

## **BWEA response to the Scottish Executive's consultation on the Terms of Reference of the fundamental Review of the Renewables Obligation (Scotland)**

17/9/04

The British Wind Energy Association (BWEA) is the prime voice of the wind industry in the UK, counting 339 companies as members from all parts of the sector (see [www.bwea.com](http://www.bwea.com) for full listing). As the renewable power generation technology which is currently most cost-effective, wind power will be the largest contributor to the Renewables Obligation (Scotland) targets, and thus the Association is taking a keen interest in the Review. The Association also recently widened its mission to champion the emerging wave and tidal stream technologies which promise to be important in the future. The Review will also affect the UK's ability to promote these next-generation renewable technologies.

The BWEA strongly welcomes the Scottish Executive's moves to limit the scope of the ROS Review so as to maintain investor confidence in what is still a young policy instrument. The BWEA looks forward to working with the Scottish Executive to cement the ROS' success to date and its contribution to the future growth of renewable energy in the UK. In order to further minimise the ability of the Review to disrupt the renewables market, the BWEA hopes the Review will be brought to a prompt conclusion. The limited nature of the Review should help to ensure this is so.

To further bolster investor confidence in the ROS, BWEA presses the Scottish Executive to give strong reassurances that once the fundamental Review is completed, the system will not be reviewed significantly for a considerable period, and that any reviews that may be required will be extremely limited



and technical in nature. There have been quite significant changes to the RO in each year of its operation, and the BWEA hopes that the current Review will result in a stable system without regular, disruptive changes in the future.

Turning to the areas the Terms of Reference rule in to the Review, the BWEA has comments it hopes the Scottish Executive will consider. In 4(i) the Association wishes to emphasise that the effectiveness of the ROS should be reviewed in the context of other obstacles outside of the incentive system, for instance planning problems, that can affect the installation rate of renewable energy technologies. The ROS has been very effective in stimulating business interest in renewables, and any delays in building new generation capacity are largely for other reasons.

In 4(ii), it is not appropriate to imply that the profile of the ROS beyond 2015 may be unchanged by the Review – it will have to change in this Review, or otherwise it will have to be revisited shortly afterwards in order to provide the market with continuing growth. The sentence should be changed to “The Review will consider what changes are necessary beyond 2015 to maintain confidence in the mechanism.”

Turning to the working arrangements of the ROS (4(iii)), it is important that the establishment of a single buy-out fund for the UK must be a part of this Review if it is not included in the changes to the RO which will be put in place by 1 April 2005 (currently being consulted on). The BWEA would warmly welcome the establishment of such a single fund. On a wider point, there should be an examination of the costs and benefits to all participants across the value chain from generator to consumer, and how the RO could be made to work in ways that would minimise costs to generators and suppliers as well as consumers.

4(iv) raises the possibility of an ‘exit strategy’ for technologies that have reached competitiveness with ‘conventional’ technologies. The BWEA welcomes this move in principle, with the proviso that a robust grandfathering mechanism is put in place. With the partial internalisation of external costs of power generation through the European Trading System for carbon dioxide and the continuing drop in the cost of wind power, it is appropriate to consider withdrawal of RO eligibility from onshore wind power at some point in the future. This will have to be very carefully done, however, to ensure that the market is not unduly negatively affected.

With regard to the introduction of mixed wastes into the RO (4(v)), the BWEA would ask only that investor confidence is maintained should refuse-derived fuel become eligible. This would be through adjusting the profile of the Obligation to accommodate the increased ROC supply, or a similar offsetting measure.

For CHP and the RO (4(vi)), the BWEA would like to emphasise that it is in favour of CHP and would like to see it developed swiftly. However, the Association feels that the RO is not the right place to address the additional support necessary for this technology; it would welcome policy measures that

promote CHP without affecting the operation of the RO, for instance a CHP Obligation. The BWEA recognises that the topic of excluding CHP power from the Obligation base must be covered due to promises made during the recent passage of the Energy Act 2004 through parliament.

Should the Scottish Executive wish to discuss any of these points, please contact Gordon Edge on 020 7689 1967/07968 843 789, [gordon@bwea.com](mailto:gordon@bwea.com).