

The Rt Hon Ed Miliband MP
Secretary of State for Energy
and Climate Change
3 Whitehall Place
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13 October 2009

Dear Secretary of State

Micro-CHP and the Feed in Tariff

The Micro-Combined Heat and Power (micro-CHP) sector welcomes the Government's commitment via its amendment to the 2008 Energy Act to include micro-CHP within the Feed in Tariff from April 2010.

As part of the Department's current consultation on renewable financial incentives, the micro-CHP industry has been working closely with your officials to inform the mechanics of and develop the evidence base for introduction of the Feed in Tariff for this technology in April 2010.

We, the following organisations are therefore delighted to provide you with the enclosed position paper, setting out our collective view on the key principles of the Feed in Tariff and its application to this important technology.

Each of us intends to respond in detail to the consultation but we would also welcome further dialogue and the opportunity to discuss these cross-industry points with you in person.

Yours Sincerely

Mark Kelly, **Baxi Heating UK**, Martin Orrill, **British Gas New Energy**, Trent Rowe, **Ceramic Fuel Cells**, Peter Bance, **Ceres Power**, Alan Dale, **Disenco**, Adrian Hutchings, **Energetix Group**, Paul Needley, **Enertek International**, Charles Bradshaw-Smith, **E.ON**, Adam Green, **Microgen Engine Corporation**, Jim Moore, **Vaillant Group**, Glenn Keen, **Whisper Tech**, Neil Schofield, **Worcester Bosch**, Graham Meeks, **Combined Heat and Power Association**, Celia Greaves, **Fuel Cells UK**, Roger Webb, **Heating and Hot Water Industry Council**, Dave Sowden, **Micropower Council**.

Micro-CHP and the Feed in Tariff



Micro-Combined Heat and Power will be a key technology in the UK's transition to a low carbon economy.

Since the announcement of Government intention to include micro-CHP within the Feed in Tariff, companies and representative bodies across the industry have been working hard with officials to provide the evidence base and develop an effective set of proposals upon which to base the scheme.

This position paper, supported by leading companies and organisations in the industry seeks to consolidate the work that has been undertaken so far and summarise the views of industry on some of the critical design principles and tariff level.

For simplicity, the views put forward relate primarily to micro-CHP products designed for the household sector.

Industry statement on key design principles:

Given effective support as part of a FiT from April 2010, the inherent advantages of micro-CHP could lead to instant take-off and rapid impact on the UK's domestic CO₂ emissions, helping customers save money on bills too.

With the greatest mass market potential of any emerging low carbon domestic microgeneration solution, micro-CHP, if supported in its early deployment stage, also has the best chance of becoming independent of Government support once economies of scale are achieved.

The FiT needs to be market making, not dependency creating. This means a FiT that provides a clear and effective financial incentive for householders, offering simple payback calculations and return on investment.

Design of the scheme will be critical to its success and the signatories to this position paper collectively support the following five principles on scheme design:

- 1. The full provisions of the FiT should be available to microCHP products from the outset of the scheme. Principles such as indexation, income tax and rates of return should be applied consistently across all technologies covered by the FiT.*
- 2. The generation tariff must be a minimum of 15p/kWh at scheme introduction. Longer term, it may be appropriate to base support for all technologies on other mechanisms e.g. the value of CO₂ savings.*
- 3. The reward for generation must be calculated on an individual site by site basis using a generation meter.*
- 4. Mechanisms for settlement of the export reward should be introduced alongside SMART Meters, or at the discretion of the generator through installation of an export meter.*
- 5. We support a review of tariff levels, degression rates and operation of the scheme as part of the first review of FiTs.*

This position paper has been agreed and is supported by the leading organisations and individuals, closely involved in bringing micro-CHP to commercialisation in the UK.

We are committed to continuing dialogue with officials and others within the industry on these issues.

Please contact James Higgins if you would like any further information on the content of this paper at The Micropower Council, 1688 Stowe House, High Street, Knowle, Solihull, West Midlands or on +441564 771 554, email: james.higgins@jdsassociates.com