

## **REQUEST TO DfE FROM THE ECONOMY COMMITTEE**

At its meeting on 07 July Members discussed the introduction of the Small Scale Green Energy Bill.

Members agreed to forward to the Department for a detailed response outlining its views on the policy intent (attached).

## **RESPONSE**

While the objectives of the Bill are laudable I would not support its progression at this stage.

First, there are already mechanisms in Northern Ireland in place through which micro-generators can currently export excess generation to the grid in return for payment.

For instance, Power NI currently has a licence provision requiring it to establish arrangements for the purchase of electricity and associated benefits from micro-generators. The price that Power NI offers to micro-generators is approved by the Regulator on an annual basis. This currently stands at 4.59p/kilowatt hour. Details can be found on the Power NI website at <https://powerni.co.uk/products--services/renewablegeneration/microgeneration/>.

A number of other suppliers also offer tariffs to micro-generators in competition to the regulated tariff offered by Power NI. It is noted that most micro generators use agents and advisors to help them to sell their electricity and associated benefits (usually NIROCs and REGOs). Therefore, micro-generators already have a choice of more than one electricity supplier that they can choose to contract with and a route to market (albeit at a lower price than perhaps envisaged by the Bill).

Secondly, these arrangements are similar to the GB arrangement for its "Smart Export Guarantee" scheme for micro-generators which it introduced in January 2020 when replacing its existing Feed In Tariff scheme, which had a similar effect to that intended by the proposed legislation. It is noted that the format of the proposals are also similar to that of the Microgeneration Support Scheme Bill introduced to the Oireachtas in 2017 which subsequently fell due to the dissolution of Dáil Éireann in January 2020. Whilst aware of these proposals, neither has been designed with Northern Ireland circumstances in mind.

Thirdly, as the Committee will be aware, the Department is developing a new Energy Strategy for Northern Ireland, the overall aim of which is to achieve net zero carbon and affordable energy, with the overwhelming focus of placing the consumer at the heart of our energy future.

The Energy Strategy aims to reach net zero carbon emissions by 2050 while also maintaining affordability and security of supply for all energy consumers in Northern

Ireland. In that context therefore, all low carbon solutions (including renewable micro-generation, small-scale renewable generation, energy efficiency and largescale renewables) should be considered in the round.

The Bill is therefore premature and could result in the raising of electricity costs for the general consumer as the costs for any support schemes are ultimately passed on to them through their energy bills. In particular, there would be concerns around the distribution of the costs and benefits of the scheme between different groups of consumers, for example, those living in social housing complexes or tower blocks, who may not be able to install micro generation facilities, but would have to bear some of the costs for an incentive that the more able to pay are more likely to adopt.

It is not clear that these issues have been wholly and adequately assessed in the preparation of the Bill with the Explanatory and Financial Memorandum only appearing to consider the costs of administration.

Otherwise, should the Bill progress, there are a number of other important and complex issues that would need to be resolved. These include: -

- The need for State Aid approval in the context of NI Protocol;
- Impacts of the requirements under the Electricity Directive; and
- Impacts on the network by increased micro-generation capacity which is largely uncontrollable in system management terms

It is my conclusion therefore that legislating in advance of the Energy Strategy, and without a consideration of renewable energy support in the round, could result in sub optimal outcomes by requiring more expensive options in advance of full option analysis and costing.

**Reply prepared by: Joe Reynolds, Director of Electricity and Energy Consumers Division**

**Date: 17 August 2021**