

Renewable Energy

EMR - Draft FiT CfD strike prices

On 27th June this year, following George Osborne's announcement in the Spending Review the day before, Chief Secretary to the Treasury, Danny Alexander, outlined the Government's plans for investing in Britain's infrastructure. DECC also took the opportunity to publish further details on Electricity Market Reform (EMR), including, to the surprise of some, the publication of draft "strike prices" for the new Feed in Tariff Contracts for Difference (FiT CfDs) that will be available for non-fossil fuel generation from 2014. The position on nuclear is still not clear, but for renewables the draft strike prices are now in the public domain and are being debated. Alongside this, DECC also issued an update on the FID Enabling Scheme process, a process designed to help non-fossil fuel developers overcome the inevitable concern of funders leading up to the implementation of FiT CfDs. Also published were further details of the capacity mechanism under EMR.

The draft strike prices have been published following detailed analysis from National Grid, whose job it is to assess the strike prices required to meet the Government's objectives of tackling climate change, ensuring security of supply and

minimising the cost to consumers in promoting non-fossil fuel generation. The Government believes that the strike prices will enable over 30% of Britain's electricity to come from renewable energy sources by 2020.

In deciding on the proposed strike price, a number of elements have been considered. This includes current projections for the wholesale electricity price, accepting that the level of support for renewables is now going to be for a contracted period of 15 years, rather than 20 years, which was the case under the Renewables Obligation (RO). Indexation has also changed to the Consumer Price Index as opposed to the Retail Price Index under the RO.

The final strike prices will be set in December 2013 and will be subject to state aid and the Royal Assent of the Energy Bill. Between now and then, there will be a number of workshops and stakeholder consultations performed by DECC explaining the background to the setting of the draft strike prices. The full list of draft strike prices is set out below.

Renewable Technology	Draft Strike Prices (£/MWh) (2012 prices)				
	2014/15	2015/16	2016/17	2017/18	2018/19
Advanced Conversion Technologies (with or without CHP)	155	155	150	140	135
Anaerobic Digestion (with or without CHP)	145	145	145	140	135
Biomass Conversion	105	105	105	105	105
Dedicated Biomass (with CHP)	120	120	120	120	120
Energy from Waste (with CHP)	90	90	90	90	90
Geothermal (with or without CHP)	125	120	120	120	120
Hydro	95	95	95	95	95
Landfill Gas	65	65	65	65	65
Offshore Wind	155	155	150	140	135
Onshore Wind	100	100	100	95	95
Sewage Gas	85	85	85	85	85
Large Solar Photo-Voltaic	125	125	120	115	110
Tidal Stream	305	305	305	305	305
Wave	305	305	305	305	305

Observations

- **Biomass conversion** - the support for this technology will cease in 2027.
- **Dedicated biomass** - this is still subject to Government considerations as to how it will be supported under FIT CfDs and this is going to be confirmed in the EMR Delivery Plan which the Government intends to publish in July 2013.
- **Dedicated biomass with CHP** - the strike price is based on the assumption that these plants will also get the current 1p/kwh Renewable Heat Incentive (RHI) for large biomass. Revised RHI tariffs are being consulted on and the Government has made it clear that once the RHI tariffs are finalised for biomass, they may reconsider this strike price and adjust it accordingly.
- **Geothermal** - geothermal has tended to suffer at the hands of the Government over the last few years. The support it received under the RO has not resulted in build-out. In reality, what the sector needs is initial grant support for deployment of the first deep geothermal wells and the Government is considering that separately.
- **Hydro** - the Government has made it clear that larger hydro projects will be considered on a case-by-case basis.
- **Tidal Stream** - the Government has deliberately avoided giving any steer on strike prices for tidal technologies, other than tidal stream. So, for example, for tidal range projects, of which there are a number being considered, DECC is going to decide on how best to price the CfDs and the appropriate length of the contract for those projects, on a case-by-case basis. Generally speaking, while the tidal

technology sector in the UK may be relatively pleased with the strike price, it will be concerned, as will the other renewable sectors, that DECC has not moved from the 15 year support under FIT CfD contracts to 20 year support which renewables enjoyed under the RO. This could make a big difference in terms of economics.

- **Wave** - the wave industry is generally felt to need slightly more support than the tidal sector which has moved ahead more quickly in the UK. As such, there may be disappointment in some circles about the strike price awarded.
- What is important for both the tidal stream and wave sectors in this country is that this support levelled at £305/MWh is only available for the first 30 MW of capacity of any project. For those projects with a higher capacity, support for the additional MWs is going to be set at the offshore wind strike price level.

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