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**To:** [McCormick, Andrew \(DFE\)](#); [Cousins, Heather](#)  
**Cc:** [Woods, Michael \(DFE\)](#); [Marten, Lucy](#); [Wightman, Stuart](#)  
**Subject:** Simplified LTT on biomass tariffs  
**Date:** 26 September 2016 17:16:35  
**Attachments:** [Doc1.docx](#)

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Dear All

Please find attached proposed simplified high level lines on the tariff setting – for comment.

Have not mentioned the 17% load factor, the assumptions or the footnote at all as it just adds to the confusion – but think we do need to convey that it's about more than the fuel costs.

Alison

**LTT - BIOMASS TARIFFS**

- Biomass tariffs were calculated by taking into account the capital cost of the boiler, the operating costs and the fuel costs and comparing them to the same costs for a coal fired system.
- The initial tariff was set at 4.5 p/kWh against a biomass fuel cost of 4.39p/kWh.
- A mechanism to control usage, known as tiering (already in use in GB) was not included.
- Following consultation, further expert advice was commissioned which led to the tariff being revised to 5.9p/kWh, with fuel remaining at 4.39 p/kWh.
- A fundamental error was not to revisit the need for tiering in line with increased tariffs.
- This led to a tariff that rewarded extended use, over and above the point at which a reasonable rate of return had been achieved.