

Date: 18th November 2021

Peter Hall
Committee Clerk
Committee for the Economy

Sent by email to
Committee.Economy@niassembly.gov.uk

RE: The Small-Scale Green Energy Bill.

Dear Mr Hall.

I am writing to you on behalf of EAI members on the proposed the Small-Scale Green Energy Bill. EAI supports the active role of consumers in the electricity market. The engagement of consumers is essential if we are to decarbonise the economy and society. Innovative, sustainable and customer-friendly solutions will increasingly have a key role to play in Ireland's low carbon transition. The growing threat of climate change, a more decentralised energy system and shifting supply and demand dynamics require a whole of society approach. Enabling and facilitating microgeneration is an important aspect to ensuring citizens can actively participate in Ireland's transition to a low carbon economy.

Microgeneration is already a significant feature of Northern Ireland's electricity system due to the support provided to micro-wind and micro-solar under the Northern Ireland Renewable Obligation (NIRO) scheme which closed to new entrants in 2017. It is important to note that Power NI already offer a regulated export tariff and other suppliers are free to do the same and compete should they wish. While, EAI welcomes the intention of the Small-Scale Energy Bill, we do not believe it would be an appropriate to seek to support microgeneration. We have outlined our reasons for this below.

There remain financial, market-based and regulatory issues in this area which should be addressed. This should be looked at as part of the NI Energy Strategy. This needs to consider the implications of the EU Electricity Directive and the role of microgeneration in reaching at least 70% renewable electricity by 2030 more broadly.

We believe it is critical that future microgen policy in Northern Ireland prioritises self-consumption and energy efficiency-first so that the maximum amount of the energy generated from micro-technologies is consumed onsite. This is where the true value lies for consumers. An over-emphasis on export could lead to perverse incentives to over-install in the hope of achieving maximum payments.

We do not believe it would be appropriate to impose an obligation on suppliers to offer a microgen tariff in the absence of a market-wide, microgen customer and market settlement arrangement based on real-time data. This market barrier needs to be addressed as part of a framework to efficiently enable the further development of microgeneration and to ensure existing generators are remunerated based on what is actually exported to the grid rather than deemed values/estimates. This can be best facilitated by smart meters. As we stressed in our submission to the NI Energy Strategy, we would encourage the Department for the Economy to carry out a Cost-Benefit Analysis as soon as possible to progress this.

Equity issues need to be addressed first and the potential impact on Network Tariffs before any mandatory obligation could be considered. While well intentioned, we fear that this Bill may be regressive, in that it would benefit those who can afford to install micro renewables whilst raising network costs for the general consumer, including those who cannot afford to install micro renewables. These equity issues and potential impact on network tariffs need to be considered as part of a wider approach to microgeneration.

The legacy of the NIRO scheme also needs to be factored in to ensure that double subsidisation is not an unintended consequence of policy decisions taken. Participating microgenerators receive generous supports under NIRO. The supports on offer led to a significant increase in the microgeneration particularly solar PV which stood at 1MW in 2011 and rose to 117MW by the time NIRO closed to new entrants in 2017. Care needs to be taken to ensure these generators do not receive additional subsidies unnecessarily.

The proposal to set a minimum tariff needs to be considered carefully. The trend in GB, Ireland and across the EU has been towards remuneration for export on a market-value approach which takes account of the value of exported electricity to the grid. We would favour this approach in keeping with what is on offer in GB and planned for Ireland with the Smart Export Guarantee and Clean Export Guarantee policies which facilitates a competitive approach. Under this approach, each supplier is free to set its individual CEG /SEG export tariff, subject to it meeting certain regulatory requirements and exceeding zero Euro cent/kWh or zero Pound pence/kWh.

We do not believe the setting of target for suppliers to procure a certain percentage of their supply from microgen will support new microgeneration. This proposal puts the emphasis on export rather than self-consumption and energy efficiency which we believe should be given priority. The target would not do anything to support the roll out of additional microgen technologies. To grow this or enable domestic consumers to overcome high upfront costs, then supports may be needed. An economic assessment should be undertaken to determine what may be required. We would note that the economic consultancy Ricardo produced a report for DECC in Ireland which shows a viability gap. In our view, exchequer funded grants would be the most straight forward way of supporting microgeneration and in keeping with consumer preferences.

The implications for the grid also need to be considered particularly given the volume of microgen currently on the system and its invisible and uncontrollable nature. NIE Networks should be asked to consider this. Designing microgen policy in a way that prioritises self-consumption can help reduce impact on the grid bearing in mind previous point about cost.



ELECTRICITY
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OF IRELAND

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dara Lynott', with a long horizontal stroke extending to the right.

Dara Lynott
CEO
Electricity Association of Ireland

Cc: Robert Deegan DECC