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**RENEWABLE ENERGY FOUNDATION**

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**Renewable Energy Foundation Response to:  
Statutory Consultation on the Renewables Obligation Order  
2011  
(ROO 2011)**

**19 October 2010**

**About The Renewable Energy Foundation**

The Renewable Energy Foundation is a registered research and education charity encouraging the development of renewable energy and energy conservation whilst emphasising that such development must be governed by the fundamental principles of sustainability. REF is supported by private donation and has no political affiliation or corporate membership. In pursuit of its principal goals, REF highlights the need for an overall energy policy that is balanced, ecologically sensitive, and effective.

## **General Comments**

In earlier consultations on previous revisions of the Renewables Obligation, REF recommended banding as a means of avoiding a serial concentration of investment on the least capital-intensive technology available. However, the continued need for adjustments, elaborations and revisions to the policy to avoid other unforeseen consequences and to steer the market toward specified outcomes suggests that this experiment has not been successful.

The current phase of revision adds further layers of complexity to a system already Byzantine, and entails the likelihood of high administration costs, error, gaming, and further unforeseen consequences needing yet more revisions.

Furthermore, the interests of the subsidising consumer are being lost from view, and the focus of the administration (DECC) seems to be on meeting its administrative goals without regard to providing value for money. DECC should consider whether the need to constantly revise the RO shows that the instrument is fundamentally flawed, and should be cancelled.

We remind DECC that the RO is classified by HMT as a tax, and that the very considerable revenues transferred to generators are classified as public expenditure. An hypothecated tax that is in need of constant and fundamental revision, and where the need of the recipient is unverified and uncertain, cannot be soundly based, and is in clear need of further parliamentary scrutiny, probably leading to replacement.

## Offshore Wind Phasing

1. ***Do you agree with the proposal to phase support for offshore wind to account for the longer construction period?***
  - 1.1. No, for the following reasoning.
  - 1.2. The consultation notes that phased support could lead to a developer building some turbines to establish the offshore wind farm within a particular ROC band, but then delaying building the rest of the wind farm. It is proposed that tranches of turbines may be registered on successive anniversaries of the accreditation of the first tranche, with the final phase being registered on the fifth anniversary. Each tranche would be in the same ROC band as the first. Each tranche would receive ROCs for 20 years from the date of registration of the tranche, subject to a maximum of 31 March 2037.
  - 1.3. This seems to suggest that a partly-built off-shore wind farm, accredited on 30 March 2014 would be built in time to be in the band receiving 2 ROCs per MWh – not only for what is erected by 30 March 2014, but for all successive turbines added to the wind farm in the 5 years up to 30 March 2019.
  - 1.4. When the increase in support for off-shore wind was first proposed in April 2009, it was described as being for a time-limited period and was initially limited to wind farms where construction started before the end of 2011. Those wind farms where work commenced before the end of 2012 were to drop back to 1.75 ROCs per MWh and thereafter it was expected that offshore wind would receive 1.5 ROCs per MWh.
  - 1.5. We are not aware of evidence which justifies supporting the increased ROC band for offshore wind out to 2019. The report which DECC commissioned from Ernst and Young, entitled *Cost of and Support for Offshore Wind (27 April 2009)* recommended the increase in banding for offshore

wind from 1.5 to 2. However, it noted that higher than anticipated costs for off-shore wind may in part be attributed to the relative immaturity of supply chain and support services driving market inefficiencies.

1.6. The report noted that technological development and learning were already underway. The authors' most optimistic model for future costs, assuming eased supply constraints and lower cost of capital, showed offshore wind farms being viable at a support level of 0.6 ROCs per MWh by 2015. If this scenario materialised, the additional unnecessary subsidy provided for offshore wind would not only be an unreasonable cost to the consumer but would be at the expense of other renewable energy sources.

1.7. Our calculations based on the offshore wind farms under construction, awaiting construction and with submitted planning applications, indicate the likelihood of the offshore wind subsidy for these 15 wind farms alone costing the consumer £2 billion per annum. This is an unreasonable level of subsidy to be allocated to one technology particularly in view of the fact that the estimated costs that are the primary reason for this large subsidy are not divulged by the developers themselves. It is clear that it is an unsatisfactory situation for recipients of public support to be responsible for assessing their own need on a confidential basis.

**2. *Do you agree that phasing of capacity should be limited to once a year for a maximum of five years?***

2.1. No. For the reasons given above.

**3. *How do you think the capacity to be included in each phase should be determined e.g. split equally or based upon operational capacity? Please give your reasons.***

**4. *Do you think each phase should be metered separately or would a pro-rata approach be more appropriate?***

- 4.1. Each individual turbine has a computer system which monitors and controls its output on a sub-hourly basis. We believe that it should be mandatory for this data to be put into the public domain as a pre-requisite for receiving the RO subsidy. If this were the case, it would be possible to monitor compliance with RO claims which would result in this particular issue being less problematical. But certainly it would be more economical for the regulator and clearer for the public to have the phases metered separately.
5. ***Do you agree that the band applied to each phase should be the same as the band awarded at initial accreditation of that capacity?***
- 5.1. No. This is for the reasons given above. It should be mandatory to provide evidence of costs. Without this evidence, it is impossible to justify elevated subsidies being available out to 2019. The consumer interest should be regarded as overcoming any argument of commercial confidentiality.
6. ***Do you think a minimum accredited capacity or any other criteria should apply to this policy i.e. the station or additional capacity must be a certain size to qualify? If so what do you think this should be?***
- 6.1. It would be difficult to defend a policy which favours the big players over smaller competitors. Consequently, we believe that the same rules should apply to all equally.
7. ***Do you agree that phased support should only be available for offshore wind generators?***
- 7.1. It is feasible that other technologies would also benefit from phased support and it is difficult to justify special measures for one renewable technology which potentially distorts the market in its favour. Consequently, we believe phased support is a mistake for all technologies.

### **Sustainability criteria for biomass**

We have only a general point to make on this section of the consultation. We note and agree that compliance and reporting could be burdensome particularly for small businesses. However, we believe that putting as much information as possible into the public domain would be helpful. Enlisting public understanding and support for monitoring sustainability and meeting renewable targets is highly desirable. We believe the public are an untapped resource and with their help, ensuring sustainability of biomass farming practices may be significantly easier.

### **Sustainability criteria for bioliquids**

We have only a general point to make on this section of the consultation and that is related to the proposed independent audits. We believe that all information regarding auditing should be put into the public domain to ensure public trust in the processes. For example, we would expect to know who is doing the audits, what their qualifications are, the results of any of their tests and the content of any report, etc.

### **Refurbishment and replacement**

**22. *Do you agree that additional support should be introduced for refurbishment and replacement in existing stations?***

22.1. No. While the idea is superficially appealing, effectively managing such a variation to the RO would be impossible for the reasons made clear in the consultation. E.g. how could one distinguish between minor and major refurbishment/replacement? Given that much of the infrastructure costs have already been subsidised to a substantial degree, why should further subsidy be provided?

22.2. In view of the fact that there is no requirement for a developer to divulge the actual costs incurred, there is no evidential base on which to determine the level of any further subsidy. From data in the public domain, we see

examples where wind farm projects pay for themselves in 3 to 10 years, but continue to be subsidised for a further 10 to 17 years. In these circumstances, further subsidies could not be justified.