

Managing the Transition from Renewables Obligation to CfD

One key challenge for UK Electricity Market Reform is to manage the transition from the current Renewables Obligation (RO) scheme to the new Contract for Difference Feed-in Tariff scheme (CfD). The Government intends that the RO and CfD schemes will run in parallel from the introduction of the CfD in 2014 through to 31 March 2017 when the RO will close to new capacity. The Department of Energy and Climate Change has now published a response¹ to two consultations dealing with this transition².

The principal confirmed proposals are set out below.

Grace Periods

DECC has decided to adopt the following grace periods which would apply to extend the 31 March 2017 cut-off date for applications for RO support in certain circumstances. These are:

- a 12 month grace period in case of radar and grid connection delays, for projects scheduled to commission on or before 31 March 2017.
- a 12 month grace period for projects for which an Investment Contract under the "Final Investment Decision (FID) Enabling" mechanism has been signed but has fallen away for reasons relating to state aid, or otherwise where the generator terminates due to changes to the Investment Contract.
- a 12 month grace period for standard and advanced gasification and pyrolysis and offshore wind projects scheduled to commission on or prior to 31 March 2017 which are able to demonstrate that substantial financial decisions and investments have been taken prior to 31 July 2014. Operators will be subject to a notification process by 31 July 2014 and will need to make an application by 31 October 2014.
- an 18 month grace period for dedicated biomass CHP projects, and dedicated biomass non-CHP projects allocated a place under the 400MW dedicated biomass cap.

Key issues

- Decisions on grace periods extending the 31 March 2017 RO cut-off date published
- Various other decisions on transition to the CfD confirmed
- Updated timetable for Electricity Market Reform proposals published

¹ Government Response to the consultation on the Renewables Obligation Transition and on Grace Periods – DECC – 12 March 2014

² [Consultation on the Transition from the Renewables Obligation to Contracts for Difference – DECC – July 2013](#); [RO Grace Periods consultation – DECC – November 2013](#)

Point of choice between RO, CfD and Investment Contracts

The point at which an applicant must make its choice between the RO and either the CfD or an Investment Contract will be as follows.

Choice between RO and CfD:

- Upon application for RO accreditation for a new generating station;
- Upon application to register additional capacity under the RO at an existing station; or
- Upon application for a CfD.

The ability to choose will arise again in case of an unsuccessful application.

Choice between RO and Investment Contract:

- Upon application for RO accreditation; or
- Upon signature of an Investment Contract under the FID Enabling mechanism.

Small-scale additional capacity

No incentive support under RO, CfD or the micro-generation feed-in tariff will be available for extensions to capacity of 5MW or under which are added to RO generating stations after 31 March 2017. For larger extensions over 5MW, operators would be able to apply for a CfD.

Biomass co-firing stations

"Grandfathering"

DECC will extend its grandfathering policy³ to low-range biomass co-firing stations at the support rate applicable on 31 March 2017. However, contrary to earlier proposals, the regulations will not require operators to choose a particular "band" in which to receive support, although DECC will consider whether a further mechanism is required to ensure stability of the mechanism in this sector and to control budgets.

Other opportunities

RO-accredited biomass capacity which has never claimed Renewables Obligation Certificates (ROCs) under the biomass conversion support band will be able to leave the RO if the operator is successful in applying for a CfD or Investment Contract as a biomass conversion.

RO-accredited biomass co-firing stations would also be allowed the opportunity to transfer into the Government's proposed Capacity Market.

Offshore wind phasing

Where a phased offshore wind farm has received RO accreditation, it will have various options for new phases of the project registered after 31 March 2017:

³ Grandfathering is the policy to provide a fixed level of support for the entire duration of operation of the RO, from the point of accreditation of the facility.

- Register all the remaining phases that constitute the accredited capacity of the station under the RO on or by 31 March 2017, whether or not these phases have been constructed or are ready to begin generating;
- Register one or more of the remaining phases under the RO on or by 31 March 2017, whether or not these phases have been constructed or are ready to begin generating, and apply for a CfD in respect of any of the other unregistered phases;
- Apply for a CfD for all the unregistered phases, either on the same terms as all other eligible technologies, or under CfD phasing rules.

Other proposals

Other confirmed proposals include:

- A requirement for a self-declaration from all operators seeking to apply to accredit new stations, or additional capacity, under the RO (in relation to the incentive schemes applied for).
- A requirement for net electricity generation and fuel usage in dual-scheme facilities (i.e. those where some capacity is accredited under RO and some under CfD) to be kept distinct and separate.
- Confirmation that the proposed Fixed Price Certificate Scheme for the purchase of Renewables Obligation Certificates towards the end of the RO will come into force in 2027 as previously announced.
- The 1 October date for setting the RO each year will remain unchanged.

EMR timing

DECC has published a further update on EMR timing:

- March 2014: Draft CfD allocation framework to be published with consultation on how auctions will be run.
- April to June 2014:
 - Response to the October 2014 detailed consultation on the CfD and Capacity Market proposals to be published and relevant regulations to be laid before Parliament.
 - Launch of Electricity Demand Reduction pilot and scheme rules to be published.
- July to September 2014: Final EMR Regulations in force with publication of final CfD allocation framework and details of CfD budget for first allocation round.

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