

Francey, David

From: Magill, Emma [emma.magill@niaur.gov.uk]
Sent: 09 July 2008 15:05
To: NIRO REFORM 2008; McKernan, Malachy
Cc: Brady, Sarah; Henry, Donald; Dodds, Frankie; Osborne, Iain
Subject: Utility Regulator RO Consultation Response
Attachments: NIAUR Response RO Consultation 7 July 08.docx

Malachy

Re: Proposed Reform of the Renewables Obligation Consultation

Please find the Utility Regulator response attached.

The signed hard-copy is in the post this afternoon.

Regards
Emma

Emma Magill
Queens House
14 Queen Street
BELFAST
BT1 6ER
T: +44 (0) 28 9031 6643
F: +44 (0) 28 9031 1740



Mr Malachy McKernan
Sustainable Energy Branch
Department of Enterprise, Trade and Investment
Netherleigh
Massey Avenue
BELFAST
BT4 2JP

7 July 2008

Dear Maláchy

Proposed Reform of the Renewables Obligation

I am please to provide this letter as NIAUR's response to DETI's preliminary consultation on the reform of the Northern Ireland Renewables Obligation.

General Comments

- 1 The Renewable Obligation is a relatively generous support mechanism particularly in the climate of high wholesale energy prices. In principle banding has the potential to improve value for money in that it can reduce the level of excess support to established technologies and tailor support to where it is needed most.
- 2 We would encourage DETI to continually monitor the Renewable Obligation's performance in relation to value for money especially in light of continued high wholesale electricity prices.
- 3 We consider the mismatch between the basic structure of our electricity market (All-Island) and renewables support (UK) to be a significant ongoing problem. We would therefore encourage DETI to consider how a joined up North/South approach to the promotion of energy from renewable sources could be achieved. In the short run, banding proposals for Northern Ireland should seek to minimize distortions by synchronising the level of support offered to different technologies between Northern Ireland and ROI. We commend the joint work that has already been done, for example the grid study, and hope that this can be built upon to promote renewable energy within the SEM in a coordinated manner.
- 4 Furthermore the opportunity should now be taken to examine the drafting of the NIRO provisions within the Energy (Northern Ireland) Order 2003 in order to improve clarity and goodness of fit with the SEM.

DETI Questions

Q1 Are there any specific Northern Ireland aspects that need to be considered in the application of these proposed bandings (Annex A) – and especially the lower bandings to the NIRO?

A1 For the year 2006-2007, 92% of Northern Ireland Renewable Obligation Certificates (NIROCs) issued were in respect of wind generation. Therefore we consider wind to be well established in Northern Ireland. In addition wind by its nature presents specific problems for the planning and management of the grid. Therefore we consider that proposals for the banding of the Northern Ireland Renewable Obligation should specifically attempt to promote dispatchable renewable technologies, which are arguably less established in this region, over non dispatchable .

For these reasons we consider that 1 ROC per MWh of wind output potentially over incentivises wind. We also consider that in Northern Ireland landfill gas, sewage gas and biomass should receive more than the BERR proposed 0.5 ROCs per MWh.

In particular land fill gas is an established technology in England and Wales (it accounted for 46% of all ROCs issued in England and Wales for the year 2006-2007) but is not established in Northern Ireland. BERR's proposal that landfill gas should only receive .25 ROCs per MWh must be viewed in this context. Consequently we agree with DETI's position that in Northern Ireland land fill gas is an emerging technology which merits special consideration.

Q2 Are there any specific Northern Ireland aspects that need to be considered in the application of these Grandfathering proposals to the NIRO?

A2 We have no additional comments in relation to this question.

Q3 Are there any specific Northern Ireland issues (in addition to or associated with that outlined at paragraph 2.15) that should be taken into account in relation to the Headroom calculation for the NIRO?

A3 It should be noted that the number of NIROCs issued in Northern Ireland for the year 2006-2007 exceeded the Northern Ireland obligation. We believe that maintaining Northern Ireland's lower level of obligation is paramount. We look forward to receiving the detailed calculation later in the year which will demonstrate how Northern Ireland's lower obligation can be maintained. This is particularly important at a time of relatively high electricity prices.

Q4 Are there any specific Northern Ireland aspects that need to be considered in relation to the above proposals?

- A4 (a) **Cliff-Edge Mechanism:** We will comment on the proposed mechanisms once we have seen the detailed BERR calculations.
- (b) **Funding for the Administration of the Renewables Obligation:** In principle we agree that the cost of administering the Renewables Obligation should be met by those involved in the scheme. We will work with DETI and Ofgem, who administer the NIRO on our behalf, to investigate the detailed arrangements necessary to facilitate this for the benefit of Northern Ireland.
- (c) **Sustainability Reporting:** We see no specific problems for Northern Ireland and agree in principle that biomass users should provide information which will allow for an assessment to be made as to the sustainability of the biomass they use for generation.
- (d) **Deeming the biomass fraction of waste:** We see no specific issues for Northern Ireland.
- (e) **Making the RO 'neutral to waste':** We have no comment on this proposal.

Yours sincerely

Iain Osborne
Chief Executive