

5 August 2011

RHI Development Team
Ofgem E-Serve
9 Millbank
London
SW1P 3GE

RHIGuidanceconsultation@ofgem.gov.uk

RE: Renewable Heat Incentive Guidance Consultation

Dear Sir / Madam,

Thank you for providing the North London Waste Authority (NLWA) with the opportunity to respond to the Renewable Heat Incentive (RHI) Guidance Consultation.

The NLWA is the second largest statutory waste disposal authority in the UK. We handle nearly 1 million tonnes of municipal solid waste collected by our seven constituent borough councils namely, Barnet, Camden, Enfield, Hackney, Haringey, Islington and Waltham Forest, in addition to operating an Energy-from-Waste (EfW) facility at Edmonton.

Currently, the NLWA is engaged in a major procurement exercise which seeks to realise substantial carbon and other environmental benefits. This includes securing energy supply through anaerobic digestion and the production of Solid Recovered Fuel (SRF) from municipal waste, with the subsequent use of that fuel to generate energy in the form of both electricity and heat.

Our interest lies in how the RHI may affect projects within the waste market, its relationship with Renewable Obligation Certificates (ROCs) and how this incentive can be used to provide greater market certainty to emerging EfW projects and the bidding community as part of the development of long term strategic infrastructure.

In addition to completing the attached questions, the NLWA wishes to raise the following points:

RHI Budget

The Authority notes that the Government anticipates providing £860m of subsidy between 2011/12 and 2014/15. The NLWA suggests that further information is provided as to how the budget will be managed during the proposed allocation periods. In particular, the NLWA has some concerns as to how rates will be guaranteed if the initial subsidy budget is exceeded during the allocation periods due to a greater number of projects becoming eligible for RHIs

than anticipated. It is recommended that further information is also provided as to how RHI subsidies will be managed post the 2014/15 allocation period. Understanding how the RHI subsidy will be managed and the levels available post 2014/15 is critical for the planning and bankability of future EfW facilities. The lack of certainty of the RHI could potentially hinder the commercial deliverability of sustainable EfW projects, which will contribute to the UK's renewable energy targets.

Waste Definition

The NLWA recommends that Ofgem provide further information about how it will determine whether commercial and industrial (C&I) waste will be considered as 'municipal waste' or 'mixed waste' and that the steps that would be required from applicants to confirm the classification of waste entering their EfW facility are outlined. The NLWA requests that in addition to this, that there is an opportunity to dialogue with Ofgem over the definitions of waste prior to the finalisation of the guidance documents.

The NLWA recommends that Ofgem also considers classifying a facility as a 'municipal waste' facility for the purpose of RHI accreditation if the majority of waste and/or solid recovered fuel (SRF) treated at the facility is collected by the Local Authority to reduce, what appears to be, a complex process to prove eligibility.

Solid Recovered Fuel

The guidance document makes no direct reference to SRF which is produced by processing waste to extract recoverable recyclate and to produce a stable, homogenous, and marketable fuel of consistent quality, which would meet the required proportion of biomass energy to be eligible for RHI. The NLWA recommends that Ofgem provides a direct reference to the eligibility of using SRF in EfW facilities and how SRF would be defined in relation to the 'municipal waste' and 'mixed waste' definitions.

Combined Heat and Power

The eligibility of ROCs for EfW facilities operating in CHP is unclear as a result of the introduction of the RHI and the NLWA would welcome any additional information that would clarify the relationship between the two schemes.

The NLWA would like to request a meeting with the Ofgem RHI development team to discuss the points raised in our consultation response. If this can be accommodated, please contact Kirsten Thorpe (kirsten.thorpe@nlwa.gov.uk) to arrange a meeting or if you require any further clarification of the points raised in our response.

Yours sincerely,



Tim Judson

Director of Procurement.

CONSULTATION QUESTIONS

In relation to the consultations put forward within the Renewable Heat Incentive Guidance, Volume 1 and Volume 2, the North London Waste Authority has set out its response below:

Volume One

Chapter One

1. Are there any areas where you disagree with our interpretation of the Regulations?

The NLWA has no comment on this question.

Chapter Three

1. Are there any sections on the eligibility requirements of the scheme which require greater clarity? If so, how can these sections be improved?

RHI Interaction with Publicly Funded Plants

The NLWA suggests that further wording is provided to make this section more clear, in particular providing further definitions of the terms 'grant' and 'public funding'. Example scenarios could also be provided to illustrate RHI interaction with publicly funded grants.

New Plant

The NLWA suggests that the definition of a new plant is expanded to include an existing facility, where a new heat user is established. For example if an EfW facility was CHP-enabled but did not have a heat user at the time of installation and commencement, but this changed due to a suitable heat user becoming available, the NLWA would expect the facility to be able to claim RHIs at this point. The NLWA recommends that Ofgem consider this as there may be options for some existing and proposed EfW facilities to eventually find a heat outlet. By allowing RHIs to be claimed at a later date would also further incentivise electricity only EfW facilities to seek heat users and realise greater carbon benefits.

District and Community Heating

In order to enhance the effectiveness of the RHI in addition to promoting market and investor certainty, the NLWA suggests that an uplift be considered for district heating systems, to take account of the additional complexities that are often associated with the setup and implementation of district heating networks. The NLWA recommends that this uplift should be considered on a case by case basis.

Chapter Four

1. Do stakeholders agree with our approach to approving the eligibility of Microgeneration Certification Scheme (MCS) solid biomass products. If not, what would be a better alternative?

The NLWA has no comment on this question.

2. Are there any products which stakeholders believe meet the solid biomass as 'primary fuel source' definition which would be excluded by our interpretation?

The NLWA has no comment on this question.

3. Are the CEN/TS 14961:2005 group of standards widely used in biomass boiler warranties or boiler specification?

The NLWA has no comment on this question.

4. Is the documentation required for solid biomass plants over the 45kW widely available?

The NLWA has no comment on this question.

5. Do stakeholders know of other standards or recognised procedures that could be used to determine the coefficient of performance for heat pumps with a capacity above 45kWth?

The NLWA has no comment on this question.

6. We seek stakeholders' views on our approach to accrediting heat pumps with fully integrated electrical heaters, in particular whether there are any additional eligibility requirements that we should specify or if there is a capacity above which it is not common practice to install such heat pumps.

The NLWA has no comment on this question.

Chapter Five

1. Do stakeholders agree with our interpretation of 'building', in particular what constitutes 'permanent or long-lasting' and a 'wholly enclosed structure'? If not, what alternative tests would be appropriate?

The NLWA has no comment on this question.

Chapter Seven

1. Do stakeholders know of any other documentary evidence that could demonstrate that a heat meter meets the Class 2 requirements as set out in the Regulations?

The NLWA has no comment on this question.

2. Do stakeholders agree with our approach to meter placement for complex installations where heat is used for eligible purposes in more than one building?

The NLWA has no comment on this question.

3. Do stakeholders agree that it is reasonable to require an independent report on metering arrangements for all installations classes as complex for RHI metering purposes?

The NLWA has no comment on this question.

4. Do stakeholders agree with the competency criteria proposed for the person permitted to undertake the independent report on metering arrangements?

The NLWA has no comment on this question.

5. Do stakeholders have any comments on the draft independent report on metering arrangements which is being consulted on alongside this guidance as a supplementary appendix?

The NLWA has no comment on this question.

6. Do stakeholders have any comments on the proposed approach for measuring energy returned in the form of condensate outlined in paragraphs 7.61-7.64? We would be interested to hear of any alternative approaches that could measure the energy in the condensate return in accordance with Regulation 17.

The NLWA has no comment on this question.

Chapter 8

1. Do you agree with our interpretation of the meaning of 'biomethane producer'?

The NLWA has no comment on this question.

2. Does this interpretation present any issues for the biomethane industry?

The NLWA has no comment on this question.

Volume Two

Chapter Two

1. Are there any sections on the ongoing obligations of the scheme which require greater clarity? If so, how can these sections be improved?

Processed Municipal Waste

The NLWA recommends that direct reference is made to SRF, as per our comments in our covering letter (also provided below).

The guidance document makes no direct reference to SRF, which is produced by processing waste to extract recoverable recyclate and to produce a stable, homogenous, and marketable fuel of consistent quality, which would meet the required proportion of biomass energy to be eligible for RHI. The NLWA recommends that Ofgem provides a direct reference to the eligibility of using SRF in EfW facilities and how SRF would be defined in relation to the 'municipal waste' and 'mixed waste' definitions.

