

Between a ROC and a Hard Place

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BWEA

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Agenda

- What does the package of changes being consulted on look like?
- What are the core questions that need to be answered?
- How is BWEA managing the process of responding to the consultation?

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The Package

- Banding
- Guaranteed Headroom
- Buy-out Price Freeze
- Ski-slope

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Banding

- Government looking to support emerging technologies without adding cost to the consumer
- Aim to protect existing investment
- Avoidance of 'oversubsidisation'

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Four Key Principles

- Grandfathering
 - Will discuss in a moment
- Notification
 - Notice period before changes made to bands
- Transparency
 - Open and clear system for band setting
- Reliability
 - Bands set on basis of independent and objective assessment of full project costs

Grandfathering (1)

- All operating plant (except cofiring) continue to get 1ROC/MWh
- All plant built before banding introduced get 1ROC/MWh
- Once built, projects will get the multiple set at the start of their lives

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Grandfathering (2)

- Technologies 'banding up' will get 1ROC/MWh until banding introduced, then get higher multiple
- Exception for projects in receipt of capital grant
 - But if you give it back you can have higher multiple

Grandfathering (3)

- Technologies 'banding down' will get less than 1ROC/MWh after a cutoff
- Criterion for determining when project band set could be time of first generation, or perhaps when construction starts or project consented

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Net neutral banding

- Government is aiming to have the number of ROCs in the market roughly equal to the number of ROCable MWh
- This will mean what is given through banding up will have to be taken away through banding down

What kind of bands?

- Government proposing to band by technology
 - Onshore wind, offshore wind, solar, etc
- Bands could be subdivided
 - Small wind band?

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Changing bands?

- Question of period between changes to multiples
 - Consultation suggesting at least 3-5 years between reviews
- Review could be dictated by capacity trigger rather than passing of time

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Timing

- Changes require primary legislation
- Consequently banding cannot start before April 2009 at earliest
- What happens before then?
- Once decision made to band, Government will aim to define multiples quickly
 - Still not until late 2007

Guaranteed Headroom

- Obligation post-2015
- Levels set a year ahead at least 1% over expected generation of ROCable MWh
- Up to maximum of 20%
- Leeway to set Obligation at higher headroom further ahead

Breaking the RPI link

- After 2015, the buy-out price will no longer rise with RPI
- Thus rise in Obligation to 20% will not cost consumers more in real terms
- ROC value drops every year post 2015

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Ski-slope

- Mechanism to avoid price crash if Obligation met
- Implications for RO compliance cycle and cash flows
- How will it interact with mutualisation?
- Unclear what effect this will have on behaviour in the market

Some Key Questions

- To band or not to band?
- Can 'net neutral banding' work?
 - Is there enough leeway to band up offshore and marine appropriately, without penalising onshore wind?
- What should be the criterion that governs the cutoff for onshore wind grandfathering?
- Does the whole package work together?

BWEA Process

- Membership of BWEA working group now finalised by BWEA Board
- Group will formulate our response for presentation to members in early December
 - Consultation ends 5 January
- Instruction to agree a consensus position – no 'minority reports'

Working Group Members

- Henning von Barsewisch, REpower
- David Crowther, Centrica
- Paul Dowling, Airtricity
- Mark Giulanotti, Bank of Scotland
- Willie Heller, Falck Renewables
- Andrew Jamieson, Scottish Power
- Adam Langridge, Hammonds
- Andrew Murfin, Shell WindEnergy
- Mark Petterson, Warwick Energy
- Nic Rigby, Npower
- Tim Smith, McNicholas Construction
- Dale Vince, Ecotricity
- Martin Wright, Marine Current Turbines

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Contributing to the process

- BWEA will aid members who wish to put points of view to the working group
- The group will cooperate with REA so that a common submission can result

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Let the debate begin!

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