REA Response to the Green Heat Network Fund: consultation on proposal for Scheme Design

The Association for Renewable Energy & Clean Technology (REA) is pleased to submit this response to the above consultation. The REA represents a wide variety of organisations, including generators, project developers, fuel and power suppliers, investors, equipment producers and service providers. This includes members from across the renewable heat sector including those involved in biomass heat, biogas, deep geothermal and heat pumps. Members range in size from major multinationals to sole traders. There are over 500 corporate members of the REA, making it the largest renewable energy trade association in the UK.

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1. ***Should costs associated with commercialisation activities be included within the GHNF scope? If not, which costs should be excluded?***

Yes, given the nascent nature of both the heat network sector and some of the technologies that will be used to power the networks, we believe it appropriate to include costs associated with commercialisation. However, given there will be projects able to go ahead faster with more established technologies, having already completed early commercialisation stages, the proposed commercialisation grant is appropriate.

2. ***Should commercialisation costs include wider costs such as counterparty costs to better enable connection, e.g. legal costs of an energy off-taker? Please provide your reasoning.***

Yes, given that the importance of securing an off-taker for a viable heat network business case, the inclusion of some counterparty costs will help the delivery of a project. It should act as an incentive to help large heat users agree to join the network.

3. Should commercialisation stage awards be awarded:

a) as part of a single application for commercialisation and construction funding; or

b) in a single application for commercialisation funding only?

Please explain your answer.

We support the possibility of separate commercialisation funding (option B), recognising that different projects will be at different stages, and different technologies will be at different technology readiness levels. The offer of commercialisation funding will help create a level playing field. More established projects will be able to proceed without it, but other projects using not-yet commercial LZC heat technologies will benefit from the additional support to be effectively deployed.

4. ***What period of time should be allowed for the commercialisation stage for an LZC heat network project? Please provide examples and/or your reasoning as appropriate.***

We would suggest that time frames should be based on previous industry experience demonstrated by data in HNIP and HNDU funding.

5. ***What, if any, additional work would be required to support a project that was moving from HNIP to GHNF? What are the anticipated costs of doing so?***

Major costs consideration should be considered around helping projects move from fossil powered systems, typically gas, to a renewable heat source. This will need to include ongoing operational costs, which will likely be higher, given the low price of gas in the UK. Addressing this increase in operational costs should be considered at the point of transition from HNIP to GHNF.

6. ***Should the cost of accessing heat sources be included within the GHNF scope?***

Yes, as identified in the consultation, work to access the renewable heat source could be a significant part of the project, such as drilling boreholes, and it would be appropriate that such activities are supported.

7. ***If so, do you agree or disagree with the scope of support for accessing heat sources proposed? If not, what would you propose and why?***

Disagree, the scope is not sufficiently defined within the consultation document. We raise particular concern around Combined Heat and Power projects and whether they may be unfairly excluded by the scope if it was argued that heat was only a bi-product of a process primarily producing power. A clearer definition is therefore required to explain when heat might be considered a direct source or a bi-product. Given the difficulty in producing a comprehensive list, we would encourage the development of a set of principles that would need to be met. It would also be beneficial if there was some form of 'pre-accreditation process' by which a project could get an indication that their proposal does indeed fall within scope before proceeding and committing significant investment into a project.

8. ***Do you agree with the proposed scope of generation costs? Should there be any other costs included or excluded?***

Consideration needs to be given to operational costs for thermal generation. This includes the cost of electricity or feedstocks, which are likely to be higher than fossil fuel alternatives. A difficulty with a Grant based Mechanism is that there is no enduring support to ensure continued use of the renewable heat systems. Heat networks might well choose to switch to a secondary fossil generation plant if the ongoing cost of running it is a lot cheaper then the renewable system that the Grant has paid to be put in place. This must be considered while also recognising that over time wider energy policies may see the costs of fossil fuels increase (for example via a carbon price).

9. ***Are there any other LZC sources of thermal energy that have not been covered in our framework approach to technology section (combustion, heat recovery, etc.)?***

<u>Biomass Power CHP</u>

While Energy from Waste facilities have been recognised, biomass power generators have not been included. Such sites which burn virgin or waste wood to produce power have similar potential to become CHP sites and produce heat that could be used to power a Green Heat Network. This would involve the conversion of the power generations system, similar to an energy from waste site, and is not necessarily the same as a biomass boiler.

<u>Thermal Storage</u>

The Green Heat Network Fund should consider the role of thermal energy storage which can be used to efficiently store heat for either those connected to a heat network or the heat network itself. They can be charged by electricity, air-source heat pumps, ground-source heat pumps, biomass boilers and photovoltaics. At the domestic scale, up to ~12kWh, they can be used to make buildings on a heat network more energy-efficient, sustainable, and self-sufficient. At the utility-scale, large scale static or transportable heat storage (200 kWh to multiple MWh) is also possible, helping to use heat where, and when, it is most needed.

10. Do you agree or disagree with the proposed methods for calculating emissions against the specific technologies listed (see also section Appraising CO2e)? If you disagree please provide an alternative method for calculating emissions to support your response.

11. Should biogas and/or syngas be out of the scope of the GHNF as the primary heat source for a heat network? Please provide your reasoning.

No, both biogas and syngas should be included in the GHNF if they are not able to, or do not intend to, claim support from another support mechanism such as the Green Gas Support Scheme

AD has been successful in replacing the fossil fuel heat required for farm buildings, onsite drying processes (such as in food production) and the households, neighbours and agricultural workforce's own households demand for renewable heat from biogas (as both, heating and hot water supply), whilst delivering numerous additional environmental and agronomic benefits, such as the potential for chilling/cooling as well and the application of biofertilisers to agricultural land to replace chemical fertilisers. Biogas heat projects were not included in BEIS proposals for the future Green Gas Support Scheme.

Support for such projects has the additional advantage of providing upstream environmental benefits in terms of waste management. Supporting biogas schemes should be considered the optimal use for biogenic wastes, particularly where there has been a separate collection of municipal biodegradable waste that is suitable for recycling or recovery using a managed biological treatment process (AD, composting or integrated AD+composting systems). Failure to also support such schemes through the GHNF would incentivise such waste being pushed further down the waste hierarchy to energy from waste facilities, lowering recycling rates. It is important that the GHNF recognises and supports the right kinds of waste going to the right kind of facilities to also tie in with broader Government objective, such as the Waste and Resource Strategy.

Equally syngas production from advanced thermal conversion projects, utilising either waste or biomass feedstock, continues to be of strategic importance and is identified by the Climate Change Committee as having an important strategic role in increasing the amount of biogas that could be used to decarbonise the gas grid. It is worth noting that such projects are currently proposed to be excluded from the Green Gas Support Scheme.

There is an opportunity, and significant interest, in AD and ACT projects, especially in the agricultural and food manufacturing sectors where it is in creating added value. They can also be widely applied as a heat source for a heat network, either through on-site CHP or as biomethane delivered through the gas grid. Again, a local approach should be utilised here and AD pursued as an option where there is a workable supply or possibility to develop one near to a proposed heat networks site.

Also, it should be noted that when existing heat network schemes fuelled by natural gas already exist, the options available to decarbonise them are very limited. Where other onsite renewable heat solutions are not possible, UK policy and regulatory framework for heat networks should recognise grid delivery of renewable gas tracked by a Guarantee of Origin (GoO) as a method to deliver renewable gas and make progress towards decarbonising communal and district heat networks. Or if Government decided that adaptations to a GoO system were needed, or alternative tracking mechanisms such as a mass balance system were necessary, then they should set out the evidence and reporting requirements that CHP plants / DH schemes would be expected to follow and give the industry time to develop those tracking methods.

Co-locating a green gas production plant at the place where the gas boiler or gas-fired CHP is located, would be unviable in most cases. The most cost-effective way to decarbonise these schemes would be for them to source renewable gas supplies from the gas grid, or potentially via compressed biomethane (CBM) dispensing trailers[1]. This option can deliver GHG savings immediately without requiring any changes to plant or their maintenance schedules.

However, the current policy, planning and regulatory frameworks do not identify grid delivery of renewable gas tracked by GoO as a method by which the gas can be delivered to these schemes.

Establishing the principle and method by which renewable gas can be delivered to gas-fired combined heat and power (CHP) systems and district heating schemes (DH) and tracked with GoO would open up new ways of incentivising biomethane production when this is not already supported by other Government incentives

If the principle of grid delivery of biomethane was recognised in the planning regulations and the GHNF developers could enter into long-term Gas Purchase Agreements (GPAs) with biomethane producers, supporting new unsubsidised plant development, to secure the carbon savings required to comply with the regulations for their developments.

It is important to recognise that gas-fired CHP and DH schemes should be assessed and valued against other options for decarbonising based on their energy efficiency and environmental performance – this should include participation in the CHP Quality Assurance Programme (CHPQA).

[1] This has been demonstrated for remote distilleries in Scotland, previously using heavy oil for boilers)

12. Should biomass be in the scope of the GHNF, with the stipulations set out above? Please provide your reasoning.

Yes, biomass is already a leader in the UK renewables space, being the largest current contributor to renewable heat, and the second largest provider of renewable electricity. If the UK is to reach its 5th carbon budget and Net Zero, biomass must not be ignored within future heat strategies. This role is also widely demonstrated in Europe where heating and cooling accounts for 75% of bioenergy use [1]. For example, In 2015 46% of the heat supplied in Sweden was from biomass while over half of all commercial and residential buildings in Sweden are connected to district heating systems [2]. At the same time, Sweden's total standing volume of trees has doubled in the last 100 years, largely because of Sweden's commitment to bioenergy supports its forestry industry.

Currently, biomass boilers are used in several district heating networks, either by themselves or through a Combined Heat and Power (CHP) system. Both offer opportunities for heat network developers, especially when it comes to sustainability – as once established, heat networks can encourage local supply chains for biomass feedstocks, creating additional revenues to farms, forests,

and sawmills. It is also an established option for where a large heat load is required, for instance where the buildings on the network are older and have low energy efficiency, or if there are large public buildings like schools, hospitals, and care homes. Here, biomass offers a low-carbon source of heat where the only other options might have been oil or fossil gas combustion.

In terms of sustainability requirements, these should be fully in line with the requirements set within the Non-Domestic RHI, such as only using a fuel signed up to the Biomass Suppliers List or the Sustainable Fuel Register, and it should also meet the recently announced fuel quality and maintenance standards that are due to apply from 2022 onwards. However, we note with alarm, the statement in the consultation that feedstock should only be sourced "within a radius of no more than 50 miles of the point of combustion". This is not in line with current requirements. This currently only applies to self-supplier installations. Given the size of the boiler required for a heat network, these are very unlikely to be self-supplier installations. This misunderstanding of the current requirements must be corrected in the final government decision paper, or risk completely undermining the inclusion of biomass within the scheme.

[1] https://publications.jrc.ec.europa.eu/repository/bitstream/JRC109354/biomass_4_energy_brief_online_1.pdf

[2] Werner, Sven. (2017). District heating and cooling in Sweden. Energy. 126. 10.1016/j.energy.2017.03.052.

13. Should authorisation of a biomass fuel on the Biomass Sustainability List (BSL) or Sustainable Fuel Register (SFR) play a role in the GHNF assessment of a biomass fuel's sustainability?

Yes, it is appropriate that biomass heat installations are required to source feedstocks registered to the BSL or SFR and meet the required standards. We, however, note that the grant scheme will need to consider how to ensure ongoing compliance with this requirement once the grant has been administered.

14. Should the maturity of technology types be a consideration for the GHNF in terms of eligibility? For example, permitting only technologies where at least one other operating example exists at a similar scale.

No, non-established technology should not be excluded from the grant. Rather a form of the grant focused on commercialisation should be used to help support such projects to deploy.

For Example - Geothermal

A requirement for one operating example in the UK could, for example unintentionally exclude Deep Geothermal. While the Non-Domestic Renewable Heat Incentive (ND RHI) has brought geothermal projects close to successful deployment, Covid-19 related delays and the nature of theses infrastructure schemes means there is now a group of projects that are unlikely to meet the RHI March 2021 application deadlines for a 3rd allocation tariff guarantees. Support is needed to see these projects commission and establish the sector in the UK.

Geothermal Engineering and Eden Geothermal have raised circa £30 million of public funds with £10 million match funding for two projects set to commission in 2021 and 2023, respectively. Similarly, GT Energy has been working with Stoke on Trent to deliver £20mn investment in a heat network powered by Geothermal technology. Uncertainty over the RHI and a lack of any mention of Geothermal in the Future Heat Consultation has greatly unsettled financiers, despite huge obstacles

having been overcome in the last few years to bring these projects to fruition. Given the potential for Geothermal, especially for powering heat networks, a proportion of funding within the Green Heat Network Grant should be ringfenced to see the delivery of two or three geothermal projects in the UK, thereby establishing the market.

This is of strategic importance to the UK, once the first few successful geothermal projects are commissioned it will help release further private investment, helping drive heat decarbonisation and heat network deployment. Failure to support the existing projects will likely see this nascent sector contract and be a lost opportunity for the UK to decarbonise heat.

15. Do you anticipate projects that come forward will seek to separate generation from distribution as distinct legal entities? If so, to what extent do you expect this to happen?

Projects may seek to separate generation and distribution, particularly in situations where an existing electricity generator (such as a Biomass power or energy from waste plant) is being converted to a CHP to power a heat network. The owner and operator of the generation centre may differ to the developer of the heat network and the requirement for separate legal entities for generation and distribution is likely. This will need to be addressed in how the grant is administered.

16. Do you agree or disagree with the scope of costs that are attributable to primary distribution? Should further costs be included or excluded?

Costs for feasibility studies and costs associated with obtaining planning permissions should be included in the list.

17. Do you agree or disagree that projects that are CHP based, but which come forward with sufficiently low-carbon intensity should be supported by GHNF in their investment in grid connection costs, but not private wire and associated costs?

Considering the potential for biomass, biogas or EfW CHP we believe that both grid connection costs and private wire arrangements should be supported. However, this may not be necessary if an alternative support mechanism such as the Contracts for Difference or Renewable Obligation can cover the power connection costs and such sites are able to receive separate support for their power and heat generation.

18. In your view should secondary distribution costs be included within the scope of the GHNF? What works would be involved and would they have an impact on the network's ability to operate as intended? Please provide any details to support this.

If it can be demonstrated that the secondary distribution network would not have been developed had a heat network not been built, then it is appropriate that secondary distribution costs should be included in the scope of the GHNF. This will, however, be up to the applicant to prove to a sufficient level.

19. Do you agree or disagree with the scope of costs that are attributable to secondary distribution? Should other costs be added or subtracted? What would the costs of those works be and who would ordinarily bear those costs?

20. In your view should tertiary distribution costs be included within the scope of the GHNF? If so, should there be a distinction made between new and existing behind the meter systems when considering eligible tertiary distribution network costs?

If it can be demonstrated that the tertiary distribution system would not have been developed had a heat network not been built, then it is appropriate that such costs should be included in the scope of the GHNF. This should include thermal storage systems, which will help make a heat network system more efficient. This will, however, be up to the applicant to prove to a sufficient level.

However, we do not believe it necessary to include energy efficiency measures if these are potentially covered by an alternative support mechanism that could be accessed along with the Heat Network Grant. This could either be by the developer or the customer of the heat network.

21. Do you agree or disagree with the scope of costs that are attributable to tertiary distribution? Should further costs be included/excluded? What would the costs of those works be and who would ordinarily bear those costs?

22. Are there customer level interventions that could be encouraged and supported but which have not been included?

Support for public level education campaigns that inform households about the benefits of the heat network being installed to encourage them to join it.

23. Please provide your thoughts on the proposed approaches. What issues and challenges do you see with each and what approach do you prefer? Please provide details.

We have concerns around the expansion requirement, where this may simply not be possible for existing installations. This would be a barrier to seeing existing smaller heat networks switch from fossil powered sources to renewable heat technologies. We proposed that the weighting system may be the simplest route to both fairly support existing and new heat network systems.

24. Are there other approaches that have not been considered that could reduce the risk of existing networks taking too great a share of the GHNF budget? Please explain your answer.

It may be possible to do a combination of Option 1 and 3, where grants are both weighted but can be increased if the project is also able to demonstrate work to increase operating efficiency.

25. Do you agree or disagree that the differences between SGL and Ambient Heat Networks are one of scale? If not, how should they be distinguished?

26. Do you agree or disagree that Ambient Heat Networks should be within the scope of the GHNF and SGLs should be out of scope? Can you provide any evidence demonstrating the value of including/excluding SGL or Ambient Heat Networks from the GHNF?

The justification provided by the consultation for the exclusion of SGL's is that they will be supported by the Clean Heat Grant. It should be noted that the current proposals for the grant level, and restriction of only supporting systems 45 kW or below, mean that such SGLs are very unlikely to be deployed via the Clean heat Grant. From March 2022 there will be a major policy gap around commercial heat decarbonisation, with there being no replacement to the Non-Domestic Renewable Heat Incentive. Given this gap, we think it is appropriate that SGLs are included in the GHNF, in the absence of no other direct route to market.

27. Should Communal Heat Networks be within the scope of the GHNF? Can you provide any evidence demonstrating the value of including/ excluding Communal Heat Networks from the GHNF?

As in answer to question 26, we would agree with this decision if it were not for the fact that there is only very limited ongoing support for the delivery of such schemes once the Non-Domestic RHI

closes in March 2021. The Public Sector Decarbonisation Scheme and Social Housing Decarbonisation Fund Demonstrator are already closed to new applications. Given the limited route to market, the GHNF should consider how it could support these smaller-scale projects such as communal heat networks and SGLs.

28. Do you agree or disagree with our minimum thermal energy criteria of 2GWh/year? Is the GWh approach the right approach to set the floor on smaller projects? If you disagree what alternative approach would you suggest?

Given limited government support for commercial-scale heat decarbonisation following the end of the Non-Domestic RHI we believe the GHNF should consider how support could be provided to projects that are below 2 GWh/year. Failure to do so could see a contraction of the renewable heat sector, undermining the existing skills, supply chains and jobs that will also be required to deliver the objectives of the GHNF.

29. Are the outlined benefits the most important and most appropriate to measure? If applicable, please indicate your views on benefits that should be monitored instead/as well.

We agree with the proposed benefits measured. Also, we would suggest figures should be measured for

- The number of domestic properties supplied by the green heat network.
- The number of Commercial Properties supplied by the green heat network.

30. Are the general indicators the most appropriate for each benefit? If not, please suggest measures you believe to be more suitable. Suggestions on supply chain capacity and capability indicators are welcomed.

GHNFB7 should also include a measurement on the cost per tonne of carbon saved, which over time should be expected to decrease, providing an indicator on both carbon savings from heat networks and market readiness.

31. Do you agree or disagree with our proposal that heat networks supported by the GHNF should be a member of the Heat Trust or commit to offering equivalent standards to domestic and micro-business consumers by the time any GHNF funding is drawn down? If you disagree, what consumer protection standard would be more appropriate?

Agree.

32. Is the counterfactual heat price structure clear? Do you agree or disagree with the general principle of using different counterfactual pricing for different consumers and different types of building?

33. Would it be appropriate to use a self-declared counterfactual where an applicant is not connected to the gas network? If not, what counterfactual would be appropriate?

At this stage, we believe it to be appropriate, but the GHNF might want to consider a review process by which alternative counterfactuals could become standardised as more projects are deployed and more data is collected by BEIS. This will help with simplifying the application process in the longer term.

34. Do you agree or disagree that public bodies, commercial and industrial sectors are sufficiently resourced to negotiate their own mutually agreeable offtake terms i.e. if it is not good value, they will not connect?

Agree

35. Do you agree or disagree with our current view that a distinction should be made between new build residential and retrofit, with a gas counterfactual for retrofit and the Future Home Standard for new build?

Agree

36. Do you agree or disagree with our proposed view that micro-business should be treated in the same way as domestic consumers, making a distinction between new build and retrofit?

Agree

37. Are there any types of consumer or necessary considerations that have not been adequately reflected in Figure 4, when considering a counterfactual cost of heat for the assessment of consumer detriment?

38. What information do you think that the GHNF monitoring and reporting system should capture?

We agree with the proposed reporting requirements and suggest that lessons should also be taken from the reporting requirements under the Contract for Difference scheme. Milestone dates should also consider the technology being installed and be suitably flexible to the different build-out and commissioning times associated with different systems being used to power the heat network.

39. Are there aspects of HNIP delivery that you would like to see changed for the GHNF and if so, which ones?

40. Should applicants be held to their supply chain commitments as part of a monitoring cycle? At what project stage would you see supply chain commitments adding the most value?

41. What steps could be taken to monitor the performance of the networks? Should there be consequences for poor performance? If so what?

42. To what extent will an applicant be able to self-assess against the initial gates outlined above? Do you agree or disagree that having initial gates that are pass/fail are a helpful mechanism?

We agree that applicants should be able to self-assess against the defined gates if sufficient guidance is provided.

43. What are your views on the appropriate minimum SCOP a project should be benchmarked against?

44. Do you envisage any challenges with the CO2e appraisal method proposed for the GHNF? Is there a risk it will exclude technologies or solutions that would still be of social benefit, and if so, which ones and why?

Carbon appraisal methods within the GHNF should be standardised with that of other government support mechanisms, such as the RHI.

45. Do you agree or disagree with the Social IRR gateway?

46. Is the deliverability of the project an important consideration? If so, are the broad categories outlined appropriate to determine this?

Yes, it is important – undeliverable projects could tie up a budget that is never spent and stop a deliverable project receiving a grant. We support the proposed categories and highlight the need for a mechanism to see allocated budget released back into the available grant scheme if a project subsequently fails and becomes undeliverable.

47. What are the key areas that should be included in the supply chain commitment? Please provide your reasoning.

We agree with the proposed areas within the consultation. In addition, GHNF may want to consider sustainability. This includes electrified projects demonstrating an ability to use renewable power, or bioenergy applications demonstrating the use of a sustainable feedstock registered to something like the Biomass Supplier List or have a Guarantee of Origin certificates in the case of biogas.

48. Should a distinction be made between larger and smaller projects with regards to supply chain commitment? If so, what would you propose?

Yes – the supply chain commitment should not be a barrier to entry for smaller or innovative projects. Growth of these projects may lead to wider benefits in the longer term and, as such, should not be stifled by not being able to demonstrate the level of opportunity to supply chain commitments that a larger project may provide.

49. What is the appropriate level of reporting to ensure supply chain commitments are being delivered? Please provide appropriate examples.

Annual reporting would be appropriate if the administration is not overly burdensome.

50. Are there any gaps in standardising contracts to support projects that are not covered by the existing heat network contract templates "Sales, Operations and Maintenance Set (SOMS)"28?

51. Should additional activities be carried out over the next year, in advance of the GHNF to support up-skilling across the sector? If yes, what activities should these be?

Yes, we would welcome a wider government focus on improving skills training around renewable heat. Exploring partnerships with universities and training institutions would be beneficial. In addition, lessons learned from HNIP, HNDU and the RHI should be reviewed to understand where existing skills gaps are and how they could be addressed.

52. Do you agree or disagree with the core metric an adjusted kWh/£ GHNF budget spent for evaluating projects against one another?

Agree – although we stress that this should not be used as a barrier to new innovative projects receiving a grant, which may be more expensive at the outset. We, therefore, support innovation and energy efficiency also being included as a metric.

53. Are there any metrics you feel should be included or removed, which ones and why?

54. What, in your view, should the relative weighting of the metrics proposed be?

55. Do you agree or disagree with the Innovation and Energy efficiency sub-categories proposed? Are there any additional areas that should be included?

We agree with its inclusion and with the proposed sub-categories.

56. Should a minimum score be set for any project to be funded or are the use of the gated metrics sufficient?

No, the gateway metrics should be considered sufficient. This will avoid an arbitrary barrier to innovative projects that may not, initially, score as highly as more established systems.

57. Will the general approach to grant calculation be sufficient to meet the financial needs of applicants seeking support? Please explain your response?

58. Are the cashflows proposed to be evaluated sufficient? For example, should nominal post-tax cash flows be considered? Should the proposed finance structure be included and blended investor returns (shareholder loans + equity) be appraised?

59. Should there be a ceiling/cap on permissible returns and if so, what should it be?

No, this should not be necessary given the competition aspect of the grant allocation that will naturally drive margins down.

60. Does evaluating generator only cash flows but accounting for the cost of distribution through a notional (or actual if appropriate) 40 year use of system charge present any challenges for an applicant? If yes, please explain under what circumstances these challenges would arise.

61. If a project intends to have a formal distinction between investment in generation and distribution (e.g. GenCo/DisCo), does a GHNF award to the generator, sufficient for both generation and distribution returns, present any issues?

62. Should GHNF allow projects to apply that have not secured finance? Please provide your reasoning.

Yes – the proposal to enable projects to receive a provisional offer, which they can then use to secure finance is sensible. The gateway application system will mean that applications are well thought out and already having advanced discussion with financiers. A provisional offer, therefore, helps secure the funding being discussed, rather than being the starting point for those discussions. Without this system, it is unlikely that financiers will be willing to fund a project where there remains a significant risk of not receiving the grant.

Important lessons can be learned from the Non-Domestic RHI process by which a provisional tariff guarantee is awarded in stage 1 of the application. This allows a project to get to financial close as part of the application process in Stage 2.

63. If provisional awards were offered what would the minimum expiry duration have to be for it to be of value to the applicant/investor community?

64. Do you think the assumptions listed in Annex A of the accompanied Impact Assessment are reasonable for the purpose of an economic appraisal? If not, please provide suggestions on how they can be improved.

65. Are there any particular areas which you think an independent evaluation of the scheme should explore?