

# Marine Current Turbines<sup>TM</sup>

Running with the tide of renewable energy

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## INTRODUCTION

Marine Current Turbines Limited ("MCT") is a technology development company that has successfully developed a commercial scale 1.2MW tidal turbine for electricity generation, 'SeaGen'. SeaGen has delivered over 2,500MWh to the UK grid since it was first installed in 2008. MCT is a global leader in the development of tidal technology and is currently involved in the development of over 200MW of tidal power in the UK.

MCT believes that the reform of the electricity market must ensure that the progress to date in the UK marine renewable sector is built upon and the next step is taken to turn this promising sector into a global industrial leader for the UK. The tidal industry is capable of supplying significant amounts of predictable, sustainable and cost effective electricity to the UK if early investment can be brought into the sector via a stable and effective subsidy.

MCT has responded below to the parts of the consultation that are of particular relevance to the tidal sector.

## FEED IN TARIFFS

***8 - What impact do you think the different models of FITs will have on different types of generators (e.g. vertically integrated utilities, existing independent gas, wind or biomass generators and new entrant generators)? How would the different models impact on contract negotiations/relationships with electricity suppliers?***

Tidal technology is at an early stage of development and it is key that risks and uncertainties are removed wherever possible and it is for this reason that we favour a Fixed FIT.

Early stage tidal technology projects will have significant risks and uncertainties around the performance and cost of the technology, the removal of the uncertainty over the level of revenue per MWh produced provided by the fixed FIT is a significant advantage when funding is sought for projects.

## EMISSION PERFORMANCE STANDARD

*12 - Do you agree with the Government's assessment of the impact of an emission performance standard on the decarbonisation of the electricity sector and on security of supply risk?*

We are in favour of these provisions and would ideally like to see them extended to all carbon emitting generation so as to provide energy Companies with a clear incentive to develop sustainable low-emission technologies such as tidal.

## AUCTIONING

*31 - Do you have views on the role that auctions or tenders can play in setting the price for a feed-in tariff, compared to administratively determined support levels?*

- *Can auctions or tenders deliver competitive market prices that appropriately reflect the risks and uncertainties of new or emerging technologies?*
- *Should auctions, tenders or the administrative approach to setting levels be technology neutral or technology specific?*
- *How should the different costs of each technology be reflected? Should there be a single contract for difference on the electricity price for all low-carbon and a series of technology different premiums on top?*
- *Are there other models government should consider?*
- *Should prices be set for individual projects or for technologies*
- *Do you think there is sufficient competition amongst potential developers/sites to run effective auctions?*
- *Could an auction contribute to preventing the feed-in tariff policy from incentivising an unsustainable level of deployment of any one particular technology? Are there other ways to mitigate against this risk?*

Our view is that for tidal technology an auctioning process would not be appropriate. Our preference is for the continuation of the policy of banded support as introduced within the Renewable Obligation with the level of support set by government but with a higher level of support for tidal than is currently in place.

In addition, initial sites are likely to be small making the costs involved relatively high given the size of the projects.

In our view the auction process has a number of disadvantages

- The costs and complexity involved in the auction process could well prevent potential project developers and investors participating in the sector.
- The tidal sector requires a clear signal from government that suitable support will be in place for early farms to ensure development takes place; this can only be achieved if government sets the level of support.
- No market signal will be given until an auction takes place which could be a year or more after legislation is introduced. It is key that momentum is maintained in a sector where most technology developers are cash burning start up companies
- The results of early auctions will have a significant impact on the market and these signals could be distorted if project developers look to secure early sites and projects with unrealistically optimistic bids



