

Christopher Osborne

From: NIRO2015 <NIRO2015@detini.gov.uk>
Sent: 09 October 2015 09:24
To: Christopher Osborne
Subject: Consultation on Closure of the NIRO to new onshore wind in 2016 – Acknowledgement

RE: Consultation on Closure of the NIRO to new onshore wind in 2016

Thank you for your e-mail and comments in respect of the above-named consultation.

Regards,

ENERGY DIVISION

Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue

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Belfast, BT4 2JP

Please consider the environment - do you really need to print this e-mail?

From: Christopher Osborne [mailto:christopher@ufuhq.com]
Sent: 08 October 2015 14:26
To: NIRO2015
Subject: Closure of the NIRO to new onshore wind in 2016
Importance: High

Please find attached a copy of the UFU response to the above consultation. Please note that there is a hard copy in the post.

C

Chris Osborne
Senior Policy Officer
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**ULSTER
FARMERS'
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8 October 2015

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

Dear Sirs,

Closure of the Northern Ireland Renewables Obligation to new onshore wind in 2016

The Ulster Farmers' Union is angered and dismayed at the DETI decision to end the NIRO early.

With 12,500 members, the Ulster Farmers' Union (UFU) is the largest farmer/land-owner representative organisation in Northern Ireland. The UFU is also the largest single representative of small scale wind energy generators (<250kW) in NI, with many of our members having committed to a wide variety of renewable energy projects in recent years, including Wind Power, Anaerobic Digestion, Solar Thermal/PV and biomass (both feedstock production and generation) all of which complement existing farming practices.

- **Comment on DETI U-turn**

The UFU anger is understandable when you consider the clear about turn taken by the Minister in relation to RO support for renewable wind generation;

18 June 2015 - Department for Energy & Climate Change (DECC) in Westminster formally announced the Government's intention to close the RO early across Great Britain to new onshore wind generating stations from April 2016.

18 June 2015 – DETI Minister Jonathan Bell said in a DETI Press Release in reply to the GB decision to end their own RO scheme early “I want to make it clear now however that I do not intend to follow the Westminster government's policy to close the existing scheme (the NIRO) early. Onshore wind has made a valuable contribution to our renewable energy aspirations in Northern Ireland”.

30 September 2015 – DETI Minister Jonathan Bell launched a consultation which stated that DETI intended to close the NIRO.

The decision set out in the consultation is a clear U-turn and one which could breach legitimate expectation.

Legitimate expectation is where a public authority has distinctly promised to preserve existing policy for a specific person or group who would be substantially affected by the change, then ordinarily it must keep its promise (substantive expectation).

Content of Ulster Farmers' Union Response

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5. **Energy Policy Concerns**
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1. UFU Lobby Position – 2009 to Present

The UFU have made substantial lobby representation on the need for continued support for small scale renewables in Northern Ireland for the last 7 years and this is set out in the following timeframe.

15 October 2009 – DECC Consultation on Renewable Electricity Financial Incentives – In our response we said ; “The UFU believe that if the renewable generation of electricity is to move forward at this smaller scale, incentives need to be both longer and most importantly of all, guaranteed”.

17 February 2011 – UFU provided oral and written evidence to ETI Committee on barriers to the development of small scale Renewable Energy Development in Northern Ireland

20 January 2012 – DETI Consultation of Proposed Changes to the NIRO - In this consultation, DETI stressed that generators and investors alike are assured of long term support and hence proposed that the NIRO should be extended to 2037. It was the UFUs understanding from this that generation accredited over between 2013 and 2017 would receive 20 years of support. The UFU stressed that at the time of writing, the NIRO remained a very useful incentive tool for new renewable generation projects and should remain in place in its current form. It should be noted that this was the consultation when DETI mentioned that the NIRO could be replaced by a small scale Feed in Tariff.

12 September 2012 – DETI Energy Bill Consultation - In the UFU response to this consultation we highlighted the need for a cross over period between the introduction of a small-scale FIT and the ending of NIROs on 31 March 2017. We sought assurances that the new FIT will be in place before the ending of NIROs in 2017, highlighting that any gap in changeover could have an adverse impact upon the NI small scale renewable sector.

15 November 2012 – DECC Onshore Wind Call for Evidence - the UFU stressed that small scale wind generation (<250kW) needs to be separated from larger scale capacity. We highlighted the fact that onshore wind generation is seen as the least expensive form of renewable energy that can be produced at source. We stressed that it is imperative that small scale continues to receive support, on account of the very nature of the wind sector, namely its high capital/low marginal cost characteristic. We made the point that as far as the small sector was concerned, cost reduction in Northern Ireland is a huge challenge and one which is proving frustratingly deceptive on account of the very high grid connection costs. We also highlighted that smaller wind projects have a more obvious benefit to the local economy, namely community ownership which often results from single turbines being built in the countryside.

27 February 2013 – UFU provided evidence to the NI Assembly Environment Committee on their Inquiry into Wind Energy. We highlighted the fact that there were 686 planning application for small scale turbines awaiting a decision.

25 September 2014 – UFU gave oral evidence to the ETI Committee Electricity Policy Review – During this hearing, we highlighted that failure to connect to the grid would result in a £20m loss to the agriculture sector through committed planning/consultancy/wildlife survey charges.

10 April 2015 – DETI Consultation on the transition from NIRO to Contracts for Difference and Grace Periods - In this Consultation response, we stressed the need for a continued support for small scale renewables and any grace period should ensure a seamless transition from NIRO to its replacement.

4 May 2015 – DETI CFD Implementation in NI-strategic issues Discussion Paper – In our contribution to the discussion paper we voiced our grave concern at the uncertainty of this paragraph of the paper (2.17)

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.

We stated that should a decision be made to not replace the NIRO with a support mechanism would spell the end for the small scale renewables sector in Northern Ireland. We called on DETI to make the case for a continued support mechanism for small scale renewables in Northern Ireland.

We urged DETI and DECC to reach a definitive decision on the principle of a support mechanism for small scale renewables in Northern Ireland and sought 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 to another support scheme (ie small scale Feed in Tariff) so as to avoid any danger of a hiatus in investment in our sector.

7 July 2015 – UFU wrote to ETI Committee - SL1 Proposed Renewable Obligation Closure Order and Grace Period - In our letter to the Committee, we stated that we were gravely concerned at the mooted desire of some members of the Committee to press for the early closure of the NIRO in line with the decision in GB.

18 July 2015 – UFU article in Farming Life – We called for the NIRO Closure date for small scale wind remain unchanged for small scale wind and be accompanied by a Grace Period.

4 September 2015 – UFU wrote to ETI Committee - SL1 Proposed Renewable Obligation Closure Order and Grace Period – we repeated the above call and urged that the ETI Committee separated small scale from large scale wind generation.

5 September 2015 – UFU article in Farming Life – “UFU calls for continued support for small scale wind sector” - This article was written in response to the DETI announcement that NIRO payments would continue for non-wind small scale renewable generation until 1st April 2017 and be accompanied by a 12 month Grace period. But there was no clarification on small scale wind renewable generation, despite being 2 months after the ETI Committee hearing when they asked DETI staff to clarify position in relation to wind generation and the impact on consumer energy bills. The UFU asked for continued support for small scale wind, stressing that there was a danger that policy makers could decide to lump the two scales together when reaching a final determination in relation to the closure of the ROC payment system and we want to warn against this as it will have

grave consequences for the small scale sector. DECC in London had identified cost saving associated with closing support for large scale wind generation early. But the UFU made the case that any early closure for the NIRO would mean miniscule cost savings.

2. Situation facing UFU members

UFU members are currently at three stages in relation to connecting their small scale (<250kW) wind turbines to the grid;

Stage One – Those waiting for a decision on Planning Permission

Stage Two – Those with Planning Permission and waiting for a grid connection offer from NIE

Stage Three – Those with a grid connection offer but unable to connect due to lack of capacity at the sub-station.

On the basis of this statement by the Minister in June 2015, many would-be small scale developers, made financial decisions relating to their small scale wind projects. Many landowners would have seen this statement and decided to enter Stage Two and were waiting for a grid connection offer from NIE, had paid their Feasibility Study fee and NIE had 90 days to provide them with an offer to connect their turbine to the grid.

The DETI Consultation proposes that the eligibility date for wind projects (not connecting to clusters), will mirror the GB position and is therefore the date of publication of the document, in this case 30 September 2015.

This cut-off date will mean that several hundred UFU members (at all 3 stages mentioned above) will not be able to avail of the NIRO, many of these applicants have had their projects delayed due to problems beyond their control and these are set out below.

The decision set out in the consultation is a clear U-turn and one which could breach legitimate expectation.

The small scale renewables sector in Northern Ireland has been beset by problems and barrier ever since I came into this sector in 2009, grid connection being the most prevalent.

- Barriers and delays to the uptake of small scale renewables in Northern Ireland

o Planning Policy

Planning policy was a major barrier in the uptake of renewables in Northern Ireland. At one point 18 months ago, there were 686 wind turbine planning applications stuck in the planning system, many had been in the queue for over 3 years. Whilst the lifting of the planning permission requirement in mid August 2015, it will have held many applications back and meant that they will not meet the 30 September cut-off stipulated in the Consultation document.

o Grid Connection Problems

Since the very outset, the small scale wind sector has experienced immense problems connecting to the grid in Northern Ireland. In the first instance, there were massive grid connection costs and this was soon followed by capacity problems. As well as those currently awaiting a grid connection quote from NIE, we have at least 300 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.

3. UFU Consultation Response

UFU Request 1 – Defer the eligibility Criteria Date

In light of this, the Ulster Farmers' Union are writing to ask that you defer the eligibility date in NI for small scale (sub 250kW) onshore wind non-cluster connections from 30th September 2015 until 31st March 2016, and allow a two year grace period beyond this date to enable connections. The proposed 30 September 2015 compliance date is completely unacceptable given the many public and policy statements made by DETI. Farmers have invested on the strength of those promises and commitments.

- Small Scale Renewables and cost to the consumer

The UFU have repeatedly made the case to separate small from large scale wind generation.

One of the main reasons for the Ministerial announcement on early NIRO closure for wind generation is the additional cost to the consumer for keeping the NIRO open until 31 March 2017. The additional wind capacity generated during this time is 100MW, but the UFU want to highlight the breakdown between small and large scale. DETI have said that small scale wind accounts for 14 MW of this, in other words, a tiny proportion. The DETI consultation refers to an annual addition of £5 per domestic energy bill, if looking at small scale on its own, this would be dramatically reduced.

The UFU are calling on DECC and DETI to take this into consideration and allow a separate consultation for small scale wind generation.

UFU Request 2 - Separate Consultation for Small Scale (<250kW) Wind Generation

We believe that DECC have failed to understand the difficulties experienced by the small scale wind sector in Northern Ireland and not considered the lesser additional cost created by keeping the NIRO open until 31 March 2017 for sub 250kW wind generators.

What does the Consultation mean for the land-based sector?

As it currently stands, the decision to end the NIRO scheme for small scale wind will end up costing the local farming industry at least £20m through committed planning/consultancy/wildlife survey charges etc. Farm incomes are under enough pressure from falling global commodity prices. DETI needs to behave with honesty and integrity on this issue and give farmers a chance to secure the viability of their projects before closing the NIRO.

4. Small Scale Feed-In Tariff

15 October 2013 – UFU wrote to Olivia Martin in DETI requesting an update on the plans to replace the NIRO with a Small Scale Feed-in Tariff and this was the reply;

“Work to develop the small scale FIT continues. DETI hopes to publish later this month a study undertaken earlier this year which analysed the issues that need to be considered in adopting the GB FIT to the NI environment. Our original intent had been to introduce the FIT during 2015/16 however the legislative timescale and practical issues that need to be considered suggest that a more realistic timeframe is 2016/17 or a seamless move from the NIRO to FIT in 2017. The exact date has still to be decided”.

21 February 2014 – UFU wrote to Michael Blower at DETI requesting a further update as we were receiving a high volume of calls from UFU members requesting clarity on the future of support for small scale renewables projects;

Michael Blower said “Work is ongoing on the development of a small scale FIT for Northern Ireland and the powers for a FIT are being introduced in the forthcoming Energy Bill. It is the Department’s intention to introduce a small scale FIT in 2017 to coincide with the closure of the NIRO and DETI will hold a consultation prior to its introduction on issues such as the proposed tariff levels and technologies to be supported”.

Again, this calls into question the issue of “legitimate expectation”, especially when DETI clearly state “it is the Department’s intention to introduce a small scale FIT in 2017 to coincide with the closure of the NIRO”.

4 December 2014 – Having received more calls from members seeking updates on support for small scale renewables post 2017, the UFU wrote to Michael Harris at DETI seeking further information.

“In relation to the small scale FIT, we are in discussions with DECC on its planned review of the GB small scale FIT which is taking place in 2015. This review comes in the mid term of the GB FIT and will be undertaken in the context of the new Environmental Aid guidelines which issued from the EU earlier this year. At this stage, we do not know how much change will be made to the GB scheme and how NI could be integrated – incentive mechanisms are only workable if the costs are socialised across all UK consumers.

The UFU are currently speaking to our MEPs to query the impact of the new Environmental Aid guidelines on any future support for Small Scale Wind Generation in Northern Ireland.

Need for support – The UFU are on record stating that there is a need for a seamless transition from NIRO to some form of support for small scale renewables. During our meeting with DETI on 7 October 2015, John Mills said that the NIRO should not be seen as a means for a farmer to make money, the UFU believes that this comment is wide of the mark. Any future form of support does not need to match the current levels, rather it needs to be an incentive to allow a farmer to integrate renewable energy generation into their farm business to allow them to embrace innovative technologies such as micro-grid and storage solutions, leading to them improving energy efficiency in their businesses.

The UFU are once again calling for DETI to make the case for the continued support for small scale renewables, both at EU and UK level.

5. Energy Policy Concerns

We will look at energy policy from three perspectives (Brussels, London and Belfast) as this will have a bearing on our case for a 6 month extension to 31 March 2016.

i. EU Commission Renewable Energy Policy

The European Commissioner for Climate Action and Energy Arias Canete provided a speech on the new Renewable Energy Union in March 2015. During his speech, he set out how renewables fit into his vision for a sustainable energy and climate future stating that energy markets and grids have to be fit for renewables, not vice versa and that this has to be improved as a matter of urgency.

Mr Canete in his speech said that ‘good intentions count for nothing if we don’t get the policies right’ and this pretty much sums up what is wrong with DETI policy towards Small Scale Renewable Energy in Northern Ireland. Key policies are not working and action is needed if smaller scale renewables are going have a sustainable future in local agriculture.

ii. UK Government Energy Policy

The policy at Westminster is at best unclear and at worst contradictory in terms of Energy Policy. The following figures are a stark contrast to the cost savings which DECC has highlighted to justify the early closure of the RO scheme in GB. The IMF recently published data highlighting the difference between Fossil Fuel Subsidies and those paid to Renewables. The UK's fossil fuel sector received more than £26 billion in subsidies this year, which over £400 per citizen, which accounted for 1.4% of UK GDP, interesting to note that UK defence spending is 2.1% of GDP. The cost of supporting renewable energy in 2014/15 was £3.5 billion. In other words £22.5 billion less.

iii. NI Government Policy

The feeling within the UFU is that the NIRO was offered as a carrot to encourage the uptake of small scale renewable energy in Northern Ireland and despite assurances from the Minister, we feel that the u-turn instigated by the Minister, has pulled the rug from underneath the very farmers they purported to support. Furthermore, the revolving door tactic which we have seen within our devolved government is impacting upon the small scale renewable sector and the wholly inadequate 14 day deadline for consultation responses is an example of this.

6. A Costly Opportunity Lost

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'.

The early closure of the NIRO and lack of clarity on any future support mechanism for small scale renewables is putting this opportunity at risk. The UFU are at the forefront of leading the thinking on alternative methods of integrating small scale renewable technology onto their farms and it currently stands this will be another lost opportunity.

However, there is no getting away from the fact that our local farming industry stands to lose at least £20m on the back of this decision.

The UFU are calling for;

- **The deferral of the eligibility date in NI for small scale (sub 250kW) onshore wind from 30th September 2015 until 31st March 2016, and allow a two year grace period beyond this date to enable connections.**
- **Separate consultation for small scale wind**
- **Clarity from DETI on the introduction of future support mechanisms for small scale renewables and the need for DETI to make the case for the continued support for small scale renewables, both at EU and UK level.**

If you have any questions in relation to this consultation please give me a ring on 028 90370222.

Yours faithfully



Chris Osborne
Senior Policy Officer