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## **Government Response**

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# **Energy**

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**Government Response to the consultation on proposed changes to  
the Northern Ireland Renewables Obligation in 2013**

August 2012

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## Introduction

On 27 October 2011, DETI launched a public consultation on proposed changes to the Northern Ireland Renewables Obligation (NIRO). The consultation dealt with two separate but related issues – proposed changes to Renewables Obligation Certificate banding levels from 1<sup>st</sup> April 2013 and the impact of Electricity Market Reform proposals on Northern Ireland.

The NIRO was introduced in 2005 as in one of three complimentary Obligations across the United Kingdom, the others being the Renewables Obligation Scotland (ROS) and Renewables Obligation for England & Wales (RO).

The consultation closed on 27 January 2012 with 48 responses received (detailed at **Annex B**), three of which sought confidentiality. DETI is grateful for the number and quality of responses to this consultation. Responses can be viewed online at

[http://www.deti.gov.uk/responses\\_to\\_consultation\\_on\\_proposed\\_changes\\_to\\_the\\_northern\\_ireland\\_renewables\\_obligation\\_niro](http://www.deti.gov.uk/responses_to_consultation_on_proposed_changes_to_the_northern_ireland_renewables_obligation_niro) .

This paper outlines DETI's policy conclusions following its consideration of responses to the NIRO Consultation. It reports on specific issues raised by the Consultation and the subsequent policy position adopted by the Department. Where possible, bodies of opinion have been identified rather than every specific issue. Each of the questions raised in the consultation document have been addressed and general comments, outside of the specific questions, have also been included. The various sections follow the chapters as presented in the Statutory Consultation.

The majority of changes to ROC banding levels are consistent across all three Renewables Obligations. As with the actual consultation, we have chosen not to replicate the detail of the RO consultation response (which includes all the supporting rationale for banding changes) in the NIRO consultation response. Instead, this response should be read alongside the RO consultation response which can be viewed online at the DECC website at:

[http://www.decc.gov.uk/en/content/cms/consultations/cons\\_ro\\_review/cons\\_ro\\_review.aspx](http://www.decc.gov.uk/en/content/cms/consultations/cons_ro_review/cons_ro_review.aspx)

## Further consultation

The banding review consultation process has identified further areas of change which will require further consultation across all three ROs:

- Introduction of a supplier cap for dedicated biomass.
- The level of support for standard co-firing in 2013/14 and 2014/15.
- Introduction of cost control mechanism for co-firing and biomass conversions.
- The setting of support levels for solar PV above 5MW.
- Removal of the energy crops uplift for standard co-firing.

Whilst the impact of this further consultation is perhaps less of an issue for Northern Ireland than the rest of the United Kingdom, we will nevertheless ensure that the views of local industry and stakeholders are sought to understand the implication of these proposals in practice. We will seek to bring forward consultations on the above issues as quickly as possible, to enable a response to issue on these outstanding issues later this year.

## Implementation

Subject to state aid clearance and Assembly approval, the decisions described in this document will be implemented through a Renewables Obligation (Amendment) Order.

The next steps towards the implementation of these changes are:

Stage	Timescale
State Aid Clearance process	From July 2012; final clearance date to be confirmed
Additional consultations on biomass cost control mechanisms, support levels for standard co-firing, energy crop uplift for standard co-firing, supplier cap for dedicated biomass and solar PV support levels	Late Summer 2012
Government response to the additional consultations	Autumn 2012
Renewables Obligation (Amendment) Order (NI) laid in Assembly	Autumn 2012
Subject to Assembly approval and State Aid clearance, changes made by the Renewables Obligation (Amendment) Order (NI) take effect	1 April 2013

## Chapter 2 - Technology Banding Proposals

Chapter 2 of the banding review consultation detailed the current and proposed new ROC levels which will apply to new generating stations accredited on or after 1 April 2013 and any additional capacity added on or after this date. For the majority of technologies, Northern Ireland proposes to remain consistent with changes across all three Renewables Obligations in the United Kingdom as set out in the [consultation document published by the Department of Energy and Climate Change \(DECC\)](#). The NIRO consultation focussed on those few exceptions where Northern Ireland proposes to set a different ROC level than Great Britain.

This consultation response should be read alongside DECC's consultation response which covers those ROC levels applying across the UK and other issues such as grandfathering policy. The DECC consultation response can be accessed at [http://www.decc.gov.uk/en/content/cms/consultations/cons\\_ro\\_review/cons\\_ro\\_review.aspx](http://www.decc.gov.uk/en/content/cms/consultations/cons_ro_review/cons_ro_review.aspx)

A table showing existing, proposed and final ROC levels for introduction on 1 April 2013 can be found at **Annex A**.

### Landfill Gas

**Q1. Do you agree that Northern Ireland should retain the 1 ROC for landfill gas? Please say why with evidence.**

Almost all respondents were supportive of the decision to retain the 1 ROC for landfill gas given the relative immaturity of this technology in Northern Ireland compared to GB. One respondent, whilst supportive, had concerns about incentivising any disposal of waste by landfill.

### Post consultation decision

#### **Open and closed landfill sites**

Northern Ireland has continued to provide ROC support for landfill gas sites despite the closure of this band in Great Britain. **Generating stations which use gas from open and closed landfill sites will continue to receive 1 ROC/MWh until 31 March 2015.**

#### **Closed landfill sites**

A new band has been introduced across all three ROs to reflect the need to support methane collection and electricity generation at closed landfill sites, based on the additional costs for closed sites. **Under the NIRO, support will be provided at 0.2 ROCs/MWh for generating stations accrediting or additional capacity added from 1 April 2015, which use gas from closed landfill sites only.**

## Waste heat to power

Waste heat to power (WH2P) generates further electricity through an organic Rankine cycle process, giving up to 10% higher efficiency. It is particularly suited for sites such as landfill where CHP is not an option as there is no local heat customer. From a policy perspective the fitting of WH2P on new and existing landfill sites could be a cost-effective way of contributing to the UK's renewables target, and would also make most efficient use of landfill gas resource.

DECC has considered the project finance data for WH2P provided by companies to see what level of support, if any, would bring on WH2P deployment. Based on the limited cost data provided, analysis showed that the addition of a WH2P unit to a landfill gas station makes negligible difference to its overall economics with 0-0.1 ROCs/MWh required to ensure there is an incentive to install the kit. We are aware of interest in WH2P in Northern Ireland. **As such, given the policy benefits of more efficient landfill gas generation and lack of deployment to date, it has decided to introduce support at 0.1 ROCs/MWh for electricity generated by new WH2P from landfill gas. This support will be available to WH2P fitted after 31 March 2013 on both existing stations as well as new stations using gas from any landfill site.**

**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.**

Whilst the consultation proposed to retain the 1 ROC for landfill gas in Northern Ireland as there are still potential generation opportunities, it recognised that support would end in 2013 in Great Britain where it is regarded as a well established technology no longer requiring support. Nevertheless it is proposed that support should end in Northern Ireland in 2015. This allows sufficient time for sites in various stages of development to attain accreditation by 1 April 2015.

There was a more mixed reaction to this proposal. Just over one third of those responded to this question agreed with the decision to end RO support for landfill gas in 2015. One respondent suggested delaying closure until 2016 whilst several others recommended retaining the 1 ROC until 2017. Another suggestion put forward was to reduce support to 0.5 ROCs in 2015.

### Post consultation decision

We are not convinced of the need to retain the ROC support for open landfill gas stations beyond 2015, by which time all suitable sites should have been identified and progressed. **We will therefore retain 1 ROC for generating stations which use gas from open landfill sites until 31 March 2015 after which this band will close to new generation. The 0.2 ROCs for generating stations which use gas from closed landfill sites will be available from 1 April 2015 and the 0.1 ROCs for WH2P will be available from 1 April 2013, both until 31 March 2017.**

## Solar Photovoltaic

### **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.**

All those who responded on this issue supported the 5 ROC proposal with several suggesting that solar PV should receive an even higher ROC level. However, since this proposal was put forward in October 2011, there have been substantial reductions in technology costs for small scale solar PV. Analysis undertaken by DECC suggests that these costs have come down even faster than anticipated since last October and are expected to continue to do so.

This has resulted in significant tariff reductions in the Feed-In Tariff offered in Great Britain, down from a high of 43p/kWh to 21p/kWh for installations up to 4kW and 16.8p for those between 4kW – 10kW registered after 1 April 2012 with further reductions proposed from 1 August 2012.

DETI acknowledges that this is the Great Britain position and that there is considerable debate around future reductions to solar PV costs. However, there is no strong evidence to suggest that technology and installation costs are different in Northern Ireland. In fact, applications for solar PV accreditations under the NIRO have continued throughout 2011/12 with no indications that installation is being delayed until after any possible ROC increase in 2013.

## Large scale solar PV

The reduction in solar PV costs as indicated above came too late to allow reconsideration of support to large scale (above 5MW) solar PV. There is therefore a need to re-consult on ROC banding levels for solar PV above 5MW for stations accrediting or adding additional capacity from 1 April 2013 and this will take place shortly.

## Post consultation decision

In light of the conclusions of DECC's review of reducing solar PV costs, it has been decided not to introduce the proposed 5 ROCs for solar PV up to 10kW from 1 April 2013 but to retain support at the existing 4 ROCs, which still represents an acceptable level of return on investment.

## Marine (wave and tidal)

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

This proposal is intended to apply across all three Renewables Obligations. Only one respondent to DETI disagreed with the proposed increase to 5 ROCs for wave and tidal projects. A number of respondents agreed that this level was necessary to attract investment in this emerging technology. However, while there was agreement on the 5 ROCs, a number of respondents did have concerns about the 30MW cap, after which support is proposed to reduce to 2 ROCs. Several

responses suggested a sliding scale from 5 to 2 ROCs once the 30MW cap was reached as this was likely to be more attractive to investors. One respondent was concerned that the first projects coming forward will be advanced over potentially better technologies coming afterwards whilst another had concerns around the transition from the Renewables Obligation to a Feed-In tariff with Contracts for Difference in 2017.

### Post consultation decision

Marine, i.e. wave and tidal technologies located off the shores of Northern Ireland are incentivised through the Renewables Obligation and not the NIRO. In its response to the RO consultation, DECC has stated the level of support for wave and tidal stream technologies over the period 1 April 2013 to 31 March 2017 will be 5 ROCs/MWh for generating stations accredited and additional capacity added between 1 April 2013 and 31 March 2017, provided the generating capacity is operational by 31 March 2017. This level of support will only be available for up to 30 MW of installed capacity at each generating station. The level of support for installed capacity above 30 MW will be 2 ROCs/MWh. These levels of support will apply from 1 April 2013.

### Grace periods

#### **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?**

All responses on this issue agreed that there should be a time limit to any grace period introduced however there was differing consensus on what it should cover and the actual time period. A key concern for a number of respondents was that the grace periods were too prescriptive in only applying to grid connection delays by the network operator and delays to radar upgrades to prevent wind farm interference with aviation. Other factors put forward for grace period consideration were delays by the System Operator, planning system and bad weather.

One suggestion put forward was that where a connection offer has been issued, accepted and financial commitment made prior to this consultation, such projects should be able to avail of the grace period. Several respondents suggested that DETI should be able to treat each project on a case by case basis.

A number of respondents were also concerned that where a grace period was granted, the 20 years eligibility for support would start on 1 April 2013 and not when the project is accredited at a later date.

### Post consultation decision

DETI does not consider that other suggested causes put forward by respondents to the consultation for eligibility for grace periods, such as discharging planning conditions, weather or the time taken to identify and agree technical solutions to resolve radar interference, are of the same nature. These issues are considered to be part of normal business risk which the developer would be expected to

manage. For that reason DETI, in line with the other ROs, does not intend to introduce grace periods for other causes of delay. Similarly, DETI does not propose to introduce similar grace periods for technologies whose support degrades later in the banding review period, as project developers have longer notice of the future degradation to plan around any delay

The consultation also proposed that generators must provide written evidence from the network operator that the delay to grid connection was not due to any action or inaction by the generator or developer of the generating station. This aspect of the criteria has been reconsidered as it creates risk for the network operator. Instead, it has been decided that the generator should provide a letter from the network operator confirming that in the network operator's opinion the delay was not due to any breach of the connection agreement by the operator or developer of the generating station.

**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**

Of the responses to this proposal, one agreed with the proposed six month grace period. Six respondents suggested a 12 month grace period, two suggested 18 months, seven suggested 24 months and three suggested the timeframe should be at DETI's discretion.

#### **Post consultation decision**

It is important that there remains consistency on this issue across the UK as a number of generators have operations across all three Renewables Obligations. Responses to the NIRO consultation were consistent with those received across the other two ROs. The RO consultation response confirms that a 6-month grace period will be introduced. DETI is of the opinion that there are no sufficiently unique Northern Ireland factors to warrant a longer grace period which, in effect, would provide generators with a higher ROC level for an extended period. **We therefore intend to introduce a 6-month grace period.**

This means that grace periods will only be available for generating stations that meet the qualifying criteria and which commission between 1 April 2013 and 30 September 2013. In addition, generating stations seeking a grace period will need to apply for accreditation before the end of that 6 month period and they will need to submit their request for a grace period before Ofgem has made its decision to accredit the station. **To minimise the burden of administering the RO, it will not be possible for a generating station to seek a grace period after it has been accredited.**

A number of consultation responses pointed out that the proposed 1 April 2013 start date for NIRO support unfairly penalises grace period generating stations by effectively reducing the period of support by up to six months. In light of this, the Government has reconsidered its position and considers that a fairer approach would be to provide 20-years of support, from date of accreditation of the

generating station. **The 20 year period of NIRO support for a grace period generating station will begin on the date of accreditation.**

### **Renewable Combined Heat & Power (CHP)**

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

The majority of respondents on this issue agreed with the proposed transition arrangements from the CHP uplift to Renewable Heat Incentive (RHI) support with one commenting that it provides stability and certainty to developers and investors in biomass projects. However, whilst agreeing with the need for transition, a number of respondents were concerned that the proposed tariff levels for the Renewable Heat Incentive in Northern Ireland were too low.

One respondent disagreed with the proposal to end the CHP ROC uplift in 2015 suggesting that it should remain in place until 2017.

### **Post consultation decision**

#### **Levels of support**

This response confirms the decision to offer the choice between a CHP uplift of 0.5 ROCs/MWh, or support under the RHI, for new accreditations and additional capacity added in the period 1 April 2013 to 31 March 2015 for the relevant technologies listed in Table 1 at Annex A. The option of support under the RHI will only be available to those stations that can meet any eligibility criteria imposed under the RHI. The option of RHI support for those technologies is also subject to the RHI consultation planned for late 2012/2013, and Assembly approval and State Aids clearance for the resulting changes to the RHI.

Generating stations which are accredited on or after 1 April 2015 and additional capacity added from that date will not be able to opt for a CHP uplift if RHI support is, or was, available for the heat element of their energy generation. The option of the CHP uplift will be extended to the new biomass conversion and enhanced co-firing bands. This approach will ensure a consistent approach to CHP across co-firing, dedicated biomass and biomass conversion bands. The CHP uplift is subject to the generating station meeting CHPQA requirements. Support for stations receiving the CHP uplift is capped at 2 ROCs/MWh (falling to 1.9 ROCs/MWh in 2015/16 and 1.8 ROCs/MWh in 2016/17 for any stations accredited and any additional capacity added in those periods that, by exception, is able to opt for the CHP uplift).

To minimise the costs of administering the RO, any generating station that has opted for support under the CHP uplift will not be able to subsequently switch to support under the RHI, and vice versa. For the same reason, if a generating station opts for the CHP uplift on any generating capacity accredited or added between 1 April 2013 and 31 March 2015, that choice will automatically apply to all of the generating capacity of the station which is accredited or added during that period. This means that stations opting for the CHP uplift between 1 April

2013 and 31 March 2015 will not be able to claim the RHI for any capacity accredited or added before 1 April 2015.

Any generating stations accredited or adding capacity on or after 1 April 2015 will no longer be able to choose the CHP uplift. There is an exception for generating stations using the technologies listed in the table below if they accredit or add capacity on or after 1 April 2015 and RHI support is still not at that time available for the heat generated by the station.

**Consultation on tariffs for the Renewable Heat Incentive did not form part of these proposals and was part of a separate consultation mechanism. We will introduce the CHP transition arrangements as proposed from 1 April 2015.**

## Chapter 3 - Impact of the Electricity Market Reform Proposals on Northern Ireland

This section of the consultation focussed on UK-wide Electricity Market Reform, its impact on renewable electricity incentivisation in Northern Ireland and included a number of proposals designed to retain investor certainty within a UK-wide mechanism.

On 22 May 2012, the DETI Minister, Arlene Foster MLA, announced how EMR would be implemented here following agreement by the Northern Ireland Executive on those aspects that would extend to Northern Ireland. This followed publication by the Coalition Government of its draft Energy Bill for pre-legislative scrutiny<sup>1</sup> which includes the legislative provisions for introducing Electricity Market Reform. The Minister's decision was informed by the responses to the questions raised in this chapter and her announcement confirmed:

- Closure of the NIRO to new generation and additional capacity after 31 March 2017.
- Extension of the end date of the NIRO to 31 March 2037
- The introduction of a Feed in Tariff with Contracts for Difference (FIT CfD) for large scale renewable electricity generation (greater than 5 MW);
- Administration of the FIT CfD on a UK-wide basis;
- A UK-wide Fixed Renewable Obligation Scheme from 2027 to minimise the risk of a hiatus in investment in new renewable generating stations and to maintain confidence in the stability of conditions for investment in renewable energy; and
- The introduction of a UK-wide Emissions Performance Standard for new coal fired power stations to limit the amount of carbon that they can emit.
- The introduction of enabling powers for a small scale Feed-In Tariff in the draft DETI Energy Bill<sup>2</sup>

### Extending the NIRO to 2037

#### Q8. Do you agree with the decision to extend the NIRO to 2037?

All those that responded on this issue supported the proposal to extend the NIRO to 2037 to bring it into line with the two Renewables Obligations in Great Britain and ensuring that those generators accrediting up to 2017 receive the full 20 years of support. One respondent suggested an extension to 2042 and support increased from 20 to 25 years.

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<sup>1</sup> <http://www.decc.gov.uk/en/content/cms/legislation/energybill2012/energybill2012.aspx>

<sup>2</sup> [http://www.detini.gov.uk/energy\\_bill\\_consultation\\_document\\_-\\_11\\_june\\_2012\\_2\\_.pdf](http://www.detini.gov.uk/energy_bill_consultation_document_-_11_june_2012_2_.pdf)

### Post consultation decision

The end date of the NIRO will be extended to 31 March 2037. Projects accrediting up to 31 March 2017 will therefore be able to receive the full 20 years support.

### Feed-In Tariff with Contracts for Difference

#### **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?**

Of the 37 responses to this question, 28 agreed that the NIRO could not remain open to new generation after 2017 and that NI should move to the Feed-In Tariff with Contracts for Difference along with the rest of the United Kingdom. Reasons for agreeing included the need to ensure socialisation of costs across the UK, continued participation in UK-wide schemes and investor certainty. Of these 28, eight respondents suggested that Northern Ireland should retain its right to set its own tariff levels.

Several respondents had concerns about the potential impact on the Single Electricity Market (SEM) and consequences of future European integration of electricity markets. Others thought that NI should wait to see how the FIT CfD operates in Great Britain before making any final decision. It was also suggested that strike and reference prices should be defined well in advance and take account of the SEM and should be paid at times of constraint and curtailment.

Six respondents stated that the supporting analysis provided by DETI during the consultation was too inconclusive to allow proper judgement. One respondent preferred a transition to a fixed FIT scheme rather than the proposed FIT CfD.

### Post consultation decision

The NIRO will close to new generation and additional capacity after 31 March 2017 after which future large scale renewables will be supported under the Feed-In Tariff with Contracts for Difference. We will keep stakeholders updated as this work progresses.

#### **Q10. Do you agree with the proposed RO Transition arrangements?**

Eight respondents agreed with the proposed arrangements for transition from the Renewables Obligation to a FIT CfD from 2017 as set out in the Electricity Market Reform White Paper. Of the remaining responses, a number of others agreed in principle but raised a number of concerns around how suppliers would balance their ROCs and FIT requirements and the need to ensure that transition was tailored to the needs of Northern Ireland. Other respondents were of the view that there should be a soft transition i.e. only withdraw the NIRO once a FIT CfD was seen to be working. Four respondents suggested that the fixed ROC should

be set at the buy-out price plus 20% and not the 10% proposed in the transition arrangements.

### Post consultation decision

RO transition arrangements have been published in the DECC's draft Energy Bill and confirm that headroom will continue to be used to set the Obligation level from 2017 to 2027. From 2027, fixed price certificates, in place of the current ROCs will be issued until the end of the RO mechanism in 2037. Fixed price certificates will be set at the 2027 buyout price, plus 10 per cent. The Fixed ROC price would remain inflation-linked from 2027, in the same way that the buyout price is currently inflation linked. Given the interoperability of all three Renewables Obligations, these same transition arrangements will apply to NIROCs.

### **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?**

Of the 25 responses to this question, only one respondent was in disagreement stating that whilst it was accepted that a FIT gives greater financing certainty, more consultation was needed and greater assessment of the cost to consumers. Nine of those respondents in agreement stated the importance of ensuring that Northern Ireland set tariff levels appropriate to local requirements rather than adopting the GB tariffs. Several respondents suggested that the small scale FIT should not be introduced before closure of the NIRO in 2017.

Whilst agreeing, one respondent stated the need to balance support to avoid long term subsidisation of unduly expensive forms of generation. Several stressed that socialisation of costs needs to be a factor in any new scheme. And one respondent suggested that DETI needs to take account of the FITs review underway in GB when designing a NI scheme.

### Post consultation decision

DETI's draft consultation on policy proposals for an Energy Bill, published on 19 June 2012, included proposals for introducing small scale feed-in tariff (FIT) powers. The Bill will provide a framework only for small-scale FIT powers and the legislation will not deal with the question of tariffs for different types of renewable generation. This will follow in subsequent secondary legislation.

Work is now starting which will consider those technologies to be supported, future changes to technology costs, deployment levels and expected contribution to the 40% target. We will keep stakeholders updated as this work progresses.

**Q12. Do you agree that the institution which will administer the FIT CfD should operate on a UK-wide basis?**

Of the 31 responses on this question, 27 were supportive of administration on a UK-wide basis. Reasons cited for supporting UK-wide administration include the need to ensure socialisation of costs across all UK consumers, UK-wide administration has worked well for the NIRO and more cost effective to administrate.

Others, whilst agreeing with a UK-wide institution, had reservations around how it would work in the SEM, National Grid's proposed role in administering CfDs for Northern Ireland generation and any possible impact on Republic of Ireland consumers. A number of respondents also stated that any UK-wide administration must still take account of regional variations, be knowledgeable of the SEM and allow Northern Ireland to continue to set its own tariff levels.

Four respondents stated a preference for administration in Northern Ireland. Reasons given included the need for administration by staff with knowledge of the SEM and the need for direct oversight by the Utility Regulator with relevant funding arrangements in place between the NI and GB administrators.

**Post consultation decision**

**The Minister's statement of 22 May 2012 confirmed that administration of the Feed in Tariff with Contracts for Difference in Northern Ireland will be undertaken as part of a UK-wide system by National Grid (the GB system operator). Work is underway to identify the information which will need to be provided to National Grid, particularly in relation to provision of information to help set and check the strike prices for the Northern Ireland contracts. We do not believe that a separate Northern Ireland-administered scheme is more beneficial or cost effective than a UK-wide scheme.**

**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?**

Of the 25 responses to this question, 21 agreed with the proposal. Supporting arguments were based on the need to maintain parity with Great Britain, it strengthens the argument for UK-wide socialisation of costs and also cost effectiveness. One respondent stated that the Northern Ireland Assembly must retain powers to set appropriate tariff levels and legislation must clarify the role of the System Operator and system design. There should also be greater harmonisation with the REFIT scheme in the Republic of Ireland.

Those disagreeing stated that the powers should be in a Northern Ireland Assembly Bill and should be legislated for locally in parallel with the need to take the powers for a small scale Feed In Tariff. But costs must still be socialised across the UK.

## Post consultation decision

The Northern Ireland Executive has approved those Electricity Market Reform proposals which will extend to Northern Ireland. It has also approved the request by the DETI Minister to seek the endorsement of the Northern Ireland Assembly by means of a legislative consent motion for those policies in DECC's Energy Bill to extend to Northern Ireland. This will be taken forward following introduction of DECC Energy Bill in November 2012.

The Northern Ireland Executive has reached agreement with DECC that before UK Ministers set strike prices for the UK, the consent of Northern Ireland Ministers will be sought for prices in Northern Ireland. Costs will be socialised across UK consumers. If Northern Ireland Ministers could not consent to proposed strike prices, then there would be a mechanism for strike prices for Northern Ireland to be determined by Northern Ireland Ministers. If this were the case, any additional costs due to differential strike prices in Northern Ireland would be met by Northern Ireland consumers.

Separate incentive mechanisms already exist within the SEM, namely the NIRO and the REFIT. We have secured commitment from DECC that the costs of the FIT CfD in Northern Ireland will be socialised across all UK consumers, minimising the burden on Northern Ireland consumers. The costs of an all-island scheme would have to be met from a much smaller consumer base, resulting in increased costs to consumers in both jurisdictions.

## **Responses on wider RO consultation issues**

The DETI consultation focussed on those proposed changes to banding levels unique to the Northern Ireland Renewables Obligation. However, consultees were encouraged to read the consultation published by the Department of Energy and Climate Change (DECC) which included proposals on UK-wide banding proposals across a range of technologies:

### Onshore wind

Most responses to the proposal to reduce the 1 ROC to 0.9 ROCs for large scale onshore wind (above 5 MW) were against the reduction. A number of respondents suggested that the reduction would have an adverse impact on meeting Northern Ireland's target of 40% electricity consumption from renewable sources by 2020.

Several respondents stated that the proposed reduction, combined with proposed curtailment and constraint factors in the SEM will seriously impact on wind projects. Commenting further on the Single Energy Market Committee (SEMC) consultation paper SEM-12-028 entitled *Single Electricity Market Treatment of Curtailment in Tie-Break Situations*, some respondents stated that remuneration should be based on availability rather than output as a solution to future curtailment and constraint issues.

One respondent did support the proposed reduction for onshore wind.

## Post consultation decision

**The level of support for onshore wind will be reduced to 0.9 ROCs/MWh for new accreditations and additional capacity added in the banding review period (1 April 2013 to 31 March 2017).**

In recognition that there is a risk that costs could continue to fall more or less swiftly than expected in the future, the UK Government has committed in the RO response to undertake a call for evidence, which is expected to start in September 2012. This call for evidence will examine onshore wind generation costs, alongside the other elements of levelised costs. Levelised costs represent the sum of all lifetime generation costs, including capital, financing and operating costs in relation to the amount of lifetime electricity generation. The call for evidence will also examine how local communities can have more of a say over, and receive greater economic benefit from, hosting onshore wind farms. **This call for evidence will extend to Northern Ireland** as we will want to ensure that any circumstances unique to Northern Ireland are considered.

If the findings of the call for evidence show that one or more of the statutory grounds for a further review exists, for example that there is a significant change in the levelised costs of onshore wind, an immediate review of support levels will need to be initiated. Any new arrangements arising from a review would not take effect before April 2014. The policy on grandfathering will not change: meaning that support levels for onshore wind turbines that are already accredited under the RO before the date of the implementation of a review would not be affected.

We would also expect to protect from a fall in support levels those projects where significant financial commitments had been made. For example, support levels would be held for consented projects with a pre-existing grid connection and turbine order in place, or potentially those which had otherwise invested a significant proportion of total development costs. In the event of a review of onshore wind rates, there would be a public consultation on the detail of a grace period provision following these principles. Implementation would be subject to State Aid approval.

In any review of support levels (whether resulting from the call for evidence or ongoing monitoring of renewables costs) the tried and tested process of public consultation will be followed.

## Advanced Conversion Technologies - (Gasification and pyrolysis)

Several responses were received on the proposal to replace the standard and advanced gasification and pyrolysis bands with two new ACT bands. In disagreeing with the proposal, respondents made reference to the small size of the Northern Ireland market and impact this would have on the economics of plants here which would move from 2 ROCs to 0.5 ROCs.

It was also stated that no municipal waste project could meet the new definition for advanced ACT Rationale for the definition changes and assumptions made by Arup were also challenged. One response suggested that the proposal was a major shift from the 2009 changes which introduced banding and the proposals

failed to understand the long lead in times for public procurement projects. However, there was also support for the proposals. One respondent supported for the proposals to introduce two new ACT bands (standard and advanced) and the associated new eligibility criteria for each.

#### Post consultation decision

The DECC RO consultation response confirms that, in the light of the consultation responses across all three ROs, it has been decided to introduce a single band for new ACT generating capacity. The proposal to introduce separate 'advanced ACT' and 'standard ACT' bands has been dropped. Support under the ACT band will be 2 ROCs/MWh for new accreditations and additional capacity added in 2013/14 and 2014/15, reducing to 1.9 ROCs/MWh for new accreditations and additional capacity added in 2015/16 and 1.8 ROCs/MWh in 2016/17. Further detail can be read in the DECC RO consultation response.

#### Energy from Waste

One respondent disagreed with the proposal to give ROCs for enhanced co-firing of coal fired conventional generators burning 15% biomass yet Energy from Waste without CHP receives no ROCs.

#### Post consultation decision

Revised analysis undertaken following the RO consultations has concluded that EfW with CHP requires around 1 ROC/MWh to be economically viable. **Given the revised evidence and the desire to increase deployment of EfW CHP, it is intended to maintain support at 1 ROC/MWh.**

#### Hydro

One respondent questioned the ARUP assumptions regarding large scale hydro and the proposal to reduce the ROC level from 1 to 0.5 ROCs (for above 5MW in NI). Supporting evidence was provided to counter the Arup assumptions.

#### Post consultation decision

**Having considered the responses to the consultation, the level of support for large scale hydroelectricity (i.e. above 5MW) has been revised up to 0.7 ROCs/MWh for new accreditations and additional capacity added in the banding review period (1 April 2013 and 31 March 2017)**

#### **Other issues raised by respondents outside of consultation questions**

- NI electricity tariff runs from October to September. Would be helpful if supplier obligation was published in June. Also helpful to have an indication of likely obligation level in future years.

- Several identical responses made a case for support for 100% bioliquids to be set at 4 ROCs and for fossil-derived biodiesel at 3 ROCs.
- Several identical responses used the consultation to disagree with the Onshore Renewable Energy Action Plan (OREAP) concerns that rapid growth in AD and small scale wind will put a strain on the 11kW distribution network.
- One respondent suggested that Article 34 of the NIRO Order stipulating that a generator will only be eligible for ROC support if it contracts with a supply business with sufficient customer demand in NI is anti-competitive. It was argued that this gave the incumbent supplier an unfair advantage.

Table 1

## Existing, proposed and confirmed ROC/MWh levels from 1 April 2013

Technology	Current 2012/13	Consultation proposal	Confirmed ROC levels			
			2013/14	2014/15	2015/16	2016/17
Advanced Conversion Technologies (pyrolysis and gasification)	Advanced: 2 Standard: 1	Advanced: 2 Standard: 0.5	2	2	1.9	1.8
			One ACT band supporting 'standard' and 'advanced' ACTs at the same ROC level			
Anaerobic digestion (≤ 500kW)	4	4	4	4	4	4
				Banding levels from 2014/15 subject to further review		
Anaerobic digestion (500kW – 5MW)	3	3	3	3	3	3
				Banding levels from 2014/15 subject to further review		
Anaerobic digestion (above 5MW)	2	2 in 2013/14 and 2014/15; 1.9 in 2015/16 and 1.8 in 2016/17	2	2	1.9	1.8
Biomass conversion	No current band	1	1	1	1	1
			New band. Unit by unit approach. No energy crops uplift. Change in definition of relevant fossil fuel generating station			
Biomass conversion with CHP	No current band	1.5	1.5	1.5	Close band to new accreditations from 1 April 2015	
			New band. Unit by unit approach. No energy crops uplift. Change to definition of relevant fossil fuel generating station.			
Co-firing of biomass (standard)	0.5	0.5	Solid and Gaseous biomass (less than 50% biomass co-fired in a unit):			
			0.3 (Proposed)	0.3 (Proposed)	0.5	0.5
			Bioliquids (less than 100% biomass co-fired in a unit):			
			0.3 (Proposed)	0.3 (Proposed)	0.5	0.5

Technology	Current 2012/13	Consultation proposal	Confirmed ROC levels			
			2013/14	2014/15	2015/16	2016/17
			Unit by unit approach. ROC levels in 2013/14 and 2014/15 subject to further consultation			
Co-firing of biomass (enhanced)	No current band	1	Mid-range co-firing (50-84%):			
			0.6	0.6	0.6	0.6
			High-range co-firing (85-99%):			
			0.7	0.9	0.9	0.9
			New band. Unit by unit approach. Excludes bioliquids (other than energy crops). Cost control mechanism to be introduced, subject to consultation.			
Co-firing of biomass with CHP (standard)	1	1	0.5 ROC uplift in addition to prevailing ROC support available to new accreditations until 31 March 2015.		Unit by unit approach. Close band to new accreditations from 1 April 2015	
Co-firing of biomass with CHP (enhanced)	No current band	1.5	0.5 ROC uplift in addition to prevailing ROC support available to new accreditations until 31 March 2015.		New band. Unit by unit approach. Close band to new accreditations from 1 April 2015	
Co-firing of energy crops (standard)	1	1	0.5 ROC uplift in addition to prevailing ROC support for co-firing of biomass (standard). No uplift available for mid-range or high-range co-firing. Band to be closed, subject to consultation. Unit by unit approach. Changes to definition of energy crops.			
Co-firing of energy crops with CHP (standard)	1.5	1.5	0.5 ROC uplift in addition to prevailing ROC support for co-firing of energy crops (standard). Band not available for mid-range or high range co-firing.		Band to be closed, subject to consultation. Unit by unit approach. Changes to definition of energy crops. Close band to new accreditations from 1 April 2015.	
Dedicated biomass	1.5	1.5	1.5	1.5	1.5	1.4
			Introduction of a supplier cap, subject to consultation.			
Dedicated energy crops	2	2 in 2013/14 and 2014/15; 1.9 in 2015/16 and 1.8 in 2016/17	2	2	1.9	1.8
			Changes to the definition of energy crops			

Technology	Current 2012/13	Consultation proposal	Confirmed ROC levels			
			2013/14	2014/15	2015/16	2016/17
Dedicated biomass with CHP	2	2 in 2013/14 and 2014/15	2	2	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	2	2	1.9	1.8
			Changes to the definition of energy crops			
Energy from waste with CHP	1	0.5	1	1	1	1
			Decision to retain support at current level following consultation			
Geothermal	2	2 in 2013/14 and 2014/15; 1.9 in 2015/16 and 1.8 in 2016/17	2	2	1.9	1.8
Geopressure	1	1	1	1	1	1
Micro-generation (excl. AD, onshore wind, hydro, solar PV)	2	2 in 2013/14 and 2014/15; 1.9 in 2015/16 and 1.8 in 2016/17	2	2	1.9	1.8
Hydro (≤ 20kW)	4	4	4	4	4	4
				Banding levels from 2014/15 subject to further review		
Hydro (>20kW – 250kW)	3	3	3	3	3	3
				Banding levels from 2014/15 subject to further review		
Hydro (>250kW – 1MW)	2	2	2	2	2	2
				Banding levels from 2014/15 subject to further review		
Hydro (>1MW – 5MW)	1	1	1	1	1	1
				Banding levels from 2014/15 subject to further review		
Hydro (>5MW)	1	0.5	0.7	0.7	0.7	0.7

Technology	Current 2012/13	Consultation proposal	Confirmed ROC levels			
			2013/14	2014/15	2015/16	2016/17
Landfill gas (open sites)	1	1 in 2013/14 and 2014/15 (closed thereafter)	1	1	Band closed	
Landfill gas (closed sites)	No band		1	1	0.2	0.2
Landfill gas (New band for Waste Heat to Power for open and closed sites)	No band	No band	0.1	0.1	0.1	0.1
Onshore wind (≤ 250kW)	4	4	4	4	4	4
				Banding levels from 2014/15 subject to further review		
Onshore wind (>250kW - 5MW)	1	1	1	1	1	1
				Banding levels from 2014/15 subject to further review		
Onshore wind (Above 5MW)	1	0.9	0.9	0.9	0.9	0.9
				Banding levels from 2014/15 subject to further review		
Offshore wind	2	2 in 2013/14 and 2014/15; 1.9 in 2015/16; 1.8 in 2016/17	2	2	1.9	1.8
Sewage gas	0.5	0.5	0.5	0.5	0.5	0.5
Solar photovoltaic (up to 10kW)	4	5	4	4	4	4
				Banding levels from 2014/15 subject to further review		
Solar photovoltaic (>10kW to 50kW)	4	4	4	4	4	4
				Banding levels from 2014/15 subject to further review		
Solar photovoltaic (>50kW to 5MW)	2	2	2	2	2	2
				Banding levels from 2014/15 subject to further review		
Solar photovoltaic >5MW	2	2 in 2013/14 and 2014/15; 1.9 in 2015/16; 1.8 in 2016/17	Subject to consultation			

Technology	Current 2012/13	Consultation proposal	Confirmed ROC levels			
			2013/14	2014/15	2015/16	2016/17
Tidal impoundment - tidal barrage (<1GW)	2	2 in 2013/14 and 2014/15; 1.9 in 2015/16 and 1.8 in 2016/17	2	2	1.9	1.8
Tidal impoundment - tidal lagoon (<1GW)	2	2 in 2013/14 and 2014/15; 1.9 in 2015/16 and 1.8 in 2016/17	2	2	1.9	1.8
Tidal stream	2	5 (moving to 2)	5 up to a 30MW project cap. 2 ROCs above the cap			
Wave	2	5 (moving to 2)	5 up to a 30MW project cap. 2 ROCs above the cap			

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Air Core  
Anaerobic Digestion and Biogas Association  
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Ballymena Borough Council  
Blakiston Houston Estates  
Bord Gáis Energy  
British Hydropower Association  
Chartered Institute of Waste Management (CIWM)  
EDF Energy  
Eirgrid Group  
Emerald Isle Recycling  
Endesa Ireland  
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ESB Wind Development  
Evermore Renewable Energy  
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Marine Current Turbines  
Michael Coyle  
NIE Energy  
Northern Ireland Environment Link  
Northern Ireland Federation of Housing Associations (NIFHA)  
Northern Ireland Renewables Industry Group (NIRIG)  
North West Region Waste Management Group (NWRWMG)  
Plan Energy Consulting  
Power NI  
PWC  
RBF Wind Energy Ltd  
RES

Renewable Energy Association  
Renewable Energy International Ltd  
SBS Waste Partnership  
Scottish Power  
SWaMP2008  
SSE renewables  
tci renewables  
Tughans  
Ulster Farmers Union  
Wood Panel Industries Federation

Non-confidential responses can be viewed at  
[http://www.detini.gov.uk/responses\\_to\\_consultation\\_on\\_proposed\\_changes\\_to\\_t  
he\\_northern\\_ireland\\_renewables\\_obligation\\_niro](http://www.detini.gov.uk/responses_to_consultation_on_proposed_changes_to_the_northern_ireland_renewables_obligation_niro)



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