



Mr M German
Chair, Sustainability Committee
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Dear Mr German

Many thanks for your letter of 15 July. I am delighted that the Committee found our evidence useful.

I promised to provide additional information on how the ROCs regime can discourage a move to more environmentally friendly generation, converting older stations to biomass rather than, or as well as, building new ones.

Under BERR's proposed revised renewables regime¹, coal fired plant that co-fires biomass with coal in their plant will receive 0.5 ROCs per 1MWh of generation. This makes the economics of co-firing exceptionally marginal. Suppliers can also only meet 10% of their Renewables Obligation using co-fired ROCS. This means that co-fired plant get less ROCs than other renewables plant and the value of the ROCs are limited by the suppliers ability to meet only part of their obligations with co-fired ROCS.

The Government has always been concerned that it did not want to encourage "green energy" from coal fired plant as this means coal plant is running, potentially causing concerns against other environmental objectives². However, given the falling plant margin and thus a requirement to have coal plant running to keep the lights on, I believe that it is perverse not to encourage coal plant to switch to burning more not less biomass. As far as I can see 1MW of energy from renewable sources

¹ BERR: Reform of the Renewables Obligation - Statutory Consultation on the Renewables Obligation Order 2009. June 2008

² Large Combustion Plant Directive, National Emissions Ceiling Directive, EU ETS, etc.

is 1MW irrelevant of coming from biomass mixed with some coal, biomass not mixed or wind.

Uskmouth would be prepared to undertake some trial burning of 100% biomass in one of the three boilers at the plant if we felt the regime was in place to support such investment. We believe that it is technically possible to convert one unit to biomass firing, though it would not be easy and would require significant capital investment in the order of £17 million. However, under the definitions of co-firing proposed by BERR this would still be classed as co-firing, and would therefore have a short life with low co-fired ROC revenues.

I attach BERR's proposed definitions of a co-fired plant. At the present time Uskmouth comes under definition 1. If we can persuade BERR to alter category 3 so that if we use a separate boiler and separate generator, simply sharing the stack and cooling water, then we could ring fence the plant as if it were an independent biomass plant and receive 1.5 ROCs/MWh. Furthermore, the ROCs would not be classed as co-fired so that the suppliers would face no limit on purchasing them. We are seeking clarification from BERR on acceptable level of shared equipment, but we will need clarity in the ROC co-firing definitions before we can commit to the level of investment required.

Given current concerns about security of supply we would expect the Government to wish to keep well-located plant operational and even better would be to persuade that plant to invest in improving environmental performance. In South Wales the negative TNUoS charges give an indication of the importance of Uskmouth in an area of net power imports and growing demand. There is also now a significant queue to get transmission access, so no substantial new plant can connect in South Wales before 2016. We would, therefore, wish to keep 2 units firing mainly on coal to meet local demand, but we could look to convert one unit if we could get the same rewards as a dedicated biomass plant.

Each generation unit at Uskmouth can generate 120MW, making them significantly bigger than most biomass plants, which tend to be in the region of 50MW. The electricity generated would be just as clean and renewable as that from dedicated plant. Furthermore we could use the unit to look at a wider range of fuels, including energy crops, and in the longer term we may consider using that experience to either convert further units or invest in a new, larger biomass plant once grid connections become available.



We appreciate that Ofgem when issuing ROCs would want to be certain that they could ensure that the unit was operating as a biomass plant. However, as the controls and meters for each unit are separate, and we would directly inject the fuel into the boiler, we believe that a robust monitoring regime could be developed to allow verification by Ofgem.

Uskmouth believes that the BERR must consider the option of converting part of existing plants to biomass to further encourage the development of renewable generation in both the short and long term. The Government has extremely ambitious renewables targets³ which will not be met by simply trying to encourage wind farms. The transmission queue in regions like Scotland and Wales, where there is the greatest potential for such technologies, means that Government must look at other ways to encourage investment in greener generation using the assets we already have.

I would be very happy to discuss this further with you or your colleagues if that would be helpful. I can also send you a copy of our response to the BERR consultation once it is ready.

If you or your colleagues have any other queries please do not hesitate to contact me and may I take this opportunity to thank you again for inviting us to give evidence to your inquiry.

Yours sincerely

Alex Lambie
Chief Executive

³ 15% of energy to be renewable by 2020, which means 30-35% of electricity to come from renewables by 2020.

Table 2: Definition of Co-firing Generation Types

| Config-uration | Description | Generation type | Support level (ROC/ MWh) |
|----------------|--|---|--------------------------|
| 1 | Electricity generated through the combustion of fossil fuel and biomass in the same calendar month in the same boiler | Co-firing of biomass with fossil fuel | 0.5 |
| 2 | Electricity generated through the combustion of fossil fuel and biomass in the same calendar month in separate boilers where the steam from both is combined to power a common turbine | Co-firing of biomass with fossil fuel | 0.5 |
| 3 | Electricity generated through the combustion of fossil fuel and biomass in the same calendar month in separate boilers each with its own generator | Co-firing of biomass with fossil fuel OR dedicated biomass depending on exact configuration | 0.5 / 1.5 |
| 4 | Electricity generated through the combustion of fossil fuel and biomass in the same calendar month in the same boiler in a qualifying combined heat and power station | Co-firing of biomass with fossil fuel | 0.5 |
| 5 | Electricity generated through the combustion of fossil fuel and biomass in the same calendar month in separate boilers where the steam from both is combined to power a common turbine in a qualifying combined heat and power station | Co-firing of biomass with fossil fuel in a GQCHP station | 1.0 |
| 6 | Electricity generated through the combustion of fossil fuel and biomass in the same calendar month in separate boilers each with its own generator in a qualifying combined heat and power station | Co-firing of biomass with fossil fuel in a GQCHP station OR dedicated biomass with CHP depending on exact configuration | 1.0 / 2.0 |