Regulatory Update:
ROCs, FITs and Electricity Market Reform

By Neil Budd

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ROC banding review: DECC's proposals (1)

- Level of support to be reduced to 0.9 ROCs/MWh but with a further review.

- Call for evidence that will report in early 2013 examining onshore wind generation costs. Based on the results, DECC may initiate a review of support levels to take effect from April 2014. Call for evidence closes on 15 November 2012.

ROC banding review: DECC's proposals (2)

- Grandfathering for reductions in April 2014 are likely to apply to projects where a "significant financial commitment" has been made. This could include projects with a pre-existing grid connection and turbine order in place or investment committed in a significant proportion of development costs.

- DECC proposed that installations below 5 MW may be excluded from the RO and subject instead to FiTs. This proposal has now been scrapped.

FIT regime

- Up to June 2012, according to Ofgem figures, 2,904 wind farms had been installed under the FIT regime (compared to 281,629 solar).

- DECC Response to Consultation on Phase 2B Review: FITs for non-PV technologies and scheme administration issues (July 2012).

This covered:

- New FIT rates taking effect from 1 December 2012.
- Degression mechanism.
- Increase in export tariff.
- Decision on indexation.
- Introduced preliminary accreditation.

Feed-in Tariffs - new FIT levels

Size	FIT before October 2012	FIT from October 2012	FIT from 1 December 2012
Up to 1.5 kW	35.8p	21p	21p
›1.5 - ≤15 kW	28p	21p	21p
›15 - ≤100 kW	25.4p	21p	21p
›100 kW – ≤500 kW	20.6p	17.5p	17.5p
›500kW - ≤1500kW	10.4p	9.5p	9.5p
›1500kW -≤5MW	4.9p	4.5p	4.8p*

**to be adjusted to reflect changes in RO levels as a result of RO banding review.*

Feed-in Tariffs –other proposals

- Degression mechanism:
  - Degressions to be annual
  - Baseline degression of 5% with reduction down to 2.5% for tariff bands below 100 kW
  - Six-monthly contingent degressions from October 2014

- Export tariff to be increased to 4.5p/kWh

- Generation and export tariffs to remain index-linked to RPI

FITs – Preliminary accreditation

- To be introduced for PV projects above 50 kW.
- To get preliminary accreditation, project must have planning permission and acceptance of grid connection offer.
- Tariff guarantees will apply for 12 months.

Electricity Market Reform: drivers for reform

- Draft Energy Bill published in May 2012.
- Slow take up of renewables.
- Closure of coal plants (8 GW) by 2015 and nuclear plants (10 GW) by 2023.
- New nuclear needs government support.
- Renewables Obligation perceived as expensive and complex

EMR: Feed in Tariff Contracts for Differences (1)

- Will replace RO from 2014 (with transitional provisions);
- Low carbon generators will receive a sum of money to top up the market price of power (the "reference price") to an agreed level (the "strike price");
- Under the "payment model", CfD payments will flow from suppliers to generators when CfD strike price is higher than the reference price and vice versa. This is DECC's preferred option.
- CfDs assume that the generator can sell at the market price. If the generator sells at less than market price it will have to bear that loss;

EMR: Feed in Tariff Contracts for Differences (2)

- In June 2012 DECC issued a call for evidence to address concern that renewable developers will not be able to secure long-term PPAs. According to DECC, developers are reporting a decline in the PPA market, both in the number of offers received and the terms being offered.

EMR: transitional arrangements

- Existing RO-accredited plants will continue to be supported under the RO.
- Until 2017, new plants can choose between support under the RO and under CfD FiTs.
- From 1 April 2017, all new plants will be accredited solely under CfD FiTs. Until 2027, the level of the RO will continue to be calculated by headroom, then the ROC price will be fixed.
- ROC levels at 2017 will be grandfathered to avoid the need for future reviews.

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