to mCHP being included within the £100m budget. They felt that FITs should be encouraging innovation and noted it would be unfair to penalise mCHP due to overspend in other areas. Respondents did not regard spending £15m (15% of the £100m budget) on 30,000 units to be disproportionate in light of the wider benefits of mCHP and compared to the budget assigned to solar PV to date.

Post-consultation decision

- 4.6 As set out in the Government Response to the 2015 FIT Review, Government considers that a budget of £100m is appropriate to limit the impact of the scheme on consumer bills. To ensure this cost control measure is robust, Government considers it necessary to include all eligible technologies, including mCHP, within the £100m budget. As such, future spend associated with mCHP will be brought within the £100m cap.
- 4.7 The £100m budget was allocated between proven, mature FIT technologies as part of the 2015 review. Government does not consider it appropriate to reduce this funding for proven, mature technologies and allocate it to mCHP because of the historic low levels of mCHP deployment and continued uncertainty about whether mCHP will deploy at scale. However, deployment patterns of the proven, mature technologies have created underspend against this £100m budget. This

underspend may be used to bring mCHP within the £100m cap without reducing the funding that was originally allocated to these other technologies.

- 4.8 Government is committed to continuing support of mCHP because of the benefits it can bring in the transition to a low carbon economy, such as enabling consumers to generate on-site heat and electricity and bringing local opportunities in terms of jobs and manufacturing.
- 4.9 In terms of the level of future support for mCHP, Government has considered the evidence provided by industry during the consultation, which demonstrated significant investment in the sector and progress made in terms of bringing a commercialised product to the market. Government has therefore decided that the proposed £1m spending cap for mCHP may significantly stifle future investment, reduce investor confidence and prevent the cost reductions needed in order for mCHP to deploy at scale. However, maintaining the original cap of 30,000 units would exceed the amount of underspend that is currently available (costing up to £18.6m) and breach the £100m limit, which would impose unacceptable additional costs to bill payers.
- 4.10 **Government has therefore decided to support up to £9.8m of mCHP by setting a 20MW cap.** This level of spend will support the total deployment projections we received from industry but will also ensure that total spend remains within the overall £100m budget for the scheme. Government considers that this volume of support balances the respective needs of the mCHP industry with the need to achieve value for money to bill payers. A cap based on capacity instead of units will ensure that mCHP is aligned with other technologies in the scheme and ensures better cost control.
- 4.11 **In addition, Government has decided that this should be split into six-monthly deployment caps of 5 MW,** to begin on 1 April 2017. In light of industry feedback, the pace at which mCHP units can be deployed and a higher than proposed overall cap of 20 MW, it is our view that six-monthly cap periods would be more appropriate given that mCHP is a nascent technology and in light of the deployment levels to date. This will provide better cost control should industry deliver on deployment plans. It would also provide more flexibility to Government to redistribute support through any subsequent budget reconciliation mechanism should industry not deliver on deployment plans.
- 4.12 Both the cap and installations that count towards the 20 MW will start from 1 April 2017. Table 4a below illustrates the bi-annual caps and approximate number of units that can be deployed. The deployment cap is set in terms of capacity and the number of units this equates to is given for information only. The calculation assumes an average unit size of 1.3 kWe, as per the deployment projections received during the Consultation.

Table 4a – Bi-annual deployment caps and approximate unit numbers for mCHP

Period	Deployment Cap (MW)	Number of new units (approximately)
April 2017 to September 2017	5	3,840
October 2017 to March 2018	5	3,840

April 2018 to September 2018	5	3,840
October 2018 to March 2019	5	3,840
Total	20	15,360

- 4.13 All new mCHP installations with an MCS certificate dated on or after 1 April 2017 will be included in the cap.

Table 4b – Applicability of mCHP caps

Installation Description	Count towards caps?
MCS certificate issued before 1 April 2017	No
MCS certificate issued on or after 1 April 2017	Yes

- 4.14 Government intends to conduct a review of the balance of deployment caps between and within technologies, taking into account deployment patterns and wider government priorities.
- 4.15 If the mCHP industry fails to meet the allocated deployment capacity, we propose that this budget should be redirected. This approach will form part of any future consultation on how to manage underspend. Initially, unused capacity from one cap period will roll over to the next cap period.

Question 5 - mCHP contingent depression

- 5.1 The consultation proposed that a 10% contingent depression be applied to the mCHP generation tariff, should a deployment cap be met.

Main messages from responses

Q5 Responses	Total
Agreed	6
Disagreed	19
Indeterminate	1
No Comment	50
Not answered	1
Total Responses	77

- 5.2 Of the respondents that agreed with the introduction of contingent depression, four cited consistency in approach with other FIT technologies. The majority of respondents that disagreed with the proposal did so because they believed that Government should keep its commitment to 30,000 units.
- 5.3 Three respondents were opposed to caps in general and therefore the related depression. It was stated that in order for depression to be effective (to prevent overcompensation) there needed to be sufficient deployment, quoted as 30,000 units, after which contingent depression could be implemented. Others suggested there was no need for a depression mechanism on top of the proposed deployment cap or that the seemingly arbitrary 10% depression only acted as a

penalty. Contingent depression was deemed unnecessary by seven respondents as it would only further complicate matters and produce uncertainty over tariffs.

Post-consultation decision

- 5.4 In order to ensure consistency across the FIT scheme and to reflect the decrease in technology costs resulting from economies of scale following significant roll-out, **Government has decided to implement a 10% contingent depression that will apply should a six monthly cap be met.**

Question 6 - Proposal not to change caps for non-mCHP technologies

- 6.1 The consultation proposed that funding of the new mCHP deployment cap within the £100m budget would be taken from scheme underspend rather than by adjusting existing technology caps.

Main messages from responses

Q6 Responses	Total
Agreed	4
Disagreed	14
Indeterminate	3
No Comment	56
Total Responses	77

- 6.2 Four respondents agreed that mCHP spend should be taken from underspend. Almost all respondents cited the benefits of mCHP and its potential role in the UK's energy strategy. Potential benefits of mCHP included its contribution towards emissions targets, overall energy system efficiency and energy security. Four respondents were in favour of diverting funding from solar PV.
- 6.3 There were three respondents who did not agree with continued support for a non-renewable technology and suggested that the current low uptake of mCHP indicated a lack of demand. They said the relevant funding should be reallocated to other parts of FITs or assigned to a new technology.

Post-consultation decision

- 6.4 **Government has decided to make no change to the caps for non-mCHP technologies when mCHP spending is brought within the £100m cap on 1 April 2017.**
- 6.5 As mentioned previously, Government intends to conduct a review of the balance of deployment caps between and within technologies, taking into account deployment patterns and wider government priorities. Where the mCHP industry does not meet industry projections, as indicated by the deployment caps, it is our intention that subject to this consultation, any resulting underspend from mCHP will be redistributed.

AD Feedstock - Sustainability and Carbon Cost Effectiveness

Question 7 - Sustainability criteria proposal

7.1 The consultation asked for views on our sustainability criteria proposals.

Main messages from responses

Q7 Responses	Total
Agreed	24
Disagreed	10
Indeterminate	6
No Comment	37
Total Responses	77

7.2 The majority of respondents who commented agreed, in principle, with the introduction of sustainability requirements and thought they would be worthwhile.

7.3 Most concerns raised were around how generators would demonstrate compliance with these requirements, and whether the reporting and compliance measures proposed were too burdensome. Two respondents questioned whether introducing the criteria at this stage would be effective or value for money.

Who the criteria will apply to

7.4 There was strong agreement with the proposal that the sustainability criteria would only apply to new installations. However, four respondents also raised concerns about the additional administrative burden that these requirements would impose on new generators, particularly on small scale plants (<250 kW). Two respondents suggested that the criteria should apply to all installations, not just generators applying after the regulations come into force.

Greenhouse gas emissions (GHG) limits and land criteria

7.5 Two respondents were concerned that the proposed initial GHG emissions limit for FITs (up to 2020) is lower than the equivalent limit for AD under the Renewables Obligation (RO), and thought that having a stricter requirement on FITs would not be fair. Another respondent who agreed with the sustainability criteria made a specific point in relation to the land criteria, requesting that biomass obtained from a protected area, or from wetlands, should be exempt from meeting the land criteria where it is obtained as part of habitat management or conservation – three respondents disagreed with the proposals on this basis. Additionally some respondents raised concerns about the carbon impact of transporting waste, especially over long distances.

Reporting requirements

- 7.6 A number of respondents supported our proposals to introduce the same reporting requirements already in place under the RO and RHI. Three respondents suggested adopting the mechanism in place under the RO. Three respondents also suggested that small-scale⁶ plants using more than 50% wastes and residues should be deemed to have met the sustainability criteria automatically. A couple of respondents proposed that reporting should be annual, rather than quarterly, to take into account seasonal variations in agricultural feedstocks.
- 7.7 A few respondents were concerned about the proposed individual deadlines for the submission of the independent annual audit reports and suggested that all independent annual audit reports be submitted by the same date. Alternatively, they suggested that Ofgem should commit to send written notification to all participants when their individual deadline approaches. Only two respondents considered the consequences of non-compliance. Both agreed that withholding, reducing or recouping tariff payments are appropriate consequences of non-compliance, so long as generators are given a fair hearing before action is taken.
- 7.8 There were two substantive “don’t know” responses which considered the sustainability criteria. One respondent considered that the sustainability requirements could prove burdensome, and suggested exempting small scale generators. The other response outlined a number of different points relating to the ongoing administration of the scheme, including costs to Ofgem and generators, as well suggestions for implementing reporting against the criteria.

Post-consultation decision

- 7.9 **Government intends to introduce the sustainability criteria as set out in the consultation**, except for two amendments: one to the land criteria and one to the impact of non-compliance on payments. In line with a number of responses, the land criteria will reflect the requirements currently in place on the RO and RHI, allowing the use of material from a protected area (including wetlands), where the production of the material does not interfere with the nature protection of the area.
- 7.10 **Government has also decided that export payments will not be deducted if a generator does not comply with the sustainability criteria.** This is because the export payment is offered as an alternative to a power purchase agreement for small-scale generators, offering them a route to market. Independent power purchase agreements would not be affected by these criteria, and the export tariff should be treated in the same way.

Sustainability Criteria - implementation

- 7.11 Government notes that a number of respondents questioned whether introducing the requirements at this stage would represent value for money, and that some respondents felt strongly that the sustainability criteria should apply to all installations. Government does not propose to introduce the sustainability criteria

⁶ One respondent suggested below 100kW, two respondents suggested below 250kW

for all installations, as Government generally avoids implementing policy changes retrospectively. Government believes that introducing the sustainability criteria still represents value for money, as it will ensure that new plants will have to use sustainable feedstock for the duration of the 20 years for which they are eligible to receive payments. It will also help ensure that the principles regarding sustainability in the Bioenergy Strategy⁷ are applied across all of BEIS' schemes. The majority of responses agreed in principle with the introduction of these criteria.

- 7.12 Two respondents questioned specifically why we were proposing to introduce a lower GHG emissions limit than on the RO (in the consultation we proposed using the 2013-2020 dedicated biomass limit of 66.7gCO₂e/MJ, and then following the post-2020 reduction trajectory currently in place in the RO). We are proposing the 66.7gCO₂e/MJ limit as FITs is designed to incentivise AD plants which provide combined heat and power (CHP). AD plants which are CHP are able to meet lower GHG emissions limits than power only plants, especially when using majority waste feedstock. Additionally, the current RO limit applies from 2013 and in 2020 this will be reduced to 55.6gCO₂e/MJ for all installations. We consider that the 66.7gCO₂e/MJ limit is appropriate to introduce at this point in time, given that generators will soon need to meet the lower limit of 55.6gCO₂e/MJ.
- 7.13 With regard to the implementation of the sustainability criteria, Government intends to introduce the reporting and compliance measures set out in the consultation. As proposed in the consultation, we will not be introducing the mechanism currently in place on the RO, which allows single consignments of feedstock to exceed the GHG threshold on condition that average GHG emissions over the course of the reporting year meet the minimum standards, and do not exceed a GHG ceiling. This is in part because it would add complexity to the FIT scheme, but primarily because the RHI does not have a similar mechanism, and we are seeking to implement a consistent approach across the two schemes.

Reporting and compliance - implementation

- 7.14 Government will be introducing quarterly reporting against the sustainability criteria for all new AD plants. Some respondents suggested that annual reporting would be more appropriate given the seasonality of some wastes, particularly agricultural wastes. As we are proposing that plants will report against the sustainability criteria for each consignment of feedstock, the seasonal use of some feedstocks would have the same effect on compliance were the reporting carried out on a monthly, quarterly or annual basis (it would just affect the number of consignments that the generator potentially reports against at a given point). This also aligns with the reporting process currently in place under the RHI. We did, however, take this argument into account when considering reporting under the feedstock proposals (for further info see Question 10).
- 7.15 As per the consultation proposals, where a FITs AD plant is accredited or becomes accredited under the RHI scheme, Government intends that the generator will need only to comply with the sustainability criteria and reporting

⁷ <https://www.gov.uk/government/publications/uk-bioenergy-strategy>

processes in place under the RHI. This means that, if a generator is or becomes accredited under the RHI, their reporting timetable, including the dates on which meter readings are submitted, will be aligned with their RHI reporting timetable. If a generator becomes accredited under RHI after receiving FITs accreditation, the generator will be required to submit a one-off sustainability declaration and meter readings covering the period from the start of the most recent FIT quarter up to the date of RHI accreditation.

- 7.16 In order to ensure that the reporting process under FITs works effectively, we will introduce a requirement for all new generators to submit generation meter readings to their FIT Licensee on a quarterly basis, starting from their eligibility date. If the generator does not submit meter readings on time, payments will be withheld temporarily.
- 7.17 Quarterly reporting to Ofgem under the sustainability criteria will require the generator to make a declaration as to whether or not each consignment of fuel used in that quarter was waste or derived from waste. If any consignment is not waste or derived from waste, the generator will be required to declare that the consignment of fuel met the land criteria and the GHG emissions limit and provide a GHG emissions figure for each of those consignments. This information should be provided at the same time as the generator's meter readings.
- 7.18 If the generator submits information which shows that the sustainability criteria have not been met for a particular consignment, the generator will not be eligible for any FITs generation payments on the electricity generated from the non-compliant consignment. If information is not provided to Ofgem in time, payments will be withheld until the issue is resolved.
- 7.19 For installations with a total installed capacity of 1 MW or above, an annual independent audit report must also be submitted to Ofgem every year after this date. If the independent audit report does not verify reporting information provided by the generator, payments may be withheld, either permanently or temporarily. If the audit confirms that sustainability criteria have not been met, the generator will not be eligible for payments on any non-compliant consignments. The FIT Licensee will arrange any payment deductions with the generator; these may be repaid directly or deducted from future payments.
- 7.20 Where a plant >1 MW accredited under FITs is subsequently accredited under RHI, Government intends that the following will apply in relation to auditing:
- If it has been less than three months since the start of the most recent reporting year, the generator will only be required to submit a declaration. The generator will then be required to meet the requirements of the RHI from the date of RHI accreditation.
 - If it has been more than three months since the start of the most recent reporting year, the generator will be required to submit a declaration and a one-off audit report for the period from the start of the reporting year to the date of RHI accreditation. The generator will then be required to meet the requirements on the RHI scheme from the date of RHI accreditation

Question 8 – Feedstock restrictions

- 8.1 The consultation sought views on whether limiting the use of some feedstock will deliver more cost-effective carbon abatement; and whether, apart from wastes and residues, other feedstock should not be subject to payment restrictions.

Main messages from responses

Q8 Responses	Total
Agreed	17
Disagreed	12
Indeterminate	5
No Comment	43
Total Responses	77

- 8.2 Of those who agreed that limiting the use of some feedstock will deliver carbon cost-savings, five respondents highlighted that the use of purpose grown crops undermines the status of AD as a carbon-reducing technology. Six respondents also noted the detrimental environmental impact of some crops, in particular, maize. Two respondents proposed that where material is cut and collected as part of an approved management plan for an area of high conservation value, it should be eligible to be a feedstock for AD without payment restrictions.
- 8.3 Four respondents suggested that the Government needs to be more comprehensive in its assessment of carbon cost-effectiveness; agreeing that wastes are more carbon cost-effective, but arguing for the carbon benefits of particular crops, as well as the other benefits that using crops for AD can bring to the agricultural sector. Two respondents specifically argued for grass as an example of a crop which has a positive environmental impact.
- 8.4 Many of those who disagreed raised similar points to those who agreed, arguing that crops could be carbon cost-effective in some scenarios. Two respondents raised concerns about new feedstock regulations affecting biomass arising from land management processes. Two respondents highlighted the technical benefits of co-digesting crops with biomass and three said that, if farmed responsibly, energy crops could have a positive environmental impact. Four respondents thought that our proposals were in danger of stifling innovation in the use of non-maize crop feedstock, and some respondents pointed specifically to the emergence of plants which remove carbon for use in food and drink manufacturing, which they suggested cannot use waste feedstocks.
- 8.5 Four respondents questioned our evidence on carbon cost-effectiveness, with one suggesting that the assumptions made in our analysis of greenhouse gas emissions and carbon abatement costs were unclear. Two respondents were specifically concerned that the analysis applies only to biomethane plants, suggesting that further work might be necessary to understand carbon cost-effectiveness for other biogas plants. Two respondents were concerned that our evidence related only to maize; three suggested we should exclude specific crops, rather than all crops.

- 8.6 Four respondents argued that the complete range of residues (including by-products such as sugar beet pulp, spent grains and vegetable packhouse discards) should be eligible for full payments.
- 8.7 Three respondents argued that action to improve availability of existing food waste was needed if the amount of crops generators are able to use was limited. Further, respondents said that the proposals would trigger an increase in demand for waste, which could bring down gate fees.

Post-consultation decision

- 8.8 **Government intends to introduce Option 2 which limits payments in relation to electricity generated through the anaerobic digestion of feedstocks not derived from wastes and residues to 50% of the total biogas yield, but to apply on an annual as opposed to a quarterly basis.**
- 8.9 Government retains the view that electricity generated using biogas derived from wastes and residues is more likely to achieve a higher value carbon saving than other feedstocks such as purpose grown energy crops. Biogas generated from wastes can offset emissions in the waste and agriculture sector, as well as in energy. Unlike residues, crops can have significant emissions associated with their production and as such, are less likely to be as cost effective at delivering greenhouse gas savings across the economy. Government accepts that methods used to consider the cost of carbon abatement are inherently uncertain and the outputs can vary greatly depending on what is included in the scope. Similarly, carbon cost effectiveness of individual plants can vary greatly depending on the type and treatment of feedstock, operational factors such as leakage and the extent to which carbon dioxide is captured. Despite these uncertainties, ensuring payments are more targeted towards biogas derived from wastes and residues is likely to deliver higher carbon savings for every pound paid under FITs.
- 8.10 Most respondents agreed that waste would deliver the most cost-effective carbon abatement; however, there was some evidence put forward which indicated that other crops, in particular grass silage, could be considered carbon cost-effective. Government recognises that in some circumstances, crops such as grass may provide significant greenhouse gas benefits. However, there is also a risk of unintended consequences such as displacement of grass silage for cattle feed or an increase in greenhouse gas emissions caused by land use change. The Government has therefore concluded that grass feedstock, where not classified as a waste or residue, should be subject to payment restrictions.
- 8.11 All feedstocks will be subject to payment restrictions except for wastes and residues. All wastes and residues should be considered carefully by operators to ensure that the waste hierarchy has been applied and alternative markets considered before conversion to electricity through anaerobic digestion.

Question 9 – Feedstock payment options

- 9.1 In conjunction with the proposal to limit FITs payments based on feedstock type used, views were sought on whether option 1 or 2 should be used to restrict

payments for non-waste feedstock. Option 1 proposed restricting FITs payments to electricity generated from biogas derived only from wastes and residues, whereas Option 2 proposed limiting FITs payments in relation to electricity generated from biogas not derived from wastes and residues to 50% of the total biogas yield.

Main messages from responses

- 9.2 A breakdown of responses has not been provided as agree/disagree were not appropriate responses to the questions, which asked respondents whether they would prefer Option 1 or Option 2. Of all the respondents who provided comments in relation to this question, 16 indicated that they preferred Option 2, in contrast to 9 who said that they preferred Option 1.
- 9.3 Six respondents said that they provided the same response to the RHI consultation (of these, 1 preferred Option 1 and 5 preferred Option 2).

Option 1

- 9.4 The most common reason for supporting Option 1 was concern about the detrimental environmental effects of growing maize, particularly on soil quality, with four respondents highlighting this. Two respondents highlighted the benefits of using crop production residue (such as sugar beet pulp), rather than purposefully growing energy crop with its associated carbon emissions. Three suggested that this would need to be applied to all AD plants accredited under FITs to be effective.

Option 2

- 9.5 The majority of respondents who preferred Option 2 said this was because it is less restrictive. Two respondents said that Option 1 would require unfeasibly high levels of waste in order to generate the necessary biogas yield and added that it would be hard to meet if there is any fluctuation in waste availability. Two respondents also indicated that Option 2 meant that excess crop or products which cannot be sold would not go completely to waste. Two respondents questioned whether 50% of the biogas yield would be workable (67% and 75% were proposed as alternatives) because of the nitrogen levels of some wastes, and one respondent questioned how Government had determined that 50% of the biogas yield would be sufficient.
- 9.6 However, some respondents raised the concern that Option 2 still significantly increased the cost and complexity of AD for plant owners. Two respondents also suggested that weight should be used to measure the amount of non-wastes or residues used, rather than biogas yield.
- 9.7 Of those who disagreed with the proposals, all argued that crops should be allowed, and offer benefits, if they are grown and used responsibly. One respondent said that AD plants could only be technically and economically viable with a proportion of crops, and that there was no danger of industry using too many crops.

Post-consultation decision

- 9.8 **As outlined above, Government intends to introduce Option 2**, which limits FIT generation payments in relation to electricity generated through the anaerobic digestion of feedstocks not derived from wastes and residues to 50% of the total biogas yield (measured by energy content). For the reasons outlined in question 7, feedstock restrictions will only apply to generation payments, not export payments.
- 9.9 The majority of respondents agreed with the Government’s proposed option, however Government considered suggestions which questioned whether the policy would be truly effective without implementing Option 1, and whether a 50% limit on the biogas yield is appropriate.
- 9.10 Government accepts the view that restricting payments to only biogas derived from wastes or residues would be a barrier to deployment and that providing some ongoing support for crops should provide operators with sufficient flexibility to enable projects to progress without undermining benefits. Setting an appropriate threshold is a policy judgement. Consultation responses did not provide sufficient rationale against the proportionality of the 50% threshold proposed under Option 2. Government continues to believe that any operational issues arising from using this proportion of wastes and residues can be overcome with appropriate technology and operational practices.
- 9.11 However, Government has concluded that applying the 50% threshold on a quarterly basis is not necessary to ensure that benefits are delivered and reduces flexibility for the operator in relation to seasonal feedstock availability. Government is therefore proposing to implement annual reporting against the feedstock restrictions. Government believes this will be equally effective but a more proportionate approach to feedstock reporting and compliance.
- 9.12 While Government accepts that introducing a weight-based restriction on non-wastes and residues may be easier to implement for some generators, it is considered to present risks in terms of compliance which can be mitigated by setting a threshold on the biogas yield. Ofgem will provide guidance on how the biogas yield should be calculated to assist generators with this.

Question 10 – Feedstock payment restrictions assessment and auditing

- 10.1 The consultation sought views on our proposed feedstock payment restrictions, in relation to: sending the calculation of eligible electricity to Ofgem for assessment; introducing auditing requirements (including for installations below 1 MWe); and the consequences of non-compliance.

Main messages from responses

Q10 Responses	Total
Agreed	9
Disagreed	4

Indeterminate	10
No Comment	54
Total Responses	77

- 10.2 Six respondents said that they provided the same or similar comments in response to the RHI consultation.
- 10.3 Those agreeing with the proposal generally thought reporting and auditing necessary to ensure compliance. Two respondents said that reporting should be carried out on an annual, not quarterly, basis to reflect feedstock seasonality.
- 10.4 Those disagreeing generally raised concerns about increased costs to generators. Two respondents questioned whether auditing should be completed annually, and one of these respondents suggested that participants with installations under 1 MW should be exempt from auditing requirements due to the additional costs.
- 10.5 Most indeterminate responses in this category raised concerns about increased complexity, with five respondents highlighting that this would increase the burden on generators. Three respondents said that they couldn't respond without knowing what "more limited auditing requirements for <1 MW plants" meant, and asked for more detail on how the process of reporting and auditing would work.

Post-consultation decision

- 10.6 **Government will be implementing annual reporting against the feedstock restrictions, with annual independent audits required for plants with a total installed capacity >1 MW.** Government intends that this will apply except for an initial period of FITs accreditation where a generator subsequently becomes accredited under the RHI. Where a generator is accredited under both FITs and the RHI, it is the intention that the generator will only be required to report under the RHI, in order to avoid duplicating administration. FITs payments will be deducted if the biogas yield from non-wastes and residues exceeds 50%, including where a plant accredited under both schemes is only reporting under the RHI.
- 10.7 In the consultation, Government proposed that the generator (or nominated recipient) would calculate the eligible electricity generated (by calculating the proportion of the biogas yield generated by each consignment) and send this to Ofgem on a quarterly basis. A number of respondents raised the point that on-farm AD will be affected by the seasonal fluctuations in waste availability, which could make the proposed criteria difficult to meet on a quarterly basis. Government understands that introducing quarterly reporting could impose additional storage costs on generators in order to achieve the right balance of waste and non-waste feedstocks. As imposing quarterly reporting would not have any significant benefits from a carbon cost-effectiveness perspective, Government has decided that generators will be required to report against the feedstock criteria on an annual basis. This change mirrors the intention on the RHI scheme.

Reporting and compliance - implementation

- 10.8 As outlined above, the generator will be required to report against the feedstock criteria to Ofgem on an annual basis. The generator will identify the total amount

of electricity generated in the relevant reporting period, the feedstock type(s) used to do so and the apportionment by feedstock type of the total biogas produced (based on the energy content of each feedstock type). The electricity generated will be split in accordance with those apportionment percentages. The electricity generated from non-wastes and residues will only be eligible for payments up to 50% of the biogas yield. If, for example, a plant generated 60% of the biogas from non-wastes and residues, the generator will be eligible for payments on 90% of the total electricity generated.

- 10.9 As this will be calculated retrospectively, the FIT Licensee will make payments as usual. At the end of the first year, and each subsequent year, the generator will provide Ofgem with the required information. Ofgem will confirm this and notify the FIT Licensee if payments should be withheld. Payments will be withheld if the generator has exceeded the 50% limit on biogas derived from non-wastes or residues, or if the calculation is incorrect. If the 50% limit has been exceeded, Ofgem will notify the generator and the FIT Licensee will arrange a re-payment schedule, or adjust payments accordingly. If, following the introduction of these proposals, we become aware of instances of non-compliance which may result in the misreporting of waste, residues or crops, we will consider introducing measures to reduce non-compliance. These measures may apply to all stations subject to the new feedstock payment restrictions.
- 10.10 If a generator is or becomes accredited under the RHI, it is the intention that their reporting timetable will be aligned with their RHI reporting timetable. If a generator becomes accredited under RHI after receiving FITs accreditation, they will have to submit a one-off declaration covering the period from the start of the most recent reporting year up to the date at which RHI accreditation is granted.
- 10.11 As proposed in the consultation, for plants with a capacity of 1 MW or above, the annual independent audit report required to demonstrate compliance with the sustainability criteria will need to be extended to cover the feedstock requirements. Where a plant accredited under FIT is subsequently accredited under RHI, Government intends for the following will apply:
- If it has been less than three months since the start of the most recent reporting year, the generator will only be required to submit a declaration. The generator will then be required to meet the requirements of the RHI from the date of RHI accreditation.
 - If it has been more than three months since the start of the most recent reporting year, the generator will be required to submit a declaration and a one-off audit report for the period from the start of the reporting year to the date of RHI accreditation. The generator will then be required to meet the requirements on the RHI scheme from the date of RHI accreditation.

Question 11 – Views on unlimited payment of wastes

- 11.1 Views were sought on whether there are any wastes which should not be subject to unlimited payments.

Main messages from responses

Q11 Responses	Total
Agreed	3
Disagreed	7
Indeterminate	7
No Comment	60
Total Responses	77

- 11.2 Six respondents said that they provided the same or similar comments in response to the RHI consultation. All of these respondents thought that all wastes should be eligible for unlimited payments.
- 11.3 Most respondents did not think that there are any wastes which should not be subject to unlimited payments (except for human waste). Two respondents argued that wastes are already clearly defined and can be identified by their European Waste Catalogue numbers.

Post-consultation decision

- 11.4 **As per the proposals in the consultation, all feedstocks which are wastes or residues will be able to receive unlimited payments under the FIT scheme.**

Question 12 – Proposal impact on: current installations, the type and size of future installations and feedstock suppliers

- 12.1 Views were sought on whether the introduction of sustainability criteria and/or restrictions on payments based on feedstock will have an impact on: current installations; the type and size of future installations; feedstock suppliers.
- 12.2 The information provided in response to this question has been used to inform the updated Impact Assessment, which includes information on the impact of introducing sustainability criteria and feedstock restrictions. **Government has considered the impacts highlighted by those who responded to this question and has decided that the benefits of introducing sustainability criteria and restrictions on payments for non-wastes and residues outweigh the potential negative impacts.**

Question 13 – Proposal to amend the FITs Order

- 13.1 It was proposed to amend the FITs Order to ensure that a generator would be guaranteed a fair hearing before tariff payments are reduced, withheld or recouped.

Main messages from responses

Q13 Responses	Total
Agreed	22
Disagreed	2
Indeterminate	4
No Comment	49
Total Responses	77

- 13.2 Those agreeing highlighted that this was vital, especially in the short term when generators are adjusting to the requirements, for ensuring that generators aren't penalised unfairly. Three respondents felt that generators need to be given notice of potential over or underpayment and one respondent requested that if a generator has been overpaid, that a reasonable time period is set for repayment.
- 13.3 Two respondents asked for further detail on how the proposals would work. One respondent said that BEIS should clarify whether the policy intent is for generators to be disentitled to any FIT payments if they are non-compliant, for example if they submit the audit report after the specified deadline, or whether the intention is that generators should have their payments temporarily withheld until the required information is provided and verified.

Post-consultation decision

- 13.4 **Government will introduce provisions to ensure that generators are given a fair hearing before tariff payments are reduced or recouped.** Payments may be recouped as a result of non-compliance with the sustainability criteria, or where the generator has gone over the threshold for use of non-wastes or residues, or where the generator has incurred a penalty as a consequence of late reporting. The details of this process will be confirmed in the regulations which underpin the scheme.

Annex A: List of consultation respondents

Aardvark EM Ltd	Country Land and Business Association	Natural England
ABAgri Ltd	DONG Energy	Ofgem
AD4Energy Limited	Dr Vicki Shaw & Associates Ltd	Osaka Gas
Association for Decentralised Energy	Ecotricity	Powertrain Technology Ltd.
Ama Menec	Ecuity Consulting LLP (on behalf of 9 industry members)	SEaB Energy Ltd
Amey	Enertek International Ltd	Regen SW
Anaerobic Digestion and Biogas Association	ENGIE	Renewable Energy Association
Andigestion and Association of Anaerobic Digestion Operators	Farmgas Community Partners Ltd	Royal Society for the Protection of Birds
Angling Trust	Fingleton White	RWE npower
BAXI	Flow	Scottish Renewables
Biopower UK Ltd	Heating and Hotwater Industry Council (HHIC)	Severn Wye Energy Agency
Biofuelwatch	Honda	Smart Generation Limited
British Gas	Inenco	Soil Association
British Sugar	Inspirit Energy	Somerset Wildlife Trust
Broads Authority	iPower Energy Ltd	Summerleaze Limited/Andigestion Ltd
Calor Gas	Ittria Ltd	Sustainable Energy Association
Campaign to Protect Rural England	Jabil Circuit Inc	Sustainable Power
Ceres Power Limited	Lincolnshire County Council	Tenant Farmers Association
Cheshire East Council	Lincolnshire Wildlife Trust	Welsh Government
Civil Engineering Contractors Association	Lutra Ltd	Yorkshire Wildlife Trust
Clearfleau Ltd	National Farmers' Union	Private Individuals (15)

