

# Consultation on proposals for the levels of banded support under the Renewables Obligation for the period 2013-17 and the Renewables Obligation Order 2012

Please use the table below as a template to respond to the consultation. It will help us to record and take account of your views.

Also, please provide evidence for your answers and comments where possible.

PERSONAL DETAILS
<p>Respondent Name: Neil Davidson</p> <p>Email Address: neil.davidson@aquamarinepower.com</p> <p>Contact Address: 24 Elder Street, Edinburgh, EH1 3DX</p> <p>Contact Telephone: 0131 524 1440</p> <p>Organisation Name: Aquamarine Power</p> <p>Would you like this response to remain confidential? No (Delete as appropriate)            If yes, please state your reasons:</p>
CHAPTER 6: MARINE TECHNOLOGIES
<p><b>Q7: Do you agree with the analysis on wave and tidal stream by Arup (2011) and their primary source Ernst &amp; Young (2010)? Please explain your response with evidence.</b></p> <p>Agree/Disagree: AGREE</p> <p>Comments: We agree with the overall analysis by Arup and Ernst and Young. As the Arup report acknowledges, given the early stage of marine energy development, there are a broad range of scenarios possible and this has been underlined by other reports by Renewable UK and the Carbon Trust. Given these caveats, the forecast cost of deployment, hurdle rates, learning rates and deployment scenarios all appear reasonable.</p>
<p><b>Q8: Do you agree with the proposed level of support of 5 ROCs/MWh for each project up to a limit of 30MW for wave and tidal stream (and 2 ROCs/MWh above that limit)? Please explain your response with evidence.</b></p> <p>Agree/Disagree: AGREE (although we DISAGREE with 2 ROCs/MWh above that limit)</p>

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

Analysis by DECC in the consultation document, and papers presented to the Marine Energy Programme Board demonstrate 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.

**Q9: Do you agree that 30MW is an appropriate level for the project cap? Please explain your response with evidence.**

Agree/Disagree: AGREE (although we DISAGREE with 2 ROCs/MWh above that limit)

Comments:

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 to 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 larger than 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 2 ROC band above 30MW 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 organisations believe the 2 ROCs above 30MW is an indicator of DECC's 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 DECC recognises the need for a gradual reduction in support in line with marine energy cost reduction. For this reason, and also due to the very low likelihood of projects greater than 30MW in England and Wales in this timeframe, we would suggest DECC either:

- removes the reference to 2 ROCs and states instead that any deployment over 30MW should elect to become part of the FIT; or
- clarify that the 2 ROCs after 30MW is not an indicator of technology cost reduction

or future support for the industry post-2017.

**Q10: Do you agree that the proposed level of support will help to drive deployment for the pre-commercial and early commercial deployment phases? Please explain your response with evidence.**

Agree/Disagree: AGREE

Comments: As per comments above a number of papers, including evidence presented to the Marine Energy Programme Board, demonstrate 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.

#### CHAPTER 19: GRACE PERIODS

**Q76: Do you agree with our proposals for a time-limited and strictly defined grace period as described above, including scope, time limit and criteria? If you wish to suggest a different scope, time limit or criteria, please explain why. Please support your response with evidence.**

Agree/Disagree: AGREE

Comments: 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.

#### CHAPTER 21: EMR TRANSITION

**Q78: In addition to the specific questions asked throughout this consultation document, do you have any other comments on any aspect of our proposals?**

Comments: The proposal to introduce 5 ROCs for wave and tidal technologies in England and Wales is extremely welcome and gives a positive signal to invest in the sector.

However as a number of commentators have highlighted, this will only give potential investors visibility of returns for the very first projects in a sector which has, at present, high costs but immense potential for growth after 2020. There is a risk that potential industrial and utility partners will hold back from making their first significant Investments in first arrays until they have clear sight of the level of market support which will be in place post-2017. Marine energy will still require strong support through the FIT into the next decade.

It is therefore imperative that DECC gives as early a signal as possible as to the likely strike price for marine energy under the CfD FIT – or at least gives some indication of the timescales and likely process to arrive at a FIT which will give potential investors a ‘glide path’ of gradually decreasing market support as the industry matures.