

To: Committee Members

From: Kate McCullough, Assistant Clerk

Date: 24 August 2012

Subject: **Update on Outstanding Energy Issues arising from Committee Meetings**

Background

1. Set out below are updates provided by the Energy Division on outstanding energy issues arising from Committee Meetings.

No.	Date	Committee Question	Response by the Energy Division
1	2.2.12	<p>In relation to the infraction proceedings by the European Commission on CAG;</p> <ul style="list-style-type: none"> a) members note that the Minister’s officials will contact the clerk to arrange a suitable time to brief the Committee; b) members agreed to obtain information on the latest date that the arrangements can be in place in order to avoid the possibility of a fine being imposed and on how soon the legislation is expected to come into effect. 	<p>Infraction proceedings are due to non-compliance on Gas Regulation 715/23009 (i.e. not CAG). The referral to the European Court has been suspended based on agreed compliance action. Necessary compliance measures have been put in place to meet the July timetable. These are separate to earlier compliance delivery via the CAG project. Compliance measures taken will remove this from court action.</p> <p>It is intended that a written briefing note will be provided for the Committee on CAG progress in the autumn following conclusions of current project work by the Regulatory Authorities on CAG later this summer, the exact timing will be dependent on the conclusion of the Regulatory authorities work. This briefing can include comment on the timetable for any necessary legislation.</p>
2	24.11.11	<p>In relation to the update on progress of the recommendations in the Renewable Energy Inquiry report members agreed to receive more detail on the proposal to organise a seminar on educating the financial sector on the long-term security of renewable energy and to obtain the Department’s views on the impact of a Feed-In Tariff on lender confidence in renewable energy projects</p>	<p>On 22 June the Department held a seminar on Electricity Market Reform which outlined the nature of the support going forward for renewable energy projects. The ETI Committee and representatives from the financial consultancies were invited.</p> <p>In terms of a small-scale Feed-In Tariff, it has been the view of a number of small scale generators in Northern Ireland that the fixed annual tariff offered by a FIT provides greater lender confidence. It is the Department's view that lenders will not just look at the mechanism used (i.e. the NIRO or FIT) but also the level of support offered. This, of course, must strike a balance between having an incentive level which encourages investment but at minimum cost</p>

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			<p>to the consumer.</p> <p>In terms of the proposed FIT with Contracts for Difference for large renewables, ensuring investor certainty and lender confidence is crucial and is why DETI is working closely with DECC to ensure that the new mechanism continues to give the same level of confidence provided by the NIRO.</p>

Way forward

In relation to response 1 - monitor the commitment to brief the Committee on CAG process in autumn.

In relation to response 2 – consider the responses from the NIRO Consultation by stakeholders on FIT.