

# **A LETTER FROM REPRESENTATIVES OF THE UK MICRO-HYDRO INDUSTRY**

Greg Barker MP  
Minister of State for Energy and Climate Change

cc: John Costyn, Head of Feed-in Tariffs, DECC

05/10/2010

Dear Mr Barker,

## **CRITICAL PROBLEMS FACING UK MICRO-HYDRO IN THE TRANSITION FROM ROCS TO FITS, AND THE LACK OF A VIABLE MCS PROCESS**

### **Summary**

This letter is sent jointly by the 3 main bodies representing different sectors of the UK micro-hydro industry and the 4 leading independent installer companies (signatories below).

It urges DECC to take two actions which will immediately resolve two critical problems affecting current and future micro-hydro projects (<50kW), namely:

**Problem 1 : The lack of a viable MCS process for micro-hydro, and the ongoing projects which find themselves ineligible for both ROCs and FITs.**

In the FIT legislation, Hydro was included in the list of technologies with a "viable MCS process". This was not the case then, and there is still no viable process. Projects do not know how to proceed with certainty of gaining FITs, and new development is grinding to a halt.

In addition, FITs were introduced on a timescale that was much shorter than the typical hydropower project. For numerous projects, the goal-posts have been moved mid-project with rules which now exclude their project from both FITs and ROCs.

These issues could be resolved immediately if hydro is withdrawn from the MCS process for an interim period (e.g. 18 months) until there is a viable, established Certification Scheme.

**Problem 2 : The proposed 'new turbine' and 'remanufactured turbine' product standards.**

The proposed MCS product standard for hydro turbines will not add any benefits or protections, but will create a substantial market barrier because of the costs, timescale and bureaucracy of certification.

The micro-hydro sector relies heavily on imports. International suppliers will simply focus their attention to destinations where there are no barriers discouraging market entry. Several companies have already stated this. UK buyers will be faced with a very limited list of options, and a severe lack of competition.

Consumer protection requirements can all be resolved within the overall scheme certification, and we urge DECC to dispense with the totally unnecessary Hydro Product Standard.

### Signatories:

British Hydropower Association  
River Energy Networks  
Micro-Hydro Association

Derwent Hydroelectric Power Ltd  
Dulas Ltd

Renewables First Ltd  
Western Renewable Energy Ltd

**More detailed explanation is provided below**

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### **Problem 1**

The Government response to the FIT consultation of 1/2/2010 stated (§106 and 107):

*For technologies where there is a viable Microgeneration Certification Scheme (MCS) process (wind, solar PV and hydro up to 50 kW, and domestic scale microCHP), generators will need to ensure that the installation is recognised by MCS ... For other technologies, generators will need to approach Ofgem and seek accreditation under a similar process as exists currently for the RO.*

Although hydro was included in the list of technologies with a "viable MCS process", this was not the case, nor is there yet a "viable MCS process". Since the introduction of FITs on 1/4/2010, there have been no certified installers, no certified products, no accreditation bodies, and no established standards for micro-hydro, and hence no viable MCS process<sup>1</sup>. Projects do not know how to proceed with certainty of gaining FITs, and new development is grinding to a halt.

In addition, the FITs system was introduced on a timescale that was much shorter than the typical hydropower project development period. Hence, for several projects (we estimate 15 to 20) which have already invested substantial sums in new or refurbished micro-hydro equipment, the goal-posts have been moved mid-project with new rules which now exclude their project from both FITs and ROCs because they have proceeded outside the MCS process (which does not yet exist for hydro).

### **Solution to Problem 1**

These problems will be resolved immediately if hydro is withdrawn from the MCS process for an interim period until there is a viable, established Certification Scheme. All hydro projects would be accredited under the ROO-FIT process for this period, a system which has worked satisfactorily to date.

### **FIT Legislation relating to Problem 1**

The FIT Legislation allows technologies to qualify for FITs under either "MCS Certified Registration" (Section 4) or 'ROO-FIT Accreditation' (Section 5).

Hydro is currently listed as an "MCS-FIT Technology", but the list "*may be amended from time to time by the Secretary of State*". Hence we believe that it is within the power of the Secretary of State to make this change.

### **Problem 2**

The proposed MCS product standard for hydro turbines (leading to a 'certified product list') is being invented to solve a problem which does not exist in this industry, whilst creating a substantial market barrier because of the costs, timescale and bureaucracy of certification.

There is no evidence that poor-quality turbines are, or have been, a significant factor affecting UK hydropower developments.

Although available in the UK, the micro-hydro sector also relies heavily on imports to provide the wide range of turbine types and sizes to service the full range of hydro projects. Turbine suppliers are not short of orders for European and international destinations for which there are no barriers discouraging market entry. If the very modest UK hydro sector faces this substantial market barrier against the procurement of micro-turbines (where the margins are smallest), then suppliers will simply focus their attention elsewhere. Several companies, including Ossberger of Germany and Lingenhölle of Austria, have already drawn this conclusion.

UK buyers will then be faced with a very limited list of options, and a severe lack of competition.

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<sup>1</sup> Up to 3 October 2010 5 installers and 3 products have been recorded on transitional lists, but this gives no guarantee that they will become certified.

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Consumer protection requirements can all be resolved within the overall scheme certification. An installer, quite rightly, has to warrant the complete hydro system. He must ensure that both the overall design and the products used are fit for purpose and perform to specification. This includes not only the turbine but also associated products such as the sluice gate, trashrack, automatic rake, pipeline, valves, gearbox, generator, control unit, power cable, etc.

The installer's contracts with the turbine and other equipment suppliers, combined with consumer law, already cover the terms under which he can reject any particular item for failure or under-performance, or claim compensation on behalf of the site-owner.

The hydro product standards will not add any further benefits or protections, but instead will increase bureaucracy, reduce competition and raise prices.

### **Action to resolve Problem 2**

The development of product standards for micro-hydro, and the associated product certification process, should be discontinued.

### **FIT Legislation relating to Problem 2**

There is nothing within the FIT legislation that specifies the requirement for a Hydro Product Standard. We urge DECC to dispense with this standard.

### **Further information**

Because of its urgency, we have tried to make this letter as concise as possible. However we would be pleased to provide any further information, or personal representations, that DECC and the Secretary of State may require in order to be able to take these essential decisions forward as quickly as possible.

Yours sincerely,

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David Williams  
British Hydropower Association  
Manor Farm Business Centre  
Gussage St Michael  
Wimborne  
Dorset BH21 5HT

The BHA is the trade association for the UK hydropower industry. With around 150 members, the Association represents: consulting engineering, design, manufacture, investment, operation, and specialist service providers. The BHA represents generators from small owner-operators to large UK and international companies.



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Anthony Battersby  
River Energy Networks

REN was established in 2010 with a DECC grant through NESTA as part of the Big Green Challenge Plus. Its goals are to provide a national network of shared, experience-based information for owners of small hydro sites, to promote optimising the output from the potential energy in rivers, and to engage actively at all levels with decision-makers whose actions affect micro-hydro.



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Gavin King-Smith  
Micro-Hydro Association  
[www.microhydroassociation.co.uk](http://www.microhydroassociation.co.uk)

Formed in February 2010 specifically to act as an independent centre of information and advice for micro-hydro generators and suppliers/installers, we have since been tackling the issues presented by the FiT instrument and other regulations. Members span dozens of current, and hundreds of potential, micro-hydro schemes.



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Jon Needle  
Derwent Hydroelectric Power Ltd

DHPL is a specialist mini-hydro engineering company established in 1988. The company will shortly complete its 35<sup>th</sup> UK mini-hydro installation.



## A LETTER FROM REPRESENTATIVES OF THE UK MICRO-HYDRO INDUSTRY

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Matt Palmer  
Dulas Ltd

Dulas is an award-winning engineering company covering all sectors of the renewables industry. Established in 1983, Dulas has commissioned over 40 hydro schemes ranging from 1 to 1000 kW.



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Philip Davis  
Renewables First Ltd

Established for almost 10 years, RF provides all services to develop small hydro sites from feasibility to installation. Currently installing our 20th system, with over 30 projects at the design stage. We are involved in, but frustrated by, the current MCS process and support any change that will simplify the proposed bureaucratic and unworkable procedures.



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Chris Elliott  
Western Renewable Energy Ltd

WRE is an SME which designs and installs hydroelectric systems. We have been involved with the development of the MCS standards, but feel the template of MCS installer and product standards into which hydro has been forced is inappropriate for this diverse and heavily regulated sector. We have high profile clients who are unable to claim FITs for their new schemes despite our transitional MCS accreditation.

