

Y Gwir Anrh/Rt Hon Rhodri Morgan AC/AM
Prif Weinidog Cymru/First Minister for Wales



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Mick Bates AM
The National Assembly for Wales
Cardiff Bay
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23rd October 2008

Dear Mick

RENEWABLE ENERGY SUPPLIERS/MICROGENERATION

During First Minister's questions on 7 October I promised to write to check on the practical support provided for renewable energy suppliers in Wales.

The Renewable Obligation remains the main source of financial support for renewable generation. It requires licensed electricity suppliers to source a specific and annually increasing percentage of the electricity they supply from renewable sources in return for Renewable Obligation Certificates (ROCs) and in so doing contribute to reducing carbon emissions. The sale of ROCs gives a financial incentive to produce carbon free energy as well as supplementing the income of wind farm operators to help offset the capital costs of building the wind farm which are fully borne by the developer. Currently (2008), each MWh of capacity attracts 1 ROC valued at £ 53.

The UK Government has recently consulted on banding the ROCs enabling them to operate on a broader scale and thereby attract electricity suppliers to source their energy from alternative renewable technologies to wind. These include biomass, microgeneration and tidal power.

The suggestion for providing financial incentives to small energy suppliers for carbon savings has complications in establishing actual carbon savings because of the varying extent to which renewables are replacing coal, gas or nuclear electricity at any one time. This varies continually depending on electricity markets.

I strongly welcomed the Secretary of State for Energy and Climate Change's recent announcement that the UK Government intends to move forward on feed-in tariffs for micro-generation. This has proven to be a successful incentive to stimulate the market in other European countries and is something that the Assembly Government has for some time been calling for.

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Microgeneration features strongly in the consultation on a Renewables Energy Route Map for Wales and we want microgeneration to have an increasingly important role in the energy mix.

Financial support for microgeneration and community scale renewable energy projects in Wales is available from a variety of sources through grants, competitive loans and tax incentives. For example, householders in Wales have access to the Low Carbon Building Programme (LCBP) which is being administered on a UK basis and is now programmed to run until 2010 and we are developing a Local Carbon Building Programme pilot for Wales focused on installing microgeneration technology in the homes of those in fuel poverty.

Through the Climate Change Strategic Framework in the Convergence programme we are developing a strategic project to support community scale renewables projects.

Advice and funding is also available from the Energy Saving Trust Advice Centres, which the Assembly Government has helped fund. The Centres provide information to the public and community groups on renewable technologies, energy conservation and sources of funding for new projects.

As set out in our Renewable Energy Route Map, we will encourage utilities to pay a fair price for the export of locally produced electricity onto the grid. In addition, we have made clear to the UK Government that we want to make network connection easier for smaller scale renewable units so people generating their own power can be rewarded for exporting surplus energy to the grid.

Yours
Klodian