

Enterprise, Innovations and Networks Committee

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Title: Review of January 2003 Energy Policy Part 1 – Renewable Energy

**Dulas Ltd Position Paper
Presented by Rod Edwards**

This Paper is presented by Rod Edwards. He is a Director of Dulas Ltd, a position he has held since 1992.

Dulas Ltd. is an indigenous Welsh business specialising in all aspects of renewable energy. The Company was established over twenty five years ago, and currently has 42 employees and an annual turnover of around £6 million. The company is active in most renewable energy technologies, particularly solar photovoltaics (PV), windfarm development, small hydro development and biomass. The company works not only in the technical arena, but also has considerable experience in the planning system, and in providing advice to inform policy formulation at a local authority, Welsh Assembly and UK Government level. In recent years, Dulas Ltd has gained the Queens Award for Enterprise and the Welsh Exporter of the Year Award, in recognition of it's success in the export of PV equipment, and was voted the Western Mail SME of the Year in 2006.

In this paper, I aim to represent Dulas Ltd's view of the progress made against the 6 recommendations made in the Review of Energy Policy in Wales Part 1: Renewable Energy. Whilst acknowledging the importance of energy efficiency, Dulas has limited direct experience in this field, and hence no reference is made to Part 2 of the Review.

Recommendation 1

"We recommend that the National Assembly for Wales:

- (a) Recognises that over the next twenty to fifty years it will be necessary to move towards a zero carbon electricity system
- (b) Seeks to develop its indigenous renewable resources so as to make a timely contribution to the reduction of carbon emissions
- (c) Promotes renewable sources of energy in such a way as to enhance industrial, rural and commercial opportunities in Wales without prejudicing tourism or areas of environmental significance"

Recommendation 1 effectively sets out the overarching policy framework, and much of the detail of our view is set out in the following paragraphs. However, in general terms, it is fair to say that the WAG has shown a genuine commitment to the reduction of carbon emissions resulting from the generation of electricity, although a number of key opportunities have been missed, and progress in achieving a real reduction in emissions has been slower than ideal, given the clear imperative of moving towards a carbon neutral economy. Much has been done to establish the basic groundwork, but over the past 4 years little increase in renewable energy generation in Wales has taken place.

Recommendation 2

"We recommend that the National Assembly adopts targets for both electricity production and heat production from renewable resources by 2010 and 2020, bearing in mind the overall target for the UK of 10% of electricity generated from renewable sources by 2010. These targets should be set in the light of the responses to the consultation on this report.

In order to promote these targets, the National Assembly should seek information from all Local Authorities on the contributions that they consider could be made to meeting such targets from within their areas"

We welcome the robust target of 4TWh per annum of electricity from renewable resources set out in the Review, and subsequently reiterated in the Energy Route Map in 2005. However, it is now widely acknowledged that this target is very unlikely to be reached by 2010. The Review suggested that approximately one third of the target would be met from onshore wind, one third from offshore wind, and one third from biomass and other minor sources. It was later acknowledged that in fact only onshore wind was likely to make any significant contribution to the target in the timeframe presented. No new areas off the Welsh coast were identified by the Crown Agents in the SEA study carried out in 2003, and little, if any new offshore developments can be expected. The economics of large scale biomass generation are discouraging wide commercialisation of the technology. In Priority Action 3 of the 2005 Energy Wales Route Map, a target of 800MW of new onshore wind is suggested, which equates to some 2.1 TWh per annum – 50% of the 4TWh target in the review. Failure to adequately address planning issues, and the issue of lack of grid infrastructure has had, and will continue to have, a severe negative effect on the rate of development of onshore wind farm development in Wales.

To date, no target for heat production from renewable resources has been established by the Welsh Assembly, and this is to be regretted. A heat production target, coupled with an appropriate support and penalty mechanism would provide a strong stimulus, particularly to Local Authorities, to employ technologies such as biomass, for the heating of premises under their control. The forthcoming Biomass Strategy being produced by Forestry Commission Wales (FCW) is welcomed, and this could prove timely for the establishment of a target for heat production. FCW has been very supportive of the nascent biomass industry in Wales. The Wood Energy Business Scheme (WEBS) has provided a strong stimulus to the industry, encouraging competition between equipment suppliers.

To the best of our knowledge, Local Authorities have not been asked to provide an audit of renewable energy resources in their areas, and this is to be regretted. A few LAs have done so, as part of planning policy formulation, but this is not a consistent position across Wales. The WAG should

implement this recommendation as a matter of urgency, not only to assess the contribution that each area can make, but to try and encourage LAs to adopt a more positive attitude to renewable energy developments in their area.

Recommendation 3.

"We recommend that the Welsh Assembly continues to develop its own use of renewable energy with the aim of becoming a 100% user of renewable energy and urges other agencies and public bodies in Wales to foster the development of renewable energy by:

- a) Switching to green electricity for their own use
- b) Supporting development projects for technologies that exploit local opportunities or unique resources

The Welsh Assembly is to be congratulated in the progress it has made in setting an example to other public bodies in Wales. It is understood that up to 70% of electricity consumed by WAG is from renewable sources, that renewable energy has been incorporated into the new Assembly building in Cardiff, and that biomass heating has been specified for the proposed WAG offices in Aberystwyth. However, the uptake by other public bodies has been disappointing. The WDA have not given sufficient consideration in this respect in new industrial premises (apart from the initiative on the Dyfi Eco Parc) and several other excellent opportunities have been missed. A good example is the Swansea SA1 Development, where the high density new housing would have lent itself to a biomass fuelled district heating scheme, although, regrettably, all-electric heating was specified. On the positive side, a few LAs are taking a lead – notably Powys and Ceredigion. Both have over half a megawatt of biomass capacity providing heat in Council premises and schools, and both authorities are actively pursuing further projects. The proposed collaboration between WAG and the Energy Savings Trust, is encouraging, as it should provide a sustainable mechanism whereby LAs can finance the provision of renewable energy in schools.

Recommendation 4

"The National Assembly should add its weight to the pressure to resolve the issues of embedded generation and the wholesale market treatment of intermittent sources as a matter of urgency. It should also request clarification from the local Distribution Network Companies on their policies for connections for renewable generators."

Despite the serious implications that grid access will inevitably have on achieving the WAG target by 2010, progress on the issue of grid appears to have been very slow. It is acknowledged that WAG is somewhat constrained by not having a remit to determine energy policy. WAG can only exert pressure on the DNCs and National Grid Transco to implement infrastructure upgrades to accommodate renewable energy generation.

Only very recently have the key stakeholders (WAG, DEIN, DNCs, renewable industry representatives and OFGEM) commenced a dialogue to resolve the issues of grid availability. Current estimates indicate that it is likely to be at least 2012 before these upgrades can be implemented. This

dialogue is long overdue.

Recommendation 5

"The National Assembly should

- c) as a matter of urgency, seek ways to clarify and streamline the planning process for renewable energy developments
- d) seek an extension of its powers with regard to the approval of power generation facilities
- e) find mechanisms whereby renewables developments can provide immediate and tangible benefits to the local communities in which they are located

TAN 8, the technical planning guidance for renewable energy projects in Wales was announced in July 2005. The Technical Advice Group referred to in Section 3.13 was dissolved at very short notice in June 2003, and regrettably TAN 8 was largely formulated with little or no consultation with stakeholders. TAN8 focuses very heavily on large scale onshore wind development, with little or no guidance to the planning system regarding the policy for smaller scale projects and technologies other than wind. There is no evidence that the planning system has been streamlined for renewable energy projects. To the contrary, there is evidence that it is becoming more difficult to obtain planning permission for small developments. For example, PV and solar water heating are generally regarded as permitted development under planning policy in England (PPS22) whereas a recent planning application in Gwynedd, (not in Snowdonia National Park) took over 8 weeks to resolve - at one point the planning officer insisted that the solar panels be placed on the north side of the building where they would be less visually intrusive, whereas the panels have to face south to function effectively. The application was not in the National Park, nor in any area carrying a special planning designation. A recent planning application for a 6kW domestic wind turbine on a 15 metre tower was turned down by a LA in Ynys Mon on the grounds of unacceptable visual intrusion, despite being within 3 km of two existing windfarms, and in an area with an high existing level of visual clutter such as aeriels and powerlines.. Reportedly, a Planning Inspector, while recently rejecting a Planning Appeal for an 11MW community owned wind farm in South Wales, made the comment that as it was just outside a TAN8 area, the capacity could not count towards the target of 800MW. Despite being one of the most exemplary community energy initiatives in Europe, and widely used as a Case Study, the project had no apparent support from the WAG. These examples show that TAN 8 falls badly short of the recommendation to "streamline" the planning system, largely by not being sufficiently clear in a number of areas, and not least the weight that should be given to the national need for renewable energy generation when balancing the impacts of a development against the benefits.

In relation to large scale onshore wind developments, TAN 8 indicates a virtual presumption in favour of such developments in 7 strategic areas, and a strong presumption against outside of these areas. However, it leaves it up to the relevant local authorities to "refine" the strategic areas. Additional planning guidance has been prepared for three of the areas, and rather than refine the areas, they have been substantially reduced (by up to 40%), almost entirely on the basis of landscape and visual impact. Other technical and environmental constraints that may limit the potential for development have by and large been ignored, thereby seriously prejudicing meeting the target of 800MW at all, let alone by 2010. Moreover, it would appear that WAG is not monitoring the way in

which LAs are "refining" the strategic areas, and the effect this is likely to have on the ability of the areas to deliver the target of 800 M, despite having a remit under TAN 8 to do so. We believe that this is a serious oversight, and urge that the WAG Planning Division institute monitoring of SSA 'refinement' and dialogue with the LAs, as a matter of urgency.

We welcome the recent news that the WAG Minister for Environment will shortly issue a Ministerial Interim Planning Policy Statement requiring all LAs to ensure that all new major housing developments should take energy use and generation into account, and that a minimum of 10% of the energy needs of the development should come from on-site renewable sources. A similar planning policy in England is not only stimulating the uptake of renewable technologies and providing a key incentive for low carbon design, but is also benefiting the smaller scale renewable energy industry. There is every indication the same could happen in Wales.

In relation to the benefits to local communities from renewable energy developments, we believe that there are two separate issues. Firstly, the indirect benefits that could derive from larger developments, and secondly the benefits that can accrue from community involvement in renewable energy projects.

In respect of the first, we welcome the clear guidance given in Section 2 of Annex B of TAN8 relating to community benefits. However, there is a problem in respect of a lack of independent organisations that are trusted by both developers and the local communities, and which can administer any community benefit fund linked to large renewable energy projects. One initiative that showed promise was the Mid Wales Community Energy Trust, established to channel community benefits from wind farm developments in mid Wales. MWCET was until recently administered by the Mid Wales Energy Agency, which sadly went into liquidation last month, largely as a result of a lack of core funding. Energy Agencies have an important role to play in articulating between large developers and local communities, but without core funding support from WAG, they tend to remain small and financially precarious. We understand that a specific proposal for a supported structure for developing coordinated Energy Advice Centres across Wales has been made by the Energy Saving Trust based on their success in Scotland. We trust that WAG view this proposal favourably.

Energy Agencies have a large role to play in respect of the second issue – that of local communities gaining benefit from becoming involved in renewable energy projects. MWEA played a major role in two flagship projects in mid Wales – the Bro Dyfi Community owned wind turbine, and the Llanwddyn biomass district heating scheme. We reiterate our comments above – that the energy agencies deserve support in core funding from WAG, in view of the important role they can play in local communities.

We regret the lost opportunity for wider community involvement in renewable projects by the failure on the part of WAG to secure funding from the UK Government Community Renewables Initiative. Wales was the only administration in England and Wales to do so, and we understand that the reasons were the lack of staff to pursue the grant application, and the absence of match funding.

Recommendation 6

"We recommend that the Minister for Economic Development identifies the energy sector as a sector

with high growth potential in Wales and ensures there are programmes in place to encourage the development of skills in all parts of the country to meet these needs, and to encourage private sector investment in this vital sector"

We welcome the efforts made by WAG to encourage the growth in the renewables industry in Wales, and congratulate their success in attracting two major PV manufacturing facilities to Wales. We also welcome the initiatives to try and attract wind turbine manufacturing to Wales, and await success in this area. Whilst other initiatives such as the Finance Wales Renewable Energy Fund, the Environmental Goods and Services initiative and the Green Energy Cluster continue to support the Welsh renewable energy industry, they tend to be rather ad hoc, and a more strategic approach would be beneficial. However, opportunities for manufacturing of renewable energy technologies in Wales are being lost, and increased effort in this area is required

Dulas Recommendations

f) In view of the above comments, the recent UK Energy Review, the importance attached to climate change by the Stern Report, and the Climate Change and Sustainable Energy Act, we recommend that the Enterprise, Innovation and Networks Committee conduct a further review of Energy Policy in Wales as a matter of urgency. In view of the negative effect that policy uncertainty has on industry, we recommend that this is carried out in a timely fashion, with a view to publication by mid 2007 at the latest.

g) An urgent review of TAN 8, is required including monitoring of the local authority refinement of the strategic areas and the ability of the refined areas to deliver the WAG targets, and strengthening and clarification of guidance for technologies other than onshore wind. This should be accompanied by further initiatives to streamline the planning system, to ensure that LAs improve on fulfilling their statutory duty to determine applications within a given period, and to reduce the time taken to determine Appeals

h) A more pro-active approach with regard to dialogue between WAG and the DNCs/NGT, particularly in relation to the TAN 8 wind farm development policy, to aid other stakeholders in helping to deliver the 4 TWh per annum target.

i) Stronger support, including an element of core funding, for independent Energy Agencies covering all regions of Wales. Amongst the functions of the Energy Agencies should be the promotion and support of local initiatives, the administration of community benefit funds, and the monitoring and reporting on progress in achieving WAG targets.

j) The adoption of a much clearer and robust presentation style in WAG policy documents, avoiding wording such as "encourage" "engage" and "assist". Specific targets and measures are required, particularly in respect of microgeneration. UK wide legislation under the Climate Change and Sustainable Energy Act requires all administrations to set microgeneration targets by 2008. Wales should take a lead by setting the Welsh target by the end of 2007.

k) That WAG supports a wide ranging education campaign promoting renewable energy, and

emphasising the environmental imperative for increased deployment of renewable energy. The campaign should be aimed at LA Officers, elected Officials at all levels, the media and the general public