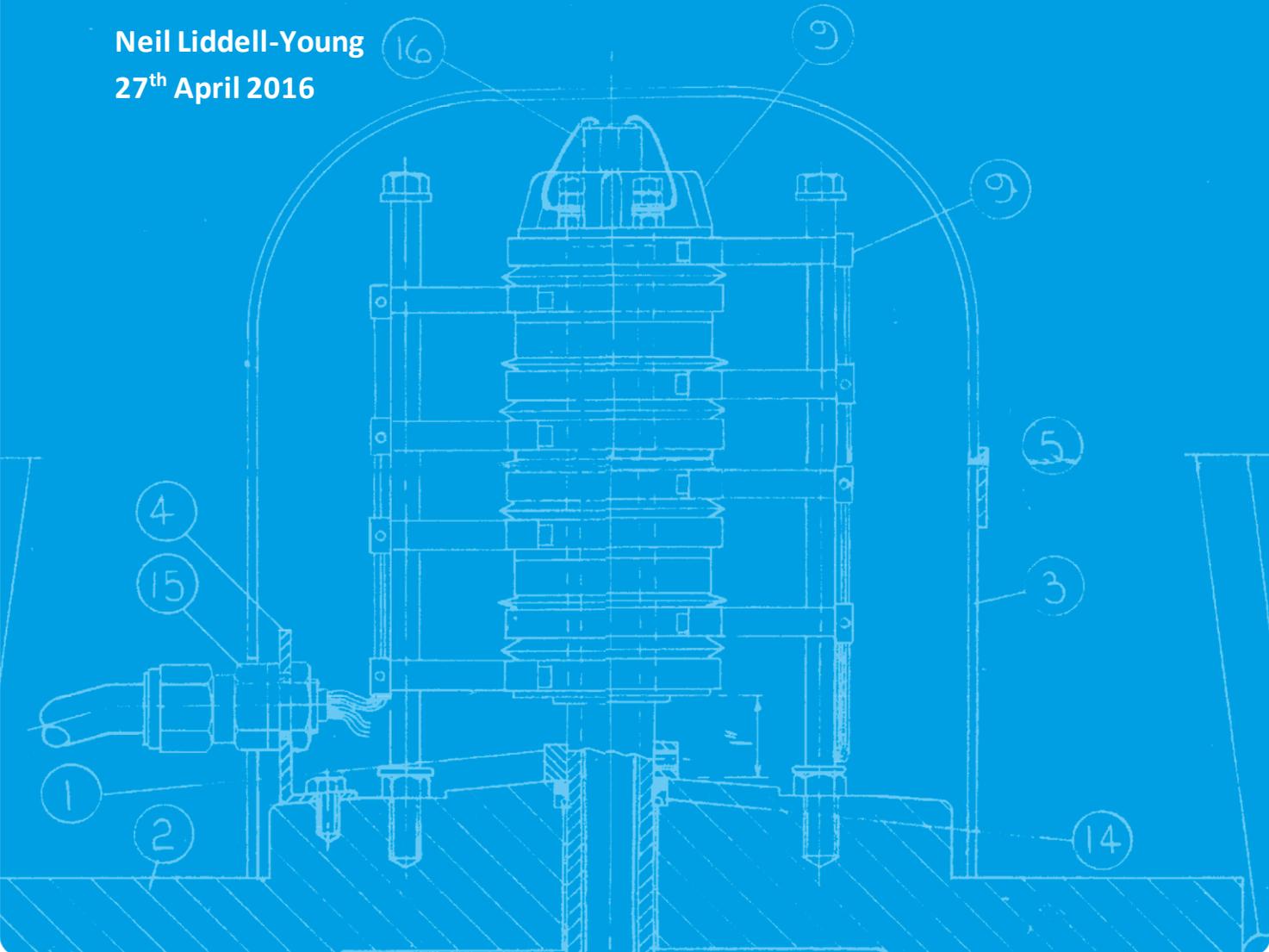


The Renewable Heat Incentive

*A reformed and refocussed scheme
SVT Response*

Neil Liddell-Young
27th April 2016



No.	Question	Response
1	Do you agree with the proposed policy approach for degression and trigger setting? Yes / No. Please provide evidence to support your answer.	Yes provided the proposed interaction with tariff guarantees is implemented.
2	<p>A budget cap introducing the ability to close the scheme to new deployment is necessary to ensure we can protect the budget. Do you agree that:</p> <p>a) The budget cap should be kept as a final backstop with minimal notice periods for the implementation of closure? Yes / No. Please expand.</p> <p>b) The budget cap should only be deemed likely to be hit, and closure only be deployed when we assess that it is likely RHI commitments from plants commissioned or plants in the immediate pipeline on the verge of commissioning would consume available budgets? Yes / No. Please expand.</p> <p>c) That a 21 day notice period will allow only those plants on the verge of commissioning to proceed? Yes / No. Please expand.</p>	<p>Yes provided that all pre accredited sites are unaffected</p> <p>Agreed</p>
3	<p>a) Do you agree with the proposal from 2017/18 onwards for discretion to close the Non-Domestic scheme only, noting that this would mean that that scheme could be closed before it was assessed that 100% of overall budget was committed? Yes / No. Please expand.</p> <p>b) Do you have any suggestions as to how best to manage any additional uncertainty from this proposal?</p>	Yes provided that all pre accredited sites are unaffected
4	<p>a) Are there any other features of the budget cap policy that could be improved?</p> <p>b) Do you have any suggestions of how these improvements could be delivered?</p>	No comment
5	Can you provide any compelling evidence as to why RPI would be a more appropriate measure of inflation than CPI for all technologies across the RHI?	No comment

6	<p>Do you agree simplifying the rules for additional capacity as proposed will help achieve better value for money? Yes / No.</p> <p>Please provide any evidence which demonstrates the possible impacts of making this change.</p>	Yes
26	<p>a) Do you agree that limiting the use of some feedstocks will deliver more cost-effective carbon abatement? Yes/No. Please provide evidence to support your answer.</p> <p>b) Apart from wastes and residues, are there other feedstocks which should not be subject to payment restrictions? Yes/No. Please provide evidence to support your answer.</p>	No comment
27	Do you prefer option 1 or 2 as a method of limiting payments in respect of biogas / biomethane derived from crops? Option 1 / Option 2. Please provide your reasons and include any evidence.	Option 2 to provide flexibility to maintain the biological health of the digester during short term periods of insufficient food waste e.g. holiday periods.
28	<p>a) Do you agree that from spring 2017 the tariffs for new biomethane installations are likely to require resetting to bring forward new deployment? Yes / No. Please provide evidence to support your answer.</p> <p>b) Do you agree this should not include resetting the tariffs for biogas? Yes / No. Please provide evidence to support your answer.</p>	<p>This depends on the level of degeneration that occurs during 2016-17.</p> <p>Our current business cases and similar future opportunities require a £50 / MWh tariff to meet our required level of return. We assume a central scenario around the feedstock availability, gate fee and future gas export value sensitivities.</p> <p>We agree that the RHI budget should deliver the best possible value for money, if it is too high there may be a rush to accredit which will utilise budget quickly and will not be in the best interest of UK plc (lower GWh/£ of taxpayers money) We also believe that the incentive should encourage technical excellence and innovation, again a tariff that is too high may reward speed rather than value for money.</p> <p>No comment</p>

29	<p>a) Do you agree that adding capacity to existing biogas and biomethane installations could result in payments which are not targeted towards the most cost effective biogas and biomethane production? Yes/No. Please provide evidence to support your answer.</p> <p>b) If yes, how can the risks be mitigated?</p>	No.
30	<p>a) Do you agree with proposals to increase auditing requirements? Yes / No. Please expand.</p> <p>b) Do you think there are any wastes which should not be subject to unlimited payments? Yes/No</p> <p>c) Is there additional evidence that could be used to demonstrate that a generator intends to use waste? Yes / No. Please expand.</p>	<p>Yes</p> <p>No</p> <p>Yes, the planning consent / conditions</p>
31	Do you agree with the proposal to remove support for heat used to dry digestate for new installations? Yes / No. Please provide evidence to support your answer.	Yes, there is no evidence to demonstrate that this is the best technology for Digestate reuse.
32	Are there other uses of biogas heat which you do not consider a good use of the RHI payment? Yes / No. Please provide evidence to support your answer.	No comment
46	<p>a) Our policy on tariff guarantees is that they should only be available to projects with long-lead times and which involve high capital expenditure. Do you agree installed capacity is a reasonable proxy measure for these criteria? Yes / No.</p> <p>b) If No, what alternative proxy would you suggest?</p> <p>c) Do you agree with the suggested capacity limits for eligibility for tariff guarantees as set out in paragraph 11.15? Yes / No.</p> <p>d) If No, what capacity limits would you suggest? Please provide evidence in support of your answer.</p>	<p>Yes</p> <p>Yes</p>

47	<p>a) Please provide your views on the application process outlined in paragraphs 11.27 – 11.56, specifically:</p> <p>i. Can this process work for industry (i.e. does it fit with business planning and management of projects)?</p> <p>ii. What modifications could be made to improve it?</p> <p>b) We propose to award the tariff guarantee at stage two of the application process, as described in paragraphs 11.33 – 11.36, but are interested in stakeholder views and evidence which may support the awarding of a tariff guarantee at stage one instead.</p>	<p>Yes</p> <p>Lock in tariff at stage 1 because the business model secures funding based on this tariff</p>
48	<p>It will be critical to the success of the tariff guarantee scheme that plant owners are able to provide accurate maximum plant capacities and reliable expected annual eligible heat output or injection rates.</p> <p>a) We therefore invite stakeholder views on the approach described at paragraphs 11.48 – 11.49 which proposes limiting the level of RHI payment based on the declared maximum capacity of plants.</p> <p>b) We also invite views on the proposals to require applicants to provide separate evidence that substantiates heat loads; as well as alternative approaches to this issue.</p>	<p>All business cases will have a financial model based upon plant throughput forecasts. A declaration could be made and audited on this basis.</p>
49	<p>We require a high degree of certainty that a tariff guarantee for large Ground and Water Source Heat Pumps can operate within the proposed framework.</p> <p>a) We welcome evidence of whether the requirement to reach financial close as it is currently proposed can work for Ground and Water Source Heat Pumps.</p> <p>b) Please suggest any alternative approaches to financial close, or minor modifications to the application process to improve its operation with regard to large heat pumps. Any approach would need to provide DECC with sufficient assurance that large Ground and Water Source Heat Pump projects will go ahead and commission.</p>	<p>No comment</p>

50	<p>a) Do you agree with the suggested capacity limits for Air to Water Heat Pumps and to Ground and Water Source Heat Pumps who wish to apply for preliminary accreditation? Yes / No.</p> <p>b) If No, what capacity limits would you suggest? Please provide evidence in support of your answer.</p> <p>c) Please provide any evidence and reasoning to support the extension of tariff guarantees to Air to Water heat pumps, and suggest what capacity limit should apply, if any.</p>	No comment
51	<p>Tariff Guarantees would provide larger plant with certainty of the tariff they will receive ahead of their commissioning, provided they meet eligibility criteria including demonstration that financial close has been reached on the project. Do you agree that a plant granted a tariff guarantee should be protected from any scheme closure if the budget cap (described in Chapter 3) is subsequently assessed as likely to be hit, meaning that it will still be able to commission and be accredited or registered onto the scheme? Yes / No.</p> <p>When considering your response it is important to recognise that a plant granted a tariff guarantee (but not yet accredited/registered) will be counted towards our assessment of estimated spend and whether budget management trigger levels have been met and/or the budget cap is likely to be hit; and that this approach to counting tariff guarantee plant will therefore affect when budget management triggers are met and any scheme closure is triggered.</p>	<p>Yes</p> <p>Understood and necessary</p>
52	<p>Do you have any thoughts as to how to minimise the above risk of counting committed spend from plant awarded a tariff guarantee and the potential this has to result in premature scheme closure?</p>	<p>Introduction of a substantial deposit that is forfeited if the project does not accredit.</p>

53	<p>Does your interest in the RHI relate to the operation of the scheme in a particular geographical area?</p> <p>a) England</p> <p>b) Wales</p> <p>c) Scotland</p> <p>d) GB-wide</p>	d) GB wide
54	<p>We are interested in stakeholders' experience of our regular RHI deployment statistics publications.</p> <p>a) Do you use these statistics? Yes / No.</p> <p>b) If yes, for what purpose?</p> <p>c) Is there any information within the statistics that you find especially useful? Yes / No. Please expand.</p> <p>d) Is there any information not provided in the statistics that you would find useful? Yes / No. Please expand.</p>	<p>Yes</p> <p>Predict future degression</p> <p>Deployment</p> <p>Forecast degression/ proximity to budget cap.</p>
55	<p>Do you have any further comments or suggestions on the proposals included in this consultation, or on the RHI in general?</p>	No comment