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Sent: 10 July 2008 17:06
To: NIRO REFORM 2008
Subject: Response to Consultation on Reform of NIRO
Attachments: ResponseNIROCREformPrelimCons.pdf

Malachy,

Attached is Airtricity's response to the recent consultation on reform of the Northern Ireland Renewables Obligation.

Kind regards,

Iain

Iain Wright
Regulatory Manager Ireland



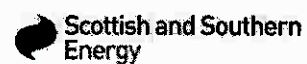
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Airtricity Response to

**Consultation on Proposed Reform of the Northern Ireland
Renewables Obligation**

10 July 2008



Consultation on Proposed Reform of the Northern Ireland Renewables Obligation

Introduction

Airtricity welcomes this consultation on reform of the NIRO. While we fully support the banding proposals put forward by BERR, we believe there is good reason to introduce a further band in the special situation of Northern Ireland.

As the NIRO is the Department's main policy measure for supporting the development of renewable electricity in Northern Ireland, we believe that the current reform should incorporate measures that address the impact of other policy measures that will otherwise act as a barrier to such development. We also believe it is opportune to work with BERR, in the context of current revisions to the England and Wales legislation, to improve interaction of renewables obligations between the three legislative jurisdictions of the UK.

Alignment with wider policy objectives in NI

Onshore wind development is well on the way to becoming a mature technology and we accept that it should be used as the ROC benchmark, against which other renewable and sustainable technologies should be evaluated for the award of ROCs. However, in the context of the special planning conditions being promoted in Northern Ireland, it is clear that there are strong environmental concerns that oppose development of efficient wind generation.

The supplementary planning guidance currently drafted for NI, indicates that planning consent for new windfarm development is likely to require windfarms to be sited in less favourable wind locations, with lower hub heights and smaller individual turbine capacities than would otherwise be considered. The resulting higher capital cost in terms of number of turbines and lower efficiencies mean that the capital cost per kWh of electricity generated will be increased by at least a third¹, compared with current standards of windfarm economics.

In order to align the Department's policy for development of renewable electricity, with the DoE's developing policy on planning constraints for new onshore windfarm development, we believe that an additional NIROC band is required to reflect the impact of Northern Ireland planning rules on windfarm economics. This band would apply to all new onshore windfarm developments that fall within the hub height and locational constraints defined in the planning guidance and award 1.3 NIROCs per MWh generated

Interaction of UK ROC regimes

The October 2007 amendment to the NIRO provided a welcome flexibility in arrangements for demonstrating eligibility for NIROCs. However the issue of obtaining value for the associated LECs was unfortunately overlooked. In view of the electricity market structure in NI and the lack of ability to detach LECs from the underlying energy, renewable generators might find better for these in GB, rather than in NI. However the NIROC legislation precludes award of NIROCs if the energy is exported to GB and the E&W legislation precludes award of ROCs to energy imported across an interconnector if there is any power flowing in the opposite direction.

Given the increasing likelihood of interconnection between offshore GB windfarms interconnecting with similar installations offshore other European States and thence to power systems in other jurisdictions, we believe it

¹ Lower turbine efficiencies resulting from reduced hub height will result in a drop of 25% in output. Spreading the cost of this lost output over the remaining 75% of available generation results in a required uplift of one third, to normalise the cost of output compared with a standard windfarm design.

would be opportune for the Department to consult with BERR on revisions to legislation that would permit the award on the basis of contractual flows, rather than single, directional physical flow.

As an alternative, we believe it should be possible to revise the definition of interconnector, to remove transmission assets between land areas of the UK (ie Moyle and potentially any future Shetland connection) from the definition of an interconnector.

Summary

In order to meet the Department's objectives for renewable development, in the context of other Government policy objectives, an additional NIROC band will be required to support new onshore windfarms compliant with the proposed Supplementary Planning Guidance.

In order to provide additional flexibility that will facilitate renewable generators in maximising the value of their generation output, legislation in E&W and/or NI should be amended to provide greater flexibility in the eligibility of renewable generators for (NI)ROCs, no matter in which part of the UK they are located, or to which part they sell their output.