



9 June 2015

Brian James  
Land and Property Service  
Rating Services  
Lanyon Plaza  
7 Lanyon Place  
BELFAST  
BT1 3LP

Dear Brian,

#### **Rating of on-farm Anaerobic Digestion Plants**

Further to our meeting at Lanyon Plaza on 14 April 2015, I am writing to you with the information you requested.

First and foremost, we should make it clear that we do not disagree with the principle behind rates, rather we do dispute the method LPS have used and the inclusion of small scale on-farm renewables projects in the REVAL process. It should be noted as well that we feel aggrieved that we were not consulted on this change of rating protocol, because had we been made aware of what was planned, we would have made representation through the necessary channels to ensure that situation did not arise in the first place.

The UFU believe that not enough basic research was instigated on the part of LPS and during our first meeting, we were very surprised to learn that you were not aware that the majority of the on-farm AD plants were utilising on-farm feedstocks; slurry from their own cows and in the majority of cases, grass silage grown on their own holding. This would have had a consequence for the differentiation between what could be deemed to be agricultural and non-agricultural. We think it would be a good idea if the UFU were to facilitate a visit to an actual on-farm AD plant and I know that Timothy McFarland and spoken to you with such a offer.

Now to the actual figures used to calculate the Rateable Value. In Table One on the next page, you will see a summary of some live figures from an actual one-farm Northern Ireland AD plant and these are highlighted in red.

**Expected life** – the more realistic life span is 20 years and this will be reflected in the following calculations.

**Income from electricity**- The UFU has reservations about the use of the ROC value in the Income from electricity calculation. Unlike the Feed-In Tariff, which is available in GB, a ROC payment is not fixed and will deviate both up and down in line with market forces.

**Fuel costs** – There is a £100,000 difference between the estimated and actual costs.

**Depreciation of assets** - It has been brought to my attention that LPS do not include capital repayments. This is a crucial point as the external capital often needs to be borrowed to allow these

projects to proceed. For the record, the data does not include the cost of borrowing, but we feel that it should.

**Table One Land and Property Service AD Costings v On-Farm AD Installation**

	LPS			UFU		
Expected life	30 years			20 years		
Installed capacity	500kW					
Forecast load factor	80%					
<b>INCOME</b>						
Total Output MWh	3504					
Income per MWh	£210					
Income from electricity	£735,840		£735,840			
sales/gross turnover						
<b>COSTS</b>						
Fixed Costs (per MW)	£350,000		£175,000			
Fuel Costs	245280		£245,280	£350,000		
Total Costs			£420,280	£525,000		
<b>OPERATING PROFIT (INCOME - COSTS)</b>			£315,560	£210,840		
<b>DEPRECIATION ON ASSETS</b>	£75,000 x 0.5		£37,500	£67,500	CAPEX	£2,700,000
<b>DIVISIBLE BALANCE</b>			£278,060	£143,340		
<b>TENANTS SHARE (55%)</b>			£152,933	£78,837		
Balance for rents and rates			£125,127	£64,503		
Less Rates (58%)			£45,933			
<b>RATEABLE VALUE</b>			£79,194	???		

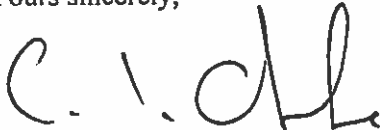
A more detailed explanation is available upon request but you will be able to see above in Table One, that once the live figures are included, the balance for rents and rates is half what LPS have calculated for a "standard" AD plant.

The UFU are asking that you consider the figures provided above and ask your review the method used in attaining the Rateable Value.

So as to keep you updated with what we are doing in terms of lobbying, we have requested a meeting with the Finance Minister Arlene Foster on this matter and we have requested that she considers a scheme similar to what they have in Scotland, the Renewable Energy Generation Relief Scheme was introduced in 2010 and permits discounts to be applied to renewable energy projects.

If you have any queries, do not hesitate to get in contact with me on 02 890370222.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'C. Osborne'.

**Chris Osborne**  
**UFU SENIOR POLICY OFFICER**