



DB 20/4

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To: DETI Departmental Board

ENERGY DIVISION - RISK REGISTER

1. At the Departmental Board meeting held on 20 March, it was agreed that DETI Divisions would brief the Board on the Risk Register with a view to highlighting risks and challenges. It was further agreed that these briefings would commence at the April 2012 meeting when the Energy Division Risk Register would be considered.
2. As at end March 2012 Energy Division has five risks rated either as high impact/high likelihood or medium impact/high likelihood. In addition, for the quarter ended March 2012, three risks – Risk 11 (Wayleaves), Risk 12 (Renewable Heat) and Risk 17 (Insufficient Electricity generation capacity) have been de-escalated to Medium/Medium, High/Medium and High/Medium respectively. One new risk has been added in relation to Gas Network Extension and is currently rated as Medium/Low.
3. In relation to the five risks rated as High/High or Medium/High, the key points are as follows:
 - (a) **Risk 3: Failure to meet NI's 40% renewable electricity target, and 10% renewable heat target by 2020 (High/High)**

NIAUR plays a key role in achievement of the electricity element of this Strategic Energy Framework target. The regulatory price control process (RP5) is therefore a risk in that NIAUR may decide not to approve grid infrastructure requirements for renewable electricity. Likewise, but to a lesser extent, Electricity Market Reform (EMR) may well impact – as it is likely incentive rates may fall (in line with falling technology costs) when we move from the current Renewable Obligation Certificates (ROCS) support mechanism to a Feed-in Tariff/Contract for Difference (FIT/CfD) and small scale Feed-in Tariff.

Regarding renewable heat – high take up of the new Renewable Heat Incentive (RHI) will be needed to help attain the target – and at this early stage this is an unknown.
All action we can take across this risk is being taken.

(b) **Risk 4: Failure to implement EU Energy Directives (High/High)**

Escalated to High/High at quarter-ended 31 December 2011, given the hiatus in progress on the Common Arrangements for Gas (CAG) project. This is due largely to the Commission for Energy Regulation (CER) in the Republic of Ireland and the knock-on effect for compliance with the EU IME2 Directive. Remedial action is being taken by DETI and NIAUR – work on CAG has been suspended and all efforts are focused on achieving IME2 compliance by 1 July 2012.

(c)

Sensitive legal information redacted by the RHI Inquiry

(d) **Risk 10: Failure to deliver operational 2ND North-South interconnector by end 2012 (Medium/High)**

The extra capacity from the planned interconnector is critical to meeting the Executive's 40% renewable electricity target by 2020. Lack of a second transmission line is causing estimated costs of between £18-25m per year in the Single Electricity Market (SEM) due to transmission capacity constraints that restrict use of the most efficient generating plants in the market. Planning Appeals Commission inquiry was adjourned in March due to issues with NIE's environmental assessment. NIE is currently considering its response to concerns raised by objectors to avoid a Judicial Review. Resumption of inquiry depends on completion of this work. Energy Division has had ongoing liaison with DOE and NIE on impact of PAC hearing.

(e) **Risk 16: Failure to mitigate impact on NI of UK Carbon Price Floor Tax in 2011 Budget and Finance Bill (High/High)**

Engagement is ongoing with HMT on this matter as there is significant potential impact on NI-based generators. A detailed paper on the case for a NI exemption is with HMT. (HMT's initial view is that this is a UK-wide policy and differential regional rates are not appropriate and would be a State Aid issue). The Division has also been working with CBI, other key stakeholders and political interests to garner support for the NI position. Further detailed analysis is underway in relation to derogation options.

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