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Scottish Assessors Association

Revaluation 2017

Industrial Properties Committee

Practice Note 4
Valuation of Electricity Generation from Landfill Gas

1.0 Introduction

1.1 This Practice Note deals with the valuation of lands and heritages used for extraction of landfill gas to generate electricity.

2.0 Basis of Valuation

2.1 Landfill gas lands and heritages should be valued on the Comparative Basis.

3.0 Entry in Valuation Roll

3.1 It is suggested that these subjects be described as Electricity Generation Lands.

3.2 In certain instances it may be appropriate to treat these lands and heritages as unum quid with the landfill site. The normal tests for establishing separate rateable occupation should be applied.

4.0 Site Categorisation

4.1 Sites will be accredited either as Scottish Renewables Obligation (SRO) under a price contract with Non Fossil Purchasing Agency (NFPA), or Renewable Obligation Certificates (ROC) as administered by the Office of Gas and Electricity Markets (Ofgem). The earliest of the arrangements was SRO 1, followed by SRO 2 and finally SRO 3.

4.2 In each case the operator of the site will enter into an agreement with NFPA to sell the generated output to them at a fixed amount which will be updated by indexation. The fixed amount was highest under SRO 1 contracts and lowest under SRO 3 contracts.

4.3 Each of these has a limited life. SRO 1 contracts expired on 31 March 2012 with SRO 2 and SRO 3 due for expiry in 2017 and 2019 respectively.

4.4 The SRO contracts were replaced in 2004 by ROCs. Under this arrangement the operator will typically obtain marketable certificates at the rate of 1 per MWh generated. The operator is also free to sell the generated electricity to a supplier. A ROC accredited site has greater potential for profit than one registered under one of the SRO arrangements.

4.5 In many instances the generating site has expanded over the years and may have a mix of any of the four types of accreditation noted above.

4.6 It is therefore vital that the Valuer obtains this detail for each site.

5.0 Method of Valuation

5.1 The Valuer should derive the maintainable megawatt hours (MWh) at the location. It will be appropriate for the Valuer to consider the following at the relevant date for physical circumstances when deciding upon this figure:

- Trends from previous years
- The operator's 'Gas Curve' for availability of gas
- Amount of gas remaining
- Is the landfill site still accepting waste?

Such information will also assist when considering the maintainable availability of gas for electricity generation.

5.2 An appropriate rate will be applied to the adopted MWh from 5.1 above to establish the basic net annual value (NAV) of the land element of these subjects. The appropriate rate will be dependent upon nature of the accreditation of the site. The site will be accredited under one of the following:

- SRO
- ROC

The relevant rate for each of the above accreditation type is shown below at Table 1:

Table 1

Accreditation Type	Rate/MWh
SRO	£3.00
ROC	£22.50

5.3 Where the lands and heritages have more than one accreditation, the Valuer should ascertain the MWh generated by each separately accredited part, apply the relevant rates/MWh from Table 1, and aggregate the resultant values.

When dealing with such sites care should be taken to ensure that the total MWh of the site is not simply apportioned evenly between the different accreditations. Investigation will be required to establish the sustainable MWh being generated for each of the different accreditations.

As the accreditation framework matures, the Valuer may encounter lands and heritages at which, either wholly or in part, there is no accreditation or an accreditation is in the form of a partial ROC. Consideration should be given to the full facts at such sites to arrive at an appropriate Rate/MWh for valuation purposes.

5.4 An assessor may not be made aware of changes to the physical facts at a site which may affect value by routine sources of property information. For example, whether there has been an increase or decrease in Total Installed Generating Capacity (TIGC), or, an increase or decrease in the availability of gas due to infrastructure changes at the landfill site. It is suggested that annual enquiries are made to establish such information. Information on TIGC is available publicly through the Renewable Energy Foundation website at:

http://www.ref.org.uk/energy-data

When the Valuer is reviewing the valuation after such changes occur at a site consideration should be given as to whether there has been any effect on the maintainable MWh at the relevant date.

5.5 Buildings, Plant & Machinery

5.5.1 Buildings and any Plant & Machinery which is rateable in terms of the Valuation for Rating (Plant and Machinery) (Scotland) Regulations 2000 (as amended) should be valued by the application of the Contractor's Basis by reference to SAA Basic Principles Committee Practice Note 2 Contractor's Basis Valuations.

5.5.2 In the absence of the site being fully referenced, an addition under this heading should be made based upon £2,500 NAV per MW of Total Installed Generating Capacity (TIGC).