

*(Draft Regulations laid before Parliament under paragraph 146(3) of Schedule 6 to the Finance Act 2000, for approval by resolution of the House of Commons.)*

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DRAFT STATUTORY INSTRUMENTS

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**2001 No.**

**CLIMATE CHANGE LEVY**

**The Climate Change Levy (Combined Heat and Power Stations) Prescribed Conditions and Efficiency Percentages Regulations 2001**

*Made - - - - 2001*

*Coming into force in accordance with regulation 1(1)*

The Treasury, in exercise of the powers conferred on them by section 30 of and paragraphs 15(4) (a), 16, 146(1), 146(7), 148(4) and 149 of Schedule 6 to the Finance Act 2000<sup>(1)</sup>, hereby make the following Regulations, a draft of which has, in accordance with paragraph 146(3) of that Schedule, been laid before Parliament and approved by a resolution of the House of Commons:

**Citation, commencement and interpretation**

1.—(1) These Regulations may be cited as the Climate Change Levy (Combined Heat and Power Stations) Prescribed Conditions and Efficiency Percentages Regulations 2001 and shall come into force on the day after they are made.

(2) In these Regulations—

“CHPQA” means the Combined Heat and Power Quality Assurance Standard, Issue 1, November 2000 published by the Department for the Environment, Transport and the Regions;

“CHPQA certificate” means a certificate issued in respect of a combined heat and power station following assessment of the station against criteria set out in CHPQA; and

“the Act” refers to Schedule 6 to the Finance Act 2000.

**Conditions to be satisfied for full-exemption certificates**

2.—(1) This regulation has effect for prescribing the conditions to be satisfied for the purposes of paragraph 148(4) of the Act (full-exemption certificates for combined heat and power stations).

(2) The first condition is that a combined heat and power station has been assessed in accordance with CHPQA.

(3) The second condition is that—

- (a) the qualifying power output of the station, as stated in its CHPQA certificate, is equal to its total power output as so stated; or
- (b) (subject to paragraph (4)), until 1st April 2005, the total power capacity of the station, as stated in its CHPQA certificate, is less than 2 megawatts of electricity.

(4) The condition specified in sub-paragraph (3)(b) is only to be treated as being satisfied if the station has been assessed for the purposes of paragraph (2) in accordance with the simplified arrangements for small scale stations (which do not require the calculation of quantifying power output).

### **Threshold efficiency percentages**

3.—(1) Subject to paragraph (2), the threshold efficiency percentage for a combined heat and power station for the purposes of paragraph 15 of the Act is 20 per cent.

(2) Until 1st April 2005, the threshold efficiency percentage for a combined heat and power station which was solely operating a steam engine or steam turbine on 1st November 2000 is 15 per cent.

### **Method of calculating efficiency percentages**

4. The efficiency percentage of a combined heat and power station for the purposes of paragraph 15 of the Act is calculated by multiplying by 100 the fraction—

- (a) whose numerator is the station's total annual power output measured in megawatt hours; and
- (b) whose denominator is the station's total annual fuel energy input measured in megawatt hours,

as stated in its CHPQA certificate.

### **Limit to supplies of electricity**

5.—(1) This regulation relates to the limit for the purposes of paragraph 16 of the Act (supplies of electricity from a partly exempt combined heat and power station exempt from levy if specified limit not exceeded).

(2) That limit, in respect of a combined heat and power station, is the Qualifying Power Output for that station as stated in its CHPQA certificate.

(3) For the purposes of that limit—

- (a) any supplies made by a station to a utility or for domestic or non-business charity use shall be disregarded; but
- (b) the electrical equivalent of any mechanical output of the station produced otherwise than for the purpose of electricity generation shall be included.

(4) For the purposes of paragraph (3)(b), the electrical equivalent of any mechanical output of a station is derived by multiplying that output by 1.05.

March 2001

Two of the Lords Commissioners of Her Majesty's Treasury

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

1. The provisions in these Regulations, which are made under Schedule 6 to the Finance Act 2000, relate to the exemption of combined heat and power stations from climate change levy (CCL).
2. Regulation 2 prescribes two conditions before a combined heat and power station is entitled to a full-exemption certificate under Schedule 6. The first requires a station to have been assessed against the Combined Heat and Power Quality Assurance Standard, the second relates to the station's efficiency. The second condition can be met in two ways, the second of which only applies to small stations which have been assessed in accordance with the simplified arrangements under the Standard, and are therefore not required to calculate the quantifying power output.
3. Regulation 3 defines the threshold efficiency percentage for combined heat and power stations, and regulation 4 provides the method of calculating a station's efficiency percentage. These percentages affect entitlement to exemption from CCL on supplies of energy to stations.
4. Regulation 5 specifies the limit for levy exemption of a partly-exempt combined heat and power station, and what supplies are to be included or excluded when calculating whether the limit has been exceeded.
5. The Combined Heat and Power Quality Assurance Standard, Issue 1, referred to in these Regulations, is available on the internet at <http://www.chpqa.com/> or free of charge from the Environment and Energy Helpline, telephone 0800 585794.