

14 September 2012

Sustainable Energy Branch
Department of Enterprise, Trade and Investment
Room 44
Netherleigh House
Massey Avenue
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ENERGY BILL – POLICY CONSULTATION

The Ulster Farmers' Union (UFU) is the largest farming organisation in Northern Ireland representing over 12,500 farming families and we welcome this opportunity to respond to this policy consultation on the proposal for an Energy Bill for Northern Ireland.

The UFU has been calling for the introduction of a Northern Ireland Energy Bill since 2009 and this has been recorded on many of our consultation responses during this time. We felt that without an Energy Bill specific to Northern Ireland, the renewables sector would be held back, leaving ourselves at a competitive disadvantage to our neighbours, as well as making it increasingly difficult to develop the sector in the future. In addition, an Energy Bill could allow Northern Ireland Assembly to make devolved decision with having to tag along with DECC initiatives.

It is only in the last decade that farmers and landowners became small scale energy suppliers, through small scale renewable generation. Traditionally agriculture does not supply energy in any significant quantities nor import, but would be intensive users of energy.

Broadly speaking, the UFU believe that the NI Energy market will be enhanced by the introduction of an Energy Bill specific to Northern Ireland.

Chapter 2 – Energy Efficiency Measures

In light of our energy usage in day-to-day farming we would like to take this opportunity to highlight the significant progress we have made in tackling energy efficiency.

The Ulster Farmers' Union has been an advocate of a voluntary approach to tackling Climate Change rather than introducing specific legislation. Following discussions with the Industry Advisory Panel (IAP), DARD established an internal Steering Group during 2009. In 2010 DARD established a Greenhouse Gas Stakeholder Group (consisting of CNCC, CONFOR, DAIRY UK, DARD, IAP, LMC, NIAPA, NIGTA, NIMEA and the UFU).

The Group had the remit to develop a range of primary production focused mitigation measures based on available scientific evidence. This was seen as a first step in reducing carbon intensity in the agriculture sector. This work cumulated in the publication of the Greenhouse Gas Reduction Strategy and Action Plan in 2011. The plan promotes and encourages the adoption of technical efficiency to improve farm business performance and reduce greenhouse gas emissions.

In light of this, agriculture is committed to a specific energy efficiency framework and this should be taken into consideration freeing our industry from any obligation which may be set out from any legislation resulting from this consultation.

Chapter 3 –Small-scale feed-in tariffs

3.1 Do you agree that framework powers for a small scale (below 5MW) FIT incentive mechanism should be included in the Energy Bill? If not, please give detailed reasons.

The UFU is supportive of the concept of an incentive scheme for small scale renewables such as Feed-In Tariff. However, whilst we appreciate that this is “framework only” at this stage, the UFU wishes to reserve judgement on any NI-specific FIT until the actual detail has been devised and consulted upon.

There are several points the UFU wish to record at this early stage.

- i. **Need for an NI-specific FIT for small scale renewables** – NI energy market widely different to that in GB and this needs to be taken into consideration when considering the structure and make up of the new FIT
- ii. The UFU have concerns that the NI small-scale FIT will be “aligned with the equivalent GB mechanism”. At the DETI Stakeholder event on 7 September, DETI stated that they have noted the mistakes in GB in relation to introducing small scale FITs and made a commitment that they will take these into account when considering the detail for Northern Ireland. The UFU would urge that the Department take these into account and do not make the same mistakes as those made in GB.
- iii. **Actual design** – During the consultation which will set out the design option, the UFU would urge that consideration is given to the permutations which characterise Feed-in Tariffs; choice of fixed tariff or premium tariff; choice of stepped tariff or flat tariff and choice of tariff setting and adjustment mechanisms. For example, consideration would need to be given to the two types of variations of fixed tariff; fixed tariff without demand orientation and demand orientated fixed tariff.
- iv. **Funding** – Who will pay for the new scheme? The proposed mechanism will need to be funded across the whole of the United Kingdom, not just in Northern Ireland. Our energy market is distinctly different to that in GB and this will need to be considering when looking at a small scale FIT for NI.
- v. **What will the aim of the small scale FIT be?** A distinction needs to be made between fossil fuel-use reduction and uptake of renewable energy. The NIROCs have undoubtedly incentivised the uptake of renewables in Northern Ireland but there is a belief that with fossil fuel reliance has not been greatly reduced, with power stations still relying up these stocks as back-up.
- vi. **Cross over period between introduction of a small-scale FIT and the ending of NIROCs on 31 March 2017.** The UFU are seeking assurances that the new FIT will be in place before the ending of NIROCs in 2017. Any gap could have an adverse impact upon NI renewables.

Chapter 4 - Duties and Obligations of the Department and the Utility Regulator in respect of sustainability

4.1 Looking at the current duties and objectives of the Department and the Utility Regulator set out in Annexes A-D, do you consider that we have the right balance to take us into the future?

In conjunction with Chapter 6 (Gas Storage Provisions), the UFU has reservations about the proposal to change the consenting role from the Utility Regulator to DETI for the construction of a major gas pipeline and gas storage facility. By moving the consenting role for major capital investment projects such as this there is a danger that regulatory functions could be compromised; consumer protection, security of supply etc. The electricity market is subject to stringent regulatory obligations especially when capital investment is involved and the UFU would ask the question why is the gas market different?

4.3 The Department welcomes any other comments or suggestions for the improvement of Utility Regulator's own duties and objectives, with the caveat that wording introduced by the European Third Package legislation cannot be unpicked at Northern Ireland level.

- Why promotion rather than protection? Could it not be both?
- Independence of Utility Regulator – the UFU queries how a non-departmental organization such as the Utility Regulator could be truly independent when they employ ex employees of the monopoly transmission and distribution organization in Northern Ireland.

4.4 What are your views on the proposal to introduce a new statutory objective on renewable heat for the Department?

UFU continues to believe that there is a bias in favour of rolling out natural gas at the detriment of renewable heat. Our reasons for this have set out in previous consultation responses. The query here again concerns the use of the word promotion and not protection. In other words, the promotion of the extension of the natural gas network seems to take precedence over other alternatives. This expanded upon later in the Consultation.

Chapter 5 - The transfer/assignment of energy licences

The UFU would welcome any proposal which would make it easier for small scale generators to sell their electricity directly to consumers. The feeling amongst our members on the ground is that as far as electricity is concern, the transfer of a licence should be permitted (as is allowable) with gas, as this could ease the ability to sell direct to consumers. In addition, the UFU would welcome the additional provisions in GB being replicated across electricity and gas in Northern Ireland.

Chapter 6 – Gas storage provisions

As stated in 4.4, there is much skepticism in Northern Ireland on how far the natural gas network could expand. The UFU mentioned this in our response to the Renewable Heat Incentive consultation on 3 October 2011. In this response, we questioned the likelihood of the gas pipeline reaching rural parts of Northern Ireland. A large food processing plant in Dungannon has installed a large scale AD plant, this could be taken as a signal that they do not expect natural gas to reach their factories anytime soon.

- In GB, from 2016 onwards, new-build properties will no longer be able to install gas boilers due to government carbon targets. There will be similar bans to follow for commercial new-build properties. So it begs to ask the question as to why DETI are pursuing the extension of a fuel which is already outdated in GB. It was 40 years ago that the “rush for gas” in GB was first mooted.

The DETI consultation does state that GB is now a net importer and NI does rely on the import of 100% of our natural gas needs. The UFU would question why a network should be expanded when there is

such a reliance upon imports when there is such political turmoil in generating regions, putting a major question mark under the security of supply argument behind natural gas.

A further concern noted by the UFU is that wholesale gas prices are rapidly rising and this will mean more expensive bills for local gas customers, no matter how far the network expands into Northern Ireland.

6.2 Do consultees concur with the Department's view that it may be more appropriate for the consenting role in respect of Article 35 (consent to construct major pipelines) and Article 37 (consent to construct a gas storage facility) to be transferred from the Utility Regulator to the Department, and that some updating of the provisions as described should be taken forward?

UFU has reservations about the proposal to change the consenting role from the Utility Regulator to DETI for the construction of a major gas pipeline and gas storage facility. By moving the consenting role for major capital investment projects such as this there is a danger that regulatory functions could be compromised; consumer protection, security of supply etc. The electricity market is subject to stringent regulatory obligations especially when capital investment is involved and the UFU would ask the question why is the gas market different? The UFU believes that the consenting role should be a joint decision made between the Department and the Utility Regulator.

There has been a large concentration of objection to UGS (Underground Gas Storage) plants in GB, mainly due to isolated incidents where gas actually escaped from plant. Already in Northern Ireland, we have seen the public hesitancy to similar storage units. In June 2012, there had been nearly 400 objections to the proposed gas storage facilities in Islandmagee and in light of such objections, the role of the Utility Regulator is needed maybe alongside DETI to protect neighbours and consumers.

Northern Ireland Energy Department

By way of a closing comment, the UFU would feel that whilst discussing the introduction of an Energy Bill for Northern Ireland, the time may be right to consider the creation of a specific Energy Department. With input to Energy policy being shared amongst multiple Government department, as already echoed by Lord Whitty in his report "Energising Northern Ireland", there is a need for a single department responsible for all energy matters.

Conclusion

The UFU is supportive of an Energy Bill for Northern Ireland. As far as Energy Efficiency is concerned, the farming sector has been pro-active in playing its part and will do so going forward. The UFU has reservations about the likelihood of an extended gas network, yet are supportive of the principle of a small scale Feed-In Tariff, as long as DETI take on board mistakes made in GB when they rolled out their own incentive scheme.

If you have any queries do not hesitate to get in touch.

Yours sincerely,

**CHRIS OSBORNE
SENIOR POLICY OFFICER**