

## **Revaluation 2010**

### **Public Utilities Committee**

#### **Electricity Generation Lands**

##### **Practice Note 4**

#### **Valuation of Electricity Generation Lands (Landfill Gas)**

### **1.0 Introduction**

- 1.1 This guidance 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 expire 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 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 4 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 when deciding upon this figure:
- Trends from previous years
  - The operator's 'Gas Curve'
  - Is the landfill site still accepting waste?

- 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 dependant upon nature of the accreditation of the site. The site will be accredited under one of the following:

- SRO 1
- SRO 2
- SRO 3
- ROC

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

Table 1

Accreditation Type	Rate/MWh
SRO 1/2/3	£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.

- 5.4 It is suggested that annual enquiries are made to establish whether there has been an increase or decrease in Declared Net Capacity (DNC) of the site. Such information will be available publicly through the Renewable Energy Foundation website:  
<http://www.renewable-energy-foundation.org.uk/>

Where an increase has been established together with a rise in generated output, it will be appropriate for the Valuer to reconsider the net annual value.

5.5 Buildings, Plant & Machinery

- 5.5.1 Buildings and Plant & Machinery which are rateable in terms of the Valuation for Rating (Plant and Machinery) (Scotland) Regulations 2005 should be valued with reference to the SAA / VOA Rating Cost Guide.
- 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 Declared Net Capacity (DNC).