

29 July 2016

SEM Committee  
Aoife MacEville  
c/o Elaine Gallagher  
Commission for Energy Regulation  
The Exchange  
Belgard Square North  
Tallaght  
Dublin 24

Dear SEM Committee,

### **De Minimis Generation in I-SEM**

I am writing to you on behalf of the Ulster Farmers Union (UFU) to highlight our concerns in relation to the recent decision to charge the cost of capacity on the basis of gross demand, rather than net demand.

The UFU, with 12,500 members, is the largest land-owner/farmer representative organisation in Northern Ireland. Since 2005, many of our member have built and invested in single turbines (up to 250kW), Anaerobic Digestion, solar PV and biomass-based installations. In addition, many have entered into legal agreements with 3<sup>rd</sup> party companies, who rent sites off our members for single turbines and pay our members an annual rental.

We are strongly opposed to the decision which was circulated to the I-SEM Rules Working Group on Monday 11th July (updated on Wednesday 13th July). If implemented, this decision will negatively impact upon De Minimis generators. The UFU are calling upon the SEM Committee to remove or suspend this decision and thereby allow a proper consultation process to be carried out. It is imperative that this is accompanied by a detailed impact assessment which will be needed to assess the impact of the decision on the market.

The decision to charge the cost of capacity on the basis of gross demand, rather than net demand will have a detrimental impact on a large number of smaller generators, many of whom are UFU members as well as their suppliers in the electricity market. According to NIRIG there is currently c.19,000 one-off turbines (including microgeneration) installations which will be negatively impacted upon by this decision. In addition, this figure does not take into account other generation technologies such as biomass, Anaerobic Digestion etc. Hence our concern.

As far as the impact upon revenue is concerned, initial analysis has indicated that here could be a reduction of c.10% with possible further deductions in relation to Imperfection Charging. Many single turbine generators paid colossal grid connection costs (as much as £600,000) and such any revenue reduction could lead to many projects facing unachievable break-evens in their finance projections.

Further to this, a large number of De Minimis generators have entered into Power Purchase Agreements (PPAs) with supply companies on the basis of the revenue streams in the current SEM. Given the significant changes which this decision introduces, it is expected that many of these PPAs may have to be re-opened and the UFU would have concerns as to the impact upon contractual agreements.

In conclusion, in light of the decision to charge the cost of capacity on the basis of gross demand, rather than net demand, along with any material impact this will have on a number of small scale renewable projects in Northern Ireland, the UFU are calling for the SEM Committee to suspend this decision until such time that a proper consultation process and impact assessment is carried out. Furthermore, we are urgently request to meet with the SEM Committee to present a more detailed assessment of the decision and the impact that this will have for the sector we represent.

I trust that you will take this information into consideration and if you have any queries do not hesitate to get in contact with myself.

Yours sincerely,

**Chris Osborne**  
**Senior Policy Officer**