

REGO RIA: Final

1. Title of Proposal

The Electricity (Guarantees of Origin of Electricity Produced from Renewable Energy Sources) (Amendment) Regulations (Northern Ireland) 2010.

2. Purpose and intended effect of measure

The objective and background

1. The Rule will amend existing Statutory Rule 2003 No. 470, the Electricity (Guarantees of Origin of Electricity Produced from Renewable Energy Sources) Regulations (Northern Ireland) 2003 (“the REGO Regulations”), which introduced Renewable Electricity Guarantees of Origin (REGOs) in line with the requirements of Directive 2001/77/EC on the promotion of electricity from renewable energy sources.
2. The current Renewable Energy Directive 2009/28/EC (RED) came into force in June 2009 and aims to promote renewable energy (electricity, heat and transport). Article 15 of that Directive concerns Guarantees of Origin for electricity, heating and cooling produced from renewable energy sources. That article requires member states to issue renewable electricity guarantees of origin on request, but states that the introduction of renewable heat guarantees of origin are optional. DETI does not propose to introduce renewable heat guarantees of origin at this time: the Department will consider the introduction of renewable heat guarantees of origin when the future of renewable heat incentivisation is confirmed.
3. Article 15 of the RED requires amendments to the way in which REGOs operate and the purpose of the statutory rule is to give effect to these mandatory changes. The Department therefore proposes to bring the existing REGO regulations into line with Article 15 of the RED through these amending regulations.
4. The Rule will affect renewable electricity producers, who wish to claim REGOs for their renewable electricity production, and suppliers of renewable electricity who wish to use REGOs for Fuel Mix Disclosure.

Risk assessment

5. The Regulations are not addressing a specific risk, rather the Regulations are being brought in to comply with the terms of the Renewable Energy Directive.

Options

6. Three options have been considered for transposing the mandatory aspects of Article 15 of the Renewable Energy Directive:
 - (1) continuing to use Ofgem to administer the REGOs;
 - (2) administering the REGOs within Northern Ireland; and

(3) using a joint system with the Republic of Ireland's for administering REGOs.

To do nothing was not considered as an option because compliance with the Directive is mandatory in this regard.

4. Benefits

7. The benefits of the different options are as follows:

Option 1: Continuing to use Ofgem to administer the REGOs would benefit users of the system (renewable electricity producers and electricity suppliers) because:

- it is a system they already use;
- there is a single platform for use of REGOs and ROCs
- it will not require as much adaptation as moving to a new system.

Continuing to use Ofgem to administer the REGOs would also be of benefit cost-wise because it reduces costs to NI by sharing administration with GB.

Option 2: administering the REGOs within Northern Ireland. This would have the advantage that the regulations could be tailored to Northern Ireland without having to try and fit NI circumstances into a GB model.

Option 3: using a joint system with the Republic of Ireland's for administering REGOs would also enable the administration to be tailored to all-island Fuel Mix Disclosure. It might also reduce costs relative to option 2.

Business sectors affected

8. The sectors affected will be mainly: producers of renewable electricity in Northern Ireland and electricity suppliers in Northern Ireland.

Other Impact Assessments

9. An equality impact assessment has been carried out. Other impact assessments have not been carried out since the changes to REGOs are mandatory under the Renewable Energy Directive.

5. Costs

(i) Compliance costs

10. Option 1: Compliance costs under option 1 are likely to be least onerous for electricity producers and suppliers as they already use Ofgem for REGOs and are familiar with the process. Renewable electricity producers also use Ofgem to claim ROCs on the same IT platform, so there are likely to be efficiencies by continuing to use Ofgem to issue REGOs. However, there will

be a small additional administrative burden for NI suppliers who, under the regulations, will have to retire REGOs from the IT system if they wish to use REGOs for NI FMD. This is likely to be negligible.

Option 2: Administering REGOs in NI would mean electricity producers would have to go to Ofgem for ROCs and to a separate NI body (probably NIAUR) for REGOs. This would increase administrative burden on businesses here and would have significant increase in administrative costs within NI, since e.g. NIAUR would have to procure an electronic system for administration of REGOs and maintain an ongoing function to administer them.

Option 3: It is not possible to estimate the cost of joint operation with the Republic of Ireland at this stage, since there is no existing REGO system there at present. Assume it to be greater than option 1 and less than option 2.

(ii) Other costs

11. Unlikely to be costs that affect other sectors.

(iii) Costs for a typical business

12. Compliance costs for renewable electricity producers are unlikely to change under option 1. Compliance costs for electricity suppliers will involve a small amount of extra administration in retiring REGOs if suppliers want REGOs to count for all-island FMD. This is likely to be negligible.

6. Consultation with small business: the Small Business Impact Test

13. Consultation did not receive responses from small businesses. Changes are mandated by the Renewable Energy Directive.

7. Enforcement and Sanctions

14. Compliance will be through Ofgem.

8. Monitoring and Review

15. DETI has undertaken to review the position when the Republic of Ireland has a scheme for administering REGOs.

9. Consultation Within Government

16. Consulted with DECC, Ofgem, NIAUR, SEMO and CER.

(ii) Public Consultation

17. A shortened public consultation was carried out over the summer of 2010. 11 responses were received.

10. Summary and Recommendation

18. Option (c) was ruled out because it is not clear at this stage what system the Republic of Ireland is planning to use to administer REGOs and joint working on this cannot yet be costed. The Government response makes it clear that DETI will review this option when it is clear how the REGO system in the Republic of Ireland will work.
19. We do not have exact costs for option (b): NIAUR used to administer REGOs prior to 2008 when REGOs were never requested because, although they were required under the 2001 Directive, they had no clear use until the new RED was brought in. The RED now requires REGOs to be dealt with electronically, so for NIAUR to take back administration of the REGOs would require the tender, purchase and set up of a new electronic system to deal with NI REGOs, which would be likely to be significantly more expensive than using Ofgem.
20. Option (a) will result in a small additional administrative burden on electricity suppliers, who will, under the new regulations, have to “retire” their REGOs from the Ofgem register in order to have REGOs count for NI Fuel Mix Disclosure. We understand this process to be well within the scope of suppliers who are used to working with the Ofgem register and this change is necessary to comply with the Directive. Currently Ofgem charges NIAUR around £10k per annum to administer the system.
21. On the basis of the fact that the only known costs are for option one, that option one will introduce a small additional burden on electricity suppliers, but that this is offset by the maintenance of the single platform for REGOs alongside the NIROCs (although this will benefit producers rather than suppliers), option one is the recommended option for NI.

11. Declaration

“I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.”

Signed

Date.....

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