Northern Ireland
Assembly

COMMITTEE FOR ENTERPRISE, TRADE AND INVESTMENT

OFFICIAL REPORT (Hansard)

Renewable Energy Inquiry

18 November 2010

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Alban Maginness (Chairperson)
Mr Leslie Cree
Mr Paul Frew
Mr Paul Givan
Mr William Irwin
Ms Jennifer McCann
Dr Alasdair McDonnell
Mrs Claire McGill
Mr Sean Neeson

Witnesses:

Mr David de Casseres	)	
Mr Billy Graham	)	Northern Ireland Electricity
Ms Bronagh Lunney	)	
Mr Joe Donaldson	)	
Mr Bryan Gray	)	Northern Ireland Manufacturing
Mr Richard Hogg	)	

The Chairperson (Mr A Maginness):

I welcome Billy Graham, David de Casseres and Bronagh Lunney to our Committee. We are very pleased that you have come along and look forward to hearing what you have to say. You have helpfully prepared a succinct and interesting briefing paper. We thank you for your written

response, which, likewise, was succinct and helpful.

Mr Billy Graham (Northern Ireland Electricity):

I am the chief operating officer for Northern Ireland Electricity (NIE). David de Casseres is NIE's director of transmission projects, while Bronagh Lunney is responsible for generation connections. With your permission, Chairman, I will summarise some of the points that we made in our paper and, perhaps, deal with some issues in a wee bit more detail.

The Chairperson:

That will be extremely helpful.

Mr Graham:

I have divided my presentation into two parts in order to deal separately with large-scale generation and small-scale generation. Large-scale generation relates to large wind farms — those with multiple turbines. Small-scale generation relates to one-off wind turbines that are located on farms, for example, and anaerobic digesters.

If the Department of Enterprise, Trade and Investment (DETI) target of 40% of Northern Ireland's electricity to come from renewable sources by 2020 were all to be delivered by wind, that would mean 1,700 MW to 1,800 MW of wind generation being connected. As we have outlined in the paper, our current position is that we have connected around 340 MW and around 25 wind farms. A further 176 MW is committed for connection. Applications are in progress for 174 MW. Therefore, a total of around 690 MW is in the process of being connected. A further 740 MW to 750 MW is in the planning process and awaits approval.

The renewables obligation certificate (ROC) mechanism drives interest. We have an obligation to connect applicants. There is a fair bit of debate on how best to meet the 40% target and what the different balances are between possible biomass generation and large-scale or small-scale wind generation. Our difficulty is that we have to respond to connections. If somebody applies to be connected, we have to make the offer to connect.

A couple of maps are included in our submission. The first map shows the distribution of wind farms that we know of — those that are in the process of being connected and those that are in planning. As Committee members can see, they are located in the west and the north. That is

where the network is least strong. It is at its strongest in the east, because the main generators are at Ballylumford and Kilroot, although there is also one at Coolkeeragh in the north. The 275 kV network is coloured red in that diagram. Those are the large tower lines. The network loops around Lough Neagh and is strongest in the east, with a spur up to Londonderry and the north-west. Therein lies one of the problems: the generation is located where the network is not as strong.

Members will also notice from the diagram that we have clustered the wind farms. Rather than try to build a separate line to every wind farm, which would have a big environmental impact, we tried to cluster those wind farms into groups so that we could build a substation locally, build short lines to the substation from each of the wind farms and then build one strong line from there to the network. We have agreed that with wind farm developers and are moving forward on that.

We have short-, medium- and long-term plans for grid investment to support the connection of renewable generation. Our short-term plan was aimed at getting the best out of the existing network through the use of new technology, such as new types of conductors. That has got us to where we are at now. Our medium-term plan is focused on the 110 kV network, which is mostly a wood pole network. When driving around the countryside, you may see two big poles with a long cross-arm that has conductors hanging from it: that is part of the 110 kV network. It tends to be easier to develop than a network consisting of pylons and towers. The medium-term plan is a combination of uprating existing circuits and building some new circuits.

The long-term plan means building two 275 kV infrastructures, on steel pylons, out towards the west and around the north of the Province. The second map roughly shows the network corridors that have to be reinforced. The routes for those lines are still to be defined, but, in trying to choose a route for a line, we have to balance technical performance, environmental impact and cost.

The medium-term plan —the work on the 110 kV network — will allow around 750 MW to 1,000 MW of renewable generation to be connected by around 2015. That amounts to around 20%, against the DETI target of 40%. The long-term plan will facilitate the remaining 20% and allow us to reach the 40% target if it is all to come from onshore renewables.

One challenge, which we see as a big barrier, is planning and consents. The new North/South electricity interconnector is a fundamental requirement in meeting renewables targets, because the problem is that, at any given moment in time, generation must match the load in the Province. There is no real storage mechanism for electricity at present, so generation must balance with load. The maximum demand in the Province is around 1,800 MW, but, on a summer night, it is around only 600 MW. If it is a windy summer night, and there is 1,500 MW or 1,600 MW of wind, it cannot be used, because there is nowhere for the power generated from it to go.

That becomes an easier problem to solve on an all-island basis, because the wind is not always blowing at the same time in the North as it is in the South. There is further interconnection between the South and Wales, and we will probably have to look at further interconnection with France in future. However, the difficulty with not having an interconnector is that wind farms cannot run. It will reach a stage at which it will not be economic for them to continue, because they will be curtailed so often.

We submitted our planning application last December. It has been referred to a public inquiry, and initial indications are that that may not be heard until late 2012. If similar delays occur with the long-term plan, the simple fact is that the 40% target for 2020 will not be met.

Funding for that grid investment must be agreed with the Northern Ireland Authority for Utility Regulation, as does all proposed investment by NIE. We are a monopoly, so we have to agree anything that we want to invest with the regulator. Nobody else is going to build a network out there, so we have to be regulated. The Utility Regulator represents the customers, and we need his approval for anything that we do.

We propose to spend between £200 million and £300 million on the grid over the next five years to facilitate the connection of renewable generation. That is the medium-term plan that I mentioned. That figure will rise to around £1 billion over the next 10 to 15 years. NIE will invest that money and get a return, agreed by the Utility Regulator, over 40 years. A similar model is applied to utilities in Great Britain. That money is then recovered from customers through their bills. In the strategic energy framework, DETI estimated that that would cost customers between £40 and £80 annually should we reach our target from onshore wind.

At present, the total price of a unit of electricity is around 14p or 15p, depending on the

supplier, and NIE gets between 2p and 2·5p of that to run the electricity network in Northern Ireland. As I say, DETI has estimated how much the connection of renewable generation would cost households. However, if that did not happen, the cost of fossil fuel generation could outweigh any additional cost that that would place on customers. As a rough rule of thumb — these are ballpark figures — an investment of £100 million in the network over 40 years would probably add £5 or £6 a year to customers' bills.

I will move on to small-scale renewables. The first issue is connection costs. Small-scale renewables are individual wind turbines or anaerobic digesters. The rural community is supported by an 11 kV network. The single poles with small horizontal cross-arms that we see when we are driving in the countryside provide that network. There is 20,000 km of it in Northern Ireland, and it was mostly built in the 1950s and 1960s to bring electricity to rural homes, farms and communities. However, it was not designed to connect to wind turbines using up to 250 kW, which is what we are seeing now. Typically, the capacity of a farm is one tenth of that, and those turbines use 10 or 15 times as much capacity.

An apple tree is the best analogy that I can apply to help the Committee to picture the situation. Imagine that the substation is the trunk of an apple tree, and that one of those 11 kV circuits is a strong main branch of the tree that distributes electricity to the customers, who are the apples. Then imagine that putting in place one of those wind turbines, which can use up to 250 kW, is akin to hanging a box of 10 to 15 apples on one branch. If that box of apples happens to on a branch that is near the main trunk of the tree, there is not so much of a problem. However, if it is hanging way out on a small twig, there is a big problem, because the network is not designed for that and will, therefore, require significant reinforcement. We have to try to address and overcome that problem as well as the technical difficulties.

At the minute, the cost of the connection will depend on the location of the applicant. As I described, it will more expensive for applicants on the periphery than those near the main line. It is, therefore, difficult to provide an indicative cost as a guide to prospective applicants, because the price will very much depend on where they live. Connection charges must represent the cost of carrying out the work, and each connection is individually designed. The current connection rules agreed by the Utility Regulator stipulate that the applicant must bear the full cost of the connection. However, if the applicant does not bear the cost, the alternative is for us to make the investment and recover that from customers over 40 years. The Utility Regulator is currently

conducting a consultation on that whole area. One of the issues tabled for consideration is whether we should be thinking about a possible subsidy to try to encourage that type of renewable generation. The cost would then be spread across all customers over 40 years. That consultation is ongoing. I have tried to address some of the issues that I saw raised in responses to the Committee's inquiry. Issues were raised around the communications and supervisory control and data acquisition (SCADA) infrastructure required. That is all about telecommunications and control, which is the meaning of a smart grid. The smart grid allows the balancing of generation and load in a smarter way and enables more renewable generation to be connected. That is why we need that infrastructure.

I will return to my apple tree analogy. Think about that apple tree with 10 boxes of apples hanging from it. Without communication, I do not know how many apples are in the boxes. Think of the apples in relation to the amount of generation that is going into the network. I do not have any communication, so I must assume that all the boxes are full. However, if I have communication from all the boxes, I will know how many apples are in each box. I can maximise the amount of generation that I can connect, and I can balance it against the load that there is on that circuit. That is the essence of a smart grid. It is about knowing what is out there and being able to balance it more smartly. That allows us to maximise what we connect.

Generators must meet certain technical standards to be able to be connected, and they must have compliance with the description and cost of distributed energy model, which is often called the D-CODE. You will have seen some reaction to that. If we connect a generator, we have to ensure that it does not have an adverse impact on other customers who are located close to it. There would be no point in our connecting a generator if it starts blowing the light bulbs of the house next door and blowing up its television. One of the challenges on the network is around voltage control. The machines have to comply with certain technical standards so that they do not have an adverse impact on other customers who are connected to that network.

We do not yet fully understand the potential impact of renewable generation on the 11 kV network. Much will depend on, for example, how many come forward to be connected and on whether any subsidies are put in place to try to encourage connection.

We have concentrated a lot of our efforts on the large-scale renewables, because wind farms were seen as the facility by which most of the 40% target would be delivered. Owing to the ROC

incentive, interest in small-scale renewables has increased around tenfold over the past two years. Since April, we have seen applications increase by about three to four times. We have put more resources in place, and we are currently recruiting further resources. However, we will deploy whatever resources we need to deploy in order to be able to cope with the volume of connections.

We have a difficulty. At privatisation, we were 3,500 people. We are now 1,200 people. The benefit of that has fed through to customers by way of the price of electricity, but we do not have many people sitting about waiting for something to do. That is a challenge that we have, and we will meet it. We will put in place whomever we need. The timescale to get connected is usually dictated by planning and consents for overhead line work, because we have to go through a planning and consents process, even for wood poles.

We have established close links with the Ulster Farmers' Union in order to engage with the farming community. When it made representation to the Committee, I think that its members acknowledged that. We have been to a couple of events, one of which was in Greenmount and one of which was in Loughry. I think that those events were attended by more than 1,000 people. Bronagh Lunney and her team were there to try to communicate and to let people know more about what they were facing and how the process works.

We held a workshop last week with the large-scale wind farm developers. DETI and the Utility Regulator also attended that workshop. A lot of this is about communication and for us to be able to communicate with others and tell them what is going on in the network. We are working closely with the Utility Regulator on the connection charge.

I want to leave you with a number of key messages. We are committed to working with all stakeholders to achieve the 40% target. We are also committed to the investment that is required in the grid to meet that target, and to working with the Ulster Farmers' Union and the rural community on small-scale generation.

I would like to ask a few things of the Committee. I ask the Committee to support our request to the Minister of the Environment to prioritise the interconnector public inquiry, because it is a critical barrier to achieving the 40% target. The Utility Regulator has estimated that not having the interconnector costs customers on the island of Ireland perhaps €20 million to €30 million a year.

There is a critical need for a co-ordinated and more efficient approach to infrastructure planning approvals. We need to have joined-up thinking to recognise that meeting the 40% target will need infrastructure. It will then be about trying to take the lead in communicating messages and challenging public attitudes. For example, more renewable energy will require more pylons.

That is a quick run-through. I tried to summarise what we said in the paper and to explain some of the issues in a bit more detail.

The Chairperson:

Thank you very much, Mr Graham, for the very clear exposition of Northern Ireland Electricity's position. It is a very valuable contribution to our inquiry. I do not want to go through everything again, but the critical point is getting the grid right and fit for the purpose of renewable energy, whether it be large-scale or small-scale. Do you sense that government is committed to the target of 40%? Do you sense that it is prepared to get its systems and approach into shape so that you can meet the challenge?

Mr Graham:

To be honest, the jury is out.

The Chairperson:

That is a fair answer.

Mr Graham:

It would help if the Executive rubber-stamped the 40% target and stated that they were behind it and that it was their target. When I went to councils and different forums, and when I met some of the people up here to discuss the interconnector project, the difficulty was that no matter how many times that I said that we were asked by government and the Utility Regulator to deliver it but that it was not our project, it was seen as ours. If it is seen as an NIE project, it will be difficult. However, if it is seen as government policy and that NIE is just an instrument to deliver that, that would make its delivery more practical.

The Chairperson:

The interconnector is a critical piece in all of that. Getting the public inquiry under way quickly

is absolutely essential.

Mr Graham:

The interconnector will probably take around three years to build because of all the detail and design. The public inquiry could take a year — the Beauly Denny public inquiry in Scotland took a year — so we are perhaps looking at three years. It could be 2013 or into 2014. Our medium-term plan takes us up to 2015 and gets us to 1,000 MW. It would be difficult to get beyond that without further infrastructure development in the west. If the interconnector is held up, what will it be like trying to build other similar types of infrastructure?

The Chairperson:

There needs to be something central in government to deal with all the strategic projects. A localised planning system can no longer be relied on.

Mr Graham:

Absolutely.

The Chairperson:

It has to be centralised.

Mr Graham:

It is centralised. There is a strategic group that would deal with that planning application. We would have gone through a PAD. What does that stand for?

Mr David de Casseres (Northern Ireland Electricity):

Pre-application discussion.

Mr Graham:

I hate those acronyms; I can never remember what they all mean. We had a pre-application discussion with the planners. I have some sympathy with them, because the whole process of putting in place a very complex planning application, and the legislation that surrounds it, is not tied down 100% tightly. It is very easy for legal people, if this is what they are trying to do, to pick holes in what we have done or what the planners do. Therein lies one of the problems. Minister Poots highlighted that, but he was probably criticised for it.

The Chairperson:

We will not stray into that territory.

Mr Graham:

Therein lies one of the issues.

Dr McDonnell:

Some of his friends are here.

Mr Givan:

Where is the legal profession for not supporting us? *[Laughter.]*

The Chairperson:

We will steer clear of commenting on that. If we can get through the medium-term phase, we can move on to the long-term phase. However, if those two phases are dealt with efficiently, effectively and in a timely manner, we can reach that target of 40% largely through wind generation. Is that right?

Mr Graham:

We could, if all that happened. I struggle to see that from where I sit at the minute. I struggle to see the interconnector and some of the other stuff happening in time. Around 1,400 MW are in the system, and, if applications for wind farms continue to come through, we will not be that far off the 1,700 MW.

It is hard to know and the jury is probably still out on what "small scale" will amount to. Might it amount to 50 MW, 60 MW or 100 MW? What can it amount to? A large wind farm of about 20 MW has about 80 of those single wind turbines. That scale equals a wind farm.

The Chairperson:

How do you calculate that figure of 1,800 MW? Do you take into account the efficiency or otherwise of the energy production?

Mr Graham:

That is correct.

The Chairperson:

Are those figures based on, say, 30% efficiency?

Mr Graham:

Something like that. The wind does not blow all the time, so we need to have a certain amount connected to be able to meet —

The Chairperson:

I am getting at the fact that you consider that in making your calculation.

Mr Graham:

Yes.

Mr Irwin:

The interconnector passes through part of my constituency. Considerable opposition to large pylons there caused some problems. In selling its case, NIE needs to be more vocal about the need for the interconnector. People on the ground do not fully realise why it is needed. They think that it is NIE sales talk. They do not fully realise the importance of the interconnector to renewables and to future energy supply. I probably did not fully realise its importance. NIE must make that position clear and state it loudly and clearly, and perhaps it should have done that earlier on in the game.

Mr Graham:

No matter how often I state the case, government has a role to play in that. I remember telling Armagh City and District Council that there are three reasons for the interconnector: first, the single electricity market (SEM) does not work efficiently; secondly, it is needed to help to connect with energy from renewable sources; and, thirdly, it will help with security of supply. People heard NIE say that.

Mr Irwin:

Yes, and that is probably part of the problem.

Mr Graham:

Therein lies one of the challenges that we face. If government were saying that —

Mr Irwin:

How successful is the interconnector project at this stage on southern side of the border? Is it any further on than we are on our side?

Mr Graham:

It has a different process. An Bord Pleanála had an open session around Monaghan somewhere. In the middle of all that, a problem was uncovered about the accuracy of the information that had been made available. Therefore, it has had to withdraw that application. It will resubmit it, probably some time in the new year.

The South's process differs from ours in that obtaining planning permission gives it the right to site the equipment. When we get planning permission, we have to go through a separate process to sign up landowners and secure way leaves. Therefore, it could end up being significantly ahead if it gets through its planning process.

The Chairperson:

Do we have to go through a double process, then, comprising planning permission and consents?

Mr Graham:

Yes. The public inquiry in Scotland into the upgrade of the overhead transmission line between Beauly and Deeny considered the planning application and any compulsory way leaves at the same time to try to save time, instead of doing so sequentially.

The Chairperson:

Who gives the consents? Is it the planners?

Mr Graham:

It is the planners. Planners give planning permission and DETI gives consent to build a line, but we need easements from all the individual landowners.

The Chairperson:

Who gives the easements?

Mr Graham:

The landowners give the easements.

The Chairperson:

If they refuse to give the easements, how do you proceed?

Mr Graham:

If a landowner refuses a way leave or an easement, we make representation to DETI and apply for what is called a "compulsory". DETI will take account of what we have done, the efforts that we have made and whether alternatives have been considered, and it will then make a judgement.

The Chairperson:

That could mean that one landowner could hold up a whole project.

Mr Irwin:

I want to talk about connections to the grid. I know of one wind farm owner who said that his connection cost something like £80,000. There has to be a way in which to subsidise that in some form or other or to make it easier for people to be connected. The costs of connection across Europe are a fraction of what they are here. If we are to be successful, that has to be looked at.

Mr Graham:

As I said, that is part of the current consultation. The Utility Regulator has asked people whether they think there should be a subsidy for small-scale wind generation and connection to the grid. That subsidy comes from all customers, because we end up investing the money if the developer does not pay for it.

The Chairperson:

The argument may be that it is not worth doing because it does not produce enough generation.

Mr Graham:

It is not up to us to answer that. That is a question for government and the Utility Regulator. The

Government have introduced the four ROCs mechanism for that type of generation. If someone applies to us for a connection, we have to give them a quotation. That is a judgement call between government and the Utility Regulator.

Mr Neeson:

I share your frustrations about the delays with the interconnector. As a representative for East Antrim, I am bound to say that those delays are having an effect on Kilroot, Ballylumford and the Moyle interconnector. First, will the purchase of NIE by the Electricity Supply Board (ESB) have an effect? I am in favour of the interconnector, by the way. Secondly, we had a useful debate in the Assembly on Tuesday on the strategic energy framework document. We are focusing very much on wind power, and the Strangford project is a good one. To what extent, for example, is the north Antrim coast being looked at for the production of tidal energy?

Mr Graham:

Sorry, what was the first part of the question?

Mr Neeson:

It was about ESB.

Mr Graham:

How could I forget that? *[Laughter.]* My personal opinion is that the effect will be a positive one. ESB has given a commitment that it will invest whatever needs to be invested in the network. I think that we complement each other quite well. Over the years, NIE has done a great deal to try to improve its efficiency and its processes, such as its emergency response capabilities. We will be able to bring some of that to ESB, which has a great deal of technical capability and other benefits that it will be able to bring to us. ESB has made a clear statement that it will make the investment that is required.

Our long-term plan for the north coast has to take account of a number of possibilities. It has to take account of the onshore and offshore winds at the north coast; the tidal possibilities around Rathlin Island; the offshore wind at Warrenpoint; and the possible biomass plants at some of the existing generation sites. It is easy for me to say that, but when it takes perhaps six years to put major infrastructure in place, one has to nail one's colours to the mast at some point and go with something. We are trying to ensure that a certain amount of flexibility is built into that long-term

plan so that we can cater for whatever mix of renewables will form part of the 40% target. In the future, the 40% target may become a 50% target. Indeed, after 2020 we will probably have to make use of all our renewable resources.

The Chairperson:

Your frustration is evident at the fact that so many barriers are in the way. There are technical barriers and infrastructural barriers, and it is difficult enough to reach the 40% target.

Mr Graham:

Our challenge is to overcome the technical barriers and some of the other barriers. We will all have to overcome the barrier of putting the infrastructure in place.

Mr Cree:

I am still a little unclear on some of the background, and I have a few questions that will hopefully help me to colour it in. I understand that the wind generation that must be called up must be balanced against the prevailing weather conditions. If the 40% target were in place, but were not needed, would there be a standby cost?

Is the Scottish connection coming in here? For example, the Committee visited the company that runs the single electricity market. I think that it is called SONI.

Mr Graham:

It is. System Operators Northern Ireland (SONI) operates the transmission system.

Mr Cree:

During the visit it was explained to the Committee how that company brings things on and leaves things off. Are we making the maximum use of the Scottish interconnector by exporting our surplus electricity to Scotland? Indeed, what use are we making of it? We cannot sit back and say that we cannot call on too much tomorrow, for whatever reason.

You also touched on the efficiency of wind turbines, which is a significant point. I have read a great deal of literature about turbines, and there are some quite damning reports about their efficiency. Some are as low as 17%, and you have factored in 30%. Will you clarify that?

Mr Graham:

That was just an estimated average.

Mr Cree:

It is a fairly high average.

Mr Graham:

It is accepted that it will take approximately 1,700 MW of onshore wind to meet the 40% target for usage.

Some of the points that you touched on are not our responsibility. For example, the interconnector is controlled by SONI, which is now completely independent from NIE. That company makes the decisions about what happens and what the marketplace is like. One of the issues is that there is also an excess of wind in Scotland, and it is a challenge there to find a place for that excess to go. Therefore, it would not be an easy answer for us to export wind power to Scotland.

However, there is a real need to balance generation between the conventional and wind forms of generation. On occasions this year, 50% of the maximum demand on the island of Ireland came from wind, but a real technical challenge needs to be met, because if the wind suddenly dropped, the shortfall would have to be made up by other forms of generation. People have got much better at predicting those things and now have much better models to predict how much wind there will be tomorrow and the next day. However, there must be some margin for error, and some conventional generation will be needed. I am not an expert in that area, because it is not the role of NIE, but I understand that things such as fast-start gas turbines help to balance things. If there is a problem with conventional generation turbines in Ballylumford or Kilroot, it takes some hours to run them up, but all that is needed with a fast-start gas turbine is the pressing of a button. There is a mix there, and that is a mix that the Department will have taken on board when trying to come up with its strategic energy framework and its targets.

Mr Cree:

Is there a standby cost? So many wind turbines are in the long planning queue, so how difficult is it for you to plan your side of the business when you must anticipate how many wind turbines will become available?

Mr Graham:

We make an assumption. I forget what the figure is. Bronagh, can you remember?

Ms Bronagh Lunney (Northern Ireland Electricity):

We make an assumption that permission will be granted for 80% of the small-scale applications.

Mr Graham:

We make an assumption that 50% or 60% of large-scale applications will be approved. If a developer applies for 20 wind turbines, we make an assumption that he will get planning permission for 10 or 15. We make some assumptions around that. We try to keep in touch with all the planning applications, and we are talking to the developers all the time. Therefore, we know where all the potential sites will be. We try to take those into account when trying to plan the network.

Mr Cree:

What about standby costs? Do they affect you?

Mr Graham:

It is really how the single electricity market works. There is a capacity payment mechanism in the single electricity market, but you would be better asking SONI about that, because it is part of how the single electricity market works. It knows how much generators are paid and how that works, and it knows what capacity payments are paid.

Dr McDonnell:

I am sorry that I missed the beginning of the meeting. Thank you for your frankness and openness. It is very refreshing to have an open and frank discussion about some of these issues. I have two simple, blunt questions. First, have you learnt anything from the interconnector fiasco?

Mr Graham:

We said to Mr Irwin that it cannot be seen as a NIE project as we go forward; rather, it is something for the community in Northern Ireland. As part of the interconnector project, we tried to go through a particular process. We spoke to the councils; we met a group of local residents to try to discuss the issues; we held open days in Armagh; and we wrote to everybody who lived

within 1 km either side of the site and then sent them maps. We will have to sit down and look at all of that. We will also have to look at what happens during the planning process and consider whether anyone would be critical of it and whether we could have done something else. We will look at all that and find out whether we could have done anything differently.

Dr McDonnell:

Would it be unfair to suggest that the process was fumbled at the beginning?

Mr Graham:

I do not know.

Dr McDonnell:

I like the approach that you are taking, because we are all in this together. At the beginning, however, I think that NIE thought that, after a duck and a dive, it could be all over in half an hour.

Mr Graham:

It did not feel like ducking and diving in front of Armagh City and District Council. I still have the scars.

Dr McDonnell:

I am talking about what was happening before you got to Armagh City and District Council. A rabbit-out-of-a-hat situation emerged, and I think that it could have been handled better.

Mr Graham:

I take your point, but I think that there is an opportunity here to do something different. I take the point that the process appeared suddenly and that people might have wondered from where it came.

Dr McDonnell:

I know that you have touched on some of it, but do you hold out any realistic hope for the cost of interconnection to be reduced?

Mr Graham:

What do you mean by that? Do you mean the cost of the interconnector?

Dr McDonnell:

Sorry, I mean the cost of connection. Everywhere I turn, I hear people say that NIE is profiteering from connecting the small energy producer, regardless of the renewable source. There needs to be a clear-cut case in which you tell the small producers that you are happy for them to connect themselves and pay the cost of doing so. There is a sense that they are covering not only the cost but that they are paying a serious top-up.

Mr Graham:

I will deal with that, because there is no incentive for us to overcharge customers. In fact, there is a disincentive. We do not make the rules on who pays what. Those rules are agreed with the Utility Regulator.

I will use an example of a sum of £100 that is to be invested in the network. If customers pay £20 and we pay £80, we invest that £80 and get a return on it over 40 years. It is good for us to invest that. If we overcharge the customer, and, say, they pay £30, we get to invest only £70, which is worse for us. If we overcharge customers, it nets off how much we invest in the network, so there is a disincentive for us to overcharge customers.

Customers are charged the actual cost of the connection. The case that needs to be considered is whether that becomes a barrier. Do we have to share the costs across all customers to make it work better for those individuals who want to be connected? I am not sure whether the Utility Regulator has been before the Committee, but you may want to make that point to him.

The Chairperson:

The Utility Regulator is before the Committee next week. That is an interesting point, and we will raise it with him.

Mr Frew:

We know that connection costs here are significantly higher compared with other countries in Europe. Is it purely because of the grid and the infrastructure that we have to stretch ourselves so far to get to the sites?

Mr Graham:

I believe that it is. To be honest, I have read some stuff about the nature of the network in Germany, but I am not familiar with it. However, I know that our network is different even to the one in England where there are hamlets that are grouped, whereas we tend to have lots of transformers or lines all over Northern Ireland.

I recently came across a statistic that helps illustrate that. A few years ago, what was Eastern Electricity had 3·5 million customers and 50,000 transformers. At the same point in time, we had 680,000 customers and 55,000 transformers. Our network is widely distributed in Northern Ireland, and I think that it is the nature of rural electrification in the 1950s and 1960s, and of where farms and houses are. My apple tree analogy applies if you look at it on a map.

Mr Frew:

I certainly take your point about the apple tree. I am an electrician by trade, so I know exactly what you are talking about.

Dr McDonnell:

We are not sure how good he is. *[Laughter.]*

Mr Frew:

Manys a time I have painted that same picture to my apprentices, so I know exactly what you are saying. When people are seeking planning permission for large wind farms, in some cases in the planning application they have applied for grid connection, but in others they do not. How does that affect your planning? Is it better that the application for grid connection be made separately?

Mr Graham:

I do not know the answer to that.

Ms Lunney:

What normally happens is that a wind farm makes an application, and we then assess the grid connection and what the connection is going to be. That happens unless, as Billy said, a cluster is proposed, in which case we may take that forward. However, the normal process is that, once applicants come to us with their planning permission, we will offer them grid connection.

Mr Graham:

I should have mentioned that we have a rule in the North that we will not offer a connection until an application has cleared the planning stage. That is to stop a backlog of people applying for a connection and almost hoarding capacity, knowing that they might not get planning permission for two years. An application has to be past the planning stage before we make a connection offer. That helps to ensure that there is no backlog of people hoarding capacity.

Mr Frew:

Good, that clears that up for me. Thank you. Bearing in mind the unreliability of wind for generation, how advanced is our technology for electricity storage? You mentioned problems with the interconnector and the timescale. Are we looking at concrete proposals? Are we considering positioning and siting of such technology? Is it being actively pursued, and, if so, what are the timescales involved?

Mr Graham:

I do not know, because that is very much a DETI thing. I think that it would be in its initial stages. I have heard about what could be done in the salt mines in the area around Carrickfergus and Larne, but I think that the technology is at an early stage, certainly in Northern Ireland.

Ms Lunney:

NIE was engaged at an early stage about possible interconnections, but, as Billy said, that is still at an early stage.

Mr Frew:

Would you welcome that development?

Mr Graham:

Again, we are the guardians of the network. However, from everybody's point of view, storage would be of assistance. People use the example of electric vehicles. If there is a lot of wind at night, electricity is practically free, so those with electric vehicles charge them at night. That is the aspiration sometime down the line. In a way, electric vehicles are a method of storage, because they store energy that gets used elsewhere. However, storage on the scale necessary is in its early stages.

Mr Givan:

Other members have covered my questions, but I want to make a comment. In its paper, NIE asks the Committee to lobby the Minister of the Environment to prioritise the interconnector. I would say that he has done so in his list of article 31 planning decisions, but he has obviously not made it a high enough priority from your perspective. I feel that your energy would be better spent asking the Public Accounts Committee (PAC) or the Office of the First Minister and deputy First Minister (OFMDFM) whether they are managing their resources so that not only one article 31 decision is being dealt with at a time.

Mr Graham:

Yes. We have.

Mr Givan:

You are experiencing delay because of the way in which they manage the process of dealing with article 31 applications, not, in my view, because of where you are on the priority lists. I do not argue that other applications in my constituency, such as Sprucefield, should be moved from their place on the priority list. However, it is a big problem for NIE and others if the PAC and OFMDFM are managing their workloads by taking article 31 decisions only one at a time.

Mr de Casseres:

I think that we have written to them.

Mr Graham:

We have.

The Chairperson:

I think that Mr Graham was making the point that this is an all-government target, that everybody has to co-operate and that there should be a more concerted effort by government. I do not think that he was criticising the Department of the Environment (DOE) or individual Ministers. My point is that this is so important that everybody must fall in behind it.

On another matter, would the cost of grid connections decrease as a result of upgrading the grid? If the grid were upgraded, would the connection cost fall?

Mr Graham:

I will talk about large-scale connections, to which most of the costs relate. Individual developers are not charged for the upgrading of the grid because the connection arrangements are different at that level than they are at the small-scale level. Therefore, because they do not contribute to the grid infrastructure, the connection charges for them will remain the same. However, the charging arrangements for the small-scale guy who pays for some reinforcement of the 11 kV network. That is why, if those arrangements were to change, small-scale generators would not pay totally for that infrastructure.

The Chairperson:

Are you saying that small-scale generators are paying more?

Mr Graham:

They pay 100%, more or less, of what it takes for the very large-scale wind farms to get connected. The £1 billion that I talked about is something that we fund those developers.

The Chairperson:

Are you saying that large-scale wind farms would pay proportionately less than the small-scale generators?

Mr Graham:

They pay the cost of getting connected to the network. We have to pay the cost of upgrading the network. Therefore, the chargeability arrangements are different.

The Chairperson:

I did not appreciate that there was that difference.

People get their planning permission, after which their connection to the grid is considered. Perhaps this is a silly question, but do the planners ask whether they will get grid connection? Do the planners make enquiries in that regard?

Mr Graham:

I do not think that the planners would make enquiries of us; rather, they would assume that people will get grid connection. Having said that, we interact a lot with the planners. We have many

discussions with them about clustering to make sure that they are happy with it. We also have much discussion with wind farm developers. The planners were happy with that, because it meant fewer overhead lines.

The Chairperson:

It seems a sensible approach. Once people receive their planning permission, they get their connection. Is it correct that they will not have to go to the planners again for the connection but that they may have to go to them because of other matters?

Mr Graham:

They get their planning permission and we then make them a connection offer. They accept that connection offer and we do the detailed design, including, if we have to build a new line, planning permission, way leaves and consents. Parallel to that, they would build their wind farm.

The Chairperson:

Could there be a subsequent planning application for the way leaves?

Mr Graham:

There would be.

The Chairperson:

Is there no way of doing that at the one time? That seems to hold up the process.

Mr Graham:

It does not tend to hold up the process, because people will not even start to build their wind farm until they receive planning permission. Usually, it is wood-pole lines, so it is not the same issue. We work with the planners to make sure that there are no hold-ups. By the time that we get through that and get the line built, I am not aware that we are holding up any of the wind farms. People have to order their turbines and make all sorts of arrangements to get the thing built, so that is not a big issue at present.

The Chairperson:

Thank you very much. That was very helpful.

I now welcome witnesses from Northern Ireland Manufacturing. Briefing the Committee is Mr Richard Hogg, who is the managing director of Limavady Gear Company Ltd; Joe Donaldson, who is the managing director of Environmental Fabrications Ltd; and Bryan Gray, who is the chief executive of Northern Ireland Manufacturing. Gentlemen, you are very welcome. I am very pleased that you could come here this morning to assist us with our inquiry. We have received your written briefing, which we found very helpful. I invite you to make a short presentation or a few remarks before we ask questions.

Mr Bryan Gray (Northern Ireland Manufacturing):

Thank you, Chairman. I apologise on behalf of Con O'Neill from Harland and Wolff, who is unable to be here this morning. He had planned to be here, but he has been called away on urgent business in Denmark. Unfortunately, he is one of our principal sources of expertise in the renewables sector.

I thank the Committee for the opportunity to give evidence. Energy is, of course, a key issue for us. We very much appreciate that renewable energy will be more important in the future, not only for the sector but for everybody in Northern Ireland, because it will be considerably more expensive. The Utility Regulator advises that the 40% renewables target that was set recently is likely to increase energy prices for everybody in Northern Ireland by some 10%.

Manufacturing's principal concern is that it is vital that, to offset those increased energy charges, which will, of course, make Northern Ireland plc less competitive, we capture a reasonable share of the renewables market and ensure that there is a substantial Northern Ireland content in the installations that will be provided here to generate renewable energy.

One of our main concerns is that we feel that, in some ways, we are being left behind by other UK regions. In the past three weeks, there have been announcements about a £70 million investment in Scottish ports and a £60 million investment in British ports to stimulate their respective renewables sectors. Companies such as General Electric (GE), Siemens and Gamesa have already committed to British installations. GE has stated that it intends to locate its new R&D centre there. That, we believe, is the result of a lack of focus and vision on the part of government here and having a vast array of Departments that exercise various responsibilities in the area of renewables.

We also believe that there is a need for an all-island approach in Ireland so that we complement what our near neighbours are doing rather than compete with them. In the past six months, the sustainable development strategy and the strategic energy framework have been published, but we are disappointed with both documents. We badly need a road map for renewables, because few, if any, targets were set in those documents. Both documents mention the fact that there is a huge opportunity for creating green jobs, but, unfortunately, all we have heard so far are green words. No green jobs have been created.

At a rather different level, we would say that there is a need for more-targeted advice and assistance for small and medium-sized enterprises (SMEs). Indeed, many of Northern Ireland's largest companies are also struggling to understand how to get into the renewables sector and take advantage of it. Is that because of the policy vacuum at a higher level? We would say that there is a need for a separate directorate in Invest Northern Ireland to deal with the renewables sector.

The Chairperson:

Thank you very much, Mr Gray. Your colleagues are welcome to join in at any stage. They will not be interrupted.

In your written submission, you say that the absence of renewable energy feed-in tariffs (FITs) and a renewable heat incentive (RHI) in Northern Ireland disadvantages businesses. Leaving aside the RHI for the moment, have you any comment to make on the difference between the ROC and the FIT system?

Mr Richard Hogg (Northern Ireland Manufacturing):

It is a serious issue for investors when they come to invest in something that is not as solid an investment over the next 20 years as FITs are. On the UK mainland, that is exactly what they are. They are fixed for the next 20 years, but our ROCS are traceable. When one goes to an investor with a traceable ROC, the investor will ask what happens if the value goes down and, as such, is not so keen to invest in that system. The likelihood of ROCS going down in value is pretty slim anyway because they are aligned to the price of energy, or they should be. It is very difficult to get investors to invest in that scenario.

The Chairperson:

The position in Britain is that feed-in tariffs are for small-scale generation.

Mr Hogg:

On the UK mainland, they are used for generation up to 250 kW for wind power. It is different for solar and photovoltaic (PV) power.

The Chairperson:

ROCs are used in Britain in large-scale generation.

Mr Hogg:

Yes. It is still the ROC system.

The Chairperson:

Is it good or bad to have two systems at the same time?

Mr Hogg:

There is a completely different investor involved with the large-scale systems. One will be talking to a different person in a different environment when dealing with those. Likewise, one will talk to completely different companies and investors when dealing with the microgeneration area and generation of up to 250 kW. The large investors are probably more open to trading ROCs, and they understand that. Bigger amounts of money involved, although there are smaller machines.

The Chairperson:

Is a feed-in tariff much better for smaller generation?

Mr Hogg:

That is my belief and the belief of the industry.

The Chairperson:

What is the attitude of local banks towards ROCs? Are they aware of the ROC system? Have they evaluated that?

Mr Hogg:

I am probably not a good man to talk to about banks at the moment. In the past five weeks,

Ulster Bank closed down our company for no reason. That is a whole other thing. We had investment from Canada to come in, and Ulster Bank managed to scuttle that. Mr Elvin should be brought to task for that by somebody, somewhere. His actions were disgraceful. However, that is another thing. I am getting over that, and I am moving forward.

To be honest with you, we do not really have a banking system here. A lot of people invested in a lot of property. They do not understand manufacturing, and they do not want to. There are far too many loopholes that allow them to come in and decide to shut something down if and when they wish, and because that is done, Northern Ireland plc will not go forward. It does not matter what good work you guys do or how much good work Invest NI does. That work will be scuttled if we do not have a banking system here with which we can work. That is me preaching about them. I am not finished with them yet, and I will go more public about it when I am ready to do so.

I will return to the ROCs and the FITs. Local banks are spouting a bit about the fact that they are going to support micro-turbines and suchlike. I honestly do not know how they will do that. They talk about it, but I do not know whether they have the money or the wherewithal to do so. I do not think that they understand the system, and I do not think that they want to understand it. I think that they are pandering to the public view.

The Chairperson:

You think that the financial institutions do not have a working knowledge of the system.

Mr Hogg:

That is my opinion.

The Chairperson:

Do you want to comment on that, Mr Gray?

Mr Gray:

The broad spectrum of manufacturing is seeing little support from the banks. I sit on the forum that was established by the Churches to consider the position of the banks. That forum has addressed your Committee.

The Chairperson:

It addressed a meeting of the Committee for Finance and Personnel and this Committee no later than yesterday.

Mr Gray:

It continues to be the case that the banks' preferred solution seems to be to put companies into liquidation rather than to support them back into profit.

Mr Irwin:

Thank you for your presentation. You reckon that if we meet the target by 2020, there will be a cost increase of 10%. That is 1% a year.

Mr Gray:

The Utility Regulator told us that he felt that we could get to 25% renewable energy quickly by making use of wind, but to get beyond 25% would require solutions such as anaerobic digestion and biomass. He said, however, that those solutions would be more expensive. He said that he felt that it would increase the pass-through charges by 50% and that that would result in a 10% increase in bills.

Mr Irwin:

Is that over 10 years?

Mr Gray:

Yes. That is by 2020.

Mr Irwin:

No one wants to see an increase, but if we do not go down the renewable energy route, we are leaving ourselves wide open. It is possible that oil prices will have increased by more than 10% over 10 years.

Therefore, I do not regard that as an argument. It is quite possible that bills may increase by 1% a year, if what you say were the case. If we do not go down the renewable energy route, we are totally at the mercy of the oil market, so bills could be 20% or 30% more expensive in 2020.

Mr Gray:

The renewables route is unavoidable. However, it is a fact of life that energy will be more expensive.

Mr Irwin:

That is difficult to ascertain. We say that it may be more expensive, but if oil prices continue to rise, renewables will not be more expensive compared with oil. Do you understand where I am coming from? It is difficult to gauge what the situation will be 10 years from now, in 2020.

Mr Hogg:

It is, but given the amount of R&D on renewable energy, wind is a secure and very mature market. It is there, and it uses good, solid equipment, the running cost of which I well know, because I have 15 years' experience of it. It is much more questionable how tidal power, for instance, will work. I am fully behind tidal power because it is a fantastic idea, but its development will require a lot of money.

Hydro systems, such as the first in Ireland at the Roe Valley on the outskirts of Limavady, where I come from, have been about for a long time and are well tried and tested methods of producing electricity. The problem with that is that the Northern Irish and the Irish markets are not massive, but there are massive markets elsewhere in world. However, for Northern Ireland to showcase itself, it needs to have a planning authority that lets us put the bloody things in. I think that there are about 19 applications in the system at the moment. We have manufacturers, such as Joe here, who are quite capable of making the necessary equipment, and the market is a worldwide one. South America is full of small tributaries. The people there need power, and hydroelectricity is the most secure way of obtaining it. We need more forward thinking in Northern Ireland to see that. We need to look beyond our own wee Northern Ireland box to see what we can do outside of it.

The Chairperson:

What you are talking about is manufacturing and exporting.

Mr Hogg:

Let us showcase here. We have plenty of rivers and tributaries. Get the planners to catch themselves on and cease transferring applications from one section to another. Let us tell them to

get the systems operational. Systems that have been in place for years are ready to run. We just need to open up the weirs again and let people put in the hydro systems.

I am not saying that we should go out and kill all the fish, or anything else. We must meet certain environmental conditions, but do not make every single thing a blockage. The view of people from outside Northern Ireland looking in is that they cannot do business here because to do so is so blinking awkward. They believe that, every time that they turn around, someone is putting up another barrier, doing this or saying that. I know the people well who operate the machine in Strangford Lough, and they are fed up to their back teeth with constant planning conditions. At the end of the day, they will take that machine out, which is ridiculous because it is doing no harm.

Mr Irwin:

I have made representations for a family involved in one of the wind farms that is in the system. It has been held up for perhaps three years now. This is a public meeting, so I will not state why, but it is unbelievable to most people, including me, how trivial the issues are that are holding that application up.

Mr Hogg:

We should not ignore the fact that we do not have carte blanche to site renewable energy systems everywhere. However, there is a happy medium, and the rest of Europe does not go through the nonsense that we do. We compete in the worldwide market. The Province has a fantastic opportunity, and we cannot keep knocking the passion out of people who want to do this stuff. The last thing that we need is this constant barrage of nonsense coming at us from all roads and directions, and a banking system that does not work.

The Province's renewables industry has fantastic prospects. We have all the good precision engineering and fabrication that goes on in mid-Ulster. A lot of blades are involved in renewable energy systems and they require a lot of composites, and we are about to open a new compositing centre in Glengormley. Everything is going for us, but we need to get the core of it sorted out. Forget about the big picture of there being hundreds of millions of jobs and just concentrate on the core stuff. There are things that we or the Government could do that will not cost any money, and that is get the test sites up and running, and call them test sites. That will encourage outside investment.

From my perspective, will I go back to the bank to ask for a lot of money to try to grow a company? Absolutely not. I have been kicked from pillar to post, and I am not doing that again. If somebody from outside comes, which is how I see investment coming in, we must give them something for their investment.

We have plenty of tide and plenty of wind here. We also have a great climate for growing grass, which means that biomass can be a very good product. We have a fantastic opportunity here, but, as usual, it is slipping away because we are getting stuck in bureaucracy.

Mr Joe Donaldson (Northern Ireland Manufacturing):
I thank you, Chairman, and the Committee for taking the time to meet us. My company is a small one. Three years ago we employed 47 people, but today we have 26 and are looking at making more redundancies. We looked at this area, having done a lot of work in the water and wastewater industries. A lot of that infrastructure has been completed, and there are other companies like mine that have been involved in manufacturing in that area. We need to determine where the next opportunities lie. Again, as Richard says, there is a window of time in our part of the world to get at this and move forward, and, in doing so, to give job security to the people in our company. We want to keep the guys that we have and start to build on that.

The slower that this process rolls out, the more difficult that it will be to keep those people together. I spend a good part of my time in England and Scotland, and I have been out to Saudi Arabia and other places to see what the opportunities are for our company. If we are going to do business in England, in Scotland or especially in Saudi Arabia, we are going to have to look at employing people over there. The work that we are doing in Scotland at the moment is costing me £500 or £600 a man every week just to get them over there and to provide them with digs. The costs ramp up on a 12-week contract requiring four or five men.

Ideally, I want to bring the work to Dromore. I do not want to be employing people in England or Scotland in order to keep the bones of the business going. I want to bring it to Dromore and add some value to my community. We can achieve that if we can have a clear way through. We need to understand the supply chain and how to feed into it at the lower levels. We are not a big company; we are not a Harland and Wolff. However, if we can drip-feed off the larger companies who are able to speak to the like of Siemens, it will give bedrock companies

such as ours the confidence and the ability to move forward.

That is especially true in the light of Richard's experience. We have had losses ourselves this year, but, thankfully, there is work in the pipeline because of our efforts back and forth to England. However, is it going to be viable to fly guys over there and put them up or are we going to have to look at local labour to do installation for us? That is a big concern for us.

Mr Gray:

To sum it up, the message from a recent conference on renewables held by Invest Northern Ireland was that there are millions of opportunities worldwide in renewables. However, someone at my table said that he wanted to know where the opportunities are in Ahoghill. That message is not getting through to people.

The Chairperson:

That is a fair point.

Mr Hogg:

It is difficult for Invest Northern Ireland to tie that down, because its staff are not experts in that field. Invest NI is doing some very good work, even though it is also doing some silly things. It is trying its best to move towards what it can do for the renewables sector. It needs to be more focused, however, rather than concentrating on the big picture. If you are not in the middle of it, you do not understand it and all you hear about is figures in the hundreds and thousands and millions. As an SME, you ask, "What on earth is this about?" There needs to be more focus and more dedication to helping things to happen. We all know that times are tight and that money is tight, but there are things that we could be doing in the Province that will not cost us any money. We must use our natural resources, such as tide and wind. It is there to use, so we just need to whittle down the bureaucracy.

Dr McDonnell:

Keep going, guys. I could get up and dance on the table to the music that you are making, because it has been a long time coming. That is exactly why I want to see this inquiry succeed. You are delivering your message to open ears and open doors.

Bryan's suggestion of having a renewables directorate somewhere in DETI is crucial. My

frustration is that five or six good people there are working very hard but are doing so almost in isolation and, as a result, are forgotten about. I discussed that with the Minister less than 48 hours ago. How do we get investment, and how do we make the case for investment against a rising tide of cuts?

Mr Hogg:

The test sites will not cost money. Environmental impact assessments are currently being carried out for tidal energy, and I understand that, hopefully, those should be through by the start of next year. We need to put four buoys in the water somewhere and say that that is the test site. That will open it up to international companies, which have a lot of money and are keen to get the equipment made. They will make it close to where it will be tested. The test site needs to be sorted out. The area off Rathlin, Lough Foyle, Strangford Lough and the area off the Copeland Islands are all good for that.

Some areas have been earmarked to be enterprise zones, although they are not designated as such. It will not cost money to designate enterprise zones to encourage people to come into areas in which they will not have to pay rates for a certain amount of time and in which the planning regulations are a bit more lax. Is that possible?

Mr Cree:

That thought is utopian.

Mr Hogg:

I am not suggesting that all of Northern Ireland be designated an enterprise zone, because that would be too much, and it would end up getting fluffed into some nonsense. In my area, Limavady, an enterprise zone was to be set up at Campsie, and there was to be one in Omagh and one in Belfast. That would give people the opportunity to go into those areas with biomass boilers, anaerobic digesters and wind technology and fast-track them. There could be such a zone offshore as well as on land. Surely that could be done at the stroke of a pen.

Dr McDonnell:

Not quite, but I think that it could be done. You have been very frank with us, and, at our end, we need a business community saying that, in spite of all the financial difficulties, initiatives need to be considered. Most of us advocate that, despite the downturn, we should invest in family silver

for the future and not throw everything out. The question is of how we get that balance, and we need your advice on that. We do not have a monopoly on wisdom.

I picked up on Bryan's suggestion, which I have kicked around in the past and which we have discussed in Committee. It is a question of how we get a proper energy directorate in the Department. I would not go as far as having a renewables directorate, but there could be a significantly expanded energy directorate with a priority on renewables. We need your support as a business community to say that that is essential.

You made the point that renewables are more expensive, but that is only until the price of oil goes up, because, in 20 years, I do not think that there will be any oil. To be blunt, we will have to walk or take bicycles. Renewables may be relatively expensive at the moment, but, in 20 years' time, it will not matter what the price of oil is because there will not be any oil, or there will be very little. Whatever oil there is will go to China, because, at that stage, China will be able to buy it and the rest of us will not. That is why we need to get a much stronger grip on renewables. A partnership is needed among you, us, the Department and others. Around 10 different partners need to come into play.

The Chairperson:

This is an opportunity for business to tell the Assembly what it wants done. That is why we are glad to see you, so speak as frankly as you want.

Mr Donaldson:

I take on board what you said about the higher cost of renewables compared with the price that oil is sitting at. Looking ahead, we could get ourselves into a position in which we specialise in the design and manufacturing of renewables and could bring that into this part of the world to generate work and employment. Although renewables may look a bit more expensive, designing and manufacturing the products would add great value by getting employment into the system. It is about making sure that we take full advantage of this small window in which we might achieve that.

Mr Hogg:

I have just had a thought. The old Army base in Ballykelly has been handed over to the state. It sits on a very windy site, has a tidal race beside it and a lot of grass around it. Is there any chance

that we could look at doing something with that? I am firing that out as an idea that has just come into my head. There are buildings on that site and something could be done with it.

The Chairperson:

That is an interesting example.

Mrs McGill:

Bryan, you said that you were disappointed with the strategic energy framework document.

Mr Gray:

Yes.

Mrs McGill:

At the beginning of the week, we had a debate on the strategic energy framework in the Chamber. Reading the document, I see that there are caveats everywhere on the financial situation in which we find ourselves. Therefore, you are justified, Bryan, in asking whether we are serious about this. Alasdair McDonnell touched on the finances involved, but how do we manage the strategy, given that the financial situation is as it is? The document clearly sets out that there are difficulties and, if I remember correctly, states that there is no commitment to fund certain projects. We share your views on the difficulties, but how do we get around those?

My second point is on Invest NI, which you refer to in your written response to the Committee. Invest NI should have a very specific and comprehensive role to play in renewables. You referred earlier to opportunities in Ahoghill, but your paper states:

"At a recent conference on renewables a senior official of Invest NI stated that the organisation was 'starting to struggle with where we go next'."

Invest NI gets a sizeable amount of money from DETI's budget. Joe, you mentioned the difficulties, and the role of Invest NI comes up repeatedly, not just in the context of renewables but more generally. We will hear from Invest NI later in our inquiry, but how do you think that it should reshape, rebalance and, as Richard said, refocus?

Those are my two big issues: how we manage the strategic energy framework's finances and

what we do with Invest NI.

Mr Gray:

We asked Invest NI who is responsible for renewables. The answer was that everybody is responsible. We all know the story in which Everybody thought that Somebody would do it, but Nobody did. Our concern is that there is perhaps a lack of focus from Invest NI. That could be solved by having a specific directorate in DETI with a managing director specifically responsible for renewables.

Just last Wednesday, the EU launched a fund of £4·3 billion for renewables. One of our concerns is that time is marching on. Although it may be very attractive to set up a new directorate in Invest NI, we all know that that is not going to happen next week. A consultation exercise will have to be carried out, and that takes a long time. Therefore, we have to find a way in which to work within existing structures to move the issue forward as a matter of great urgency. For example, the closing date for sponsors to submit applications to their member state for the new £4·3 billion fund from Europe is 9 February 2011, which is a couple of months away. The closing date for member states to submit their application to Europe is 9 May 2011. Those are the kind of time frames to which we have to try to work.

There are some very simple things that can be done as a matter of urgency. If Mr O'Neill were here, he would say that the issue of a fast-track process for test sites is vital. If we can fast-track test sites and planning approval for test sites in places such as Rathlin Sound, which, I understand, is the second best site for tidal energy generation in the world after Singapore, Northern Ireland industry will be in pole position to make the prototypes for those test sites. Further down the road, having made the prototype, we will be in an advantageous position to make the full-scale version. Simple things such as that can be done quickly.

Mr Hogg:

Make no mistake about it, there is no finance coming from the banking regime in Northern Ireland at the moment, nor will there be for a long time. We have to encourage people to come in who have the ideas, the investment and the foresight to do it. I do not know any businessperson who is going to take a risk at the moment with any banking regime. Everyone is scared and worried about what the banks are going to do next.

The £60 million that is coming from the UK will be distributed on a per capita basis. That is the biggest load of nonsense that I have ever heard. "Per capita" means the number of chimney pots. We do not have enough chimney pots, so that money will go to the north-east of England or somewhere like that. We need someone in Westminster to fight our corner. We spoke to the Minister about that when we last met her, and she is behind what we are saying. The distribution of that money should not be on a per capita basis but done in a different way. Those are the sorts of things that should be picked up by Stormont and debated hard in order to see how we can do something. I feel that, and I think that we all feel that.

Mr Frew:

I have enjoyed your fact-filled presentation. As Dr McDonnell said, it is good to get people such as you to come here and talk about the real world.

How dependent is the manufacturing sector in this country on renewable energy? I know about the struggle that the private sector is going through at present with the downturn and the recession, and I understand how the banks are treating the private sector. How much will manufacturing rely on the production and engineering of the renewable energy sector? Do you see it as the only way forward for manufacturing at present?

One could argue that we know a bit about wind, but the technology for renewable energy is relatively new to us. That is probably not the case throughout the world, where there is expertise. Has the technology settled to the degree that if a company were to be awarded a manufacturing contract, it would be quite secure in the knowledge that the product it was making would be state-of-the-art and that renewable technologies would not evolve into something else that would make that company's equipment redundant? Do you know what I am getting at?

Mr Hogg:

I do.

Mr Frew:

How secure are we in our knowledge and expertise?

Mr Hogg:

As far as the tidal systems go, Northern Ireland's knowledge and expertise makes us world

leaders, even though we hide our light under a bushel far too much. Our universities and the guys that work in the field have made us world leaders. There is nowhere else in the world that has what we have in Strangford Lough. We are world leaders in that regard. As far as other types of manufacturing are concerned, we have fabrication businesses in mid-Ulster that are well able and are world leaders.

Make no mistake about it: Northern Ireland at this moment still has a fantastic manufacturing base and one that, with support, can go forward. However, if that is left alone for too long without support, it will disappear and be lost, for example, to Germany. In Germany, if a company cannot keep all its employees, the Government will pay 60% of their salary for three or four months until the company builds itself back up again. There, it is not just a case of shut the place down and good luck to you. That is what we are competing against.

We are leaders in some fields but not in others. However, we want to take the emerging markets and run with them. To do that, we need full support, and that is down to planning and test sites. The money for that will have to come from outside, because we do not have it in Northern Ireland. The banks do not have the money and you guys do not have the funds coming through. Invest NI is getting pushed further into a corner with smaller and smaller budgets, but it is doing the best that it can with what it has. I honestly believe that. We are in the position that we are in, but we do have industries, and the things that do not cost money are the things that we should try to do. Again, I go back to test sites, which would not cost a fortune, and to enterprise zones. We do not have to look at bringing in billions of pounds — let somebody else bring that in for us. However, let us give them the space to do that. That would make other people's lives easier.

Mr Donaldson:

What Richard says is exactly right. Scotland is pushing forward on renewables and talking to guys over here. Our concern is that Scotland will get a fair amount of information from us and then take it, expand on it and take pole position from us. Scotland's focus is to be number one in Europe, and it is striving towards achieving that. Albeit we do not have the same financial resources as Scotland, but we have facilities, which, if we could get them sorted out, could be used. We need to put that out there. That has to be the magnet that draws interest into Northern Ireland. On the back of that, local manufacturers could step up to the plate, help out, get involved in those opportunities and get into the supply chain. That is the way in which we see the situation

developing.

Mr Hogg:

It is not about the amount of grant money that is given out. We should stop calling it "grant money", because that messes up everybody's mind. It is not about grant money but about something sustainable that can go forward. We do not have that grant money here, but we can achieve something that is sustainable, that can go forward and that can bring in outward investment. We do not have the investment here, but we do have sites and expertise that we cannot ignore. Let us swing in behind and help everybody. Nobody is more raw about this than I am.

Mr Frew:

I have another question, Chairperson, if you will indulge me.

Is there a danger that, in trying to get investment and companies into the country, those companies will move in and take the manufacturing of this equipment to wherever it is that they originated from?

Mr Hogg:

To be honest, that is always that danger. However, we could bring in products that are very complicated and difficult to make, and then the expertise would stay here. When that expertise is here, it will be very difficult to move it somewhere else. We would not be offering companies oodles of money to come here, because offering money is not necessarily the right thing to do. The aim would be to make those companies indigenous and part of the community. We would bring them in and help them. You could invite companies up here to show them that we, and Northern Ireland plc, are open for business. At the moment, from the outside looking in, it looks as though we are closed for business.

I had Canadian investors willing to invest £1·5 million in our company, but the bank managed to scuttle that. What does that say to the guys in Canada? Looking in, they see somewhere that they do not want to go because there is nothing here. That needs to be sorted out or we cannot go forward.

Mrs McGill:

I have a quick question for Richard about the Ballykelly site. What is the first thing that should be done with it and who should do it?

Mr Hogg:

That idea just popped into my head, so I put it out there. However, I will certainly have a think about that.

The Chairperson:

Mr Hogg was making the point that Ballykelly is an example of a site that could be used. Therefore, why is it not being used and is anybody thinking about using it?

Mr Hogg:

That is exactly what I am saying. I believe that the Secretary of State or a part of government close to that has control of it. Or is it still Ministry of Defence land or part of the Crown Estate?

The Chairperson:

I am not sure. I know that the houses are being sold.

Mr Hogg:

Those are sold — forget about those — but I am talking about the industrial site that has a runway and everything else. That is a fantastic, big, open area, and it has tidal races.

Mr Frew:

Is it controlled by OFMDFM?

The Chairperson:

It could be. I am not sure.

Mr Hogg:

My understanding is that it was part of the Crown Estate and was handed over to the Government, because the Crown did not want anything to do with it. It is an example of a big stretch of ground that is open for development. No one will buy it because no one has any money and because the banks would not back any potential buyer, so there is bound to be something that we could do

there.

The Chairperson:

That is a fair point. Gentlemen, thank you for coming along. It was interesting and worthwhile.