

## Preliminary briefing on UK Renewable Energy Proposals published 15 July 2009

The government published a large number of documents on 15 July. These largely have the status of mature proposals (i.e., several years of consultation already behind them) and are at the final stage before passing into law. **This means the contents are extremely likely to happen but the government can still change critical details at the last moment in response to lobbying.**

## KEY POINTS FOR ENCRAFT'S CUSTOMERS

### General

- The introduction of nationally fixed and guaranteed feed in tariffs for renewable microgeneration from April 2010 and for heat technologies from April 2011 will create a much more stable and predictable environment for people wanting to develop small scale renewables projects.

### Feed in tariffs (FIT)

- A feed in tariff (FIT) is a payment per unit (kWh) of electricity generated by a renewable energy technology (like a solar panel or wind turbine). FITs vary by technology and size of project (see table below) but they are fixed at the time the project is commissioned, and guaranteed for 20 or 25 years. This means project owners have a high degree of certainty about likely returns.
- FITs replace grants – so instead of getting up front capital subsidies, projects will get long term higher and guaranteed income streams. In other countries where the same scheme has been in place for some time, this has resulted in banks offering low cost loans and other financial products to make financing renewables easier.
- FITs will be compulsory for projects less than 50kW, and optional for projects up to 5MW.
- All smaller projects developed from now on are eligible for these incentives when they are confirmed, which will be shortly before April 2010.
- FITs will be paid on metered generation. There will also probably be guaranteed payments for metered exports. A further benefit stream is available from avoiding paying for electricity you would otherwise need.
- Projects will have to use MCS-accredited technologies and installers below 50kW, and above 50kW eligibility rules are as for RO schemes (OFGEM approval required)
- FITs for many technologies will be 'degressed' at a rate of 7% p.a. – this means projects implemented sooner will get bigger returns.
- Off grid projects are eligible.
- Payment will be linked to ownership of the equipment, but agents can be appointed to manage the FIT process and handle the finances.
- Existing projects will get a fixed FIT at a rate of 9p/kWh. This reflects the fact that they will almost all have already received significant subsidy in the form of grants.
- Domestic projects which are commissioned between now and next April can receive a grant *and* FITs at a higher rate. This is an anomaly in favour of customers which the

government is aware of and has decided to leave in place. Commercial projects in the same category will have to repay grants to become eligible for FiTs.

- FiTs will be available from all electricity suppliers at the same rate. It will be illegal to link access to FiTs to import tariffs (i.e., you can't be forced to buy power at higher prices in order to access FiTs) There will be a mechanism between the utilities to pool the total costs and then add these to all electricity bills – thus the costs of supporting renewable generation and environmental benefits are spread across all electricity users fairly, and in a way that may have a very small impact on encouraging energy efficiency.

### **Renewable heat incentive (RHI)**

- A similar scheme for renewable heat (e.g., solar thermal and biomass) is proposed from 2011, but the details of this are not yet clear. It is expected to be similar in operation to FiTs.

### **Other announcements**

- There is a commitment to review and change local planning guidance again.
- The rules for grid access will change by June 2010.
- Smart grid plans will be published by June 2009.
- Smart meters will be rolled out by 2020
- The government have invested a further £50 million in projects to encourage the transition to a low carbon economy. Of this £10 million is for the Low Carbon Retrofit Challenge. Encraft are already involved with two of the 100 projects selected after the first round of this challenge.

Overall the government estimate that these various incentives and changes will result in 4 million domestic microgeneration installations by 2020.

### **Our view**

We believe this kind of market-based incentive is the right approach to encouraging small scale renewables and are very supportive of it.

FiTs give customers more power and choice, because the level of reward for project owners depends on how well their systems work, how well they are installed, and how well maintained they are. This level of long-term quality assurance and emphasis on customer and supplier responsibility is not present in a grant based system, so FiTs are a big step forward and in the interest of good renewables companies and customers who really want to make a difference.

Encraft  
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A table of proposed feed in tariffs is provided below.

**Table of proposed generation tariffs for first year of FITs (2010-11) Technology**

Technology	Scale	Proposed initial tariff (p/kWh)	Annual depression (%)
Anaerobic digestion	Electricity only	9	0
Anaerobic digestion	CHP	11.5	0
Biomass	<50kW	9	0
Biomass	50kW-5MW	4.5	0
Biomass	CHP	9	0
Hydro	<10kW	17.0	0
Hydro	10–100kW	12.0	0
Hydro	100kW–1MW	8.5	0
Hydro	1-5MW	4.5	0
PV	<4kW (new build)	31.0	7
PV	<4kW (retrofit)	36.5	7
PV	4-10kW	31.0	7
PV	10–100kW	28.0	7
PV	100kW–5MW	26.0	7
PV	Stand alone system	26.0	7
Wind	<1.5kW	30.5	4
Wind	1.5–15kW	23.0	3
Wind	15–50kW	20.5	3
Wind	50–250kW	18.0	0
Wind	250–500kW	16.0	0
Wind	500kW–5MW	4.5	0
Existing microgenerators transferred from RO34		9	N/A

*Source: DECC Consultation Document 15 July 2009*