

Climate Change Levy Exemption for Renewables Guidance for Generators and Suppliers

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1. Introduction and background

Status of this guidance document

1.1This document is not a definitive or binding interpretation of the relevant legislation. Users should obtain independent legal advice regarding the Climate Change Levy exemption for renewables, including the requirements of the legislation and any points of statutory interpretation.

1.2 We aim to review this guidance periodically; it would be helpful to receive comments or suggestions from those who use it.

The Climate Change Levy exemption for renewables

1.3 Introduced in April 2001, the Climate Change Levy (CCL) is chargeable on nondomestic supplies of electricity. Subject to certain exclusions, exemptions, reduced rate provisions, electricity is currently (with effect from 1 April 2013) subject to the levy at a rate of £0.00524 per/kWh (updates will be published on the HMRC website)..

1.4 Paragraphs 19, 20 and 22 of Schedule 6 to the Finance Act 2000, and Part IV of the Climate Change Levy (General) Regulations 2001as amended¹ ("the Regulations"), provide the legal basis for the CCL exemption for electricity generated from renewable sources. We issue Levy Exemption Certificates (LECs) as evidence that a generator has produced eligible renewable source electricity. Electricity suppliers use LECs as part of the evidence that renewable source electricity has been acquired for the purposes of making a CCL exempt supply.

The Utility Regulator's responsibilities

1.5 The legislation gives the Northern Ireland Authority for Utility Regulation (NIAUR) responsibility for certifying that electricity has been produced from qualifying renewable sources for the purposes of the climate change levy. The Utility Regulator is the non-ministerial Civil Service department that supports and performs the day-to-day functions of NIAUR.

We are responsible for:

- accrediting renewable generating stations
- issuing LECs
- maintaining a record (for six years) of LECs issued
- receiving notification, from suppliers, of LECs allocated to a supply
- auditing accredited generators, to secure assurance of compliance and
- providing information to HM Revenue and Customs (HMRC) in respect of the administration of the CCL exemption for renewables.

¹ Paragraph 22 of Schedule 6 to the Finance Act 2000 empowers the Commissioners to make regulations giving effect to the exclusions and exemptions provided for in Paragraphs 8 to 21. These Regulations are available on the website of the Office of Public Sector Information (OPSI) www.opsi.gov.uk

2. Accreditation

Introduction

2.1. We can only issue LECs in respect of the output of an eligible renewable generating station. An eligible station is one that generates electricity from qualifying renewable sources or from waste².

In order to gain accreditation, the generator must complete and return the application questionnaire that can be found in the Sustainability section of the Utility Regulator (UR) website www.uregni.gov.uk.

Accreditation questionnaire

2.2. The questionnaire enables us to establish whether a generating station meets the definition of a qualifying renewable source. There is a formal declaration at the end of the questionnaire that an appropriate officer of the operator company must complete (an appropriate officer might be a director, company secretary or chief operating officer).

2.3. Having received the completed questionnaire, we may have some additional questions to ask. In some cases, we may make a site visit to check on the information in the questionnaire. We may also require independent verification of some of the information.

Applications from agents

2.4. We have no objection in principle to a station operator employing an agent to manage routine contacts with the UR, including accreditation. However, the **station in question must be individually accredited in the normal way**. Before we agree to deal with an agent, we shall ordinarily require the station operator to complete and sign our 'Agent Authorisation Form' (please see Appendix 7).

The form gives us written evidence of:

- the identity and contact details of the agent
- the due appointment of the agent, by the station operator
- the duration of the agent's authorisation
- what the agent is and is not authorised to do on the generator's behalf
- the station operator's agreement that any LEC which we issue to its agent will be received by that agent for and on behalf of, and for the benefit of, the station operator, and on no other basis;
- and of compliance with the requirements of Regulation 49(4)7.

Hydro generating stations

2.5. Not all hydro generating stations are eligible for accreditation. Those with a Declared Net Capacity (DNC) exceeding 10MW are not eligible. Please note that two or more hydro stations sharing civil works will probably be regarded as a single generating station for purposes of the CCL exemption for renewables.

This may mean that together their DNC exceeds the 10MW limit. The relevant provisions are in Regulation 47(2), but there is a fuller explanation at Appendix 1to this guidance document.

² Regulation 47 defines the terms 'renewable sources' and 'waste'.

Generating stations burning waste

2.6. Generating stations fuelled by waste are eligible for LECs, but we shall usually require additional information from the station operator. Where a generating station burns waste, the usual presumption is that 50 per cent of the output is renewable sources³. However it is open to the UR to declare reasonable belief that a higher figure would be appropriate. More detail is set out in Appendix 2.

2.7. It is often sensible to reach agreement on the methodology for establishing how much output is generated from renewable sources at the time of accreditation.

Generating stations burning biomass

2.8. We shall require additional monthly information in respect of generating stations burning biomass as a fuel. Full details are set out in Appendix 3. Appendix 4 explains FMS procedures in more detail.

CHP generating stations using renewable fuels

2.9. Combined Heat and Power (CHP) stations that use renewable fuels may be eligible for accreditation, and may then receive LECs for that proportion of the output attributable to the renewable fuel. From 1st April 2013, CHP LECs will no longer be issued for GQCHP from fossil fuel sources.

Submitting an application

2.10. Operators of generating stations must complete a separate accreditation questionnaire for each generating station. Because the application and associated declarations requires a signature, we ask applicants to submit a hard copy by post.

Following accreditation

2.11. Once we are satisfied that we can accredit a generating station, we shall issue the operator with a unique identification number. It will look like this.

Component	Meaning
L	Accredited for the CCL exemption
0022	Unique accreditation number for the station
SH	Technology code (small hydro) (See Appendix 5)
NI	Country in which the station is located/eligible

L 0022 SH NI

2.12. We may require any operators of accredited station to confirm that it continues to comply with the Regulations at any time. In particular, we shall require the station operator to complete a fresh 'consumption declaration' annually. See Appendix 6 for details of this declaration.

³ Regulation 47(7)

Audits

2.13. Each year, we carry out a programme of audits of accredited generating stations. The audits secure assurance of compliance with the Regulations. We select some stations for audit randomly. Others may be subject to audit as a result of information that we have received.

2.14. We employ consulting engineers to conduct the audits. They will wish to review metering arrangements and the station operator's records of monthly output data. The auditors will also satisfy themselves that the station's output is for consumption in the UK.

3. Obtaining LECs

Submission of monthly output data

3.1 To obtain LECs, an accredited generator must submit monthly electricity production figures (output data) to the UR. The output data must be expressed in kWhs.

3.2 The generator should submit the output data by the end of the second month following the month of generation. So data relating to output in January should reach us by the end of March.

3.3 Our current view is that an operator of a generating station may appoint an agent (e.g. a data collector) to submit output data on its behalf, in respect of LECs. However, the data submitted by such an agent must clearly identify the generating station that generated the electricity to which the data relates. Data in respect of electricity produced by one generator cannot be amalgamated with data in respect of electricity produced by another generator.

3.4 There is a standard template for the submission of output data; we will issue this template to operating stations on accreditation.

Meter readings and meter reading records

3.5 Output data should be derived from meter readings taken on the first day of each month (or within one day on each side of that date).

3.6 The Regulations⁴ require operators to keep records of meter readings. The station operator should also keep monthly records of the volume of electricity, if any, that is supplied to recipients outside the UK.

Renewable generating stations located outside the UK

3.7 As Section 4 of this guidance explains in greater detail, we can only issue LECs in respect of electricity consumed or to be consumed in the UK⁵. Accordingly, stations located outside the UK **must submit their output data net of internal consumption**. This is because internal (on-site) consumption cannot by definition be consumed in the UK. So that an accurate figure can be deducted from gross generation, it is important the internal consumption is metered. Internal consumption includes electrical losses associated with transformers located within the boundaries of the generating station.

3.8 Operators of generating stations located outside the UK who receive financial support from any department or agency of their national government will not be eligible for LECs.

Data that is submitted late

3.9 We shall generally require generators to submit data by the end of the second month following the month of generation. We shall not normally issue LECs in respect of the electricity represented by late data. In exceptional circumstances, we may agree to accept late or corrected data. Any request for us to do so must be supported by a statement of case, explaining what the particular circumstances were, and why they were exceptional.

⁴ Regulations 48(3)(b) and 49(4)

⁵ Regulation 48(5)

3.10 If a station operator realises that **incorrect data** has been submitted, or if we learn (perhaps from an audit) that data is wrong, we may be able to accept a corrected version. We shall consider each request to accept corrected data on the particular circumstances.

The Regulations provide that we need not issue a LEC if we do not receive relevant information and meter readings⁶.

3.11 If we make a mistake over or under issuing LECs, we shall apologise and issue amended LECs.

⁶ Regulation 48(3)

4. Consumption of electricity in the UK

We shall issue LECs only if we are satisfied that the electricity that they would represent is to be consumed in the UK. This section explains why we enforce this requirement and how we secure assurance of compliance with it.

The requirement for consumption in the UK

4.1 Regulation $48(5)^7$ provides that:

"The relevant Authority need not issue a Renewables LEC unless it is satisfied that the Renewables LEC, if issued, would represent electricity consumed or to be consumed in the United Kingdom.

For this purpose, the relevant Authority may have regard in particular to whether any part of that electricity is or may be allocated by the operator of the generating station or a supplier for consumption outside the United Kingdom".

Securing assurance of compliance

4.2 In order to secure assurance that a generator's output represents electricity consumed, or to be consumed, in the UK, we shall:

- ask the generator to submit an annual Consumption Declaration, perhaps supported by additional evidence; and may
- brief our auditors to consider the evidence that any given station's output was consumed in the UK.

4.3 The annual Consumption Declaration certifies that all electricity notified to us in anticipation of LEC issue is consumed or to be consumed in the UK. Unless we have a current Consumption Declaration, we shall not issue LECs. A pro forma Consumption Declaration is at Appendix 6 to these guidance notes.

4.4 When submitting the Consumption Declaration, station operators must ensure that:

- the declaration reaches us by 1st April each year;
- it relates to a specified period;
- it clearly shows the generating station name and accreditation number; and that
- it is signed by an appropriate officer of the company.

4.5 We may also, and at any time, require a generator to provide us with additional information or evidence to support its Consumption Declaration. This may include, but would not necessarily be limited to, assurance that the generator is not in receipt of any financial support conditional on the supply of electricity to premises other than premises situated within the United Kingdom.

4.6 During an audit, we shall ask the generator to give us with evidence to support its Consumption Declaration. As generators' circumstances vary quite widely, we shall take account of the particular situation when conducting an audit. As a general indication the classes of supporting evidence that we should be likely to find persuasive would include, but necessarily be limited to:

⁷ Inserted by Regulation 16 in the Climate Change Levy (General) (Amendment) Regulations 2003 (No. 604)

- contractual evidence demonstrating that electricity notified to us for the purpose of issuing Renewables LECs represents electricity consumed or to be consumed in the UK and (for stations in ROI) that;
- evidence that a path exists so that the electricity generated is notionally capable of reaching the UK. This may include that sufficient capacity has been booked in the direction of flow on relevant interconnectors. Generators in Ireland need not book capacity if contracted to a supplier in Northern Ireland. Generators on the island of Ireland contracted to supplier in Great Britain must book capacity on the relevant interconnector.

4.7 Should we become aware of additional information that we ought to seek from all generating stations, we shall notify participants and publish the updated information on our website.

4.8 Generating stations participating in the Single Electricity Market (SEM) must have a relevant arrangement⁸ with a supplier in Northern Ireland (NI) in order to claim LECs. Stations that are operating outside the SEM must show contractual evidence that the electricity is consumed in NI and if located in ROI must show that the power is notionally capable of reaching NI. Stations <10MW are eligible for CCL LECs providing an auditable contract trail exists between the station and a NI supplier. We will ask for written confirmation from the NI Supplier of the viability of the schematic diagram provided with the generating station's application form.

Audits

4.9 We routinely conduct audits of renewable generating stations. We select them for audit either randomly or to reflect any concern that we may have. The main purpose of these audits is to verify the technical characteristics of the generating station, as detailed by the operator at the time of accreditation. Where a company is responsible for more than one renewable generating station, it may submit a composite Consumption Declaration, to which a list of station names and accreditation numbers is attached.

Checking on consumption in the UK will form part of the same process as the technical audits outlined in Section 2.

4.10 As part of these audits, we should expect the operator of the station to offer contractual evidence to demonstrate that electricity notified to us represents electricity consumed or to be consumed in the UK. Whilst specific and general contractual arrangements are matters for the operators of generating stations, examples of provisions upon which we should look favourably include stipulations that the electricity must be consumed in the UK, and that no part of it may be allocated by any person for consumption outside the UK. In this context, we assess cases individually.

4.11 If we have reason to doubt that electricity, in respect of which we have issued LECs, has been consumed in the UK, we shall notify HMRC of the circumstances.

⁸ A relevant arrangement is a contract stating that a supplier will take out of the SEM pool an equivalent amount of generation that the operator produces

5. Issuing LECs

Standard LEC issue arrangements

5.1We shall issue one LEC for each MWh of an accredited station's output. If in any month output falls short of 1MWh, it can be carried forward and added to the output data for the following month (unlike Renewable Obligation Certificates (ROCs), LECs are not rounded up or down to the nearest MWh).

5.2 We issue LECs two months after the month of generation. We shall issue the LECs to the contact given at the time of accreditation - by e-mail, where possible and follow up with a hard copy.

5.3 Each LEC has bears the station's unique accreditation number and also the month and year of generation, followed by the number MWhs issued.

LECs and exemption from CCL

5.4 The issue of a LEC does not, of itself, guarantee that the electricity in question will be exempt from CCL. Exemption is ultimately a matter for HMRC under the Finance Act 2000.

6. How suppliers use LECs

LECs as evidence for exemption

6.1 Suppliers use renewables LECs as part of the evidence to demonstrate (to HMRC) that they have acquired renewable source electricity for the purposes of making a CCL exempt supply to non-domestic consumers in the UK. In other words, suppliers must have the necessary LECs to establish that a given quantity of electricity supplied is exempt from the CCL, under the provisions of the Finance Act 2000⁹

Suppliers must notify (Notification is the process of suppliers telling us that they have supplied electricity pursuant to a renewable source contract. It involves informing us of the relevant LEC identifiers¹⁰) the UR of the allocation of LECs to a non-domestic supply.

6.2 Although we accredit stations located in Northern Ireland and Ireland, and issue LECs to them, the rules for use of those LECs in respect of supplies of electricity in Great Britain are the same as for the LECs that OFGEM issues. Suppliers must notify them to OFGEM as well as the UR.

Notification

6.3 The final supplier of electricity, under a renewable source contract¹¹ has responsibility (regulation 49(3)) for notifying us of the relevant LEC serial numbers. Notification must be made annually. We may change this process and ask suppliers to notify monthly in due course.

6.4 Renewables LECs notified to us should only represent electricity supplied to a nondomestic final consumer. We do not require details of the renewable source contract.

6.5 To effect notification, suppliers should use the template that is provided by us.

6.6 We shall acknowledge receipt of notification, quoting the LEC numbers in question. We will check the numbers, to ensure that they are in the format in which we issued them, and to make certain that no other supplier has notified the same batch of LECs. If it seems that more than one supplier has notified the same LECs, we shall investigate.

Disputes

6.7 In the event of a dispute, we may require information from any supplier involved in transactions in respect of the LECs in question. Suppliers should therefore maintain clear records (i.e. an 'audit trail') of such transactions. Where entitlement to a LEC is disputed, or otherwise unclear, we shall work closely with HMRC in trying to resolve the matter.

Penalties

6.8 Suppliers should be aware that the Finance Act 2000 as amended establishes both criminal and civil penalties for evasion, mis-declaration and neglect in relation to the CCL. In particular, the Act establishes criminal offences in respect of recklessly or knowingly making materially false statements in information provided in relation to the CCL.

⁹ The relevant provisions are paragraphs 19 and 20 of Schedule 6 to the Finance Act 2000. See also Part IV of the Climate Change Levy (General) Regulations 2001

¹⁰ Regulation 49(3) refers

¹¹ Regulation 46(1) provides that a 'renewable source contract' is the sort of contract mentioned in paragraph 19(1)(b) of Schedule 6 to the Finance Act 2000

Paragraph 19(1)(d) notification to HMRC

6.9 Paragraph 19(1)(d) in Schedule 6 to the Finance Act 2000 requires suppliers to send written notification to HMRC, agreeing to fulfil the conditions of the CCL exemption. The supplier should copy the notice the UR. The supplier should send the notice to:

H.M. Revenue and Customs,
Environment and Transport Taxes,
Excise, Customs, Stamps and Money Directorate,
3rd Floor West,
Ralli Quays,
3, Stanley Street,
Salford
M60 9LA.

6.10 HMRC have indicated that an acceptable form of words for the paragraph 19(1)(d) notice might be:

CLIMATE CHANGE LEVY (CCL) NOTIFICATION UNDER FINANCE ACT 2000, SCHEDULE 6, PARAGRAPH 19(1)(d) EXEMPTION: ELECTRICITY FROM RENEWABLE SOURCES

I am writing to notify that [company name] wishes to participate as a supplier of renewable source electricity, with a view to seeking exemption from CCL. I confirm that [company name] agrees to fulfil the conditions in relation to such supplies, insofar as they apply

[Officer of the Company]

Appendices

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Appendix 1 - What constitutes a hydro generating station?

Issues of definition

1.1 The Regulations do not offer a simple definition of an eligible hydro generating station. In the context of the CCL exemption there are important considerations. These are:

- that tidal, wave, ocean current and geothermal technologies are excluded;
- whether and, if so, how the station is connected to other hydro stations;
- that hydro stations exceeding 10MW are not eligible for accreditation;
- the requirement to deduct electricity used in pumping to support the process of generation¹²

Excluded technologies

1.2 Regulation 47(2) defines a "hydro generating station" as: "...a generating station which is wholly or mainly driven by water other than stations driven by tidal flows, waves, ocean currents, or geothermal sources..."

Connection to other hydro stations ("shared works")

1.3 Regulation 47(2) goes on to provide that

"...the "station" extends to all structures and works for holding or channelling water for a purpose directly related to the generation of electricity together with any turbines and associated generators directly connected to or fed by such common structures or works".

1.4 We consider this to mean that water-driven generators (even if in separate locations) are (should they be fed by the same structures and works) considered to be one hydro generating station and these structures and works would have to be, *"directly related to the generation of electricity"*. We shall consider applications case-by-case, in the light of information about the civil works on site. For example, a pipe flowing from a generating station into a reservoir may not necessarily be directly related to the generation of electricity.

Maximum Declared Net Capacity (DNC)

1.5 Regulation 47(1) provides that the output of a 'large hydro generating station' cannot be regarded as generated from renewable sources. Regulation 47(2) defines a large hydro generating station as one having a DNC¹³ of more than 10MW. Where there is more than one hydro generating station, sharing the same structures for holding or channelling water used in the production of electricity, Regulation 47(2) requires those stations to be treated as a single generating station. The combined DNC of these stations must not exceed 10MW.

1.6 This requires an assessment of the actual capacity of the generating station, rather than the capacity that is utilised in practice. Accordingly, constraints on output that would not be relevant to the calculation of DNC include, but would not necessarily be limited to:

"the highest generation of electricity (at the main alternator terminals) which, on the assumption that the source of power is available without interruption, can be maintained indefinitely without causing damage to the plant less so much of that capacity as is consumed by the plant"

¹² Regulation 47(13)

¹³ Regulation 47(2) defines DNC as:

- environmental considerations;
- electrical network requirements and/or constraints; and
 insufficient rainfall in the catchment area.

Appendix 2 - Stations generating energy from waste

The '50% Rule' in Regulation 47(7)

1.1 Where a station burns waste¹⁴ as fuel, there is a presumption that 50% of the output is to be regarded as 'renewable source electricity'¹⁵ This is subject to the UR determining there to be no reasonable grounds for believing that more than 50% is derived from fossil fuel.

1.2 Where the station operator considers that more than 50% of output is derived from nonfossil sources, he can apply to us for a higher percentage figure to be applied¹⁶. Such an application, which the operator must re-submit annually, should include:

- the proposed percentage;
- full details of each primary category of waste, giving proportions of each by weight;
- the calorific value (CV) of each primary category (MJ/kg), setting out how the CV has been calculated (see below)
- details of facilities (on or off site) for sorting waste;
- the names and addresses of waste suppliers; and
- copies of waste purchase contracts (with details of waste content and contract duration clearly marked).

1.3 Only if we are satisfied, on the evidence submitted in the application, that more than 50% of the energy content is derived from non-fossil fuel shall we issue LECs for more than 50% of output. However, we shall expect to generators to re-submit their evidence each year, having first agreed the method of calculation with us.

Calorific Value (CV) calculations

1.4 As a first step in calculating the amount of electricity generated from each primary fuel category, the **weighted CV** is determined, using the formula:

Weighted
$$CV = a x b$$

Where:

a = percentage by weight; and<math>b = CV

For example:

Primary category	a %	b MJ/kg	Weighted CV (a x b)	Percentage by weighted CV
Paper/card	80	9,754	7803.2	63
Plastic	20	22,883	4576.6	37
Total	100		12379.8	100

¹⁴ Regulation 47(2) provides that "waste" has the same meaning as in the Environmental Protection Act 1990, as amended by paragraph 88 of Schedule 22 to the Environment Act 1995. The term excludes landfill gas and sewage gas

¹⁵ Regulation 47(7)

¹⁶ Regulation 47(8)

1.5 To calculate the proportion of electricity generated from renewable sources, we shall consider the proportion of each primary fuel category that is regarded as biodegradable¹⁷, using the data in the following table, which are derived from the Environment Agency's National Household Waste Analysis Project¹⁸.

Municipal Waste Components	Biodegradable Content
Paper and card	1
Putrescible waste	1
Textiles	0.5
Fines	0.5
Miscellaneous combustibles	0.5
Miscellaneous non-combustibles	0.5
Other (metals, glass, plastics, etc.)	0

1.6 Building on the example given earlier, the qualifying percentage of waste would be 63%. This is because plastic has no biodegradable content, whereas paper and card are fully degradable.

¹⁷ European Council Directive 1999/31/EC ("the Landfill Directive") defines biodegradable waste as, "waste that is capable of undergoing anaerobic or aerobic decomposition, such as food and garden waste, and paper and paperboard

¹⁸ Department of the Environment, Transport and the Regions, "Limiting Landfill: A consultation paper on limiting landfill to meet the EC Directive's targets for the landfill of biodegradable municipal waste", Oct 99 http://www.defra.gov.uk/environment/waste/strategy/landfill/index.htm

Appendix 3 - Stations generating energy from biomass

The meaning of 'biomass'

1.1 For CCL purposes, 'biomass' (including waste that is biomass) means fuel of which at least 98 per cent of the energy content is derived from plant or animal matter, or substances derived, directly or indirectly, from this matter¹⁹. This includes agricultural, forestry or wood wastes or residues, sewage and energy crops. It does not matter whether the material being burned is waste, but it **must not be derived, either directly or indirectly, from fossil fuel**. If the fuel meets the requirement for 98 per cent purity, we shall regard it, for the purpose of calculating the LEC entitlement, as being 100 per cent pure.

1.2 The electricity generated in a station burning biomass is regarded as 100 percent 'renewable source electricity'²⁰. To establish that the station is burning biomass, we shall require additional information. At a minimum this will be routine representative sampling and volume measurement of the fuels.

Additional information from biomass generators

1.3 Because of the 98 per cent requirement mentioned above, we require biomass generators to demonstrate that contamination in each of their fuels is 2 per cent (by energy content) or less. This will usually be by sample analysis. Further information on fuel measurement and sampling (FMS) is given in Appendix 4. Where a generator is using a number of biomass fuels, it is important to demonstrate that contamination, in each biomass fuel, burned each month, is 2 per cent or less.

¹⁹ Regulation 47(2)

²⁰ Regulation 47(5A) and 47(9)

Appendix 4 - Fuel measurement and sampling (FMS)

Introduction

1.1 The main focus of FMS is on the energy content of biomass used for electricity generation. This appendix is for the information, and necessary action, of operators of generating stations using biofuels. It explains what 'fuel' is for CCL purposes, and sets out the approach that we shall adopt in agreeing FMS procedures with station operators. It explains the timing of sampling, and sets out how best to report the results to us. We shall assess information, and agree FMS procedures with station operators case-by-case, in the light of the particular circumstances.

1.2 It is the responsibility of the station operator to ensure that the generating station is compliant with the relevant legislation.

What is FMS?

1.3 We have the task of determining the amount of fossil fuel or biomass used²¹ in generating electricity. We do this by reference to the energy content of the various fuels²². We consider the energy content to be the gross calorific value (GCV) of the fuel (expressed per unit of weight or volume), multiplied by the weight or volume of that fuel. In limited circumstances, and where we have agreed to it in advance, we shall accept the net calorific value (NCV) as a conservative estimate of GCV.

1.4 To make these calculations, we shall ask the generator to:

- measure the weight or volume of each biomass fuel burned, each month;
- take a monthly sample of each biomass fuel (to determine GCV and contamination); and to
- account, each month, for fossil fuel or waste.

What is a 'fuel'?

1.5 Provided that it constitutes less than 10 per cent of the total energy content of the fuels used in the generating station in any given year, fossil fuel may be used for any one of three specified purposes, and be regarded as the renewable source used as the remainder of the fuel in the generating station²³. These purposes are:

- ignition of gases or low, or variable, calorific value;
- heating the combustion system to its normal operating temperature, or maintaining it at that temperature; or
- emission control.

1.6 If two fuels are simply mixed, we shall generally regard them as remaining two fuels. An example might be mixing palm oil with heavy fuel oil. The situation is different where two fuels go through a process that changes their nature, as where two fuels are combined to produce fuel pellets. Much depends on the process in question, and some situations would be less clear-cut than others. We should want to discuss the detail with the operator of the generating station.

²¹ Regulation 47(11)

²² Regulation 47(12)

 $^{^{23}}$ Regulation 47(10).

1.7 We issue LECs in respect of electricity produced from qualifying renewable sources. Therefore biomass will only count for the purpose of calculating energy content if its burning results in the generation of electricity. If the generating station is on 'hot standby', is under test, or if there is a cancelled start, no electricity will have been exported from the station. Biomass burned for these purposes must not be counted in calculating energy content. It might be measured and deducted, or, alternatively, it could be included in the initial calculation of the volume of biomass burned. Obviously, this will not be an issue where:

- the station uses 100 per cent biomass, and we do not have to calculate energy content; or where
- biomass is only used once the station starts generating.

1.8 Methods of measuring biomass not resulting in electricity generation include, but would not be limited to:

- using a belt-weigher or flow meter;
- calculation from the number of burners and burner tipping rates; or
- measuring changes in stock or tank levels.

Agreement on FMS

1.9 For each biomass generating station, case-by-case, we shall agree a methodology for FMS. It is good practice for station operators to reach agreement with us before beginning to claim LECs.

1.10 We shall expect to agree FMS procedures:

- on application for accreditation;
- when a new type of fuel is used at an accredited station; or
- when new measurement equipment is installed at the station.

1.11 We generally aim to run the process of agreeing FMS procedures concurrently with that of accreditation. It is helpful to be clear that the generating station will be compliant with the biomass requirements in the Regulations. Agreeing FMS procedures should not delay accreditation.

1.12 Generators introducing a new type of fuel, or installing new measuring equipment, should normally submit a revised questionnaire; as a basis for the agreement of new FMS procedures. In cases where the new is similar to one already in use, or where only minor equipment changes are in prospect, we may not require a fresh questionnaire. It is worth discussing the changes with us at an early stage.

Timing of weighing and sampling

1.13 Operators of generating stations should accurately measure the weight or volume of biomass burned in any month. They should also measure the volume of any stocks carried over from the month previous to the month of burn. It is helpful if measurement and sampling take place at the same time each month. This is because we issue LECs in respect of electricity generated in a specified month.

1.14 The simplest way in which to determine the GCV of a fuel is to take a representative sample for laboratory analysis. In the case of well-known, homogenous fuels, operators should take at least one sample per month. Depending on the nature of the fuel, more

frequent sampling will often be required. We should be happy to agree these procedures case-by-case.

1.15. Station operators should consider how best to approach the measurement of contamination. Where the level of contamination is clearly below 2 per cent, annual sampling will generally suffice. Contamination levels close to 2 per cent necessitate monthly sampling. Where contamination can be prevented, or is negligible, we shall often accept a written statement, explaining the situation, in lieu of evidence from sampling.

1.16 In measuring stocks carried over, it would be good practice to both weigh and sample at the same time. Usually, the closing weight or volume for one month will be the same as the opening weight or volume for the next. Where this is not the case, it would be helpful to receive an explanation from the station operator. We shall take a practical approach to the measurement of carry-over stocks. For example, a reliable estimate of stock levels may be an acceptable alternative to emptying storage facilities and taking the contents across a weighbridge.

1.17 Operating conditions vary widely, and we are content that generators devise their own methodology for ensuring that measurement gives an accurate picture of biomass burned each month. Operators encountering difficulties with meeting this requirement should contact us to agree a practical solution.

Submitting periodic FMS data

1.19 To avoid unnecessary and time-consuming dialogue, it is helpful if station operators submit FMS information that is clear and comprehensive. In particular, FMS information should:

- cover all the agreed data;
- highlight important figures;
- clearly indicate what the content of each sheet of sampling information is;
- relate sampling data to the date of sampling (rather than to the date of analysis);
- explain non-standard calculations; and
- clearly indicate the origin of all figures (For example, a generator submitting an average GCV, derived from several analysed samples, should show both the GCV result of each sample and how the average has been calculated)

1.20 Where a station operator takes fuel samples for purposes other than the CCL exemption for 23enewable (e.g. for the Renewables Obligation), the results of sampling analysis should be copied to the UR when informing OFGEM.

Fuel supply contracts

1.21 As part of their monthly submission, we ask operators of biomass generating stations to submit details of their fuel supply contracts. They can constitute a useful cross-check against other information. Some contracts, for example, detail minimum specifications for the fuel. 1.22 Contractual information that generators should routinely provide includes:

- copies of contracts for each fuel;
- details of spot market suppliers and delivery schedules; and
- copy invoices.

A note on storage

1.23 To avoid significant deterioration, fuels should be stored appropriately.

Significant deterioration may mean that samples no longer reflect the characteristics of the fuel used at the generating station. Where GCV has declined with deterioration, there is a danger of an over-issue of LECs. There is no objection to the long-term storage of biofuels, nor yet to their deterioration, provided that re-sampling is carried out in the month of burn.

Appendix 5 – Technology codes

Technology	Code
Biomass	BW
Hydro	SH
Landfill gas	LG
Municipal and industrial waste	MW
Off-shore wind	FW
On-shore wind	NW
Photovoltaic	PV
Tidal flow	TP
Wave power	WP

Appendix 6 - Consumption Declarations

Standard consumption declaration CONSUMPTION DECLARATION

I declare that I am duly authorised to sign this form for and on behalf of the Company, and on behalf of the Company I confirm that:

- A all electricity notified to the Utility Regulator for the purpose of issuing Renewables LECs as have being generated by the Generating Station during the Specified Period represents electricity consumed or to be consumed in the UK; and
- B for any electricity so notified, the Company is able to provide the Utility Regulator at any time, including for the avoidance of doubt and without limitation during an audit conducted by the Utility Regulator with the evidence specified in *Consumption Declaration & Associated Evidential Guidelines* from time to time as being required in order for the Utility Regulator to be satisfied that the electricity represents electricity consumed or to be consumed in the UK; and
- C any electricity so notified has not been allocated by the Company for consumption outside the UK.

On behalf of the company I acknowledge a Renewables LEC will not be issued if the Utility Regulator is at any time not satisfied that the electricity with respect to which the Renewables LEC is to be issued represents electricity consumed or to be consumed in the United Kingdom.

On behalf of the company I acknowledge that I am aware that Part VIII of Schedule 6 to the Finance Act 2000 establishes criminal and civil penalties for evasion, misdeclaration and neglect in relation to the levy and in particular paragraph 93(2) of that Schedule establishes criminal offences in relation to recklessly or knowingly making materially false statements in information provided in relation to the levy.

Specified Period: 1 April _____ – 31 March _____

Name of Generating Station:

Accreditation number of the Generating Station:

Name of authorised signatory:

Position in Company:

Company:

Address, telephone number, fax number and email address:

Signature:

Date:

Appendix 7 – Appointment of an Agent

This form is to be used by an operator of a generating station to authorise an agent to act on its behalf for the Climate Change Levy.

In the case of a domestic application, this authorisation must be given by the applicant.

In the case of a company application, we would expect the authorised signatory to be a director, the company secretary or the chief operating officer.

Once completed it can be forwarded to the agent you have instructed to act for you, they will then forward it to the following address:

Frankie Dodds Social & Environmental Queens House 14 Queen Street Belfast BT1 6ED

Agent Appointment Form

Name of generating station:

Name & Contact Details of Agent

Name;

Address:

Tel: Email:

I have authorised the agent named above to manage the functions below on my behalf:

- administer the accreditation of my generating station under the CCL exemption for renewables scheme, acting as my sole contact with the Utility Regulator (UR) for this function.
- submit monthly output data, acting as my sole contact with the UR for this function.
- sign all relevant annual declarations as required to maintain accreditation for my generating station, acting as my sole contact with the UR for this function.
- □ receive Renewables LECs on my behalf, and for my benefit, in respect of the renewable output data submitted from my generating station.
- ensure compliance with the requirements of Regulation 49(4)²⁴
- submit to the UR any request, notification, statement or provision of information requested under the Regulations.

The list above does not represent all of the functions that the Agent can carry out on my behalf and does not represent the full extent of my agreement with the Agent.

I have authorised the agent named above to carry out the functions indicated:

²⁴ Regulation 49(4) requires the generator, or in this case the Agent, to retain records detailing the generation process, the electricity supplied, the relevant levy exemption certificates and any other relevant information for a period of 6 years.

Appendix 8

Climate Change Levy exemption for CHP

In Budget 2011 the Government announced its intention to legislate for the withdrawal, from 1 April 2013, of the exemption from CCL for electricity produced in a CHP station that is supplied by an electricity utility to an energy consumer ("the CCL CHP indirect supplies exemption"). This change does not affect the levy status of CHP electricity that is supplied directly from the station to the final consumer, including self-supplies. Nor does this change affect renewable electricity that is produced in a CHP. Renewable levy exemption certificates (renewable LECs) will still be issued to accredited stations in relation to this type of generation.

We will not issue levy exemption certificates (CHP LECs) for electricity generated in CHP stations after 31 March 2013. Budget 2012 announced that Electricity utilities will be able to allocate CHP LECs that they had acquired relating to CHP generation made before 1 April 2013, until 31 March 2018.

Where an electricity utility has a credit balance at 31 March 2013 relative to the provisions of paragraph 20B of Schedule 6 to FA 2000, it will be able to continue to make exempt supplies until 31 March 2018 in order use up that credit balance.

Electricity utilities will need to account to HMRC for the CCL due on any debit balance within their averaging period records as at 31 March 2013.

Electricity utilities will have to start accounting for CCL on supplies to business and public sector consumers once they have used up any credit balance of CHP LECs, or from 1 April 2018 whichever happens sooner and consumers of such electricity will incur CCL on those supplies.

Appendix 9 - Contact details

General

1.1 Generators and suppliers should provide full name, address, telephone and email contact details.

1.2 When submitting contact details, or when seeking advice on the UR's role in administering the CCL exemption for Renewables, please contact our Sustainability section at:

Frankie Dodds Social & Environmental Queens House 14 Queen Street Belfast BT1 6ED Direct Tel: +44 (0) 28 9031 6631 Email: frankie.dodds@uregni.gov.uk