

# The Renewables Obligation Statutory Consultation

## *Summary of responses received*

A consultation paper on the Renewables Obligation was published in August 2001, seeking comments on changes made following an earlier consultation process. In addition to written responses to the consultation documents, a series of consultation meetings were held to enable a wider discussion to take place. In total, 183 individuals or organisations were involved in the consultation process, either by submitting a written response or by attending one of the consultation meetings. A list of respondents can be found at Annex A. All the written responses received (except those marked confidential) are available on the DTI website at <http://www.dti.gov.uk/renewable/consultationresponses.htm> .

Comments were particularly sought on the key points of the Obligation, detailed in section 1.15 of the consultation document. The comments received on each point are summarised below:

**1. The RO will come into force on the first day of the month following the Order being made.**

The majority of responses that commented on the implementation date favoured the earliest possible implementation of Obligation, although some concern was expressed that the date was not 'fixed'. Some responses suggested that the Obligation should come into effect as soon as possible but that the level of the Obligation on suppliers should be set to zero for the period up to April 2002, as the current pricing regime was not due for review until then.

**2. The Obligation will apply to all licensed suppliers and will be a percentage of all sales (including CHP).**

Some respondents suggested that smaller suppliers should not be subject to the Obligation until their sales reached a certain threshold in order that the Obligation should not act as a barrier to entry. Many responses suggested that CHP sales should not be included in the sales base on which the Obligation was applied.

**3. The level of the obligation has been revised to take account of other changes to the RO & ROS.**

Comments were made that the profile of the Obligation is 'front-loaded' to a degree with a higher percentage year-on-year increase in the early years of the Obligation.

**4. Electricity generated from renewable sources outside of the United Kingdom, its territorial waters and Continental Shelf will not be eligible.**

Many respondents commented on this provision, with a large majority expressing strong support and the importance of the measure in ensuring a secure environment for investment in new generating capacity. A small number of respondents, however, felt that the exclusion of generating stations outside the UK was unwarranted and hindered the development of European trade in renewable electricity. Concern was expressed about the ability of

generators in Northern Ireland to meet the evidence requirements for physical supply to customers in Great Britain.

**5. Electricity generated from the fossil-derived content of energy-from-waste will not eligible for the RO and will not be counted towards the renewable energy target.**

A small number of responses felt that excluding the fossil-derived content undermined the development of advanced conversion technologies for energy from waste.

**6. Electricity from the incineration of mixed wastes continues to be ineligible.**

The provision received a mixed response. Those with an interest in waste incineration felt that the energy derived from mixed waste incineration should be eligible for the Obligation. There was, however, strong support from other respondents for the proposed exclusion from the Obligation.

**7. Electricity generated from the non-fossil fraction of waste using advanced conversion technologies (such as pyrolysis, gasification and anaerobic digestion) will be eligible.**

Whilst this proposal was broadly welcomed, concern was expressed by some about the current state of development and the potential for large-scale future deployment of advanced conversion technologies. Some responses questioned the environmental advantages of the technologies over incineration and others advocated the inclusion of fluidised bed combustion (FBC) within the definition of advanced conversion technologies.

**8. Electricity generated from biomass sources (whether energy crops or waste in origin) will be eligible.**

All those that commented welcomed this proposal. It was suggested that the 2% de minimis fossil fuel content should be increased to as much as 10% by energy content to allow gate fee waste to be incinerated alongside biomass fuel stocks.

**9. Electricity generated by stations commissioned on or after 1<sup>st</sup> January 1990 will be eligible. Stations operational prior to that date will not be eligible, unless re-equipped since that date (with the exception of hydro stations with a declared net capacity of 1.25MW or less, and co-firing stations).**

A small number of respondents felt that the requirement to refurbish was unnecessary or that plant commissioned before 1990 should be eligible for a limited time in order to generate the revenue for refurbishment. It was suggested that the exemption from the requirement to refurbish for small hydro stations could be extended to all small generating stations, regardless of previous ownership.

**10. Electricity generated by hydroelectric stations with a capacity greater than 20MW and first commissioned after the date the Order is made will be eligible.**

Whilst there was support for the proposed changes on hydro eligibility, concern was expressed that large stations may be down rated through the refurbishment process in order to be eligible for the Obligation. There was

also concern that the eligibility of hydro would undermine the price for ROCs from other more expensive renewable sources. It was suggested that all hydro, the incremental increase in output through large hydro refurbishment or the first 20MW capacity of larger hydro stations should be eligible for the Obligation.

**11. The use of up to 10% fossil fuel is allowed for specified purposes, but the energy derived from the fossil fuel will not be eligible.**

This attracted little comment. Whilst there was support for the measure, the need for it was questioned as it was felt that it could lead to anomalies in some projects being eligible and others not.

**12. Co-firing – using fossil fuels alongside biomass – is allowed until 31<sup>st</sup> March 2011 as a transitional step towards the more extensive use of energy crops, but may only fulfil up to 25% of a supplier's obligation. After 31<sup>st</sup> March 2006, at least 75% of the energy from the biomass in a co-firing station must come from energy crops.**

There was broad support for the inclusion of co-firing as a means of bringing forward energy crops and as a cost-effective source of renewable energy. There was concern that the inclusion of cofiring could lead to an increase in the use of coal, with a resultant increase in carbon dioxide emissions. Several commented that the proposed timescales were too short for the investment required to convert to cofiring to be recouped and that the restrictions would inhibit the potential for cofiring.

**13. The buyout price has been set at £30/MWh for all eligible technologies, and will be adjusted each year, following the retail price index.**

Whilst some felt that the buyout prices was set at the right level, others felt that the price was too low to bring forward the emerging but more expensive technologies, such as energy crops and photovoltaics. Some felt that the Obligation should be banded, with higher price bands to allow these technologies to compete on a more even basis. Some felt that the buyout price should be linked to the change in fuel price for other forms of generation (such as gas), as electricity prices had fallen considerably over recent years.

**14. Each Renewable Obligation Certificate will represent 1MWh of eligible generation.**

This attracted little comment. Microgenerators, such as domestic PV, should be able to aggregate their output or to be awarded smaller denomination ROCs, it was argued.

**15. Up to 25% of a supplier's Obligation may be met by ROCs awarded in the previous period – banking.**

The majority of responses on banking proposed that the provision for banking be removed or substantially reduced in order to prevent anticompetitive behaviour and market distortions.

**16. No borrowing – bringing forward ROCs from future periods – will be permitted.**

The removal of borrowing was broadly welcomed.

**17. The proceeds of buying out for each Obligation period will be returned to all licensed suppliers in proportion to the number of ROCs they present.**

The proposal to recycle buyout payments on the basis of the number of ROCs presented by a supplier was welcomed. Some expressed concern that the buyout recycle would not lead to either lower prices for consumers or an increase in generating capacity, and favoured using the buyout funds to give capital grants for future development projects.

**18. The maximum cost to consumers of the Obligation will be £779 million in 2010/11.**

Concern was expressed about the impact of the additional costs of the Obligation on large consumers of electricity and the potential damage to their competitiveness in international markets. It was suggested that the costs to an individual consumer could be 'capped'.

***Other comments:***

**ROC registry**

Several commented that there should be a central registry of ROCs in order to reduce the risk of fraud and uncertainty over the provenance of certificates. The likely price for ROCs (and hence the level of investment security) would be discounted if there was perceived to be a risk that a significant number of ROCs were not genuine.

**Onsite use**

Several commented on the exclusion of onsite use from the Obligation unless supplied via a licensed supplier. Whilst recognising the constraints of the primary legislation, it was felt that the requirement to involve a licensed supplier would increase the administrative burden and associated costs of onsite generation.

**Long term targets**

Whilst welcoming the 2010 target, some commented that longer term, more ambitious targets were essential to ensure that the renewables industry in the UK continued to grow and develop.

**NFFO site sterilisation**

There was concern over the exclusion of generating stations that were the subject of a NFFO or SRO arrangement where the operator had not made 'best endeavours' to fulfil the NFFO contract. It was felt that this could lead to sites being 'sterilised' for future renewable energy development.

## **Annex A: Respondents to the statutory consultation**

AEP  
AES Electric\*  
Alcan Smelting & Power UK  
Anglesey Wind & Energy  
AON  
Arup Energy  
Assoc of Professional Foresters  
Association of Manufacturers of power  
generating systems\*  
Atlantic Electric & Gas\*  
B9 Energy  
BABFO  
Baywind Energy co-operative ltd  
Berwick Manley Associates  
Besh Energy  
Biffa Waste Services  
Biocal  
Biogas Association  
Bizz Energy  
BOC Process Gas Solutions  
BP Gas & Power\*  
Brett Waste Management  
Brightstar Environmental  
British Biogen  
British Energy  
British Hydropower Association  
British Photovoltaic Association  
Bronzeoak Ltd\*  
BWEA  
C J Day Associates\*  
Campbell Carr\*  
Capel Action Group  
Carbon Processing Ltd  
Central London Waste Management  
Ltd\*  
Centrica  
CES Group  
Chemical Industries Association  
CHP Association  
Cienergy  
Compact Power Ltd  
Concert Energy Ltd  
Corus  
Country Land & Business Association  
Countryside Council for Wales  
CPRE  
Dainton  
Deutz  
Econnect\*  
Edf Trading Ltd  
Edison Mission Energy  
Electricity Association  
Electricity Direct  
Element Engineering  
Ener-g plc  
Energy Intensive Users Group  
Energy Saving Trust  
Energywatch  
Enron  
Enviroenergy Ltd  
Environmental & Planning  
Management\*  
Environmental Services Assoc  
Eos Inc Ltd\*  
EPi Ltd  
Ernst & Young Renewable Energy  
Group  
ETSU\*  
Eunomia Research & Consulting\*  
Fibre Fuel Ltd  
Fibrowatt  
Fichtner Consulting Engineers  
First Renewables  
Forestry Commission  
Fortum Engineering  
Friendly Power\*  
Garnedd Power CO\*  
Gazelle Wind Turbines  
Global Energy Europe  
Graveson Energy Management  
Greater London Authority\*  
green energy (UK) ltd  
Green Land Reclamation  
Green Power Generation  
Greenfinch Ltd\*  
Hammond Suddard Edge  
Holsworthy Biogas  
Home Grown Energy  
Hunter Energy  
IET Energy Ltd  
ILEX Energy Consulting\*  
Immingham CHP Ltd  
Incoteco

Innogy plc  
Institute of Directors  
Institute of Energy  
Intercontinental Utilities  
Intronic Technology Ltd  
KTI Energy Ltd  
Land Energy Resource  
Langworthy Agricultural Holdings  
Linden Consulting Partnership\*  
Local Authority Recycling Advisory  
Committee  
Local Waste solutions  
London Electricity  
London Waste Ltd  
Loughborough University  
Major Energy Users Council  
Marel  
Marubeni Europower\*  
M-Co\*  
Midlothian Council  
Mitsui Babcock  
MPCEE  
Nabarro Nathanson\*  
National Wind Power\*  
NB Wood Consultancy  
NEG Micon  
NERC  
NFPA  
Norddeutsche Landesbank  
North London Waste Authority  
Northern Ireland Electric  
Offshore Energy Resources Ltd\*  
Ofgem  
PDM Group  
Powergen  
Powergen CHP Ltd  
Powertech Solar Systems  
Progressive Energy Ltd  
Prosper de Mulder  
Renewable Power Association  
Renewable Power Systems  
Reprotech  
ROAR  
Roves Farm  
RSPB  
Schuco International  
Scottish & Southern Energy  
Scottish Consumers Council  
Severn Trent  
Shanks Group plc

Shell Renewables  
SITA\*  
Slough Heat & Power  
Solar Century  
South West Water  
St Clements Services Ltd\*  
Talbotts Heating  
Thames Water  
The Boots Company  
Tidal Electric Swansea Bay Ltd  
Tradelink Solutions  
Trefnu Cymunedol Cymru  
TV Energy  
TXU Europe  
UK Coal Mining Ltd  
United Utilities  
University of Strathclyde  
Utility Auditing Ltd  
Utility Link  
Viridor Waste Management\*  
Warwick Energy\*  
Waste Recycling Group plc  
Wastegen  
Water UK  
West Beacon Farm  
Western Hydro  
Western Power Distribution  
Wind Energy  
Woodland Trust  
WRG\*  
WWF  
Wykes Engineering

**Key:**

\* No written response made; attended  
consultation meeting

**Private individuals**

Cllr Gurudeo Saluja

Colin Anderson

David Milborrow

Elizabeth Mann

Gareth Dodds

Gilbert Valentine

Neil Kermode

Nik Kieboom

Paul Hope

Paul Hopewell

Prof John Twidell

S Cresswell

Tina Bows