

ENERGY BULLETIN

WIND - POST PLANNING

The number of wind turbine projects successfully emerging from planning is growing. The first major hurdle may have been overcome for some, but the work required post-planning can be just as challenging as planning itself.

Many landowners pursuing wind may have used their usual planning consultants for their planning application, but do these same individuals have the skills required to deliver a wind project? Due to the complex and inter-related elements that must be tackled to successfully commission a wind project, multiple third parties with varied expertise will need to be engaged and managed. Coordinating all third parties, taking critical decisions with knock-on-effects for all involved and making sure that no balls are dropped is no easy task.

The JHWalter Energy Team has progressed multiple wind energy projects to successful commissioning. The below provides a summary of the key elements of work that must be managed post-planning.



Technology Choice

Planning is likely to have been obtained for a particular turbine. However, a 'variation' could be employed to allow a turbine of comparable dimensions to be installed. Conducting a detailed appraisal of alternative wind turbine options is prudent - not only for peace of mind on technology choice, but to aid successful contract negotiation.



Civils Work

Some turbine suppliers will manage site civils, others will not. In the latter circumstance it is necessary to investigate ground conditions, then design (according to the turbine supplier's specifications) and put out to tender the works required. To satisfy insurer conditions it is recommended that a consulting engineer is engaged.



Funding

Rates will of course vary so 'shopping' for funding is required. To satisfy lenders' due diligence processes, in addition to existing business accounts and security, full feasibility studies are typically required. Such reports should include the following as a minimum: site wind assessment; site constraint analysis; financial appraisal; details of contractual arrangements.



Ofgem Accreditation

To be eligible for Feed-in Tariff (FIT) payments your scheme must be accredited on the Ofgem ROO-FIT register. To complete the application process an array of information about ownership, capacity, grid design and metering is required. Whilst the process may appear relatively simple the information required is not always straightforward to access.



Contracts

Professional legal review is essential, but so is advice from an individual with experience of commercial negotiation of turbine supply. Certain aspects of a wind contract may not raise the concerns of a lawyer but are in the buyer's interests to address.



Power Purchase Agreements

The FIT guarantees a 3.1p/kWh, RPI linked, electricity export price. However, over 5p/kWh can be obtained via the open market. Various contracts are available, but rates, inclusions / exclusions (e.g. Levy Exemption Certificate payments etc) and contract durations vary, so the small print must be carefully scrutinised to assess the best option.



Grid Connection

The lead time for obtaining a grid connection offer and the complexities surrounding offer expiry mean timing the submission and acceptance of a grid connection offer is critical to avoid project delays. Strategy for connection capacity should also be considered.



Insurance

There will be a need for essential insurance cover (third party etc.) and additional cover which may be deemed necessary to add comfort to certain risks. Premiums, coverage inclusions / exclusions and excesses will vary so all small print must be carefully scrutinised to ensure the level of coverage desired is obtained.



Planning Conditions

Planning conditions typically relate to transport plans, construction plans, noise limits etc. Some conditions must be discharged before work can commence. Other conditions are only relevant if a situation (e.g. noise complaint) arises down the line. However, addressing all conditions at the outset is advisable to avoid potential issues in years to come.



Project Management

All of the aforementioned factors are inter-related and inter-dependant. Keeping track of all elements of work, sharing information where required and making sure that nothing is missed is a job in itself, and arguably the most critical. Effective project management should ensure timely, on-budget delivery and minimum future headaches.

FIT DEBACLE - SOLAR AND PHASE 2

As things stand on the 17th of Jan 2012

It is hoped by all parties that the Solar PV FIT consultation debacle will be decided by the end of January and in turn Phase 2 of the Comprehensive FIT review will be published.

DECC lodged their appeal to the high court ruling (that the effective changes to the FIT rate before the consultation period end was illegal) on the 4th of January. The permission to appeal hearing was conducted on Friday 13th January. Whilst a decision on DECC's right to appeal was expected the same day (with a full hearing pencilled in immediately afterwards if DECC's right to appeal was granted) the three high court judges failed to reach a verdict. In turn the delays before a decision is reached have been extended once again.

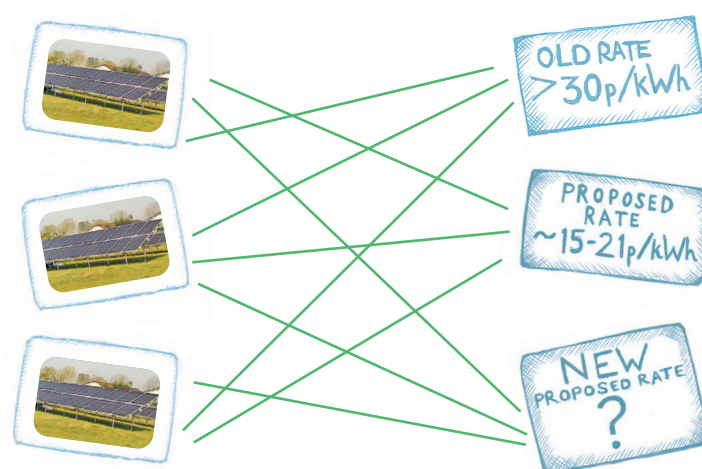
Whilst timeframes for a decision have been extended, the potential outcomes as we understand them remain the same - these are as follows:

1. **DECC appeal is not granted** – DECC must put revised legislation before parliament for 40 days meaning that the earliest date for new tariffs would be late February.
2. **DECC appeal is granted but government lose** - DECC must put revised legislation before parliament for 40 days meaning that the earliest date for new tariffs would be late February. However, DECC could decide to challenge the decision at the Supreme Court. In this instance timescales are unknown.
3. **Appeal is granted but government win** – DECC are free to publish their response to the consultation. This response will detail the new solar PV FIT regime, which could still be lower than the 21p/kWh proposed at consultation. DECC have however suggested that “the tariff rate for PV installations less than or equal to 4kW will not fall below 21p for installations with an eligibility date between the 12th December 2011 and 31st March 2012”.

DECC have made it clear that the outcome of the appeal and how much solar PV has been installed since the 12th December will have a direct impact on their response to the Phase 1 (Solar Consultation) and the proposals detailed in the Phase 2 Consultation (all other technologies). A win for the solar industry could in turn have negative effects on the FIT rates proposed for other renewable technologies.

Another interesting point to note in this saga is that DECC has quietly raised the FIT budget by £197m by re-allocating funds previously earmarked for the Renewable Obligation incentive scheme. Commentators in the solar industry have commented that this makes a mockery of the 'protect the budget at all costs' mantra that ministers have been reciting, whilst DECC state it is a “purely technical adjustment that makes no difference to the actual amount of subsidy available for these (renewable) levies”.

The saga continues!



FARM AD SET TO INCREASE...

There is clearly a significant gap in installation capacity between defra's “non-target” installed AD capacity of 3,000 to 5,000 MW by 2020 and current accreditation under the FIT scheme of just 12 MW. Whilst Defra continues to have concerns over wall to wall maize, viability means that whilst maize and beet will be “in the mix”, farm projects we are working on include a wide range of feedstocks - based upon manures and by-products. Such an approach reduces impact on the existing farming system and also helps to ensure that both the opportunity and real feedstock costs are affordable.

Technology providers have recognised that capital costs and plant efficiency have to be optimised to give confidence to those developing projects. Specification revisions and increased competition have contributed to a general lowering of capital costs with a more flexible approach to infrastructure. Likewise modifications to plant provide opportunity to maximise gas yields from the likes of manure and grass. As such pay-back periods are shortening.

One of the great advantages farms have is control over feedstock supply and a full understanding of its component parts. Whilst protocols provide a scientific basis for producing quality bio-fertiliser, many farmers retain concerns over the provenance of any material applied to land. Critically for farmers is the opportunity to produce “bio-fertiliser” without a pasteurisation process being necessary - simplifying plant and reducing cost.

So based on our experience farm AD is set to increase. Over the last 12 months we have worked on several projects including undertaking due-diligence for lenders. UK based plants are helping to provide confidence to those about to invest, and the pipeline for 2012 is considerably greater with a notable number now deciding to put their ideas into action. Based upon our experience and understanding of AD small and large, thermo- and mesophilic, we expect this trend of growth to continue and look forward to this with relish!

This publication is intended as a general guide, and although every effort has been made to ensure accuracy, liability cannot be accepted for any errors of fact or opinion. Always seek professional advice before making investments.

SCOPING | FEASIBILITY | PLANNING | FUNDING | DELIVERY

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