

Changes to Renewables Obligation (Scotland) Order

RESPONDENT INFORMATION FORM

Please Note this form **must** be returned with your response to ensure that we handle your response appropriately

1. Name/Organisation

Organisation Name

Aquamarine Power

Title Mr Ms Mrs Miss Dr *Please tick as appropriate*

Surname

Davidson

Forename

Neil

2. Postal Address

24 Elder Street

Edinburgh

Postcode EH1 3DX

Phone 0131 524 1449

E:neil.davidson@aquamarinepower.com

3. Permissions - I am responding as...

Individual

/

Group/Organisation

Please tick as appropriate

- (a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

Please tick as appropriate Yes No

- (b) Where confidentiality is not requested, we will make your responses available to the public on the following basis

Please tick ONE of the following boxes

Yes, make my response, name and address all available

or

Yes, make my response available, but not my name and address

or

Yes, make my response and name available, but not my address

- (c) The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your **response** to be made available?

Please tick as appropriate Yes No

- (d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please tick as appropriate

Yes

No

CONSULTATION – ISSUES AND QUESTIONS

Other than the exceptions as set out in this document, do you agree that the Scottish Government should amend its bands and legislation in line with the proposals for the rest of the UK? If not, please explain where Scotland should differ and why (providing evidence as necessary).

Agree

Do you agree with our proposal to set enhanced band for both wave and tidal stream generation at 5 ROCs?

We very much welcome the Scottish Government's proposal to introduce 5 ROCs in support of tidal energy and retain 5 ROCs in support of wave energy. This is in line with Arup's cost analysis and will give a welcome signal to invest in the sector in the near term.

A number of reports have highlighted the financial challenge in providing suitable financial support to first arrays – and underline that 5 ROCs plus 25% grant aid are not on their own sufficient to support first arrays. 5 ROCs should therefore be the minimum level of revenue support for early stage projects.

What are your views on the need for a capacity threshold to apply in conjunction with the enhanced wave and tidal ROC rate? If there is such a need, should the threshold apply at an aggregated level or to individual projects?

We do not see any merit in an overall aggregated capacity limit in Scotland but there may be some merit in introducing a project cap.

The 30MW cap for England and Wales seems reasonable. There is very little likelihood of deployment beyond this scale in England and Wales in this timeframe. Unlike other technologies, such as solar, which can ramp up production rapidly in response to market price signals, marine energy has a long project deployment timeline.

Evidence provided to DECC previously via the Marine Energy Programme Board gives a sample project timeline. This shows that, for example, in order have a 30MW wave farm operational by March 31 2017, an agreement for lease would be required from the Crown Estate by April 2013. DECC and HMRC will therefore have very high visibility of maximum likely deployment during the RO period by summer 2013. We believe any wave energy project beyond 30MW in England and Wales by March 2017 highly unlikely.

In Scotland, however, the industry is more advanced and a number of technology developers have already secured agreements for lease and commenced environmental monitoring. For this reason we believe a higher project cap of around 50MW would be more appropriate. As per comments above, there will be high

visibility of likely uptake of the RO in Scotland by summer 2013.

We do however have some concerns regarding the implementing a lower ROC band above a project cap. (eg 2 ROCs above 30MW cap proposed in England and Wales). Whilst we appreciate this is a mechanism intended to limit the cost of the marine RO to the UK government, it has created unintended confusion within the industry and beyond. A number of individuals believe the 2 ROCs above 30MW is an indicator of government thinking regarding technology cost reduction and future levels of support post-2017 via the FIT. We realise this is not the case, and understand that government recognises the need for a gradual reduction in support in line with marine energy cost reduction. For this reason, we would request the Scottish Government does not implement reduced ROCs above any project cap, and instead propose that any deployment over a project cap should elect to become part of the FIT.

What are your views on our proposal not to incentivise new large scale dedicated biomass electricity? Under which circumstances under would it be appropriate to set a threshold for electricity only generation? At what level should any threshold be set?

No comment

What are your views on:

- **whether or not our incentives under the ROS in Scotland should mirror the UK Government's proposals on enhanced co-firing and conversion?**
- **whether a maximum threshold for biomass CHP plants is required?**
- **the continued appropriateness of the 90% biomass content threshold?**

No comment

What are your views on the proposals as published for governing transition between the RO and its proposed replacement? Do you believe that there are particular issues as far as Scottish projects are concerned, and which might justify a different approach?

We have some concerns regarding the transition from ROCs to FIT, particularly around the lack of visibility around the future level of the marine energy FIT. This creates a risk that potential investors will hold back from investing in the near term due to a lack of clarity over the long term market.

This possible hiatus is critical in Scotland, given the more advanced nature of the industry.

Two possible solutions would be:

- The Scottish Government signals its willingness to extend the RO beyond 2017 to 2020, should the UK Government fail to offer clarity over the FIT by

2013; and/or should the FIT not offer a suitable 'glide path' of gently tapering reduced revenue support in line with industry cost reduction.

- The Scottish Government retains the right to set its own strike price for marine energy projects in Scotland under the CfD FIT, for the reasons outlined above.

Either or both measures would give investors the confidence to invest in marine energy projects in Scotland during the current UK and Scottish spending rounds as they would feel more secure the Scottish Government would be able to offer a stable long term revenue support mechanism independent of what is being implemented in the rest of the UK – if conditions dictate.

We would also be grateful to hear your views on the existing proposals for grace periods, and whether there are any additional circumstances or approaches which we should consider.

Subject to the comments above, we agree to the proposals for grace periods to be brought into effect for projects facing delay whose RO support will decrease after 1 April 2013. We would also ask that similar latitude is considered for projects which are due to accredit under the proposed 5 ROC band on or around March 31 2017. Factors which should be considered in enabling a grace period of six months should include

- grid connection
- planning delays

We also consider that projects where at least one device has been installed / grid connected by the deadline would enable the whole project to be eligible for ROCs.