



Making a positive difference
for energy consumers

Biomass energy developers and
generators, and other interested
parties

Email: REDevelopment@ofgem.gov.uk

Date: 20 December 2017

Dear Stakeholder

Publication of Ofgem's Draft Guidance – to incorporate changes in response to the new rules for bioliquids, wastes and residues under the Renewables Obligation.

We are writing to inform you that we have today published our draft guidance, to incorporate changes in response to the new rules for bioliquids, wastes and residues under the Renewables Obligation.

We invite you to provide your comments on our draft guidance. The closing date for providing comments is 31 January 2018.

Why have we updated our guidance?

In 2017, the Department for Business, Energy and Industrial Strategy (BEIS) consulted on new rules for bioliquids, wastes and residues under the Renewables Obligation (RO) in response to the European Union (EU) Directive on reducing indirect land-use change. For England, Wales, Scotland and Northern Ireland, the new rules are expected to come into force on 1 January 2018, as amendments to the RO Orders.

Please note that the changes to our guidance have been made to reflect the new rules, which will come into force on 1 January 2018.

EU Directive on reducing indirect land-use change.

In 2015, the European Union enacted Directive 2015/1513 to address concerns about the impact of indirect land-use change caused by the growing of crops for use as transport biofuels or bioliquids used for the generation of electricity and/or heat (the ILUC Directive). In relation to bioliquids, it amends Directive 2009/28/EC on the promotion of the use of energy from renewable sources (the Renewable Energy Directive or RED).

Indirect land-use change occurs where energy crops (such as cereals or oilseed rape) intended to be used for the production of fuel are grown on agricultural land and displace agricultural production to previously un-cropped land (such as grasslands and forests). This risks cancelling out the greenhouse gas savings that result from using the bioliquid because grasslands and forests typically absorb high levels of carbon dioxide. By converting these land types to crop land, atmospheric carbon dioxide levels may increase. In addition, the ILUC Directive increases the minimum greenhouse gas saving threshold for biofuels and bioliquids to discourage further investments in installations with low greenhouse gas performance. It also addresses concerns about the creation of waste fuels

and processing residues through the deliberate modification or contamination of a substance.

How to respond

We are publishing our draft guidance to give you an opportunity to provide us with any comments you may have on the changes made to the guidance, before the final guidance is published. Please note we are not asking for comments on the implementation of the new rules, which has already been consulted on by BEIS, but on how we propose to administer the scheme in light of the new rules, as reflected in our draft guidance. When providing your comments, please consider the following questions:

- Question 1: Are there any aspects of updated sections of the guidance that could be made clearer or improved? If so, please provide specific comments including section references.
- Question 2: Are there any changes that are not reflected in our draft guidance? If so, what are they?

Responses should be sent to either:

REDevelopment@ofgem.gov.uk, or

RE Development Team
Ofgem
9 Millbank,
London SW1P 3GE

We will be holding a webinar on 16 January to give stakeholders an opportunity to discuss the changes to our guidance. However, we still encourage you to submit any comments or questions that you have to us in writing. If you would like to attend the webinar, please sign up by email to REDevelopment@ofgem.gov.uk by 8 January. We will confirm the time of the webinar by email once you have signed up. In the meantime, if you have any further queries in relation to this event, please email us.

If you want your response to be kept confidential, please clearly mark the document(s) to that effect and state the reasons why you are providing your comments to us in confidence. We will not publish any responses marked confidential. However, please note that this information may be disclosed in response to a request for information under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

Next Steps

Once we have received your comments, we will consider whether we need to make any further changes to our guidance in light of the comments received, before publishing our final guidance.

Schedule of changes.

We have made changes to the following guidance documents annexed to this letter:

- Annex 1: Renewables Obligation: Sustainability Criteria
- Annex 2: Renewables Obligation: Sustainability Reporting Guidance
- Annex 3: Renewables Obligation: Fuel Measurement and Sampling Guidance
- Annex 4: Renewables Obligation: Fuel Classification Diagram

As well as changes made to reflect the new rules on bioliquids, waste and residues, we have made some minor house-keeping changes to our guidance to ensure that references are correct and that the guidance is as accessible and clear as possible.

The tables below outlines the key changes to our guidance.

Table 1: Changes to Renewables Obligation: Sustainability Criteria (Annex 1)

Changes made	Page and paragraph reference
Overview – has been updated to say that this document has been updated to take into account changes to the RO Orders from 1 January 2018.	Page 1, paragraph 2
Context – is the history of the scheme and has been updated to include the consultation by BEIS and subsequent changes to the RO Orders from 1 January 2018.	Page 3, paragraph 2
Chapter 3. Fuel Classification, Definition of waste – updated the definition of waste.	Page 14, paragraph 3.7
Chapter 3. Fuel Classification, Definition of residues – updated the definition of residues.	Page 15, paragraphs 3.10 – 3.12
Chapter 5. Greenhouse gas (GHG) criteria, Bioliquid GHG threshold – updated how the threshold will be determined and the table of thresholds.	Page 31-32, paragraphs 5.9 – 5.11, Table 3
Chapter 5. Greenhouse gas (GHG) criteria, Performing GHG calculations – updated 'Figure 5: Overview of GHG calculation methods' to remove the questions relating to cultivation in the EU.	Page 38, Figure 5
Chapter 5. Greenhouse gas (GHG) criteria, Default method (all fuel states) – removed the bullet point relating to bioliquid feedstocks produced in the EU.	Page 39, paragraph 5.34
Chapter 5. Greenhouse gas (GHG) criteria, Actual value method (all fuel states) – updated the formula for allocating emissions when useful heat is co-produced.	Page 44-45, paragraph 5.53
Chapter 5. Greenhouse gas (GHG) criteria, Mixed value method (bioliquid only) – removed the paragraphs relating to the removed definition of 'disaggregated default values for cultivation'.	Pages 52-53 paragraphs 5.70 – 5.75
Chapter 6. Consignment and mass balance, Determining a consignment – added 'date the installation that produced the bioliquid started production' to the list of sustainability characteristics that should be taken into account.	Page 59, paragraph 6.7
Chapter 6. Consignment and mass balance, Determining a consignment – updated the explanatory text for 'Figure 11: Example of determining a consignment for bioliquid mix' to include the requirement to separate the consignments where the installations that produced the bioliquids started production within different applicable date ranges (as per the GHG threshold determinants).	Page 61, paragraph 6.16

Appendix 4 – Default values and standard input data – updated Table 14 to remove the column relating to disaggregated default values for cultivation.	Page 90-93, Table 14
Appendix 5 – Land use change calculations – updated equation 1 (Land use change emission), to expand the meaning of e_I - the annualised GHG emissions from carbon stock change due to land use change.	Page 99, paragraph 8.26
Appendix 6 – Example templates for mass balance chain of custody records – updated tables 18 and 21 to remove the column relating to NUTS 2.	Pages 106-108, Tables 18 and 21

Table 2: Changes to Renewables Obligation: Sustainability Reporting Guidance

As well as changes relating to the new rules for bioliquids, wastes and residues under the Renewables Obligation, we have also taken the opportunity to update the information regarding ISAE 3000 (revised) in Chapter 7.

Changes made	Page and paragraph reference
Overview – has been updated to say that this document has been updated to take into account changes to the RO Orders from 1 January 2018.	Page 1, paragraph 2
Context – is the history of the scheme and has been updated to include the consultation by BEIS and subsequent changes to the RO Orders from 1 January 2018.	Page 2, paragraph 2
Associated documents, Guidance – added 'RO and Feed-in Tariffs: Fuel Classification Flow Diagram' and 'RO: Annual Sustainability Template' to the list of guidance.	Page 2
Chapter 3. Monthly reporting – updated the bullet on GHG criteria to include the updated requirements for bioliquids.	Page 12, paragraph 3.2
Chapter 3. Monthly reporting – updated 'Figure 3: Output data submission screenshot from the Renewables and CHP Register for monthly sustainability reporting' to show and explain the new field for 'Installation bioliquid production date'.	Page 14, Figure 3
Chapter 4. Profiling requirements, Profiling information – added an additional bullet to 4.1.i. to include the requirement for bioliquids to provide a breakdown of the energy content of the bioliquid produced from starch-rich crops, sugar, oil crops and any other crops grown as a main crop primarily for energy purposes on agricultural land, and to include the definition of starch-rich crops.	Page 15, paragraph 4.1
Chapter 6. Audit: How to appoint an auditor and the verification process, Sustainability compliance evidence – removed the bullet requiring supporting information for NUTS 2 compliant region.	Page 37, paragraph 6.22
Chapter 7. Audit: The sustainability audit report, Statement referencing ISAE 3000 (revised) – updated the guidance relating to ISAE 3000 (revised).	Page 46, paragraphs 7.23 – 7.24
Appendix 2 – Data Template – updated the table 'Part B: Monthly Biomass Data' to include the 'Installation bioliquid production date'	Page 60

Table 3: Changes to Renewables Obligation: Fuel Measurement and Sampling Guidance

As well as changes relating to the new rules for bioliquids, wastes and residues under the Renewables Obligation, we have also taken the opportunity to update the references to industry standards and ensuring accuracy in Appendix 6 and to amend and add information on volume and energy content measurement for gaseous fuels in Appendix 9.

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Overview – has been updated to say that this document has been updated to take into account changes to the RO Orders from 1 January 2018.	Page 1, paragraph 2
Context – is the history of the scheme and has been updated to include the consultation by BEIS and subsequent changes to the RO Orders from 1 January 2018.	Page 1, paragraph 7
Associated documents, Guidance – added 'RO and Feed-in Tariffs: Fuel Classification Flow Diagram' and 'RO: Guidance for Suppliers' to the list of guidance.	Page 2
Chapter 2. Eligibility, Waste – updated the definition of waste.	Page 10, paragraph 2.17
Chapter 4. Data submission, Monthly data submissions – updated 'Figure 6: Entering Sustainability information on the Register.' To show the new 'Installation bioliquid production date' field.	Page 50, Figure 6
Appendix 6 – Mass energy content measurement for solid fuels – updated 'Table 13: Mass measurement using a weighbridge and stock calculation' for references to industry standards and how accuracy is ensured.	Pages 73-74, Table 13
Appendix 9 – Volume and energy content measurement for gaseous fuels, Volume reference conditions – clarified information relating to standard reference conditions.	Page 101-102, paragraph 9.4 – 9.11

Table 4: Renewables Obligation: Fuel Classification Diagram

Changes made	Page and paragraph reference
Diagram – updated to ask if the material was intentionally modified or contaminated to fall within the definition of waste or not.	Page 1
Table – updated to reflect the updated diagram, to refer to the RO Orders and to add question 12 'Was the material modified or contaminated to fall within the definition of waste?' and explanatory notes.	Pages 6 - 8

Yours sincerely,

Renewable Electricity Development Team