

# Overview of Responses to Consultation on the Renewables Obligation: Sustainability Criteria for Solid and Gaseous Biomass Generators (>50kW)

## Response to Consultation Document

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**Overview:** This document summarises the issues and suggestions raised in the responses to our consultation on the draft *Renewables Obligation: Sustainability Criteria for Solid and Gaseous Biomass Generators (>50kW)* Guidance document (the draft Guidance document) published 28 September 2011. The consultation closed on 8 November 2011.

This document explains the changes that we have made to the final version of the Guidance document arising from the issues and suggestions raised in the submissions.

## Context

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The Renewables Obligation (RO) is a government policy that encourages greater uptake of renewable energy. The RO incentivises renewable generation into the electricity generation market by enabling operators to be awarded renewables obligation certificates (ROCs).

The RO was brought into force in April 2002 by the first Renewables Obligation Order (ROO) for England and Wales by the then Secretary of State for Trade and Industry.<sup>1</sup> The Renewables Obligation (Scotland) Order (ROS)<sup>2</sup> was introduced by Scottish Ministers and brought into force at the same time. The Northern Ireland Renewables Obligation Order (NIRO) was introduced by the Northern Ireland Department of Enterprise, Trade and Investment and came into force in April 2005.<sup>3</sup>

Recently, the respective authorities published the Renewables Obligation Orders for England and Wales,<sup>4</sup> Scotland,<sup>5</sup> and Northern Ireland<sup>6</sup> (the Orders). Each of these Orders came into force on 1 April 2011.<sup>7</sup> As well as continuing to place an obligation on suppliers to source an increasing proportion of electricity from renewable sources, they transpose the requirement on an operator to provide information on meeting the sustainability criteria.

The schemes for England and Wales, Scotland and Northern Ireland are administered by the Gas and Electricity Markets Authority (the Authority) whose office, the Office of Gas and Electricity Markets (Ofgem)<sup>8</sup>, performs its day-to-day functions.

The Guidance seeks to provide practical guidance to operators of solid and gaseous biomass and other interested persons on the recent changes to the Renewables Obligation Orders for England and Wales, Scotland and Northern Ireland which require them to provide information on the sustainability of the fuels used with regard to greenhouse gas emissions and prior land use.

The objective of this document is to summarise the key issues that arose out of consultation and to outline how these issues were addressed in the final Guidance document.

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<sup>1</sup> *The Renewables Obligation Order 2002 for England and Wales.*

<sup>2</sup> *The Renewables Obligation (Scotland) Order 2002.*

<sup>3</sup> *The Renewables Obligation Order (Northern Ireland) 2005.*

<sup>4</sup> *The Renewables Obligation Order 2009 for England and Wales and the Renewables Obligation (Amendment) Order 2011 for England and Wales.*

<sup>5</sup> *The Renewables Obligation Order 2009 and The Renewables Obligation (Scotland) Amendment Order 2011.*

<sup>6</sup> *The Renewables Obligation (Amendment) Order (Northern Ireland) 2011.*

<sup>7</sup> The 2011 amendment Orders amended the principal 2009 ROO, ROS and NIRO.

<sup>8</sup> The terms 'Ofgem' and 'the Authority' are used interchangeably.

## Associated documents

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Readers should be aware of the following documents associated with this publication:

### Guidance

- *Renewables Obligation: Sustainability Criteria for Solid and Gaseous Biomass for Generators (greater than 50 kW)*  
<http://www.ofgem.gov.uk/Sustainability/Environment/RenewablObl/FuelledStations/Pages/FS.aspx>

### Legislation

#### *England and Wales*

- The Renewables Obligation (Amendment) Order 2011 for England and Wales  
[http://www.legislation.gov.uk/ukdsi/2011/9780111507353/pdfs/ukdsi\\_9780111507353\\_en.pdf](http://www.legislation.gov.uk/ukdsi/2011/9780111507353/pdfs/ukdsi_9780111507353_en.pdf)

#### *Scotland*

- The Renewables Obligation (Scotland) Amendment Order 2011  
<http://www.legislation.gov.uk/sdsi/2011/9780111012352/contents>

#### *Northern Ireland*

- The Renewables Obligation (Amendment) Order (Northern Ireland) 2011  
<http://www.legislation.gov.uk/nidsr/2011/9780337983696/contents>

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## Summary

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### Key Issues

This document provides an overview of the issues that were raised during our consultation period on Sustainability Criteria for Solid and Gaseous Biomass Generators (<50kW).

We have set out below the key issues that were raised by stakeholders, and provided an overview of the changes we made (where possible) to the final guidance document:

- **Wastes and Residues:** *Requests for a more exhaustive list of definitions for wastes and residues; queries on the treatment of aboricultural residues.* We have added most of the requested materials to the list of definitions in Appendix 2 and are working to develop a process for classifying new feedstocks from operators. We also point out that the treatment of aquaculture and fishery residues will be considered further during 2012.
- **Forestry Residues:** *Clarity on whether forestry residues are considered to have zero emissions up to the process of collection.* We ask that operators treat forestry residues as having zero emissions up to the process of collection.
- **Monthly Reporting:** *Administrative implications of monthly reporting on land and GHG criteria.* We have clarified the level of reporting required and highlighted that operators will need to keep records of their sustainability information on a monthly basis if they are audited by Ofgem as part of its Fraud and Compliance program.
- **Land Criteria definitions:** *Clarity on the definition of a system boundary in relation to land criteria as well as a call for a definition of "highly biodiverse grasslands" and "degraded land".* We will await the EC report expected early next year and any amendments to legislation before providing any further guidance on these areas.
- **Greenhouse Gas Calculations:** *Clarity on the use of terms used in this chapter, such as 'Standard Input Data' and whether the UK Carbon Calculator will be a mandatory requirement in future.* We have included a list of terms at the front of the relevant chapter and stated that the UK Carbon Calculator as a mandatory tool will be discussed in greater detail with stakeholders during 2012.
- **Reporting Requirements:** *Clarity on the types of evidence that should be provided to Ofgem to demonstrate the land criteria and a request for Ofgem to provide how an operator can provide this information.* We have highlighted that operators will not need to provide any evidence to Ofgem to prove

compliance with the land criteria but have provided examples of evidence they may wish to keep record of.

- **Mass Balance:** *A request to simplify the complexity around Mass Balance, clarity on the definition of a "consignment" and clarity on whether weighted averages are appropriate for providing sustainability information.* We have re-named this chapter as "Mass Balance and the Chain of Custody" and clarified other options available. We have provided some guidance on what a consignment may be and clarified that under certain circumstances, weighted averages can be used.
- **Verification:** *Additional certainty required on whether independent verification will become mandatory in 2013.* We have been unable to confirm that verification will become mandatory in 2013 as this has not been stated in legislation but intend to update the final guidance document if there are any legislative changes.

In finalising the guidance post-consultation, we looked to achieve workable solutions to the issues that have been raised. The commentary within this document explains our rationale behind these decisions in more detail.

# 1. Overview of Consultation

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## Chapter Summary

This section gives a broad overview of the consultation responses that we received and highlights the scope of the consultation document.

## Consultation Process

- 1.1. Ofgem received 32 written responses to the consultation. A full list of consultation respondents can be found in Appendix 1 (with three confidential responses).
- 1.2. We also held three separate stakeholder engagement workshops throughout the consultation period in Great Britain and Northern Ireland. Stakeholders expressed their views on a number of policy issues at these forums and these views have informed the final guidance document.
- 1.3. Overall, the draft guidance document was well received by industry and other stakeholders. A number of respondents were supportive of the need to report against sustainability criteria and welcomed the opportunity to contribute to the final guidance. They were also grateful for the opportunity to provide feedback at the forums held in the devolved administrations of Northern Ireland and Scotland.
- 1.4. Stakeholders did, however, seek greater detail or clarification on a number of other issues. A discussion of these areas and our responses to stakeholder feedback is set out below.

## Scope of the Consultation Document

- 1.5. Our consultation aimed to give guidance on new requirements arising from the Orders, for operators of generating stations with a declared net capacity (DNC) of more than 50 kilowatts (kW) using solid and gaseous biomass.
- 1.6. The main change under the legislation is that operators now need to submit information to Ofgem on two sustainability criteria: the land criteria and the greenhouse gas criteria.
- 1.7. From April 2011, operators are required to provide information to Ofgem on the sustainability criteria in order to be eligible to receive ROCs. Operators do

not need to meet the sustainability criteria. The UK Government has indicated however that, from April 2013, it is likely that operators will need to meet mandatory sustainability criteria in order to be eligible for ROCs. We understand that the UK Government intend on consulting on this matter and other proposals to amend the Orders by summer 2012 and will publish its findings on these issues by autumn 2012. The submissions received on the draft guidance will inform this process and issues such as mass balance, use of voluntary schemes and verification will be carefully considered at this time.

- 1.8. Ofgem will endeavour to update the guidance document once final positions on these issues have been reached and/or any decisions are incorporated into the Orders.
- 1.9. In addition to proposed UK changes to the legislation, the European Commission (EC) has indicated that it will issue a report on solid and gaseous biomass by 31 December 2011. We believe that this report will examine whether national schemes have sufficiently and appropriately addressed the sustainability criteria related to the use of biomass in and around the EU; whether these schemes have led to barriers to trade or barriers to the development of the bio-energy sector; and whether common sustainability criteria at an EU level would be appropriate. It is expected that this Report will provide further clarity on some of the key concerns raised over the public consultation period.
- 1.10. In line with UK Government objectives, we will look to update the guidance material, as necessary, after the EC Report has been published and these views have been incorporated into the relevant legislation.
- 1.11. In the following chapter we highlight areas of concern raised by submitters to the draft guidance document over the public consultation period. Many submitters raised a number of specific points which we have addressed in the final guidance document.



## 2. Response to Consultation

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### Chapter Summary

This section provides a more detailed overview of the responses that we received from stakeholders. It covers key issues that were raised and explains Ofgem's response to these comments.

### Introduction

- 2.1. This chapter outlines the key issues raised by stakeholders and our response to those concerns. For each section, we outline the issue, the responses received and our approach to that issue in the Guidance. It is structured thematically and broadly follows the order set out in the Guidance.

### Wastes and Residues

#### Definitions

- 2.2. Chapter 2 of the consultation guidance sets out the different reporting requirements which apply to feedstocks considered to be a waste, residue or product. Appendix 2 of the consultation guidance provides lists of feedstocks commonly reported to Ofgem and our view on whether they constitute a waste, residue or product for the purposes of providing information against the sustainability criteria.
- 2.3. Several respondents felt that a more exhaustive list of definitions of fuels were required for Appendix 2 of the consultation document and suggested additional feedstocks to be included. Ofgem is currently working to develop a process for assessing new materials to determine whether they are a waste, residue or product for the purposes of reporting to us on the sustainability criteria. We aim to publish this process on our website by summer 2012 and intend to use this process to address the feedstocks raised during consultation. We will update the lists set out in Appendix 2 periodically to reflect these decisions.
- 2.4. A number of respondents also raised certain classifications of feedstocks as a waste, residue, or product as inaccurate or required further clarification. For instance, in the cases of palm stearin, tallow, stemwood, virgin wood, non-virgin wood, nut shells, distillation by-products. We have amended our views on these and have included clearer definitions of feedstocks such as virgin wood and forestry residues, in Appendix 2 of the final guidance.

- 2.5. Respondents also sought clearer definitions of “waste”, “residue” and “processing residue”. These definitions are derived from the Orders, the RED as well as the relevant UK and EU jurisprudence. We have clarified this in the Guidance and have also added an additional table to Chapter 2, which summarises the different reporting requirements of wastes and residues against the land and greenhouse gas criteria.
- 2.6. One respondent noted that the lists in Appendix 2 of the consultation guidance mirror those in the *Guidance for Operators of Generating Stations using Bioliquids*. However, nine examples of products included for bioliquids were missing for solid and gaseous: including palm kernel oil, acid ester, molasses, glycerol from virgin oils, crude tall oil, brown liquor, meal from virgin oil production, sugar beet sludge and corn or wheat dried distillers grain. This Appendix has now been updated to include those products.
- 2.7. Finally, one respondent sought clarification on whether the agricultural residue, straw, becomes a product when it is converted into straw pellets. We have included a paragraph in chapter 2 specifying that straw will become a product once pelleted.

### **Forestry Residues**

- 2.8. A few respondents indicated that the consultation guidance is unclear as to whether forestry residues are considered to have zero emissions up to the process of collection, when reporting on the greenhouse gas criteria. In the final guidance document, we ask that operators treat forestry residues as having zero emissions up to the process of collection to align with the UK Government’s policy intention and the recommendation of the EC on this issue.

### **Arboricultural residues**

- 2.9. A few respondents queried the treatment of arboricultural residues. Arboricultural residues are biomaterial that is removed as part of tree surgery, management of municipal parks and verges of roads and railways. For the purpose of providing information on the sustainability criteria, we consider arboricultural residues to be collected from settlement areas and therefore they meet the land criteria. Arboricultural residues are also considered to have zero greenhouse gas emissions up to the process of collection.

### **Aquacultural and fishery residues**

- 2.10. Although we did not receive any submissions on the treatment of aquaculture and fishery residues, we have made clear that, under the current legislation, these are to be treated differently to agricultural residues and forestry residues. That is, they are considered to *not* have zero emissions up to the

process of collection. We understand that DECC will look at this as part of its review of the legislation in 2012.

## Monthly Reporting

- 2.11. In the consultation guidance document, we set out the legislative requirement of annual reporting on the sustainability criteria for solid and gaseous biomass as well as an obligation to report monthly via the Renewables and CHP Register (our Register).
- 2.12. A number of respondents stated that a requirement for monthly reporting on both the land and GHG criteria poses an administrative burden on generators, especially smaller operators.
- 2.13. However, other stakeholders were of the view that monthly reporting at the current level is appropriate and that it encourages high standards of sustainability, particularly for larger generators/co-firers.
- 2.14. Based on our discussions with stakeholders at the workshops and submissions received during public consultation, we believe that we need to clarify the level of reporting required and have included this in the final guidance document. The final guidance explains that we do not need to see supporting information on a monthly basis. Operators need only submit the figures on the land and GHG criteria via our Register.
- 2.15. The final guidance document also notes that whilst Ofgem does not need operators to provide this evidence for meeting these criteria, they will need to keep records throughout the obligation year in case they are audited as part of Ofgem's fraud prevention and audit measures. We state this in the final guidance together with providing the types of information to be reported monthly through Ofgem's Renewables and CHP Register.
- 2.16. The final guidance includes print screen shots of the Register where generators need to submit this information (see Chapter 3).
- 2.17. For any further questions on monthly reporting, operators can email the Environmental Programmes team. The contact is Amy Ling at [amy.ling@ofgem.gov.uk](mailto:amy.ling@ofgem.gov.uk) or [matthew.pearson@ofgem.gov.uk](mailto:matthew.pearson@ofgem.gov.uk).

## Land Criteria

### System boundaries

- 2.18. The consultation guidance document sets out the requirements of the land criteria, including the need to report on different categories of land.
- 2.19. A number of respondents asked for clarity as to how we would define the system boundary in relation to forestry. For example, is the system boundary taken as the whole forest, or just the area which is harvested?
- 2.20. We understand that this is one of the issues which may be addressed by the EC report on solid and gaseous biomass. As a result, at this stage, Ofgem will not provide such a definition until publication of the EC report. We also may need further direction from the UK Government, to inform any definition.

### Evidence for the land criteria

- 2.21. In relation to the land criteria, operators will need to provide information on the category of land that the biomass was taken from as at or during January 2008.
- 2.22. Some respondents sought greater clarity on the types of evidence that should be provided to us to demonstrate the land criteria. For instance, whether or not aerial photos and satellite imagery are appropriate. We have made clear in the final guidance that operators will not be required to provide any documentation or evidence to Ofgem when providing information on the land criteria.
- 2.23. However, we recommend that operators collect this information in case they are audited as part of our fraud and compliance audit measures, or if we have any questions for operators on the sustainability information provided. In this case, information such as aerial photographs or reports on the land could be useful evidence.<sup>9</sup>
- 2.24. We also note in the final guidance document that, should verification become mandatory following changes to the Orders scheduled for April 2013,

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<sup>9</sup> European Commission, *Communication from the Commission on the practical implementation of the EU biofuels and bioliquids sustainability scheme and on counting rules for biofuels* (COM 2010/C 160/02), <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2010:160:0008:0016:EN:PDF> [accessed 13 December 2011].

operators will need to provide their verifier (not Ofgem) with any relevant evidence or documentation.

### **Definition of “highly biodiverse grasslands”**

- 2.25. One respondent asked for further definition on what constitutes “highly biodiverse grasslands”. The EC is expected to release a report in December 2011 which will provide assistance for industry on this definition. We have chosen to await this report rather than provide a detailed definition to stakeholders at this stage. We may update the guidance following any direction from this Report.

### **“Degraded land” definition**

- 2.26. One submission requested guidance on the definition of “degraded land” so that beneficial land use change resulting from establishment of biomass crops can be appropriately recognised. Again, we will await the outcome of the EC report and any further guidance from the UK Government.

## **Voluntary Schemes**

### **Benchmarking Report**

- 2.27. At present, the use of voluntary schemes is not mandatory under the Orders. However, voluntary schemes can provide helpful guidance for operators implementing the sustainability criteria (for example, when providing information on the land criteria or establishing a mass balance chain of custody system).
- 2.28. Generally, respondents welcomed the use of voluntary schemes and considered that voluntary schemes ought to be able to be used to demonstrate that an operator has met the land criteria. They suggested that greater use of voluntary schemes would promote a consistent approach across the EU, and globally.
- 2.29. Ofgem benchmarked a series of schemes against the land criteria set out in the Orders. No scheme that was benchmarked against the criteria was found to address *all* of the sustainability criteria adequately. This is for the reason that the criteria under the legislation is not a good fit with good forestry management principles as it stems from the *Renewable Energy Directive* (RED) which focuses on bioliquids. However, in our view the legislation will need to change to better align with the requirements of solid and gaseous biomass for it to re-benchmark the voluntary schemes.
- 2.30. We are also aware that many of the schemes were developed before the sustainability criteria were published in the Orders (or the RED). As a result, it

is not surprising that the schemes do not meet the strict requirements of the sustainability criteria. We have made this point clearer in the final guidance document.

- 2.31. Stakeholders were surprised that none of the voluntary schemes we benchmarked were found to meet all of the sustainability criteria. The majority of respondents sought greater detail on the reasons for this and greater clarity on how to use these schemes in future. They asked for the results of the benchmarking reports on voluntary schemes to be published to aid their understanding on the failure of the schemes to meet the criteria. We are currently in discussion with the various voluntary schemes that were benchmarked, to confirm whether they are content for the results to be published. We will update the guidance document in early 2012 on this matter to reflect any changes.
- 2.32. The schemes were benchmarked very strictly against the requirements of the Orders (and therefore the RED). Some respondents suggested to re-benchmark the schemes against the 'spirit of the law'. The assessment protocol used to benchmark the schemes is derived from the Orders and the RED, Department for Transport's (DfT's) assessment protocol used to assess voluntary schemes for biofuels and an EC Communication on voluntary schemes. For consistency across the EU and the UK Government, Ofgem will continue to use its benchmarking results and will endeavour to reflect when the schemes alter or update their schemes into the guidance document.

### **Ex-post verification**

- 2.33. The consultation guidance set out three options for providing information on the land criteria: ex-post verification; EU-recognised voluntary schemes; and UK-recognised voluntary schemes.
- 2.34. Many respondents disliked the term 'ex-post verification' and felt that it did not accurately describe this option. In the final guidance, we have changed the term to 'collection of information'.
- 2.35. In addition, we have clarified this chapter to highlight that, under the current legislation, operators must collect information regarding the land criteria and are encouraged to use voluntary schemes (recognised by either the EC or the UK) to support or supplement the information that they provide. We have also included more detail on how voluntary schemes can be used in conjunction with collection of information to provide information on the land criteria.

### **GHG Criteria and Carbon Calculator**

- 2.36. Operators need to calculate their greenhouse gas emissions to report against the greenhouse gas emissions criteria.

## **UK Biomass Carbon Calculator**

- 2.37. The consultation guidance document indicates that operators 'may' use the UK Carbon Calculator. The UK Carbon Calculator was engineered by e4tech on behalf of DECC to help operators calculate their greenhouse gas emissions for the greenhouse gas criteria.
- 2.38. Based on the submissions received, stakeholders have welcomed the development of the UK Carbon Calculator (the Calculator). A number of stakeholders believe that the UK Government should make the Carbon Calculator mandatory whilst others believe that it should be an optional tool alongside other available calculator tools.
- 2.39. The benefit of making the Calculator mandatory means that all users would rely on the tool allowing for consistent treatment in calculating greenhouse gas emissions across the sector. It may also reduce duplication and mean that all effort could be dedicated to ensuring the tool remained up-to-date and accurate.
- 2.40. One submitter suggested that UK Government could introduce a version control mechanism for the Calculator and users would need to derive their output from the model version used at the time of contract signature. However, if this was the case then, it is likely that the most recent version control would need to be used instead of the version at the time of contract signature. We will work with the UK Government to provide further guidance on this for early 2012.
- 2.41. The guidance document does not state the implications of not using the model because, at the moment, there are no legislative implications. However, at this stage, operators are encouraged to use the tool that has been designed specifically for the purpose of showing whether an operator has met the greenhouse gas criteria under the Orders.
- 2.42. By not making the Calculator a mandatory tool, operators would have the flexibility to use other tools to calculate their emissions.
- 2.43. At this stage, Ofgem will work with the UK Government to provide further certainty as to whether the Calculator will become a mandatory tool from April 2013. It is likely that DECC will include its thinking on this issue in its consultation document by autumn 2012.
- 2.44. One submission noted that they would prefer default values for cultivation and harvesting for long rotation forestry – that are being developed by the Forestry Commission – to be included in the Calculator and published as soon as possible. Ofgem and the UK Government will work together to see if this is possible.

## **Default Values and Actual Values**

- 2.45. The consultation guidance document uses the term “default value” without defining its meaning. A number of industry operators state that its use in this document is unclear in the context of the Orders.
- 2.46. Respondents suggested that Ofgem either define or change the term, “default values”. We have now reviewed all of the terms in relation to the Orders, particularly the technical terms related to the values and data inputs for the greenhouse gas emissions to make the document more user-friendly. We have included a set of definitions listed at the start of Chapter 5 to help operators in interpreting the document.
- 2.47. Stakeholders sought confirmation that DECC will not remove the ability to use default values from April 2013. We are to work with DECC on this policy issue and will update the guidance document on any policy or legislative change.
- 2.48. Stakeholders sought clarity as to whether there is a minimum amount of actual information that needs to be used. We do not dictate a minimum amount that can be used, however, the UK Government encourages the use of actual values by operators as much as possible to gather data and gain insight into the lifecycle of emissions from each company and subsequently from across the UK. A number of submissions also supported encouraging users to move to using actual values.

## **Documents to calculate carbon intensity**

- 2.49. We have updated the links to the documents that will help an operator to calculate the carbon intensity of the biomass used. These documents are set out in Table 12 at Appendix 6.

## **Worked Examples**

- 2.50. One respondent stated that it was unclear as to the source of the formulas provided for the worked examples. The worked examples have now been published in Excel format. If an operator or any person hovers their cursor over the examples, then this information should be visible.
- 2.51. During the consultation period, these formulas were originally published in PDF format which removed this functionality.



## **Mass Balance**

### **Mandatory requirement**

- 2.52. Mass balance is not a mandatory requirement under the Orders. However, we have set out some practical guidance for operators on how a mass balance chain of custody system could be applied.
- 2.53. Some stakeholders indicated that mass balance was a valuable method to adopt and should become mandatory in 2013 as it allows fuels with differing characteristics to be physically mixed while maintaining information on the sustainability criteria.
- 2.54. Other respondents indicated that mass balance should not become mandatory as the suggested timeframes for an inventory period are restrictive.
- 2.55. As this is a policy decision, we will work with the UK Government on whether mass balance should become mandatory in 2013 as part of the legislative proposals for 2013.

### **General clarity**

- 2.56. We received comment that, in general, the guidance document was well drafted and footnoted. However, some respondents believed that this chapter was too complex and requested case studies. As a result, we have included more user-friendly diagrams to portray the mass balance system. In particular we have included an example specific to generators using a processing residue.
- 2.57. For greater clarity, we have also re-named this chapter as "Mass Balance and Chain of Custody" and clarified what other chain of custody options are at the beginning of the chapter.

### **Definition of "a consignment"**

- 2.58. Respondents asked us for further definition as to what constitutes "a consignment" in regards to a mass balance system.
- 2.59. As the term consignment is not defined in either the Orders or the RED and as mass balance is not mandatory at this stage, Ofgem will not be too prescriptive in its definition of a consignment. We have provided some guidance for operators on what a consignment might be and intend to review this definition should mass balance become mandatory for solid and gaseous biomass after April 2013.

## **Weighted averages for mass balance**

- 2.60. Many respondents also queried whether weighted averages are appropriate when providing information on the sustainability criteria. We have clarified in the final guidance that, in limited circumstances, weighted averages can be used.

## **Verification**

- 2.61. In the consultation guidance document, we inform readers that it is not mandatory for operators of solid and gaseous biomass. We received divided submissions over whether it should be a mandatory requirement.
- 2.62. Some respondents held the view that independently audited assurances (such as the ISAE 3000) should be a mandatory requirement either now, or in 2013. They believed that it is a solid way to create consistency across the sector, build confidence in generator contracting and demonstrating compliance to the public and encouraging use of sustainable feedstocks.
- 2.63. Furthermore, one respondent requested that Ofgem confirm that verification (and the ISAE 3000 standard) would become mandatory in 2013. The current legislation does not make verification of solid and gaseous biomass sustainability information a mandatory requirement therefore Ofgem cannot state that it is a mandatory requirement.
- 2.64. Other respondents felt that verification would be an overly burdensome task for smaller generators and therefore should not become mandatory. In addition, some stated that it would be a significant overhead for smaller schemes or where multiple sources are used. They recommended that any requirement to make verification mandatory should be implemented after a number of years of voluntary verification to allow suppliers time to allow for their systems to be properly established.
- 2.65. Ofgem recognises that this is an important issue for generators and that they would prefer notice on this requirement in order to start engaging with an auditor. We will update the final guidance document if there are any related policy or legislative changes.

## **Engaging an auditor**

- 2.24. A number of respondents submitted that the guidance document needed to show how to engage an auditor. Once it becomes a mandatory requirement, we will provide further information on this matter.

## Other Issues

### Pellets

- 2.25. One respondent asked for clarification on whether the material used to bind pellets (i.e. lignin) will need to form part of the calculation for reporting sustainability data and also if this may link to the issuance of ROCs.
- 2.26. At present, solid and gaseous biomass operators do not need to meet the sustainability criteria and therefore the information reported to Ofgem will not have an effect on ROC-issue.

### 60% GHG Savings Target

- 2.27. A few submissions (from an industry participant and an NGO) advocated that the current minimum standard for GHG emissions of 60% is too low and that 70% is a more appropriate minimum GHG emission threshold.
- 2.28. We believe this policy issue is not a matter for Ofgem and there is no analysis of this issue in the final publication guidance document because it is an issue that the UK Government would need to consider and respond to separately in due course.

### Consultation Period

- 2.29. One submission noted that the consultation period of 6 weeks prevented them from having any significant cross business consultation. They argue that, for significant business proposals like these, that are likely to have a fundamental impact on the UK's ability to optimise its utilisation of solid biomass, a longer consultation and development period should be considered.
- 2.30. By holding a 6 week consultation period, Ofgem adhered to the maximum time period required as laid down under legislation. Ofgem and the UK Government may consider in future that a greater time period is required for consultation and development of this area.

## Specific Consultation Questions

Ofgem asked specific questions in the consultation document on harmonising current UK and global timber policies, the technical language used, and opinions on the way formulas for the greenhouse gas emissions has been set out.

### CHAPTER: FOUR

*Question: Should an approach be developed that harmonises the information requirements for the sustainability criteria under the amended Orders and the requirements under government timber procurement policies (e.g. CPET)?*

- 2.31. The majority of responses agreed that harmonisation of the Orders with standards such as CPET would be beneficial and could provide a more effective foundation for the Ofgem guidance than the RED. We have amended the Guidance to include CPET as one of the standards operators should look to for guidance on sustainability. We intend to work closely with the UK Government as part of the proposed amendments to the Orders, to further harmonise this standard with the sustainability criteria.
- 2.32. Whilst Ofgem acknowledge that CPET is a useful standard, the terminology used is different to that of the information requirements for sustainability criteria in line with the RED which may cause difficulties in transposing this into the Orders. Ofgem will keep this view in hand and are still looking into the matter. We will update the guidance with more direction on how CPET is to be used in early 2012.
- 2.33. Ofgem requested feedback on the idea of recognising the UK Government's Timber Procurement Policy, the Central Point of Expertise on Timber Procurement (CPET), as a good forestry sustainable management standard. The majority of submissions on this question proposed in the guidance supported the use of this policy. The UK Government also endorses use of this policy so we now include a recommendation to use this approach.

### CHAPTER: FIVE

*Question: Is the technical language used clear and understandable (e.g. "Carnot efficiency") in this document? If not, please provide more information on which sections or terms are unclear?*

- 2.34. Those that responded to this question indicated areas where there could be more clarity, all of which have been highlighted in this consultation responses document above.

*Question: Would operators prefer separate traceable formulas or a consolidated formula as they are currently drafted in this guidance, for example, see equation 4 of Chapter 5?*

- 2.35. The majority of stakeholders that responded to this question preferred the formulas as currently drafted in the guidance.

## Appendix 1 – Consultation Respondents

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1. AB Sugar
2. AD Biogas
3. APAG
4. Arizona Chemical
5. Centrica
6. Confidential 1
7. Confidential 2
8. Confidential 3
9. Confor
10. Drax Power Limited
11. Ecosite
12. E-on
13. Eggborough Power Limited
14. Ensus
15. European Pellet Council
16. Friends of the Earth
17. Forth Energy
18. Forestry Commission
19. Green Gold Label

- 20. Helius Energy
- 21. MGT Power
- 22. National Farmers Union
- 23. Northern Ireland Environment Link
- 24. Renewable Energy Association
- 25. RWEpower
- 26. Scottish Environment Protection Agency
- 27. Scottish Whiskey Association
- 28. Scottish and Southern Energy
- 29. Ulster Farmers Union
- 30. UPM
- 31. US Industrial Pellet Association
- 32. Weyerhaeuser Company