



Llywodraeth Cymru
Welsh Government

OPEN CONSULTATION

Consultation on renewable energy rates support

We are seeking views on proposals to provide rates support for renewable energy in Wales.

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Contents

[Introduction](#)

[Renewable plant and machinery](#)

[Consultation questions](#)

[Next steps](#)

[How to respond](#)

[Your rights](#)

[Further information and related documents](#)

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Introduction

The Welsh Government is pursuing a range of reforms to the non-domestic rates (NDR) system in Wales, during the current Senedd term. Our Programme for Government sets out the ambition for a fairer, greener and stronger Wales. These principles form the basis for any potential changes to the NDR system. We have developed proposals to help incentivise investment in renewable energy and, in turn, play a part in supporting our decarbonisation and net-zero goals.

This consultation seeks views on the Welsh Government's proposals to exempt eligible renewable plant and machinery from inclusion in NDR valuations and provide relief for low-carbon heat networks, from 1 April 2024. It applies to Wales only, but similar proposals have been developed by the UK Government in relation to England.

Renewable plant and machinery

The Valuation for Rating (Plant and Machinery) (Wales) Regulations 2000 specify the plant and machinery which is to be assumed to be part of a property valued for NDR purposes, and provides for certain exemptions. "Class 1" plant and machinery is that which is used mainly or exclusively in connection with the generation, storage, primary transformation or main transmission of power at the property.

The Welsh Government proposes to amend the regulations to exempt from Class 1 eligible plant and machinery for onsite renewables and electric vehicle charging point (EVCP) storage, transformation and transmission of power. The proposed exemptions will bring the treatment of onsite renewable energy generation and storage in line with that of plant and machinery used to export

energy to the grid (where an exemption already exists) and, in addition, provide support for storage of energy used to fuel electric vehicles.

Exempted renewables plant and machinery is defined as that used or intended to be used for the generation, storage, transformation or transmission of power, where the sources of energy or technologies relied upon are mainly or exclusively:

- biomass
- biofuels
- biogas
- fuel cells
- photovoltaics
- water (including waves and tides)
- wind
- solar power
- geothermal
- heat from air, water or the ground

The exemption for renewables plant and machinery would extend to the associated equipment which would also otherwise be rateable under Class 1, including that used for the storage, transformation and transmission of power. This means that supporting equipment, such as transformers, dynamos, cables and conductors, would also be included in the exemption.

Some plant and machinery may not only be associated with renewable energy. To benefit from the proposed exemption, the plant and machinery must be used for the generation, storage, transformation, or transmission of power, where the energy source is wholly or mainly renewables. If, for example, a property has two sources of energy, one of which is renewable and one which is not, the exemption will apply to those parts of the system being used wholly or mainly for the generation, storage, transformation or transmission of energy from the renewable source.

Exempted EVCP plant and machinery is defined as that which is used or intended to be used mainly or exclusively for storage, transformation or transmission of power for an EVCP and falling within the following Class 1 categories:

- storage batteries with stands and insulators, regulating switches, boosters and connections forming part of any such equipment
- static transformers; auto transformers; motor generators; motor converters; rotary converters; transverters; rectifiers; phase converters; frequency changers

For the avoidance of doubt, items which are either very large or in the nature of a building or structure may still be rateable under “Class 4” of the regulations. For renewables, very little beyond, for example, the foundation is expected to fall as rateable and, in many cases, this residual plant and machinery will be lost in the rounding of a valuation.

The Welsh Government proposes to provide for the exemptions set out above until 31 March 2035. Further legislation would be required if a decision were taken to extend the exemption beyond 1 April 2035.

Heat network relief

On 5 April 2023, the Welsh Government **announced** that the UK Government’s Non-Domestic Rating Bill is being used to bring about certain reforms at the earliest possible opportunity. These include a new relief for heat networks, which the Welsh Government proposes to provide to help support growth in the low-carbon area of this sector.

Heat networks supply thermal energy from a central source to consumers, through a network of pipes. They vary considerably in their scale and use, from a common heating system in a building with multiple occupiers, to large

standalone networks providing heat or power to many customers and buildings across a large area. The Welsh Government proposes to provide full (100%) relief to non-domestic hereditaments used wholly or mainly as a heat network providing thermal energy generated from low-carbon sources. The qualifying conditions are explained in more detail in the following sections.

There are currently few low-carbon heat networks in Wales and it is recognised that initial eligibility for the proposed relief would be limited. The relief is intended to support the development and growth of this sector that is anticipated over the next decade, by helping to minimise the financial barriers to the establishment of networks. This is intended to help support the transition away from the use of fossil fuels and the decarbonisation of heat.

It will initially be possible to provide heat network relief until 31 March 2035, under the enabling provision. If the Welsh Government decides to extend the relief beyond 1 April 2035, it will be able to legislate to change that expiry date.

Wholly or mainly used as a heat network

The Welsh Government proposes to define the meaning of a heat network eligible for the relief in regulations. For the purposes of the relief, a heat network is a facility which supplies thermal energy from a central source to consumers, through a network of pipes, for the purposes of space heating, space cooling or domestic hot water. Networks wholly or mainly providing heat for a different purpose (such as an industrial process) will not be eligible.

The hereditament (unit of non-domestic property with a standalone rating assessment) as a whole must meet this definition and heat network relief will not be available for part of a hereditament. Many heat networks form part of the services to a property used for a wider purpose and do not have a standalone rating assessment. Such properties will not be eligible for the relief.

Heat networks which are run as separate businesses and constitute a non-domestic hereditament in their own right will be eligible for the relief. Such networks avoid the need for individual boilers or electric heaters in every building they supply. They, therefore, have the potential to reduce bills and carbon emissions from heating. Heat networks are uniquely able to utilise large-scale renewable and recovered sources, such as heat from waste, rivers and mines.

This condition relates to thermal energy, not the purposes of generating electricity. As a consequence, hereditaments comprising power stations and a heat recovery and network system are not expected to qualify for the relief. If a heat recovery and network system taking heat from a power station is in a separate hereditament from the power station, then it may still qualify. A combined heat and power facility which generates more electricity than heat would not be eligible for the relief.

Similar considerations will apply where the heat is being taken from an incinerator or plant used to generate energy from waste. If the heat network forms part of the same hereditament as the incinerator or plant then, unless it has been designed specifically as a heat network, it is unlikely to meet this condition. Its primary purpose is more likely to be the incineration of waste or generation of power. If the heat network forms its own separate hereditament, then it may still qualify.

Heat generated from a low-carbon source

The Welsh Government proposes a further eligibility condition that the thermal energy supplied by the heat network is generated from a low-carbon source. This is considered to be a source which is at least:

- 50% renewable
- 50% waste heat
- 75% cogenerated heat from one process producing thermal and electrical or

mechanical energy

- 75% a combination of the above

Energy generated from a renewable source is considered to be mainly or exclusively from the same sources and technologies as the renewables plant and machinery proposed to be exempted from NDR valuations, as set out above.

Waste heat includes thermal energy unavoidably generated as a by-product of another process which would be wasted if not used for the purposes of a district heating network. This may include heat generated through the incineration of waste. Hereditaments which are primarily used for the incineration of waste would not, however, meet the condition of being wholly or mainly used as a heat network.

Cogenerated heat could be produced from combined heat and power sources, but the hereditament would also have to be wholly or mainly used as a heat network. Hereditaments used, for example, primarily for the purpose of generating and selling electricity, with cogeneration of thermal energy as a by-product, would not meet that condition.

The proposed definition of a low-carbon source is based on parameters which the Welsh Government understands are widely recognised within the heat networks sector and used for other purposes (eg the Heat Networks Investment Project). It is, therefore, expected that operators of eligible heat networks will be able to understand and reliably evidence that they meet this definition. It is proposed that the relevant local billing authority should seek a declaration from the ratepayer to confirm whether they meet the low-carbon condition.

Consultation questions

Question 1

Do you agree with the proposed exemption of renewables and EVCP plant and machinery from NDR valuations?

Question 2

Do you agree that the proposed heat network relief would help to support growth in the low-carbon sector?

Question 3

Do you think that the proposed definitions would ensure the heat network relief is targeted correctly?

Question 4

Do you have any other comments on the policy proposals or their practical application?

Question 5a

The Welsh Government would like your views on the possible effects that the proposals could have on the Welsh language, specifically on:

- opportunities for people to use Welsh

- on treating the Welsh language no less favourably than English

Question 5b

Please also explain how you think the policy could be developed so as to have:

- positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language
- no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language

Next steps

The consultation is open for a 12-week period. Once the consultation has closed, all responses will be analysed and will be used to inform decisions about whether to implement the proposed improvement relief.

Responses to consultations are likely to be made public on the internet or in a report. If you would prefer, your response can remain anonymous.

How to respond

Submit your comments by 15 August 2023, in any of the following ways:

- complete our [online form](#)
- download, complete our [response form](#) and email LGFR.Consultations@gov.wales

- download, complete our [response form](#) and post to:

Non-Domestic Rates Policy Branch
Welsh Government
Cathays Park
Cardiff
CF10 3NQ

Your rights

Under the data protection legislation, you have the right:

- to be informed of the personal data held about you and to access it
- to require us to rectify inaccuracies in that data
- to (in certain circumstances) object to or restrict processing
- for (in certain circumstances) your data to be 'erased'
- to (in certain circumstances) data portability
- to lodge a complaint with the Information Commissioner's Office (ICO) who is our independent regulator for data protection.

Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please [tell us](#).

For further details about the information the Welsh Government holds and its use, or if you want to exercise your rights under the GDPR, please see contact details below:

Data Protection Officer

Data Protection Officer

Welsh Government
Cathays Park
Cardiff
CF10 3NQ

E-mail: data.protectionofficer@gov.wales

Information Commissioner's Office

Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF

Telephone: 01625 545 745 or 0303 123 1113

Website: ico.org.uk

UK General Data Protection Regulation (UK GDPR)

The Welsh Government will be data controller for any personal data you provide as part of your response to the consultation. Welsh Ministers have statutory powers they will rely on to process this personal data which will enable them to make informed decisions about how they exercise their public functions. Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about or planning future consultations. Where the Welsh Government undertakes further analysis of consultation responses then this work may be commissioned to be carried out by an accredited third party (e.g. a research organisation or a consultancy company).

Any such work will only be undertaken under contract. Welsh Government's standard terms and conditions for such contracts set out strict requirements for the processing and safekeeping of personal data. In order to show that the consultation was carried out properly, the Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. If you do not want your name or address published, please tell us this in writing when you send your response. We will then redact them before publishing.

You should also be aware of our responsibilities under Freedom of Information legislation. If your details are published as part of the consultation response then these published reports will be retained indefinitely. Any of your data held otherwise by Welsh Government will be kept for no more than three years.

Further information and related documents

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