

BWEA



Delivering the UK's wind, wave and tidal energy

Introduction of Banding to the Renewables Obligation (Scotland), preliminary consultation Submission by BWEA

The British Wind Energy Association (BWEA) is the leading UK trade association in the field of renewable energy, with 400 corporate members representing the large majority of the wind energy business in this country. Wind energy is the fastest-growing renewable technology in the UK, and it will make an increasingly significant contribution to our electricity supplies over the next decade and beyond. BWEA also represents the interests of the emerging wave and tidal stream energy sector, building on its experience in the development of offshore wind. BWEA thus welcomes the opportunity to comment on the Scottish Government's proposals for the implementation of banding in the ROS.

In general, BWEA believes that consistency between the three Renewables Obligations, in England & Wales, Scotland and Northern Ireland, is very important. We are therefore concerned about measures that could introduce significant differences and thus distort the market in the UK. Even relatively small differences applying to tens of MW are of concern, as well larger ones applying to hundreds of MW. This general attitude is reflected in the specific points that the Scottish Government invited feedback on, to which we now turn.

Wave/Tidal Stream Support

"We would welcome consultees' views on our proposal that wave and tidal stream output should receive support at a higher level than that proposed by the UK Government."

As emerging technologies with much development still to come, it is clear that the marine renewables of wave and tidal stream need high levels of support. The evidence on support levels that the consultation

paper quotes is in line with BWEA's view that these technologies need more support than having a multiple under banding of 2ROC/MWh would provide. This support on top of the 2ROC/MWh level could be up to £150/MWh (or the equivalent in capital grant) for the earliest projects supported.

However, it is BWEA's clear preference that the difference in support between 2ROC/MWh and the required amount should come in the form of a consistent, UK-wide supplementary scheme rather than having the Scottish Government institute a separate 'superband' in the ROS. UK Government noted in last year's Energy White Paper, where the banding proposals were set out, that additional support on top of 2ROC/MWh would be required.

The recently launched consultation on the UK Government's Renewable Energy Strategy (RES) is a key opportunity for suitable UK-wide support to be brought forward. BWEA is seeking to form a consensus across its membership on the structure and levels of support for marine technologies as a part of our response to that consultation. We would urge the Scottish Government to engage closely with UK Government to ensure that a suitable scheme results, benefiting the wave and tidal stream sectors in both Scotland and the rest of the UK.

We would not wish for the failure to implement such a UK scheme to result in marine renewable technology developers being faced with insufficient support after they have been backed by the Marine Renewables Deployment Fund. However, this needs to be balanced against the potential impact that differences between the UK Obligations could have. We believe, therefore, that if insufficient support is brought forward on a UK-wide basis, then the Scottish Government should retain the MSO in preference to instituting a higher band or bands for wave and tidal stream. This is very much our second choice, however.

"We would welcome feedback and views on the levels at which this support should be set."

As noted above, BWEA is looking to produce a settled view on the exact levels of support required in the timescale of the RES consultation, and so we are not able to provide a precise view here. Some principles can be set out, however. These levels of support should be provided through a '2ROCs-plus' solution, as set out above.

Since the levels have been established, the most obvious benchmark for support is what is implied by the Marine Supplier Obligation. The MSO provides very different levels of support to wave on the one hand and tidal stream on the other. BWEA is of the view that it is still too early to make such a large distinction between the two forms of marine renewables, however. Once early arrays have been brought forward under the MRDF (which makes no distinction between the two resources in terms of support level), then we will be in a better position to determine whether there needs to be a difference in support, and if so how large. Until this real experience has been gained, BWEA does not believe that different levels of support should be set.

One key aspect of support for marine renewables at their current stage of development is that it should not impose risks onto initial projects additional to those already inherent in the technology at its early stage. While there are differences in opinion within the sector between those who would prefer capital or revenue support, it is certainly the case that a ROC multiple 'superband' in the ROS would expose these developments to a high level of price risk that could deter investors.

"We would also welcome consultees' views on the suggestion that developers be allowed the choice between support at a higher level or at a lower level coupled with capital funding support from a UK grant scheme."

It is BWEA's clear preference for a '2ROCs-plus' solution, consistent across the UK, so this choice should not arise in the way implied by the question. It may be helpful to build such flexibility into any UK-wide scheme, however, since there are different attitudes to risk between companies and investors. Some would prefer higher revenue, others the risk reduction that an up-front capital grant provides. BWEA will be seeking to develop proposals for a tailored support scheme that allows for flexibility if required.

Energy from Waste

"Do you agree with our proposal that EfW stations using advanced conversion technologies should have their qualification for the higher band linked to good quality CHP fitment/minimum efficiency standards?"

BWEA does not agree with this proposal. Advanced conversion technologies are by definition at an early stage and investment in

them could be discouraged by overly prescriptive requirements before they can access higher support. If the Scottish Government wishes to support CHP, then it should be using measures to support the heat production separately. The UK Government is seeking views on just such a mechanism through the RES consultation.

“What advantages/problems do you foresee linked to this approach?”

As noted above, this approach could act as a barrier to advanced conversion technologies being rolled out swiftly.

Island Wind

“We would be grateful to hear the views of stakeholders on this subject, and happy to consider any evidence for or against a higher level of support for wind capacity on the Scottish islands.”

Unlike the position in the wave and tidal sectors, where introducing different multiples in Scotland would be a relatively small perturbation of the UK Obligations, moving onshore wind projects on the Scottish islands into the same band as offshore wind would have a significant impact. Given that developments of about 1GW are already in hand, it would significantly affect the overall supply of ROCs, and distort the market for onshore wind development. The capital costs of building onshore projects in the islands are not double elsewhere on land, as costs for offshore projects are, and operation and maintenance costs are considerably lower than offshore also. The greater wind resource that can be accessed on the islands compensates for higher capital costs and transmission charges.

Evidence for this position comes from the recent report from IPA and SKM to BERR on the relative economics of island wind farms, performed in the context of the power under Section 185 of the Energy Act 2004 to limit transmission charges for projects on the islands¹. This found that the wind resource in Orkney and Shetland could result in projects being economic even without limits on transmission charges, and that with some limits on charges, western isles projects would be economic.

It is thus not at all clear that the economics of these projects requires that they have additional support. This is underlined by the fact that

¹ The report can be found at: www.berr.gov.uk/energy/markets/electricity-markets/transmission-adjustment/page30160.html

developers have been working on many projects for a considerable period, from well before the idea of banding was hatched. It would appear that development on the islands would be better served by getting the planning framework right and ensuring that appropriate grid links are available.