

Feed-in Tariffs for hydropower Latest position 23 March 2010

The Feed-in Tariff (FIT) scheme and how it relates to hydropower has been the cause of much debate and a subject of both joy and consternation!

This note is an attempt to clarify the latest position.

1. The tariffs:

- The scheme will come into effect on 1st April 2010.
- Under the Feed-in Tariff scheme, some micro-generators will receive higher rates than first proposed and the tariff 'bands' have been restructured, to some extent, in line with recommendations from the BHA. An initial analysis suggests that four 'bands' will be maintained according to the following table:

Lower limit kW	Upper limit kW	Generation tariff p/kWh	Fixed Export tariff p	Total tariff p/kWh
0	15	19.9	3	22.9
15	100	17.8	3	20.8
100	2000	11	3	14
2000	5000	4.5	3	7.5

- Dual 'export' and 'generation' tariff structure proposed in the original consultation has been maintained with the 'export' element fixed at 3p/kWh.
- The option to 'opt-out' and 'opt-in' to the export tariff on an annual basis is allowed. (This provides the "best of both worlds" in terms of a floor (3p/kWh) and the freedom to sell on the open market if energy prices are higher in the future.)
- The tariffs, both generation and export, are indexed against RPI. This means that developers can confidently "opt-in" to the Feed-In-Tariff scheme and so secure finance without worrying about the effects of future inflation.
- FITs - will not be awarded to any scheme completed before 15 July 2009 that had not applied for ROC accreditation before this date. (BHA has asked for clarification on implementation of this since it could "quarantine" projects which proved unviable under ROCs but are viable under FITs.
 - will only be awarded to "microgeneration" systems under 50kW (ROCs not an option).
 - or ROCs can be awarded at the owner's discretion for schemes between 50kW and 5000kW
 There are issues on eligibility for FITs which DECC has been unable to answer. It is therefore still unclear how the regime will be implemented

2. Use of "refurbished" equipment or existing unused hydro sites

- The DECC FITs team, without consultation, stipulated that FITs will not be awarded where refurbished equipment is used. The BHA and others have convinced MCS, DECC's accreditation service that refurbished equipment was commonly used in new generation schemes. ROCs are awarded to refurbished equipment and schemes and there seemed no good reason why this should not apply for FITs. BHA will continue to argue this point. Interpretation of what is "new" and "fit for purpose" is being built into the MCS standards for hydro products

3. Interconnection

- It is not clear if single connection – multi generation schemes will be eligible for FITs should the combined generation capacity be over 5000kW. This and the interpretation of other interconnection issues were passed to DECC who have devolved responsibility to Ofgem. We await results.

4. MCS Accreditation

- All “microgeneration” renewable energy projects under a capacity of 50kW must be compliant with DECC’s MCS certification system
- Certification will be necessary for:
 1. Product and product suppliers. In the case of hydropower this will include only the mechanical/electrical equipment
 2. Equipment installers
- Suppliers and installers will have to be accredited to a set of MCS standards
- From January 2010 suppliers and installers will have to be covered by transitional arrangements until the certification bodies (two showing interest at present) are in place. This might be towards the end of 2010. At this time suppliers and installers will have to be re-accredited by the new bodies and responsibility during the transitional period will no longer apply.
- A general description of the transitional arrangements can be seen at:
<http://www.microgenerationcertification.org/docs/Transition-Arrangement-Statement---22-03-2010-V3.0.pdf>

From late 2009 DECC has been attempting to draw-up MCS certification standards for micro hydro. A hydro advisory group was set up and a number of BHA members and others have been included together with potential certification bodies, the EA and DECC personnel. The group was also made responsible for drafting the transitional arrangements for suppliers and installers. The group has grown as other individuals and bodies have voiced their opinions.

A major concern from the start was that the industry, including the BHA, voiced concerns that a system which covers the protection of householders buying a solar array or wind turbine to fit onto their homes does not sit easily with hydropower schemes. Hydro is hidebound by regulation already. DECC is adamant that the customer must be protected and that the standards must be drafted in order that FITs be available. Refurbished equipment was discussed at great length and a visit was made to Cumbria by DECC, MCS and certification bodies to view small hydro schemes and discuss why refurbished equipment, especially turbines, was part of the hydropower “culture”. The process continues and a meeting of the group is called for 30 March to try and complete the hydropower drafts.

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