REFIT Clarifications and Frequently Asked Questions (2011)

These clarifications are based on a series of representative questions received on the REFIT scheme. These are intended to provide practical advice and should be read and understood in the context of the Terms and Conditions of the REFIT schemes, the applicable legislation, state aid decisions and relevant CER decisions.

Question 1: What are the different REFIT schemes?

Question 2: Will there be an order of merit for processing REFIT 2 and REFIT 3 applications, once state aid approval has been obtained. My project is already operational or nearly operational?

Question 3: Will there be a new REFIT Statutory Instrument published following the introduction of the REFIT 2 and REFIT 3 schemes?

Question 4: How is the CER’s PSO Decision relevant to the REFIT scheme?

Question 5: What is the position on planning permission for REFIT projects?

Question 6: Can I merge two or more projects that are in REFIT?

Question 7: I have a project in REFIT 1 and a project in REFIT 2 on the same site. Can I merge these two projects into one?

Question 8: I am planning to set up as a licensed supplier and it takes CER a certain number of days to process my application. How can I meet the 35 day deadline for submission of a PPA?

Question 9: How are REFIT payments calculated?

Question 10: What is eligible electricity for REFIT payment purposes?

Question 11: Can I use my own meter for metering a REFIT project?

Question 12: Does my REFIT project need to be metered separately? From a technical and market point of view, I am being told it is unnecessary.
Question 1: What are the different REFIT schemes?

Response:

- **REFIT 1** – The original REFIT scheme is now being called REFIT 1 to distinguish it from later schemes. The scheme covered small and large scale onshore wind, biomass landfill gas, other biomass and small hydro (≤ 5MW.) The original REFIT scheme was announced in 2006 and received state aid clearance in 2007. Under the terms of the state aid clearance, no new applications have been accepted since 31/12/2009.

- **REFIT 2** – On 12 January 2012, the European Commission signalled its intention not to raise objections to the REFIT 2 scheme (i.e. state aid clearance to proceed has been received.) In February 2012, the Government approved the introduction of the REFIT 2 scheme.

  The Terms and Conditions of the REFIT 2 scheme were published on 21/3/12 and the scheme is now open for applications.

  The REFIT 2 scheme is intended to cover small and large scale onshore wind, biomass landfill gas and small hydro (≤ 5MW.) To be eligible for REFIT 2, the various requirements that will be set out in the terms and conditions must be fulfilled including proof of planning permission and grid connection - plants must be new plants neither fully commissioned nor operational on 1/1/2010.

- **REFIT 3** – A new REFIT scheme known as REFIT 3 for biomass technologies received state aid clearance from the European Commission in October 2011. Government approval for the REFIT 3 scheme was obtained in December 2011.

  The Terms and Conditions of the REFIT 3 scheme were published on 27/2/12 and the scheme is now open for applications.

  REFIT 3 is a scheme to cover 310MW of certain biomass related REFIT categories as follows:

  - 50MW of AD sub technologies (AD CHP ≤500 kW; AD CHP >500 kW; AD (non CHP) ≤500kW; AD (non CHP) >500kW);
  - 100MW of Biomass CHP (non AD) sub technologies (biomass CHP ≤1500kW; Biomass CHP >1500kW);
  - 160MW of biomass combustion and co-firing.

- The REFIT 2 and REFIT 3 competitions are separate schemes with separate terms and conditions in respect of each scheme.

- New clarifications may issue in due course on the new Terms and Conditions, if deemed necessary.

- Separate state aid applications will be required for any additional new REFIT technology categories that the Government may decide to introduce.
Question 2: Will there be an order of merit for processing REFIT 2 and REFIT 3 applications, once state aid approval has been obtained. My project is already operational or nearly operational?

Response:

The intention is that the capacity in the new REFIT 2 and REFIT 3 schemes should be largely sufficient in terms of the amount of MW seeking to build and it is not anticipated that the capacity limits for the schemes will be reached in the short term.

It is however expected that once the new schemes are announced, a large volume of applications will be received by DCENR in a very short timeframe with limited resources to process them.

Each REFIT application will be date stamped and logged on receipt (prior to processing), with capacity being tracked in view of any capacity limits.

The processing order for compliant applications will be clarified in the Terms and Conditions of the scheme to facilitate projects meeting the Terms and Conditions that are already operational or that will shortly become operational.

In this regard, it is likely that the application form will require applicants to indicate whether the project is already operational and if not, the expected operational date. DCENR may request further information related to the expected operational date, as they see fit.

Question 3: Will there be a new REFIT Statutory Instrument published following the introduction of the REFIT 2 and REFIT 3 schemes?

Response:

As explained in response to the following question How is the CER’s PSO Decision relevant to the REFIT scheme?, an updated REFIT statutory instrument is compiled by DCENR on an annual basis to coincide with the commencement of each PSO year (which runs October to September.)

REFIT payments are only made to those suppliers on behalf of specific projects that were notified by the suppliers to be included in the Commission for Energy Regulation (CER)’s PSO Decision, ahead of the commencement of the particular PSO year.

Irrespective of when applications are processed or when the project begins generation, REFIT payments to the licensed supplier in respect of that project can only be made once the specific project has been included in the CER’s PSO Decision. DCENR will therefore continue to update the PSO Order annually in line with the PSO process timelines.

Question 4: How is the CER’s PSO Decision relevant to the REFIT scheme?

Response:

- The REFIT scheme is funded through the Public Service Obligation (PSO) charged to all electricity consumers.

- Section 39 of the Electricity Regulation Act 1999 sets out the legal basis for the PSO.
Statutory Instrument No. 217 of 2002 made under Section 39 requires that the Commission for Energy Regulation ('CER') calculates and certifies the costs associated with the PSO, including each of the relevant PSO schemes, and sets the associated levy for the required period.

The PSO levy takes into account the estimated and actual costs incurred in undertaking generation activities which are covered in the relevant PSO legislation, including costs associated with the REFIT scheme.

The PSO levy year runs from 1 October to 30 September.

Under the terms of the REFIT scheme, each generator is obliged to enter a PPA with a licensed supplier.

In accordance with its PSO timelines, the CER writes to all licensed electricity suppliers requesting the relevant information it requires to calculate the REFIT PSO levy for the upcoming PSO year. [By way of information, CER usually sends these letters around springtime in line with its PSO timelines.]

The CER then calculates the amount of the PSO related to REFIT on the basis of the information provided to it by suppliers and other relevant information as outlined in CER's PSO decision papers (available at http://www.cer.ie/)

Only those projects that have been notified to CER by suppliers and included in the relevant PSO calculation for the PSO levy decision by CER are eligible for REFIT payments in the relevant PSO period.

DCENR then verifies that all those projects that are to be paid REFIT in the upcoming PSO year are included in the latest annual REFIT statutory instrument (S.I.)

Payments cannot be made unless the project is also listed in the S.I.

DCENR updates the REFIT statutory instrument annually in accordance with the PSO process timelines to reflect any changes.

It is for the parties to the REFIT PPAs (i.e. the generators and suppliers) to ensure communication with each other on the state of play of projects and to ensure that CER is provided with timely information each year by suppliers in accordance with its PSO timelines.

**Question 5: What is the position on planning permission for REFIT projects?**

**Response:**

- Under the REFIT Terms and Conditions, only projects that can demonstrate valid planning permission will be accepted into the scheme.

- It is imperative that projects continue to hold valid planning permission until such time as the development has physically taken place in accordance with the planning permission decision.

- Projects that do not yet physically exist and that are unable to demonstrate proof of valid planning permission are deemed to be non compliant with the REFIT Terms and Conditions and will be removed from the scheme.
Where planning permission expires, the onus is on the REFIT applicant to promptly submit further proof of continued planning permission for the development (e.g. proof of an extension in time) to DCENR.

**Question 6: Can I merge two or more projects that are in REFIT?**

**Response:**

- For mergers to take place, a request in writing to merge the projects must be submitted to DCENR.
- The projects merging must all be part of the same REFIT scheme (i.e. all in REFIT 1 or all in REFIT 2 etc.)
- The merged project must all be in a single REFIT technology category (e.g. entire project is large wind.)
- If any of the original projects (proposed for merger) are already in receipt of REFIT payments, then a merger cannot in principle take place. In principle if projects are merged, the entire merged project must have the same start and end date for REFIT payment purposes.
- The exception to projects requiring the same start date is where one project is already in receipt of REFIT payments and is merged with another new project, and the applicant agrees that the entire merged project will end the date the first project in the merger is due to finish receiving REFIT payments (i.e. that the second project in the merger will not receive the full 15 years of REFIT payments.)
- Planning permission for the merged site must remain valid. If new planning permission for the merged project is not being submitted, a written declaration from the applicant must be supplied that the merged site will remain fully compliant with the conditions of the individual original planning permissions that were granted for the separate projects.
- Proof of grid connection for the merged project must be supplied
- Are the projects under the same ownership? If not, proof of the willingness (to accede to the merger) of the original REFIT applicants must be submitted in writing to DCENR on headed paper.
- The merged project must be subject to a single REFIT Power Purchase Agreement and be metered as one project.
- The REFIT statutory instrument may need to be amended in the following annual update by DCENR to reflect the merged site.

**Question 7: I have a project in REFIT 1 and a project in REFIT 2 on the same site. Can I merge these two projects into one?**

**Response:**

- It is not possible to merge the two projects, if they both remain in different schemes. This is because separate metering for each project would be required in that instance.
• If neither of the projects is yet in receipt of REFIT payments, then it is possible to merge these into a single project under REFIT 2. The conditions outlined in response to Question 6 would apply in that case.

• It is not possible to merge the projects into a single project under REFIT 1 as that scheme has closed and no new additional MW can be entered into that scheme.

• In the event that you wish to merge the two projects under REFIT 2, you should apply for REFIT 2 for the entire project (once DCENR has received state aid clearance and published the scheme) and at the same time notify DCENR that you are forfeiting the MW of the project currently in REFIT 1, provided the entire project is accepted into REFIT 2.

• The REFIT statutory instrument may need to be amended in the following annual update by DCENR to reflect the merged site.

**Question 8: I am planning to set up as a licensed supplier and it takes CER a certain number of days to process my application. How can I meet the 60 day deadline for submission of a PPA in REFIT 2 and REFIT 3?**

**Response:**

• Evidence of Power Purchase Agreements (PPAs) will only be accepted in the REFIT scheme as valid if they are with a supplier that has been licensed by the Commission for Energy Regulation (CER)

• Those accepted into the REFIT scheme must supply evidence of a PPA with a licensed supplier within 60 days of receiving a REFIT letter of offer from DCENR. In the absence of fulfilment of this criteria and evidence of a REFIT PPA being submitted within the timeframe, projects may be removed from the scheme.

• Where an applicant is in the process of obtaining licensing as a supplier from the CER, the Department will initially accept evidence that a comprehensive application to become a licensed supplier has been submitted to CER, provided that within a further 60 days thereafter, evidence of the PPA is submitted to DCENR.

• In the absence of a follow-up indicating that the supplier has become licensed and that a PPA is in place, such projects may be removed from the scheme.

**Question 9: How are REFIT payments calculated?**

**Response:**

• CER 08/236 Decision Paper entitled ‘Calculation of the R-factor in determining the Public Service Obligation Levy’ outlines how REFIT payments are to be calculated in accordance with the REFIT Terms and Conditions.

• Essentially the calculation is to be carried out on a PSO period basis

• Total market revenues are compared to entitled REFIT costs to determine REFIT support under the REFIT Terms and Conditions. The total market revenues and total REFIT costs in the calculation are the sum of the respective amounts in each PSO period.
Further detail is set out in sections 4.8 and 4.9 of the Decision Paper CER 08/236. The CER Decision Paper is available above and on the CER website: [http://www.cer.ie/](http://www.cer.ie/)

**Question 10: What is eligible electricity for REFIT payment purposes?**

**Response:**

- Electricity that is eligible for REFIT payments is exported metered generation as set out in Statutory Instrument 532 of 2010 and defined in section 4.2 of CER Decision Paper 08/236.
- It is emphasised that REFIT is not payable for generation consumed onsite i.e. that is not exported through the commercial point of entry to the Transmission or Distribution system or at the trading boundary.
- The CER Decision Paper 08/236 entitled ‘Calculation of the R-factor in determining the Public Service Obligation Levy’ outlines how REFIT payments are to be calculated in line with the REFIT Terms and Conditions.
- The Decision Paper includes definitions of metered generation and metered generation loss factored (to be included in the way the REFIT payments are calculated) at section 4.2.
- The date from which REFIT support commences in respect of a particular REFIT project, to a maximum of 15 years, is outlined in Statutory Instrument 532 of 2010. It states that ‘The period of the public service obligations to be imposed… commences, in respect of a REFIT power purchase agreement… the date on which the supplier purchases output from the plant of the generator which is exported for the purposes of distribution or transmission.

**Question 11: Can I use my own meter for metering a REFIT project?**

**Response:**

- It is a requirement of the REFIT scheme that official EirGrid/ESB Networks meters are installed and polled by EirGrid/ESB Networks as appropriate for the purposes of metering REFIT.
- The meters used by EirGrid/ESB Networks are of a certain approved standard and ensure compliance with the CER Metering Code. Retention of meter data with EirGrid/MRSO facilitates cross-checking, from a PSO Certification perspective and relevant duties.

**Question 12: Does my REFIT project need to be metered separately? From a technical and market point of view, I am being told it is unnecessary.**

**Response:**

- REFIT projects need to be metered separately. Discrete REFIT project metering to an appropriate standard is a cost of participation in the REFIT scheme.
- Separate metering of REFIT projects is necessary to ensure that the CER (from a PSO certification perspective) has clarity on what exactly is eligible for REFIT at what rate/amount etc.
• While there may be no reason from the developer’s perspective to install a separate additional sub-meter on a site from a technical/market/engineering perspective, this is necessary if the project is being accepted into REFIT as a separate REFIT project.

• If a project eligible for REFIT is built behind an existing single meter that is already in use, an individual meter or sub-meter in respect of that project is required in order for output to be accurately measured for the calculation of PSO payments. An example would be where a REFIT project is operating and metered on a particular site. A new separate second project is built beside it. The second project requires separate metering/sub-metering.

• There are many reasons why separate metering of REFIT projects is deemed necessary in order to be able to calculate and certify PSO payments accurately.

**Acronyms & Commonly Used Terms**

CER – Commission for Energy Regulation

DCENR - Department of Communications, Energy & Natural Resources

EirGrid – the Irish Transmission System Operator

ESB Networks – the Irish Distribution System Operator

MEC – Maximum Export Capacity

MRSO - Meter Registration System Operator

MW - megawatt

PPA / PPAs– Power Purchase Agreement(s)

PSO – Public Service Obligation

REFIT – Renewable Energy Feed in Tariff

SEM – Single Electricity Market

S.I. – Statutory Instrument