

Francey, David

From: David Kidney [David.Kidney@balcas.com]

Sent: 10 June 2008 12:31

To: NIRO REFORM 2008

Subject: Response to Preliminary Consultation

Dear Sirs,

Thank you for recent advice concerning the preliminary consultation.

Inclusion of 2.13(d) on page 11 is noted and we would emphasise the importance that this point is carried through into legislation. Qualifying criteria for early projects remain undefined; we now urge that it should not be a condition that grant assistance which related to a previous period must be repaid in order for a project to benefit from up-banding.

In the specific case of our own project at Enniskillen, £8m (including £2m DEFRA Capital Grant) was spent on particular technology in a configuration which is significantly less effective in its electricity generation than that which would have been built had we known the three legislative changes which would be implemented. It was built to optimise the financial return in a particular set of circumstances which the Government has now changed. It was not built to meet arbitrary CHPQA criteria which, if they were a condition of eligibility for NIROC x 2, might well exclude our project. The first legislative change was introduction of NIROC in April 05, the second was introduction of SEM in November 07 and the third is the potential introduction of NIROC x 2 in April 09. When the plant was designed the value of a kWh supplied to Grid was 1,2p; the effect of the three changes potentially lifts this to more than 8 times this value. While these changes do enhance the project revenues we will be disadvantaged and possibly unable to compete with others for wood fuel. New competitors for fuel will have had opportunity to design to suit the changed circumstances, maximising generation in a way which was not profitable at a spill price of 1,2p and designing specifically to meet CHPQA criteria to ensure eligibility for NIROC x 2.

We will be pleased to provide any further information which might be of assistance.

Yours sincerely,

David Kidney.

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