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Renewable Electricity Branch
Department of Enterprise Trade and Investment
Netherleigh
Massey Avenue
Belfast
BT4 2JP

Dear Sirs,

CFD Implementation in NI-Strategic issues Discussion Paper May 2015

The Ulster Farmers' Union (UFU) is the largest farmer/land-owner representative with 12,500 members in Northern Ireland. As well as traditional farming, the UFU are the largest single representative of small-scale renewable energy/heat generators (<250kW) in NI, covering a wide range of other renewable projects including Wind, Anaerobic Digestion, Solar Thermal/PV and biomass (both feedstock production and generation).

We have read the above document and we would like to offer our view on the following paragraph in the discussion paper;

2.17 In relation to small scale renewables, DETI continues to discuss with DECC how Northern Ireland generators and suppliers can participate in the existing GB small scale Feed-In Tariff (FIT) following closure of the NIRO. A review by DECC of the small scale FIT is due to be undertaken during 2015 and DETI has received assurances that Northern Ireland's integration into the FIT will be considered as part of the review. The outcome of the review will not be known until the end of 2015 at the earliest. Further clarity cannot be provided until the outcome of DECC's review is known. DECC estimates that the total costs of the small scale FIT scheme in 2020 will add £14/year for GB consumers. It cannot be known at this stage what the cost to the NI consumer will be if NI joins the small scale FIT but it is anticipated that it would be no more than the cost to the GB consumer.

UFU Policy Position

The UFU are very concerned at the uncertainty generated by this paragraph. Should a decision be made to not replace the NIRO with a support mechanism, this will spell the end for the small scale renewables sector in Northern Ireland. In the following response we will set out our concerns with a detailed explanation as to why we are of this opinion;

- **Government Policy and Targets**

UFU Position - The UFU urge DETI to reaffirm its support for the 40% target.

The Strategic Energy Framework when it was launched in 2010, set out the specific needs for these targets including; building competitive markets, ensuring security of supply, enhancing sustainability and the development of our energy infrastructure.

Back in 2010, DETI set out the target of 40% on Northern Ireland electricity to be generated from Renewable sources by 2020. At the end of 2014, NIRIG have estimated this to be 20%. This has been achieved by a stable energy policy and despite the many barriers faced by landowners, the small scale (<250kW) single turbines popular with our members have played a role in progress to meeting this target, but as the figures suggest we are still some way to meeting the goal set by the NI Executive. Any move to remove this target will have inevitable consequences to the small scale renewables sector.

- **Building Competitive Markets** – the UFU would question whether there is a competitive market in the small scale renewables sector in NI, with the exception of the speculative third party companies wishing to lease sites for turbines. There is no sign as yet of a competitive market in terms of energy (NIAUR work on the Contestability of Connection being only at the consultation stage). Yet it is the grid connection problems which have beset the small scale sector which is partly to blame for this lack of development. Competitive markets only stand a chance of being developed if we have clear targets and a corresponding support mechanism for small scale renewables.
- **Enhancing Sustainability/On-Farm Energy Efficiency** - Whilst energy targets could be removed, the same cannot be said for those relating to carbon emissions. The UFU have repeatedly made the point that rather than legislate to reduce Greenhouse Gas emissions, the farming industry could do its part. This would be by reducing carbon emissions via better on-farm energy efficiency and the integration of small scale renewables would be one way to achieve and should the support mechanism be withdrawn, it would mean more red tape and legislation for a sector facing an already cumbersome level of bureaucracy. By local farms adopting on-farm renewables, they are developing a position of enhanced sustainability, with less reliability about energy derived from fossil fuel generation and the removal of a support mechanism will halt this move to energy sustainability.
- **Security of supply** - Northern Ireland is at risk of deficits from 2016 onwards in the event of a prolonged outage of a large generation plant or of the Moyle Interconnector. Single small scale renewables generators could play a key role in keep rural businesses connected in the event of any power cuts.
- **Development of our energy infrastructure** – judging by the problems experienced on the 11kV and 33kV lines, the energy infrastructure is far from developed in Northern Ireland. Problems experienced with voltage control and reverse power illustrate that action is needed. Whilst NIE Project 40 could be a solution, there is a need for this to be considered when RP6 is developed by NIE.

- **Grid Connection**

There are at least 400 grid connections applications (those which were once subject to “conditional offers”) now in a state of limbo, and this backlog only stands a chance of being cleared if progress is made in relation to the NIE-led Project 40 (managed non-firm grid connection). This possible way to avail of any additional grid capacity is proving to be a long shot, with no likely final outcome until late 2016/early 2017 at the earliest.

Traditionally the NI network is a ‘passive’ system, providing electricity from bulk supply transformers in distribution sub-stations to customers on the low voltage (LV) network. The Northern Ireland rural community relies upon this network which travails throughout our countryside. The reliance upon these lines is illustrated by the fact that in Northern Ireland there is approximately 3.5 times more overhead line per customer than the average Distribution Network Operator on the UK mainland.

Grid connection problems have meant that the Northern Ireland small scale renewables sector lags behind not only the larger scale commercial generators, but also our counterparts in GB. This should be taken into consideration when the future of supporting small scale renewables is discussed with DECC. Grid connection problems (the 400 outstanding grid applications) and the volume of applications which will materialise in the run up to 31 March 2017 will put a strain on an already under pressure NIE. UFU called for the extension in the proposed Grace Period as some way to relieve this anticipated pressure.

- **Upfront Capital Costs**

The UFU have concerns that DECC may lump the smaller single turbines with those operating in onshore wind farms and that they may be of the opinion that, as in GB, the upfront capital costs of small scale renewables is falling. This is not the case in Northern Ireland. The UFU is of the view that Removal of any support will mean that cost of investment will no longer be covered for most projects. This will be discussed further in the section below.

- **GB v NI Support Mechanisms**

The ROC system was introduced in 2002 in England and three years later in Northern Ireland. As a consequence, we are still lagging behind GB, both in terms of support and in the uptake of small scale renewables in Northern Ireland. (noted that FITs replaced ROCs in GB in 2010).

NIROC				GB FIT		
Technology	Size	Banding Level	Value (/kWhr)	Technology	Size	Value (/kWhr)
Solar PV	<50kW	4	16.32	Solar PV	<4kw	13.39
	50kW-5MW	2	8.16		4-10kW	12.13
					10-50kW	11.71
					50-100kW	9.98
					150-250kW	9.98
				>250kW	9.54	
Wind	<250kW	4	16.32	Wind	<1.5kW	14.45
	250kW-5MW	1	4.08		1.5kW-15kW	14.45
					15kW-100kW	14.45
					100kW-500kW	12.05
					500kW-1.5MW	6.54
				>1.5MW	2.27	
Hydro	<20kW	4	16.32	Hydro	<15kW	17.13
	20kW-250kW	3	12.24		15-100kW	16.03
	250kW-1MW	2	8.16		100-500kW	12.67
	1MW-5MW	1	4.08		500-2MW	9.90
				>2MW	2.70	
AD	<50kW	4	16.32	AD	<250kW	10.13
	50kW – 500kW	4	16.32		250kW-500kW	9.36
	500kW-5MW	3	12.24		>500kW	8.68
Export Tariff			5.10	Export Tariff		4.85

If you consider the table above;

- **Solar PV** - GB receive more support for capacity >50kW.
 - **Wind** – The largest difference is in the >250kW range, where GB generators receive higher support. These are the larger turbines which are often under public scrutiny, whereas the one relevant to the UFU are the sub 250kW single turbine installations. These are subject to higher capital costs and the financial support is needed to counter these higher costs. Up until 31 March this year sub 100kW turbines received 16.26/kW which is only 0.06/kW less than NI. These are the majority of the installations on NI farmers land, and means that for a long time, sub 250kW generators were on a par in NI and in GB.
 - **Hydro** – all bands are higher in GB than in Northern Ireland.
 - **AD** – this is where is the largest difference, with NI generators receiving more support. This difference could be explained by the fact that the AD sector in NI up until recently was vastly under developed compared to GB. Now, in 2015, there are 12 farm-based installations in Northern Ireland compared to 70 in England. This is looked at in further detail later in this paper.
 - **Role of Degression** – In GB, Feed in Tariff rates are regularly adjusted to reflect the costs of the technologies. As the technologies improve and the volume of installations increases the costs of installing should decrease. The tariff rates are intended to provide a rate of return of between 5% and 8%. Since the tariff scheme was introduced in GB, a total budget was introduced for the whole scheme which has meant the tariffs have been cut on a regular basis. The UFU would ask that a similar option could be considered in NI on the premise that we receive continued support for small renewables, assuming we achieve technological efficiencies and a reduction in installation costs.
- **EU's Commissioner for Climate Action and Energy Arias Canete**

EU Climate Change and Energy Commissioner Arias Canete, in a speech to a major conference to stakeholders at the end of March 2015, identified five main areas which will need to be addressed 5 key areas which needed to be considered in any future EU renewables policy;

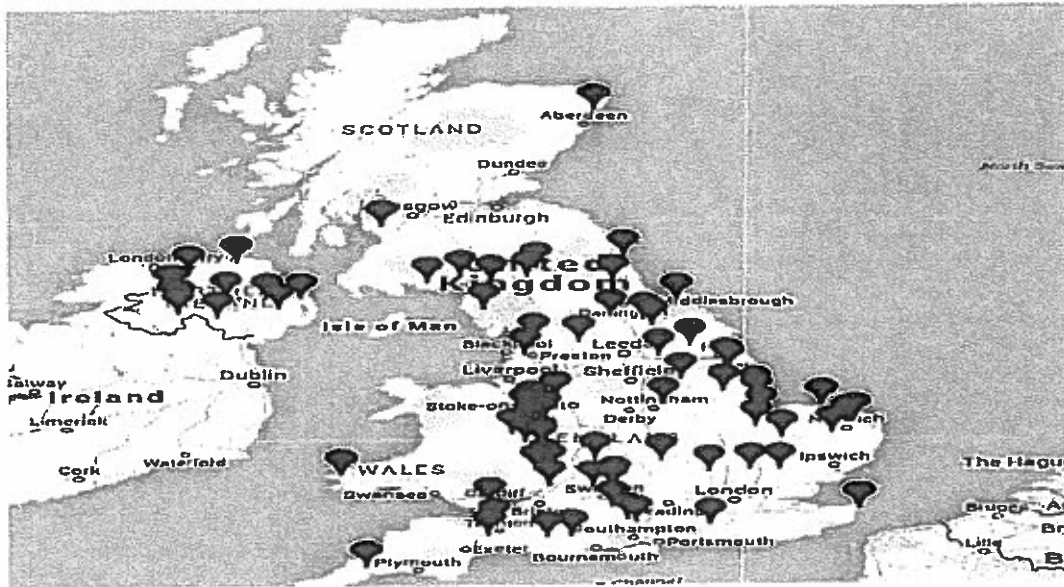
1. Decarbonising our economy with renewables
2. Investing in renewable research and innovation
3. Designing an internal energy market that works for renewables
4. Making energy efficiency and renewables work together
5. Secure supply of renewable energy.

Without any energy targets or support mechanism for small scale renewables, we will fail to meet these policy priorities and this will have inevitable consequences for small scale renewables in Northern Ireland.

Anaerobic Digestion in Northern Ireland

Unlike most parts of GB, NI has a limited time to spread farmyard slurry due to a 4 month closed period set out by the Nitrates Directive. In addition, the lack of available land for slurry application means that alternative methods need to be considered for the management of slurry and its disposal in Northern Ireland and AD is one such option.

The map below shows how NI is lagging behind GB in terms of adopting small scale on-Farm AD.



Source – biogas-info.org.uk

Without a support mechanism, the AD sector in Northern Ireland will not develop further. The 12 on-farm plants in NI are not ample to handle the volume of slurry on farms and the problems with slurry will continue and this will be a case of a missed opportunity.

The UFU are seeking a small scale AD solution for NI, namely sub 50kW capacity. This scale would use only feedstocks from the farm the unit is located. There are currently no sub 50kW AD units in NI. The problem lies that the economies of scale of geared towards the larger commercial AD plants and a support mechanism must be maintained to ensure that sub 50kW AD plants can be developed in our farming industry.

- **REVAL and the impact upon the local Small Scale Renewables**

The Non-Domestic Revaluation, known as REVAL, has resulted in the rateable value for renewable electricity generation (>50kW) increasing by significant amounts. Land and Property Services have made it clear that the change in the process, where “valuation by prescription” would be replaced by “valuation in line with Schedule 12” (where a “receipt and expenditure” method).

Last year a rates bill for a sub 500kW AD plant would have been c.£2k, the rates bill they received last month was £45,000. For wind turbines, UFU landowners have seen rates increase from £500 to £4,000 per annum. This change in rates policy, coupled with any plans to withdraw support for small scale renewables will see our fledging industry collapse.

The UFU are planning to meet the Finance Minister Simon Hamilton to discuss this.

- **Northern Ireland – a hub for small scale renewables**

Northern Ireland has some of the most sought after locations for small scale single turbines in the UK. In February 2013, the Invest-NI sponsored MATRIX Sustainable Energy Horizon Panel Report was issued and it ‘identified a compelling opportunity for Northern Ireland to take a leadership role in the development of distributed energy solutions and their integration into Intelligent Energy Systems through establishing itself as an International Reference Site to demonstrate the commercial scalability of these solutions to the global market, which is estimated to be worth £8 billion in 2018’.

In the absence of a target and any support mechanism for small scale renewables, this opportunity will be missed and the UFU would urge DETI to take this into consideration.

- **Impact on the Northern Ireland Economy** – NIRIG have estimated that the withdrawal of a support mechanism would mean a lifetime loss of £400m to the local economy. In addition it will leave Northern Ireland at a competitive disadvantage to GB.

Summary

The UFU are calling upon DETI to make the case for a continued support mechanism for small scale renewables in Northern Ireland, failure to do so will have dire consequences for the future of this fledgling sector. Should DETI and DECC reach a definitive decision on the principle of a support mechanism for small scale renewables in Northern Ireland, the UFU are seeking assurances on there being clarity and engagement with the industry as quickly as possible to ensure there is a seamless transition on 31 March 2017 so as to avoid any danger of a hiatus in investment in our sector.

We trust that you will take this information into consideration and if you have any queries feel free to ring on 028 90370222 to discuss further.

Yours faithfully,



Chris Osborne
UFU Senior Policy Officer