From: Iain Morrow
To: Hutchinson, Peter
Subject: first draft of updated tariffs
Date: 20 January 2012 18:03:26
Attachments: first draft of table 1 sent to Peter Hutchinson.docx

Peter

An unchecked draft, with not all the figures completed, but I hope it will give you an indication of what our results are likely to be. Please note this is very much a draft and I expect the numbers will shift to some degree.

In terms of overall impact, the model runs I have done suggest it is very small. Renewable heat is now 10.94% of demand, rather than 11.14%, and the total cost drops from £334m to £323m. I'd say, given the uncertainties in our projections, that this is basically no change.

As far as the tariffs are concerned, the changes are to small (under 100kW) biomass and GSHP. I've highlighted these in yellow in the attached.

Biomass
Biomass tariffs have shifted slightly because of inflation, changes in the reference installation and changes in banding.

Domestic biomass gets a little bit more than before (4.8p vs 4.5p).

The new "small commercial" tariff is about half way between the old sub-45kW and over-45kW tariffs. So installations of 45-100kW will get more than under the old tariffs (3.1p vs 1.3p), but commercial ones of 0-45kW will get less (3.1p vs 4.5p). There aren't many of the latter, we don't think.

GSHP
For GSHP, the big change is with the new "domestic, 0-20kW" band. This now gets 6.9p, rather than 4p. In fact we are likely to suggest tiered tariffs. The reason is that the previous reference installation for tariffs was in 2011, but of course that's no longer sensible. The new reference installation is significantly more expensive (urban, with a lower load factor).

Commercial GSHP in the range 45-100 do a bit better than before, getting 1.5p rather than 0.9p as under the old tariffs.

Other tariffs
As you'll see, the biogas and geothermal tariffs aren't there yet. The AEA guys are rechecking the biogas numbers, and we may need to update our assumptions on for example gate fees for waste. I also need to run their new geothermal numbers.

I hope this is some help – I must emphasise it's an unchecked draft so CEPA can't stand behind the numbers yet. Happy to talk through on Monday if that's helpful.

Regards

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Table 1: Implications of updated assumptions for tariffs (all figures in p/kWh and based on quarterly payments)

Technology size band	**Size range (kW)**[1]	**Tariff in original report**[2]	**Updated tariff**[3]	**Notes**
ASHP – Small	0-45	3.3	3.4	Increase due to inflation
ASHP – Medium	45+	-		
Biogas injection – All	All	2.5	[tbc]	
Biomass boilers – domestic	0-20	4.5	4.9	
Biomass boilers – small commercial	0-100	4.5 (<45kW) 1.3 (45kW+)	3.1	Intermediate tariff based on 30kW boiler
Biomass boilers – larger commercial	100-500	1.3		
Biomass boilers – Very Large	500+	-		
GSHP – domestic	0-20	4.0	6.9 [Tiered]	Change to the reference installation means a higher tariff
GSHP – small commercial	0-100	4.0 (<45kW) 0.9 (45kW+)	1.5	Intermediate tariff based on 30kW pump
GSHP – larger commercial	100-500	0.9		
Geothermal	[xx]	[tbc]		
Liquid biofuels – Small	0-45	1.5		
Liquid biofuels – Medium/ Large	45+	-		
Solar Thermal – All sizes	All	8.5		

[1] The range should be read as including the lower end, but not the upper end. For example, the range 0-100 includes all boilers up to but not including 100kW boilers (which are covered by the 100-500 range).
[2] Table 5
[3] Includes inflation, and effect of changes to technology costs and tariff bands