

Non-Domestic RHI Closure – REA's comments on Draft Ofgem Guidance

The Association for Renewable Energy & Clean Technologies (REA) is pleased to submit this response to the above draft Ofgem guidance. The REA represents a wide variety of organisations, including generators, project developers, fuel and power suppliers, investors, equipment producers and service providers. 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.

General Comments

Overall, Ofgem draft guidance is clear and will be of help to stakeholders navigating the changes made to the Non-Domestic RHI Scheme after 31st March.

The REA are also happy to assist, where appropriate, in helping Ofgem disseminate information to its members, such as answers to frequently asked questions or other scheme developments.

We have included below our comments regarding specific sections that could be improved.

Specific Issues Raised Concerning the Draft Guidance

Section 1

Paragraph 1.4 is slightly confusing as there could be a situation post-closure where a valid stage 2 Tariff Guarantee application has been made by 31st March 2021, but a Tariff Guarantee has not been issued yet. Similarly, there could be a situation where a valid extension application has been made by 31st March 2021, but an extension has been granted by Ofgem. We suggest rewording the two bullet points to make this clearer.

Section 2

We don't have any comments on this section.

Section 3

We don't have any comments on this section.

Section 4

This section is clear although it would be useful to highlight the specific administrative process that would need to be followed to change the producer of biomethane.

As highlighted before, it is key that this change allows the project ownership to be transferred to a new clean entity (SVP) in the event the original project company has run into financial difficulties (e.g. gone into administration or is in financial distress), so that the buyer does not have to take on the liabilities of the original project company.

It is clear that this change enables transfer to a different company without imposing any requirements on the extent to which the company/its owners/management are not connected to the original company. That sits in the use of the term 'person' which can include both an individual and a company.

Section 5

This section is clear, though it would be useful if it states whether the information provided at the quarterly claims is via an amended IT system or a separate form (possibly with a link to it).

Further consideration needs to be given to how Ofgem would verify that no double counting takes place in the event RTFCs have not been issued yet: for example, if the two processes for assessing whether or not to give the subsidy are running in parallel.

The REA is very keen to ensure a smooth interaction between RHI and RTFO with biomethane producers taking advantage of the new flexibility in the RHI.

The draft guidance doesn't set all the details yet on how Ofgem will operate the new rules and how the regulator intends to work with the DfT to set out all these details.

These systems must be robust and avoid double-counting, while also not introducing unnecessary delays into the process of claiming support under either scheme.

As already highlighted to Ofgem, if there are any opportunities to feed into your work on how this will all fit together, we would very much like to take part. That could involve road-testing your emerging thinking either with us (the REA and the Green Gas Certification Scheme) or with a small group of our members who are directly involved in this area. We have a large number of biomethane-producing members for whom this is a key area of interest, as well as those involved in the road fuel supply.

Finally, we recommend that Government and Ofgem explore the possibility of setting up a central registry of green/low carbon gas injection data, based on secure and independent data provided by the existing GEMINI system. Green/Low Carbon gas producers could then access this registry, provide verification of GHG values and allocate volumes of gas to different support schemes. Administrators of the RTFO, RHI, the GGSS and Guarantees of Origin (GoO) could all receive information from this registry which would eliminate the risk of double counting. Relevant bodies should discuss who is best placed to operate such a registry and work together with the aim of minimising administration costs across all support schemes as well as the compliance cost to the gas producers. Clear rules will be needed on the interaction of the obligation and any disclosure to customer of GHG levels of gas supplied (which should/must be done via a GoO system).

Section 6

6.1 “May use feedstock derived from fossil fuel”. We appreciate this exact wording is used in the regulations, however it is confusing and potentially misleading. Derived means that it came from or that it contributed to its production. We interpret this as meaning ‘contaminated’ or ‘with a partial composition of’ and we hope that the guidance can clarify this and provide some examples.

For example, in the case of glycerol, this residue has not been ‘derived’ from methanol. It is derived from vegetable oil and methanol is a catalyst in the process. When the process is then separated, nearly all of the catalyst is removed apart from a small amount (i.e. the contamination of partial composition is methanol).

Again, we appreciate that the regulations specifically mention that ‘the percentage of the energy content of biogas from feedstock derived from fossil fuel is the energy content of the fossil fuel expressed as a percentage of the energy content of the biogas used in that quarterly period to generate heat or produce biomethane.’

However, this approach is not really suitable for biogas as the fossil fuel content of a feedstock will not be converted into biogas as it cannot be anaerobically digested.

For example, using the calorific value of methanol would be grossly inaccurate as methanol will have a high calorific value, but this will not be converted into biogas.

We would recommend that instead the biogas output of the fossil fuel is used in the calculation.

Section 7

Relating to the introduction of fuel quality requirements for biomass, as it stands there is some confusion as to how the new fuel quality requirements will apply to RHI sites using Waste Wood. BEIS’s decision implies that all biomass being used within the RHI will need to meet an existing fuel quality standard, however a standard for waste wood does not exist, largely because they have individual environmental permits to burn the wood they are using. The REA and BSL are currently seeking clarification from BEIS in relation to how waste wood should be treated regarding the new wood fuel criteria. In addition, having read the actual amendment legislation, we believe it is unclear as to whether waste wood is caught within the new Schedule 4A and how woodfuel is being defined within the amendment.

Ultimately this will be an issue for BEIS to provide a final position on and for Ofgem’s guidance to reflect. Ofgem, however, should be sure their guidance comprehensively deals with the implications of new Fuel Quality Standard before issuing the final guidance.

Section 8

We don’t have any comment on this section.