



Consultation

Proposed Changes to the Northern Ireland Renewables Obligation

**Statutory Consultation for the Renewables Obligation (Amendment)
Order (Northern Ireland) 2012**



Department of
**Enterprise, Trade
and Investment**
www.detini.gov.uk

Department of Enterprise,
Trade and Investment

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(Northern Ireland) 2012**

October 2011

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FOREWORD

By **Arlene Foster, MLA, Minister of Enterprise, Trade and Investment**



As Minister of Enterprise, Trade and Investment, I am pleased to launch this important consultation on changes to the Northern Ireland Renewables Obligation (NIRO) banding levels to ensure we continue to incentivise renewable electricity generation to meet our renewable energy targets in the most cost effective way.

Since its introduction in 2005, the NIRO has been very successful in bringing forward ever increasing levels of renewable electricity generation. The Northern Ireland Executive's current Programme for Government includes a target to secure 12% of electricity consumption in Northern Ireland from indigenous renewable sources by 2012. We are well on our way to meeting this target with a current figure of 10% and I am confident that we will meet the target based on the number of applications currently in the planning system.

The Strategic Energy Framework, which was published in 2010, includes a very challenging target to achieve 40% of Northern Ireland's electricity consumption from renewable sources by 2020. But achieving this target will be dependent on a number of factors including grid development and ensuring we have the right incentive mechanism in place.

The UK-wide Banding Review is the first significant review of Renewables Obligation Certificate (ROC) levels since banding was introduced in 2009. The purpose of the Review is to ensure that incentive levels reflect changes in technology costs and deployment over time; that they are set as cost-effectively as possible and that they help both to bring forward renewable technologies at the capacity needed to achieve our renewable energy target, while delivering value for money for consumers.

In the past two years we have made changes to banding levels for a number of technologies to reflect circumstances unique to Northern Ireland. In 2010, I increased ROC levels for small scale onshore wind, hydro and solar photovoltaic to reflect the fact that the Great Britain Feed-In Tariff did not apply in Northern Ireland. And earlier this year, I increased the ROC levels for Anaerobic Digestion in order to stimulate this important sector.

I firmly believe that the strength of the NIRO lies in its linkages with the other two Renewables Obligations in Great Britain and that consistency is important across all three. Northern Ireland is not bound by the Banding Review findings. Where we believe

that different ROC levels should apply here we have exercised this right but only in a very small number of areas and where there is a strong case to do so.

In addition to the Banding Review, this consultation also reflects developments around reform of the electricity market in Great Britain over the past year. On 12 July 2011, the Coalition Government published a White Paper on Electricity Market Reform (EMR). The package of reforms includes a move away from the Renewables Obligation to a Feed-In Tariff (FIT) mechanism. This has obvious implications for the NIRO and my Department and the Utility Regulator have undertaken an analysis of if such a FIT mechanism could work in Northern Ireland and the impact on renewable electricity target and cost to the consumer.

This consultation poses a number of questions to renewable electricity stakeholders on the future direction of renewable electricity incentivisation in Northern Ireland. I would stress that at this time, we are seeking views on any potential future move away from the NIRO; much work has still to be done before we can be sure this would be the right path to take. However I am pleased to confirm that in order to ensure investors have long term certainty, it is proposed to extend the NIRO's end date from 2033 to 2037 to bring it into line with the Renewables Obligation and Renewables Obligation Scotland.

I look forward to reading responses to the consultation as we move forward through the process this year.

A handwritten signature in black ink, appearing to read 'Arlene Foster', written in a cursive style.

ARLENE FOSTER MLA
Minister of Enterprise, Trade and Investment

EXECUTIVE SUMMARY

1

The Renewables Obligation

- 1.1 The Northern Ireland Renewables Obligation (NIRO) is the Department's main policy measure for supporting the development of renewable electricity in Northern Ireland. The NIRO was introduced on 1 April 2005 and has been the subject of a number of amendments, the most recent in April 2011: this was the [Renewables Obligation \(Amendment\) Order \(Northern Ireland\) 2011](#)¹.
- 1.2 The NIRO places a legal requirement on electricity suppliers to account for a specified and increasing proportion of their electricity as having been supplied from renewable sources or to pay a buy-out fee that is proportionate to any shortfall. Suppliers provide evidence of compliance by presenting Renewables Obligation Certificates (ROCs) which are issued to generators of renewable electricity for each unit of eligible output. The number of ROCs issued for each MWh unit varies depending on the technology involved and its generating capacity. The NIRO operates in tandem with two similar Obligations in Great Britain – the Renewables Obligation (RO) in England & Wales and the Renewables Obligation Scotland (ROS). ROCs issued in Northern Ireland under the NIRO (NIROCs) are tradeable with those issued under the two GB Obligations (GBROCs) in a UK-wide market for ROCs; both NIROCs and GBROCs are accepted as the necessary evidence under each of the Obligations.
- 1.3 ROCs (both NIROCs and GBROCs) are issued by the Gas and Electricity Markets Authority, which, in the case of NIROCs, is acting on behalf of the Northern Ireland Authority for Utility Regulation (NIAUR). The Gas and Electricity Markets Authority carry out day to day administration of the both NIROCs and GBROCs through its office (Ofgem). Throughout this document the term ROCs will be used to refer to the certificates issued under the Obligations and the term NIROC will be used only when the reference is specifically in respect of ROCs issued under the NIRO.

¹ <http://www.legislation.gov.uk/nisr/2011/169/contents/made>

Proposed Changes

- 1.4 This consultation sets out changes which we propose to make to the NIRO which will come into operation in April 2013. Changes will be made through the Renewables Obligation (Amendment) Order (Northern Ireland) 2012 which will be legislated for next year.
- 1.5 Consultation on the NIRO is taking place at the same time as that for the Renewables Obligation (RO) covering England and Wales and the Renewables Obligation Scotland (ROS). Consistency between the Obligations is desirable where possible in view of the operation of the three Obligations in a UK-wide market for ROCs. However, such consistency is not always possible or appropriate; the fact that NI has devolved responsibility for energy policy means that we may vary from GB in some areas.

Banding Review

- 1.6 The main focus of all three RO consultations is the UK-wide Banding Review which was led by the Department of Energy and Climate Change (DECC) with input from the Devolved Administrations. Therefore, many of the proposed changes to ROC levels from April 2013 will apply across all three Renewables Obligations. **The [DECC consultation document](#)¹ sets out in full the rationale for the banding review, the methodology used and a detailed analysis of each technology and the conclusions reached to inform any changes to banding levels.** This consultation document does not replicate the extensive DECC consultation document but instead focuses on where NI proposes to differ in approach. **Chapter 2 details the current NIRO banding levels and the proposed new levels from April 2013.** Where levels differ from the rest of the UK this is indicated.

The need for a banding review

- 1.7 The NIRO has undergone various reforms and improvements since it was introduced in 2005. The most significant of these was the introduction of banding in April 2009 which moved the NIRO from a mechanism which offered a single level of support for all renewable technologies to one where support levels vary by technology according to a number of factors including their costs and level of development.
- 1.8 Bands need to be reviewed periodically to ensure that support levels are set as cost-effectively as possible and that they help both to bring forward renewable technologies at the capacity needed in an affordable way, delivering good value for money for consumers. The [enabling primary legislation for the NIRO](#)² requires the Department to carry out a review of the bands before new bands are set. The [Renewables Obligation Order \(Northern Ireland\) 2009](#) provides that a banding review may be commenced in October 2010 and then at four yearly intervals thereafter.
- 1.9 Before making any changes to the levels of support under the NIRO, the Department is required to have regard to a range of matters listed in Article 54B of the Energy (Northern Ireland) Order 2003 and must also consult a range of persons listed in Article 55E of that Order, as detailed in Chapter 2.

¹http://www.decc.gov.uk/en/content/cms/consultations/cons_ro_review/cons_ro_review.aspx

² Energy (Northern Ireland) Order 2003 as amended by the Energy (Amendment) Order (Northern Ireland) 2009

Banding review process and methodology

- 1.10 The most cost effective way of undertaking the banding review is on a UK-wide basis. In March 2010, the Coalition Government published details of the process and timetable for the 2013-17 [banding review](#)¹. The original timetable set out in the Renewables Obligation Banding Review Process document indicated that DECC would launch a statutory consultation on new banding proposals in Spring 2012 and announce its decision on banding levels by Autumn 2012. However, this meant that investors would not have known for certain what support they could expect to receive until late 2012 at the earliest. There was concern that this might delay early investment in certain technologies and hinder the UK's ability to meet its EU target for 15% of energy to come from renewable sources by 2020.
- 1.11 To address these concerns, it was decided to accelerate the banding review process to allow consultation on banding proposals in Summer 2011 and confirm new bands by Autumn this year, one full year ahead of schedule. Whilst timings have slipped slightly, this accelerated banding review is intended to give investors and developers greater certainty and confidence to help bring forward the scale of renewable electricity deployment needed to deliver the target and other important energy and climate change objectives.
- 1.12 The RO banding review started in October 2010 with the appointment of Arup, with their sub-contractors Ernst & Young, to review the market costs of generation and deployment potential of renewable electricity technologies. [Arup's report](#), published on DECC's website on 10 June, forms a key part of the evidence base for the banding review. The approach and methodology undertaken by Arup and Ernst & Young is described in detail in the report.

Banding Changes

- 1.13 Chapter 2 sets out the current and proposed new ROC levels which will apply from April 2013. It is important to note that the new ROC levels will apply to generating stations accredited on or after 1 April 2013 and any additional capacity added on or after that date. Existing generators will be grandfathered at the level applicable before 1 April 2013 unless the technology is one of the few whereby grandfathering does not apply.
- 1.14 In the few instances where Northern Ireland proposes to differ from the rest of the United Kingdom this is clearly highlighted and explanations provided. **However, for the majority of technologies, we propose to remain consistent with the other two Renewables Obligations and introduce the proposed ROC levels as set out in the [DECC consultation](#).** Consultees are encouraged to read the DECC consultation document to better understand the rationale behind the banding decisions. **Responses to questions on banding levels in the DECC consultation should be sent to DETI rather than to DECC.**

¹ Renewables Obligation Banding Review Process – DECC, March 2010 - http://www.decc.gov.uk/en/content/cms/meeting_energy/renewable_ener/renew_obs/renew_obs.aspx

Electricity Market Reform

- 1.15 This consultation also seeks views on future renewable electricity incentivisation in Northern Ireland following publication of the [Coalition Government's White Paper on Electricity Market Reform](#)¹. The White Paper confirms that England and Wales will introduce a Feed-In Tariff with Contracts for Difference (FIT CfD) in 2014 for large scale generation (i.e. above 5MW) and close the RO to new generation in 2017.
- 1.16 Energy policy is devolved to Northern Ireland and therefore the FIT CfD does not automatically apply here. However, given the interoperability of all three Renewables Obligations, we need to understand the implications for the NIRO and if such a FIT CfD could apply in Northern Ireland within the context of the Single Electricity Market (SEM). Chapter 3 poses a number of questions to stakeholders on a proposed approach for Northern Ireland.

Extending the NIRO to 2037

- 1.17 In Chapter 3 we also propose to extend the lifetime of the NIRO from 2033 to 2037. This will bring the NIRO into line with the end dates for the RO and ROS.

Consultation Process

- 1.18 The Consultation will close for responses on **19 January 2012**.
- 1.19 The changes to the NIRO will be contingent on obtaining State Aid approval, where necessary, from the European Commission and legislative approval of the Northern Ireland Assembly.

How to respond to this consultation

- 1.20 Responses to this consultation should reach DETI on or before **19 January 2012** and should be sent, preferably by e-mail, to:

NIRO2012@detini.gov.uk

or by post to:

**Michael Harris,
Renewable Electricity Branch
Department of Enterprise, Trade and Investment
Netherleigh
Massey Avenue
BELFAST
BT4 2JP.**

All responses should include the name and postal address of the respondee.

¹ http://www.decc.gov.uk/en/content/cms/legislation/white_papers/emr_wp_2011/emr_wp_2011.aspx

Confidentiality & Data Protection

- 1.21 Your response may be made public by DETI and placed on the DETI website as part of the consultation process. If you do not want all or part of your response or name made public, please state this clearly in the response by marking your response as 'CONFIDENTIAL'. Any confidentiality disclaimer that may be generated by your organisation's IT system or included as a general statement in your fax cover sheet will be taken to apply only to information in your response for which confidentiality has been specifically requested.
- 1.22 Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 1998 (DPA)). If you want other information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.
- 1.23 In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

Copies of the Consultation

- 1.24 This Consultation document is being produced primarily in electronic form and may be accessed on the DETI Energy website: www.energy.detini.gov.uk or may be obtained from the address above or by telephoning 028 9052 9240.
- 1.25 If you require access to this Statutory Consultation document in a different format – eg Braille, disk, audio cassette, larger font – or in a minority ethnic language please contact the Department on 028 9052 9240 and appropriate arrangements will be made as soon as possible.

TECHNOLOGY BANDING PROPOSALS

2

Introduction

2.1 Our aims for the current banding review are to:

- Ensure that the NIRO continues to support renewables growth to help meet our 2020 target
- Increase the efficiency of the NIRO to ensure value for money
- Support technologies with the potential for mass deployment
- Ensure coordination with other government financial incentives schemes, and
- Contribute to the delivery of wider energy and climate change goals to 2050, including GHG emissions reductions, decarbonising of the UK grid and energy security.

2.2 The banding review covers the provisions in the [Renewables Obligation Order \(Northern Ireland\) 2009](#) as amended¹ which set the levels of support for renewable electricity. Before making any changes to those banding provisions, the Department is legally required to have regard to a number of matters. These are set out in primary legislation - Article 54B of the [Energy \(Northern Ireland\) Order 2003](#) (as amended by the [Energy \(Amendment\) Order \(Northern Ireland\) 2009](#)) and are outlined below:

- (a) the costs (including capital costs) associated with generating electricity from each of the renewable sources or with transmitting or distributing electricity so generated;*
- (b) the income of operators of generating stations in respect of electricity generated from each of those sources or associated with the generation of such electricity;*
- (c) the effect of paragraph 19 of Schedule 6 to the Finance Act 2000 (c.17) (supplies of electricity from renewable sources exempted from climate change levy) in relation to electricity generated from each of those sources;*
- (d) the desirability of securing the long term growth, and economic viability, of the industries associated with the generation of electricity from renewable sources;*

¹ SR 2009/154 as amended by SR 2010/134 and SR 2011/169.

- (e) *the likely effect of the proposed banding provision on the number of renewables obligation certificates issued by the Authority, and the impact this will have on the market for such certificates and on consumers;*
- (f) *the potential contribution of electricity generated from each renewable source to the attainment of any target which relates to the generation of electricity or the production of energy and is imposed by, or results from or arises out of, a Community obligation.*

2.3 In putting forward the proposals on banding levels, all these factors have been considered under the banding review. To summarise:

- (a), (b) and (c) are considered through analysis of supply curves and ‘required ROC bandings’ (see chapter 3 of the DECC consultation), which look at the range of costs and revenues for renewable projects in different technologies’
- (d) is considered qualitatively on a technology by technology basis;
- (e) is considered through the Pöyry modelling of different banding scenarios, which estimates the total numbers of ROCs produced¹ and the costs to consumers; and finally
- (f) is considered through the supply curves used in the modelling, showing where the potential is, by renewable technology, for hitting the UK’s 2020 renewables target.

2.4 All three Renewables Obligations are consulting on the banding levels shown in Table 1 for the period 1 April 2013 to 31 March 2017 (“the banding review period”). In Great Britain, the majority of small scale renewables technologies i.e. up to 5MW are incentivised through the Feed-In Tariff mechanism. As the Feed-In Tariff does not apply in Northern Ireland, the NIRO incentivises eligible technologies of all sizes.

2.5 Table 1 highlights (in blue) those technologies which have/will have different ROC levels under the NIRO. The new proposed bands will appear in statute in 2012 but will only be effective from 1 April 2013.

¹ The market for ROCs is not expected to be particularly affected by the new ROC bandings, as in the future the demand (the Obligation level) is expected to be set by the headroom calculation, i.e. the prediction of ROCs generated in the relevant year plus 10% headroom.

Table 1: current and proposed ROC levels

Renewable electricity technologies	Current support, ROCs/MWh ¹	Proposed ROC support/MWh ²	Change
Advanced gasification	2	2 in 2013/14 and 2014/15; 1.9 in 2015/16 and 1.8 in 2016/17 Call for evidence	Proposed changes to definition of this band and merger with advanced pyrolysis.
Advanced pyrolysis	2	2 in 2013/14 and 2014/15; 1.9 in 2015/16 and 1.8 in 2016/17 Call for evidence	Proposed changes to definition of this band and merger with advanced gasification.
Anaerobic digestion*	4 (up to 500kW) 3 (>500kW – 5MW) 2 (above 5MW)	No change to 5MW Above 5MW: 2 in 2013/14 and 2014/15; 1.9 in 2015/16 and 1.8 in 2016/17	
Biomass conversion	No current band but eligible to claim 1.5 ROCs under current banding arrangements.	1 Call for evidence	Proposal for a new band.
Co-firing of biomass	0.5	0.5	Changes proposed to add fossil derived bioliquids.
Co-firing of biomass (enhanced)	No current band but eligible to claim 0.5 ROCs under current banding arrangements.	1 Call for evidence	Proposal for a new band.
Co-firing of biomass with CHP	1	1	Changes proposed to add fossil derived bioliquids, to exclude enhanced co-firing and to close this band to new accreditations from 1 April 2015.

¹ Different levels of support may apply to certain types of generating station accredited before 1 April 2009. Certain small scale generators receive up to 4 ROCs/MWh. The default rate of 1 ROC/MWh applies to eligible generation that does not fall within any other banding provision.

² Years refer to obligation periods under the NIRO. For example, 2013/14 refers to the period 1 April 2013 to 31 March 2014.

Renewable electricity technologies	Current support, ROCs/MWh ¹	Proposed ROC support/MWh ²	Change
Co-firing of energy crops	1	1	Changes proposed to the definition of energy crops and exclude enhanced co-firing.
Co-firing of energy crops with CHP	1.5	1.5 Call for evidence	Changes proposed to the definition of energy crops and to close this band to new accreditations from 1 April 2015.
Dedicated biomass	1.5	1.5	Changes proposed to exclude biomass conversions and to add fossil derived bioliquids.
Dedicated energy crops	2	2 in 2013/14 and 2014/15; 1.9 in 2015/16 and 1.8 in 2016/17	Changes proposed to the definition of energy crops and to exclude biomass conversion.
Dedicated biomass with CHP	2	2 in 2013/14 and 2014/15	Changes proposed to add fossil derived bioliquids, to exclude biomass conversion and to close this band to new accreditations from 1 April 2015.
Dedicated energy crops with CHP	2	2 in 2013/14 and 2014/15	Changes proposed to the definition of energy crops, to exclude biomass conversions and to close this band to new accreditations from 1 April 2015.
Energy from waste with CHP	1	0.5 Call for evidence	

¹ Different levels of support may apply to certain types of generating station accredited before 1 April 2009. Certain small scale generators receive up to 4 ROCs/MWh. The default rate of 1 ROC/MWh applies to eligible generation that does not fall within any other banding provision.

² Years refer to obligation periods under the NIRO. For example, 2013/14 refers to the period 1 April 2013 to 31 March 2014.

Renewable electricity technologies	Current support, ROCs/MWh ¹	Proposed ROC support/MWh ²	Change
Geothermal	2	2 in 2013/14 and 2014/15; 1.9 in 2015/16 and 1.8 in 2016/17	
Geopressure	1	1	
Hydro-electric*	4 (up to 20kW) 3 (>20kW – 250kW) 2 (>250kW – 1MW) 1 (>1MW)	No change up to 5MW Above 5MW: 0.5	
Landfill gas*	1	1 in 2013/14 and 2014/15	Proposal to close this band from April 2015
Onshore wind*	4 (up to 250kW) 1 (>250kW)	No change up to 5MW Above 5MW: 0.9	
Offshore wind	2 in 2013/14; 1.5 from 2014/15 onwards	2 in 2013/14 and 2014/15; 1.9 in 2015/16 and 1.8 in 2016/17	
Sewage gas	0.5	0.5	
Solar photovoltaic*	4 (up to 50kW) 2 (>50kW)	5 (up to 10kW) 4 (>10kW to 50kW) 2 (>50kW to 5MW) Above 5MW: 2 in 2013/14 and 2014/15; 1.9 in 2015/16 and 1.8 in 2016/17	
Standard gasification	1	0.5 Call for evidence	Proposed change to definition and merger with standard pyrolysis.

¹ Different levels of support may apply to certain types of generating station accredited before 1 April 2009. Certain small scale generators receive up to 4 ROCs/MWh. The default rate of 1 ROC/MWh applies to eligible generation that does not fall within any other banding provision.

² Years refer to obligation periods under the NIRO. For example, 2013/14 refers to the period 1 April 2013 to 31 March 2014.

Renewable electricity technologies	Current support, ROCs/MWh ¹	Proposed ROC support/MWh ²	Change
Standard pyrolysis	1	0.5 Call for evidence	Proposed change to definition and merger with standard gasification.
Tidal impoundment – tidal barrage (<1GW)	2	2 in 2013/14 and 2014/15; 1.9 in 2015/16 and 1.8 in 2016/17	
Tidal impoundment – tidal lagoon (<1GW)	2	2 in 2013/14 and 2014/15; 1.9 in 2015/16 and 1.8 in 2016/17	
Tidal stream	2	5 up to 30MW project cap 2 above cap	
Wave	2	5 up to 30MW project cap 2 above cap	

* Denotes where Northern Ireland differs from GB

- 2.6 We propose to implement the same changes and amendments to our existing bands to the NIRO as contained in the consultation published by DECC. This means that our document should be read in conjunction with the [UK Government's proposals](#) and, other than where stated in the table above and detailed below, we intend to introduce the same banding changes to the NIRO as set out in the DECC document.

Different banding levels proposed under the NIRO

Landfill gas

- 2.7 Landfill gas is recognised as a mature and cost effective renewable technology in the UK, however it is less well developed in Northern Ireland. It was for this reason that we retained the 1 NIROC for landfill gas in 2010 when it was reduced to 0.25 ROCs in the rest of the UK following the introduction of banding in 2009. Northern Ireland currently has 6 landfill gas stations accredited under the NIRO with a combined installed capacity of just under 10MW which provide a significant contribution to our renewable energy targets.

¹ Different levels of support may apply to certain types of generating station accredited before 1 April 2009. Certain small scale generators receive up to 4 ROCs/MWh. The default rate of 1 ROC/MWh applies to eligible generation that does not fall within any other banding provision.

² Years refer to obligation periods under the NIRO. For example, 2013/14 refers to the period 1 April 2013 to 31 March 2014.

- 2.8 Unlike the rest of the UK, where generation capacity is expected to reduce by more than half over the next 10 to 15 years as there is no further significant deployment potential, the position in Northern Ireland is different. In addition to the 6 stations already accredited there are another potential 11 sites with a combined capacity of approximately 8MW. We believe these sites will contribute to a diverse energy mix and **therefore propose to retain the 1 NIROC for landfill gas until March 2015 after which support for this technology will cease in line with the other ROs.**

Solar Photovoltaic

- 2.9 In 2010, NIROC levels for small scale Solar PV were increased from 2 NIROCs per MWh to 4 NIROCs per MWh for stations up to 50kW installed capacity. Stations above 50kW remained at 2 NIROCs per MWh. We recognise that these increases still fell short of the levels offered under the GB FIT for Solar PV however we note the recent decision by DECC to reduce FIT support for stations above 50kW in order to protect the money available to other small scale technologies.
- 2.10 Unlike other technologies, the main barriers to deployment are financial due to the high cost of manufacture and installation of Solar PV; planning and grid connection are not regarded as significant barriers to deployment for this technology. Whilst costs are coming down, the Arup report notes that capital costs for microgeneration Solar PV remain high due to the smaller scale of mainly domestic installations. We are aware that there is considerable interest in this technology, particularly for installations up to 10kW installed capacity, but that high costs are a significant obstacle to deployment.
- 2.11 **We therefore propose to increase the ROC level for Solar PV installations up to 10kW from the current 4 NIROCs to 5 NIROCs per MWh.** We believe this uplift will provide sufficient incentivisation for the domestic and community sector without impacting on overall ROC costs. We will retain the current ROC levels of 4 NIROCs for stations between 10kW and 50kW and 2 NIROCs for stations above 50kW up to 5MW. For stations above 5MW we propose to remain consistent with the other 2 ROs and set support for Solar PV at 2 ROCs/MWh stepping down to 1.9 ROCs in 2015/16 and 1.8 ROCs in 2016/17.
- 2.12 In setting the higher ROC level for Solar PV, we are mindful of the ongoing work in Great Britain to review the Feed-in Tariffs for small-scale low-carbon electricity generation and consideration being given to strengthening the links with energy efficiency. We are also mindful of evidence of falling costs of solar PV. **If costs do fall significantly and deployment looks likely to exceed expectations, support rates for new projects would be considered in the normal way.** The Department of Energy and Climate Change is shortly due to consult on the comprehensive review of Feed-in Tariffs for small-scale low-carbon electricity generation. Further details will be available at www.decc.gov.uk/FITs.

Questions

- Q1. Do you agree that Northern Ireland should retain the 1 ROC for landfill gas? Please say why with evidence.
- Q2. Do you agree that RO support for new landfill gas generation should end from 1 April 2015? If not, please say why with evidence.
- Q3. Do you agree with the proposal to increase support to 5 NIROCs for Solar PV up to 10kW? If not, please say why with evidence.

Wave and Tidal Stream

- 2.13 In December 2010, the Department published a [consultation on incentivisation for offshore renewable energy generation](#)¹ in advance of the launch by The Crown Estate of the Northern Ireland Offshore Renewable Leasing Round process in March 2011. That consultation proposed an increase in the ROC level for tidal stream from the current 2 NIROCs to 4 NIROCs and an intention to transfer the vires for setting offshore ROCS levels to Northern Ireland legislation. Importantly, the consultation added that, if the UK banding review was to recommend a higher level support than a 4 NIROC equivalent, then DETI would match that higher support level.
- 2.14 The banding review has recommended that ‘marine’ i.e. wave and tidal technologies, should receive 5 ROCs per MWh for each project up to a limit of 30MW. This enhanced level of support will only be available for capacity installed and operational prior to 1 April 2017.
- 2.15 It is anticipated that support for 160MW of UK-wide marine projects in the pipeline at 5 ROCs would cost approximately £1.5 billion (real, discounted) over the life of the projects supported. This is a high level of support and needs to be balanced against the cost to bill-payers. For this reason it is proposed that any additional capacity on a project accredited in the period 2013-2017 in excess of the 30MW cap should be supported at 2 ROCs. Meanwhile, the normal conditions for reviewing any band or level of support (including any unexpected changes in costs or deployment rates) would continue to apply.
- 2.16 DETI, DECC and the Scottish Government believe that this approach will help us to achieve the acceleration that the sector requires in order to deploy the pre-commercial arrays that are necessary for its continued growth. At the same time, the 30MW project cap provides a protection to the consumer which limits the additional costs of supporting these technologies. Further detail on the marine ROCs proposal can be found in the DECC consultation document,
- 2.17 As this consultation proposes to adopt the same ROC levels for marine that are proposed for the rest of the United Kingdom for the period up to 2017, when it is intended to close the Renewables Obligations to new accreditations, we do not, therefore, intend to secure the vires to legislate for offshore ROCs. We will, however, ensure that the legislative powers for any successor scheme to the NIRO gives Northern Ireland autonomy for offshore renewables.

Question

- Q4. Do you agree to the proposed 5 ROCs for marine projects subject to a 30MW cap? If not, please say why with evidence.**

Questions on Banding Levels in Renewables Obligation consultation document

- 2.18 We propose to remain consistent with the other two Renewables Obligations on the majority of proposed banding levels. The DECC Renewables Obligation consultation document poses a series of questions on all technologies. **If you wish to comment on the questions on banding levels posed in the DECC consultation please submit your responses to DETI.**

¹http://www.detini.gov.uk/consultation_on_incentivisation_for_offshore_renewable_electricity_generation

Grace Periods

- 2.19 The Department is aware that the issue of grace periods for those technologies where the band is reduced from April 2013 is of concern to some generators, particularly for those projects which may have commenced and reached financial close based on a particular ROC level and commissioning is delayed until beyond 2013.
- 2.20 When banding was introduced in 2009, grace periods were applied to those projects which received preliminary accreditation before the new bands were introduced to allow them to remain eligible for the higher band as long as full accreditation and commissioning was secured before March 2011. We do not intend to implement a similar grace period for this review but do accept the need to provide investors with as much certainty as possible.
- 2.21 We are therefore minded to implement the proposals as set out in the UK Government consultation i.e. to maintain the current ROC bands for projects which expect to deploy ahead of 1 April 2013, but, for certain reasons outside their control, are unable to do so. We feel this flexibility should only apply to those technologies where RO support will decrease from 1 April 2013, and in two distinct circumstances:
- grid connection dates have been moved back by the network operator, and
 - delays to radar upgrades to prevent wind farm interference with aviation.
- 2.22 We propose to limit the grace period to six months from 1 April 2013 in line with that proposed in the UK Government's consultation, providing time to resolve the delays set out above. Where a project has been granted a grace period and is unable to be commissioned and accredited before 1 October 2013, the new banding levels would apply.
- 2.23 Further information on the grace period criteria can be found in the DECC consultation document.

Questions

- Q5. Do you agree with the proposals for a time-limited and strictly defined grace period as described above and in the DECC consultation document?**
- Q6. We would welcome views on whether the proposed time limit of six months from 1 April 2013 is reasonable. If you wish to suggest a different time period, please explain why?**

Interaction with the proposed Renewable Heat Incentive for Northern Ireland

Renewable Combined Heat and Power (CHP)

- 2.24 DETI has just completed a consultation on the development of a [Northern Ireland Renewable Heat Incentive \(RHI\)](#)¹. The RHI consultation noted that the NIRO currently supports renewable heat in the form of 2 ROCs for good quality CHP and that there would be two options under the RHI for renewable heat from CHP. It was proposed that investors considering CHP would have the choice of the half ROC

¹ www.detini.gov.uk/consultation_on_the_development_of_the_northern_ireland_renewable_heat_incentive

uplift up until April 2014 at the earliest, after which they will be eligible for the appropriate ROC level for non-CHP technologies and the RHI tariff.

- 2.25 The DECC Renewables Obligation consultation proposes the same policy but confirms that CHP stations accrediting up to 1 April 2015 will have a one off choice of taking the 0.5 ROC uplift for CHP or the RHI. Under the DECC proposals, after 1 April 2015, new accreditations and additional capacity will not be eligible for the CHP uplift but instead will receive the relevant level of support for their electricity output from the RO and for their heat output from the RHI, subject to satisfying the respective eligibility requirements of those schemes.
- 2.26 We propose to introduce the same requirements and timescales for treating CHP installations in Northern Ireland as those proposed in the DECC RO consultation. **We therefore propose to retain support at the current level of 2 ROCs for stations claiming the CHP uplift before 1 April 2015.** In accordance with the policy proposals set out above, **we propose to adopt a policy of grandfathering this support from 1 April 2013 and to close the band to new accreditations and additional capacity added on or after 1 April 2015.**

Question

- Q7. Do you agree with the arrangements for transition from the CHP uplift to RHI support?**

IMPACT OF THE ELECTRICITY MARKET REFORM PROPOSALS ON NORTHERN IRELAND

3

Introduction

3.1 In its [White Paper](#)¹ of 12 July 2011, the Coalition Government set out its proposals for Electricity Market Reform (EMR). A key component of the reform is a **Feed-In Tariff with Contracts for Difference (FIT CfD)**. These are long term contracts intended to increase clarity of long term revenue for all forms of low carbon generation: renewables, nuclear, and carbon capture and storage. The FIT CfD will be introduced in England and Wales in 2014 for large scale renewables generation i.e. over 5MW.

Feed-In Tariff with Contracts for Difference

3.2 Of particular relevance to this consultation on the NIRO is the decision by the Coalition Government to move away from the Renewables Obligation as the mechanism for incentivising large scale renewable electricity generation to a Feed-In Tariff with Contracts for Difference (FIT CfD). A small scale FIT was introduced in Great Britain in 2010 and remains unaffected by EMR.

3.3 A FIT CfD is being introduced in Great Britain because the Coalition Government is of the view this type of incentive mechanism:

- i. gives greater confidence of meeting the decarbonisation targets even if gas prices decrease/ electricity costs increase;
- ii. controls cost to consumers and allows investors to access cheaper capital;
- iii. will make the UK a more attractive investment proposition for generators and finance institutions; and
- iv. is better for security of supply.

3.4 A contract for difference is a contract between a renewables generator and an electricity supplier whereby if the price of electricity is higher at the time of purchase than the 'strike price' originally set, then the generator refunds the difference between the strike price and the actual price for that period. Similarly, the electricity supplier will refund the difference to the generator when the actual price is less than the strike price. Government will pay any difference between the

¹ http://www.decc.gov.uk/en/content/cms/legislation/white_papers/emr_wp_2011/emr_wp_2011.aspx

strike price and actual price ensuring the generator always has a guaranteed income stream.

- 3.5 The FIT CfD was considered from a GB perspective and did not take account of how such a mechanism might work in Northern Ireland under the all-island Single Electricity Market (SEM). Implementation of a FIT CfD here would require NI to fix a strike price separately from GB (because our electricity price is different). In addition, the decision to close the England and Wales RO to new generation from 31 March 2017 has implications for the long term viability of the NIRO if it was to remain open to new generation beyond this date.

Options for Northern Ireland

- 3.6 Energy is a devolved matter and as such Northern Ireland is not obliged to follow the Coalition Government's lead on how renewable electricity generation is incentivised. However, we recognise that the NIRO has been successful because it works within a UK-wide scenario. ROCs can be traded across all three Renewables Obligations and the costs of administering and incentivising the NIRO are spread across all UK consumers. Therefore, any decision to diverge from a UK-wide position has to be taken in the context of the impact on our ability to meet the 2020 target and associated costs to the consumer which would undoubtedly be higher under any NI-only funded scheme.
- 3.7 DETI and the Utility Regulator for Northern Ireland have been working closely with DECC to consider how a FIT CfD could work within the SEM and to analyse the associated impact on consumer costs arising from a move away from the NIRO. Whilst this work is ongoing, initial indications suggests that a FIT CfD could work in Northern Ireland and within the SEM. However, a key factor in any final decision will be the need to secure a commitment from the Coalition Government that any replacement for the NIRO continues to have the costs socialised across all UK consumers and that the burden does not fall only to NI consumers.

Small scale incentivisation

- 3.8 The FIT CfD is not intended to incentivise small scale generation (i.e. below 5MW) as a small scale FIT is already in place in Great Britain. If the FIT CfD was to be introduced in Northern Ireland, we recognise that such a mechanism would not be appropriate for small scale generators given its complexity.
- 3.9 Northern Ireland did not introduce the small scale FIT at the same time as the rest of the United Kingdom as we did not have the primary legislative powers in place and there was also concern that such a mechanism could add unnecessary cost to the consumer. A joint [study](#)¹ undertaken by DETI and the Utility Regulator in 2010 concluded that the NIRO presented the most appropriate way of meeting our 2020 target at least cost to the consumer *so long as there was no material change to the NIRO*. The introduction of the FIT CfD in GB and closure of the RO in 2017 will create a material change to the NIRO.
- 3.10 If Northern Ireland does introduce a FIT CfD then we will also have to introduce a small scale FIT. Given that the joint DETI/NIAUR study referred to in para 3.9 confirmed that the small scale GB FIT was appropriate for Northern Ireland, albeit more expensive than the NIRO, this would seem the most appropriate mechanism to introduce. Feedback from previous NIRO consultations would suggest that

¹http://www.detini.gov.uk/determination_of_the_appropriate_form_of_support_for_incentivising_the_development_of_renewable_electricity_generation_in_northern_ireland

stakeholders would like to see a scheme similar to the GB FIT introduced in Northern Ireland. You can access further information on the GB FIT on the DECC [website](#).¹

- 3.11 The introduction of a small scale Feed-In Tariff in Northern Ireland would necessitate a review of ROC banding levels for small scale renewables to ensure no conflict of support between the two support mechanisms.

Transition from the Renewables Obligation

- 3.12 The White Paper confirmed that the Renewables Obligation for England and Wales will close to new generation from 31 March 2017, which is the end of the Banding Review Period covered by this consultation. After that date, new renewable generation will be supported by the FIT CfD mechanism. Stations accredited up until this date will receive 20 years support as the RO is due to run until 2037 (the NIRO currently runs until 2033). Whilst the decision to keep the NIRO open beyond 2017 is a decision for Northern Ireland, this is unlikely to be a realistic option once the larger England/Wales RO closes.
- 3.13 DECC has included its proposed transition arrangements in the RO consultation document. Limited grace periods for RO Transition will be offered on a similar basis to those proposed for the Banding Review in the RO consultation. Generation which is accredited under the RO will continue to receive its full lifetime of support in the 'vintaged' scheme. The White Paper sets out the preferred option for all technologies to be grandfathered at the RO support level applicable on 31 March 2017.
- 3.14 Within the vintaged scheme DECC will continue to set the obligation annually using the current 'headroom' mechanism (potentially with a fixed target underpin). From 2027, DECC will fix the price of a ROC at its long-term value, and Government will buy the ROCs directly from generators. This will reduce volatility in the final years of the mechanism. The long term value of a ROC is the buyout price plus 10% headroom, and is roughly £41 per ROC in 2010 prices.
- 3.15 We have worked closely with colleagues in DECC and Scotland in the discussions which led to the above transition proposals. We now wish to use this consultation to formally consult with Northern Ireland stakeholders on the RO transition arrangements should the NIRO close in 2017. **We would be interested to hear your views on the RO Transition proposals.** Further detail on RO Transition is set out in the [Annex to the EMR White Paper](#).

Extending the NIRO to 2037

- 3.16 As detailed above, the England and Wales RO is scheduled to close to new generation from 31 March 2017 at the end of the Banding Review period. After that date, new generation greater than 5MW in England and Wales will be supported by the FIT CfD mechanism.
- 3.17 When the NIRO was first introduced in 2005 it had an end date of 2027. In 2010, the RO and ROS were extended to 2037 to reflect the long term nature of renewable electricity generation, with project lives and financing structured over 15-20 years. This was seen as necessary to give long term certainty to investors that the support would be there to continue building new projects.

¹ http://www.decc.gov.uk/en/content/cms/meeting_energy/renewable_ener/feedin_tariff/feedin_tariff.aspx

- 3.18 Northern Ireland decided not to follow the GB lead and instead chose to extend the NIRO to 2033, which represented a period of 20 years from the 2013 banding review date. This was to allow the Department to take account of future renewables support following the decision by DECC to introduce a Feed-In Tariff for small scale renewables.
- 3.19 Whilst a final decision has still to be made on whether the NIRO will remain open to new generation after 31 March 2017, it is important that generators and investors are assured of long term support under the NIRO. **It is therefore proposed to extend the NIRO to 2037 to ensure that any generation accredited over the banding period 2013-2017 receives the full 20 years support.**

Legislative considerations

- 3.20 As previously stated, Northern Ireland did not introduce a small scale FIT in 2010 along with the rest of the UK partly because we did not have the necessary time available to introduce the relevant legislative powers. DETI is currently at the scoping stage of an Energy Bill which it is hoped will be enacted in 2013. This would allow us to introduce the powers for a small scale FIT and also any legislation necessary to ensure Northern Ireland is incorporated into any UK-wide institution administering a large scale FIT.
- 3.21 DECC is introducing an Energy Bill to Parliament which will enact the various strands of EMR in 2013. This Bill will include the powers to introduce a FIT CfD and the institution required to administer it. We believe it would be prudent to extend these powers to Northern Ireland and are proposing to seek a Legislative Consent Motion from the Northern Ireland Assembly in order to do so.
- 3.22 As indicated in para 3.20, the powers necessary to introduce a small scale FIT could be taken through the DETI Energy Bill. It is important to note that the secondary legislation needed to put a FIT in place, including the setting of appropriate tariff levels and eligibility criteria, would of course require the approval of the Northern Ireland Assembly.

Questions

- Q8. Do you agree with the decision to extend the NIRO to 2037?**
- Q9. Do you agree that the NIRO cannot remain viable to new generation after 2017 and that Northern Ireland should move to a Feed-In Tariff with Contracts for Difference?**
- Q10. Do you agree with the proposed RO Transition arrangements?**
- Q11. Do you agree that Northern Ireland should introduce a small scale Feed-In Tariff in line with that currently available to generators in Great Britain?**
- Q12. Do you agree that the institution which will administer the FIT CfD should operate on a UK-wide basis?**
- Q13. Do you agree with the proposal to introduce the legislative primary powers for a large scale Feed-In Tariff and NI's role in the institution through the Westminster Bill?**

Annex A

Glossary of Terms

Annex B

List of Consultation Questions

Annex C

Equality Assessment

Annex A – Glossary of Terms

Banding	Provision of differing levels of support for different types of generation in the Renewables Obligation.
Capacity	Refers to the maximum output level of a generating station
Combined Heat and Power	An installation that produces both electricity and heat for energy consumption.
DECC	Department of Energy and Climate Change – the GB Department with responsibility from renewable energy matters.
Feed-In Tariff (FIT)	An alternative support mechanism to the Renewables Obligation. Requires electricity suppliers to enter into contracts with renewable generators to purchase their output at specified prices usually determined according to the renewable energy source or technology used.
Feed-In Tariff with Contracts for Difference (FIT CfD)	A long-term contract set at a fixed level where variable payments are made to ensure the generator receives an agreed tariff (assuming they sell their electricity at the market price). The Feed-in Tariff payment would be made in addition to the generator's revenues from selling electricity in the market. The FIT CfD can be a two-way mechanism that has the potential to see generators return money to consumers if electricity prices are higher than the agreed tariff.
kW	Kilowatt - (1,000 watts) refers to the size or potential generating capacity of a generation station.
kWh	Kilowatt-hour - a measure of the amount of electricity actually produced by a generating station or used by a consumer (e.g. a 50kW station operating at full capacity for 4 hours will produce 200kWh of electricity) - NOTE: 1kWh is the standard unit of electricity in a household electricity bill.
Landfill Gas	Electricity generated from the gas formed by the anaerobic digestion of material in a landfill
Microgeneration	Currently defined in the NIRO as a generation station with a declared net capacity of no more than 50kW.
MW	Megawatt (= 1,000 kilowatts) – refers to the size or potential generating capacity of a generating station.

MWh	Megawatt - hours - a measure of the amount of electricity actually generated by a generating station or used by a consumer (e.g. a 10MW station operating at 100% capacity for 3 hours will generate 300MWh of electricity).
NIAUR	Northern Ireland Authority for Utility Regulation – the body with responsibility for energy regulation in Northern Ireland.
NIRO	The Northern Ireland Renewables Obligation - the main support mechanism for encouraging the generation of electricity from renewable energy sources in Northern Ireland.
NIROC	A Renewables Obligation Certificate issued under the NIRO.
Ofgem	Office of the Gas and Electricity Markets Authority, the body with responsibility for energy regulation in GB and responsible for the administration of the NIRO on behalf of NIAUR.
Offshore Wind	Electricity generated from wind by a generating station that is offshore. A generating station is offshore if:- <ul style="list-style-type: none"> (i) its turbines are situated wholly or mainly, in offshore waters, and (ii) it is not connected with dry land by means of a permanent structure which provides access to land above the mean low water mark.
Reference Price	The market price for electricity that is stipulated in a Feed-in Tariff with Contract for Difference (FIT CfD). The payments made under a FIT CfD are calculated as the difference between this price and the strike price, usually per unit of electricity generated.
RO	The Renewables Obligation operated in England & Wales.
ROC	A Renewables Obligation Certificate issued under any of the 3 UK Obligations.
ROS	The Renewables Obligation operated in Scotland.

Single Electricity Market (SEM)	Established in November 2007 through legislation to provide for a single wholesale market for electricity across NI and the Irish republic. All generators on the island with a capacity of 10MW or greater are obliged to sell their output through the SEM and all suppliers must purchase electricity from the SEM.
Small scale Feed-In Tariff	A Feed-in-Tariff system to incentivise households, businesses and community groups to generate low-carbon electricity up to a maximum total installed capacity of 5MW.
Solar Photovoltaic (PV)	Electricity generated from the direct conversion of sunlight into electricity.
Strike Price for Feed-in Tariff with Contract for Difference (FIT CfD)	The price (per unit of electricity) agreed by both parties to a FIT CfD. For a two-way FIT CfD, the contracting authority agrees to pay the generator the difference between the reference price (see above) and the strike price when the strike price is higher. The generator agrees to do the same when the strike price is lower than the reference price. Assuming that the generator can sell his electricity at the reference price, he is paid the strike price for each unit of electricity he generates.
Tidal stream	Electricity generated from the capture of the energy created from the motion of tidal currents in the sea.
Wave	Electricity generated from capture of the energy created from the motion of waves on the sea.

Annex B – List of Questions

CHAPTER 2: TECHNOLOGY BANDING PROPOSALS

- Q1. Do you agree that Northern Ireland should retain the 1 NIROC for landfill gas? Please say why with evidence.
- Q2. Do you agree that RO support for new landfill gas generation should end from 1 April 2015? If not, please say why with evidence.
- Q3. Do you agree with the proposal to increase support to 5 NIROCs for Solar PV up to 10kW? If not, please say why with evidence.
- Q4. Do you agree to the proposed 5 ROCs for marine projects subject to a 30MW cap? If not, please say why with evidence.
- Q5. Do you agree with the proposals for a time-limited and strictly defined grace period as described above and in the DECC consultation document?
- Q6. We would welcome views on whether the proposed time limit of six months from 1 April 2013 is reasonable. If you wish to suggest a different time period, please explain why?
- Q7. Do you agree with the arrangements for transition from the CHP uplift to RHI support?

CHAPTER 3: IMPACT OF THE ELECTRICITY MARKET REFORM PROPOSALS ON NORTHERN IRELAND

- Q8. Do you agree with the decision to extend the NIRO to 2037?
- Q9. Do you agree that the NIRO cannot remain viable to new generation after 2017 and that Northern Ireland should move to a Feed-In Tariff with Contracts for Difference?
- Q10. Do you agree with the proposed RO Transition arrangements?
- Q11. Do you agree that Northern Ireland should introduce a small scale Feed-In Tariff in line with that currently available to generators in Great Britain?
- Q12. Do you agree that the institution which will administer the FIT CfD should operate on a UK-wide basis?
- Q13. Do you agree with the proposal to introduce the legislative primary powers for a large scale Feed-In Tariff and NI's role in the institution through the Westminster Bill?

Responses to questions posed in the DECC Renewables Obligation consultation should be sent to DETI together with responses to the above questions.

Annex C – Equality Assessment

Under section 75 of the Northern Ireland Act 1998, the Department is required to have due regard to the need to promote equality of opportunity:

- between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- between men and women generally;
- between persons with a disability and persons without; and
- between persons with dependants and persons without.

In addition, without prejudice to its obligations above, the Department is also required, in carrying out its functions relating to Northern Ireland, to have regard to the desirability of promoting good relations between persons of different religious beliefs, political opinions or racial group.

We have carried out an equality screening exercise for the Draft Renewables Obligation (Amendment) Order (Northern Ireland) 2012 and found that it does not have any significant equality impact. A full Equality Impact Assessment, therefore, is not required. If you would like a copy of the screening form, please contact us.



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Your views on this
document are welcome.

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