



Northern Ireland
Assembly

Committee for Enterprise, Trade and
Investment

OFFICIAL REPORT (Hansard)

Renewables Obligation (Amendment) Order
(Northern Ireland) 2014: DETI Briefing

6 February 2014

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Patsy McGlone (Chairperson)

Mr Phil Flanagan (Deputy Chairperson)

Mr Steven Agnew

Mr Sammy Douglas

Mr Gordon Dunne

Ms Megan Fearon

Mr Paul Frew

Mr Fearghal McKinney

Mr Mitchel McLaughlin

Mrs Sandra Overend

Witnesses:

Mr Michael Harris

Department of Enterprise, Trade and Investment

The Chairperson: Before us today is Mr Michael Harris, head of renewable electricity policy branch. You are very welcome to the meeting. I believe that you are new in position and this is your first time at the Committee.

Mr Michael Harris (Department of Enterprise, Trade and Investment): No, actually, there is a bit of confusion. I think that I was down as head of energy, and we have a new head of energy.

The Chairperson: That is what it is. I was going to say that we would be easy on you. *[Laughter.]* Sorry, just joking there. You are probably aware — at least I hope you are — that the key issue that came up last week was that we received a letter dated 24 January from the Department. Were you the author of that letter?

Mr Harris: Yes.

The Chairperson: Paragraph 8 states:

“There are a number of reasons for the amended levels of support, including longer lead in times for planning approval and grid connection, lower local levels of solar irradiance”

and all that stuff. Let me put the question to you that was raised by members. Why should any sector be paid or financially advantaged for circumstances that are outwith the control of the Department?

Let me take that a stage further. Let us say that there is a delay in the planning application for a retail outlet. Should the developer turn to the Department and say "The planning process has delayed us; we have lost £2 million in retail outcome as a consequence of that; and, therefore, we should be compensated for it." On the face of it, that is how this appears to me as regards delays in planning. They may exist for reasons outwith the planning process. There could be a delay in the person getting details of sight lines or other aspects of the planning application. In other words, the onus and responsibility for the delay may well rest outside the Department and any Department. It may well rest with the applicant or the objectors.

Likewise, the grid issue has been raised here on a number of occasions, not just regarding applications for renewables but with respect to business expansion. Therefore, are we opening a floodgate whereby businesses that cannot expand may ask for compensation? Publicly, we heard of one, Dale Farm at Cookstown. Because of the inadequacy of the grid, should it, too, turn to the Department or the Executive and say, "We need to be compensated because NIE cannot get its act together and has not upgraded the grid; Planning Service has not got its act together; the objectors have been delaying a process or the agent has been delaying a process"?

To me, this opens quite a floodgate of issues. I do not understand the logic whereby the Department should compensate developers for issues that are outwith its control and responsibility.

Mr Harris: OK. I will explain the process for solar PV and the banding that would be used for solar PV, in order to explain our reasons for doing this.

The Chairperson: Please do.

Mr Harris: Last year, a banding review was undertaken for large-scale renewables across the UK. When I say large-scale, I mean those renewables over 5 MW in size. For some technologies, that brought in what we call "degression levels". Over the next three years, depending on when a generator accredits under the renewables obligation, the degression in renewables obligation certificate (ROC) banding level will reduce. So, in the first year, it might be 2 ROCs; if they do not accredit until next year, it could be 1.8 ROCs and so on, going down. Some technologies did not see any change in degression; for example, large-scale wind went down from 1 ROC to 0.9 ROCs, and that stays until 2017. There is no degression in that process at all.

However, solar is one of those renewables that saw a degression, because the costs of solar energy have been coming down. We consulted on it as part of the wider UK review; and at that time, we did not get any evidence to suggest that Northern Ireland needed to have any levels different to the rest of the UK, and we implemented the same ROC levels that came in last year.

However, since then we have had a number of developers who have come to us and said that costs have come down in solar. Previously Northern Ireland was not attractive for a large solar. I never thought that I would be in front of a Committee talking about large solar for Northern Ireland. However, costs have come down and it makes Northern Ireland now an attractive proposition for investment in large-scale solar. However, the degression levels that we had introduced were too steep to allow that to happen here. As you point out, we have a different planning and grid process to the rest of the UK. We have lower levels of solar irradiance, which are between 10% and 30% lower than the rest of the UK. So, those factors make it slightly more difficult for solar developers to invest here.

Planning is now better. You may be aware that yesterday a solar company announced that it now had planning permission for a 5 MW wind farm at Bishops Court. That is one of the developers to whom we had been speaking. The planning application went in when the ROC level was at 2 ROCs. We will just have to wait and see how that project progresses.

We are not increasing ROCs because of a grid cost. It is important to make that point, because we are also looking at reviewing small-scale ROC levels. I am very aware that grid costs have gone up substantially for developers. The Department receives correspondence on that regularly, and we are seeing typically large costs for that. However, we do not believe that throwing more ROCs at it is going to solve the grid problem. It will not make it easier for developers. We believe that, in this instance, the very small change that we are proposing will lever through 50 MW per year of solar energy at this level. That is what we have been told. It would bring in maybe £50 million of investment directly to the Northern Ireland economy through supply-chain benefits for companies here

which will be involved in construction and maintenance. These solar farms are being put on farmland and there is a rental income for farmers as well.

Of course, it also adds to our mix; it gives us a wider mix of supply. Most of these installations will probably be located in the east of Northern Ireland, where the grid does not have the same difficulties as it does in the west, so it gives us that balance. Yes, solar energy is intermittent, and it will not work in the evening; but it is more predictable than wind and, overall, we think it is a good move.

Let me touch on the cost as well. We talk about the cost of renewables. The cost of the ROCs is spread across all UK consumers, and we have done some calculations on that, and just making this slight increase from what the ROC levels were last year will add less than 1p per year to the bill for the consumer, for what we would be getting back from that.

The Chairperson: Forgive my ignorance of this. Sitting at the back of the room is the gentleman from the company who was with us earlier, along with the Northern Ireland Chamber of Commerce. I want to visit his company, because I want to find out a bit more about this.

You mentioned a number of issues, including the cost of the land to the farmers. That is an issue between the developer and the farmer. I will take you through this. You mentioned lower local levels of solar irradiance. How do we compare with the likes of the north of England and Scotland? I thought that we would be very comparable.

Mr Harris: Yes, we are, and most of what is going in, in Great Britain, is in the south of England.

The Chairperson: As you would expect.

Mr Harris: Yes. I do not understand completely the whole technology of solar energy. However, there is a band in Northern Ireland. Although we are more northerly, we are more attractive even than other parts of Great Britain, which are in the north as well. That is the evidence that I have been told. It makes Northern Ireland attractive for solar.

The Chairperson: Will you break down for me the level of compensation return which you are allowing for? How much has been apportioned to planning, and how much to delays in connection to the grid? You are clearly saying that those must be compensated. Will you also explain to me what is meant by the phrase:

"the relative immaturity of the larger scale solar industry here"?

I would have thought that the technology is the same no matter where you put it.

Mr Harris: Yes, although we have none of it here at all.

The Chairperson: I know that. However, you are not making the point that it would not work here because the technology is the same as in Britain. What is your point there?

Mr Harris: The point is that it is new to the planners and to the construction sector that is working on here. Nobody has done large-scale ground-mounted solar in Northern Ireland before. So, it is new in that sense. You are quite right about the technology.

The Chairperson: Why should it be compensated for?

Mr Harris: We have done this before with anaerobic digestion (AD), when we gave a higher ROC level for anaerobic digestion to kick-start that market here. That technology is not new but it was very new to Northern Ireland. We enhanced the ROC level for AD, which has brought that on substantially here.

The Chairperson: So, it is to attract them here rather than compensate for any immaturity of the —

Mr Harris: It is to give developers here the same rate of return as those in Great Britain, for example.

The Chairperson: I am aware of a major project, and I believe that you have been speaking to the developer as well. That one went through the planners with relative ease.

Mr Harris: Yes.

The Chairperson: In fact, it was passed as quickly as a single dwelling in the countryside and without the usual issues of objectors and things like that. I think that it took three months from beginning to end. So, if Planning Service is being efficient — in that case, I venture that it has been very efficient — how are you compensating for a perceived inefficiency that is not there?

Mr Harris: Chairman, "inefficiency" is a word that you use. I do not use that. It is the process here in Northern Ireland to go from —

The Chairperson: I am sorry; the paper specifically refers to longer lead-in times.

Mr Harris: Yes. The longer lead-in times are from planning through to actual grid connection, and developers have said to us that in Britain they might get from putting in a planning application to connecting in approximately six months. The process in Northern Ireland could take 15 months and typically even longer. That is when the depression that we have becomes an issue. There is depression because the cost of technology is coming down, but our process takes longer, and, if we were to have the same depression levels as those in Great Britain, it would not make a significant enough return for a project to go ahead.

The Chairperson: I am just working on the facts as I know them, and I am not hearing from you specifically how that is broken down. You raised an issue, made points and gave reasons why. I hear the point about irradiation, but you included the longer lead-in times for planning approval and grid connection, and the practical experience of one major development has been that there was no longer lead-in time for planning approval. In fact, it was dealt with extremely efficiently. So, how are you compensating for something that practical experience in a major development of 27 acres has shown to be very efficient?

Mr Harris: The developers have been saying to us that if they could even get it through in six months here, they would be surprised.

The Chairperson: This one was through in three months. So, why are you compensating for something that is a perceived issue when the reality is that it is not an issue?

Mr Harris: The problem is that, in Britain, you can apply for your grid connection at the same time as you apply for your planning application. Here, you must have your planning before you start the grid application. You cannot just start that grid application. So, that adds to that longer timescale. It takes longer to get a grid application here as well.

The Chairperson: So the planning is not the problem but the grid is.

Mr Harris: As I said in the consultation response, both of those give that longer lead-in time.

The Chairperson: I am not convinced by that.

Mr Frew: I understand the concept of ROCs and incentivising the market. Is DETI's decision about a level of ROC based purely on the rate of return for the developer?

Mr Harris: It will be based on a number of factors, including the attractiveness of that technology to our wider energy mix. When we increased ROC levels several years ago, that was to try to bring forward more small-scale projects. In this case, solar really gives us that wider mix. The Committee will be aware that there is growing opposition to wind. There is no doubt about that. Not everybody likes wind farms. Solar technology does not have the same visual impact as wind farms, so it is attractive to us in what it can give to our energy mix.

Mr Frew: Again, I agree entirely with you about the growing resentment and opposition to large-scale wind farms. I see it every day in my constituency. Do you add other issues into that mix? Let us take, for instance, anaerobic digestion. If you place a large-scale anaerobic digester on the land, that may

affect the price of that land and the price of the foliage that feeds it. You could then see a change in farming practices, because foliage that would have been used for feed is used to feed a machine.

You could look at the photovoltaic (PV) industry, but you would need large swathes of land to put in a large-scale PV plant. That would maybe affect, for instance, a farmer's single farm payment, because it would have to come off his land. There are other issues, such as whether the farmer should use the land for that purpose or for food production. Do you look at all those issues in the round when trying to incentivise?

There is even an issue with single-use turbines. Members of the farming community looked for rural development programme (RDP) grants for those, and they also got ROCs, so there are state aid issues if they try to sell the energy back to the grid. RDP funding was given on the condition that you only use it for your own land and business. All those issues could well change farming and business practices.

Mr Harris: One thing I have learned in this job is that there always seem to be unintended consequences, no matter what we do. We saw that when the 4 ROCs were brought in. It was very well supported at the time, and everybody thought it was a great idea. However, we then started to see issues with planning and the grid that, to be honest, were never foreseen, because nobody actually foresaw the uptake and how popular it would be.

Take the solar farm that was approved yesterday: my understanding is that the land is still used for grazing; it was not used for crops. Some developers are looking at disused airfields as well. I can understand the attractiveness to a farmer, particularly if it is a bit of land that is not producing any income for him.

We raised with developers the point about the single farm payment and the impact on farms. That was discussed with farmers, and they knew that there were possible implications if they chose to go down that route. I think that that is a commercial decision for a farmer to make.

Mr Frew: Large swathes of land in Northern Ireland are sitting in the hands of OFMDFM. I am thinking about the site in Ballykelly. There is also the St Patrick's site in Ballymena as well as other old army barracks land and Ministry of Defence (MoD) land. Has there been any sort of discussion or thought process about basing an even larger-scale industrial plant on such sites? You would still have ample space and room for other initiatives there.

Mr Harris: I am not privy to direct discussions, but I understand there have been discussions with developers about using land for that, such as you described. At least one of the solar developers has been in discussion with the Strategic Investment Board (SIB) about that.

The Chairperson: You touched on the issue of conacre, and, Paul, you led us there, too. Are you aware of how much they give per acre for renting the land?

Mr Harris: I do not know what it is per acre. I do not know that directly. I can try to find out for you. I do not have the figure.

The Chairperson: It has been mooted that it can be upwards of £400 an acre, which is pretty high. If it is as much as that, and people are paying up to £400 an acre, could they not renegotiate that down a bit and lop off some of the cost?

Mr Harris: Do you mean with AD?

The Chairperson: No, I am talking about PV. You have seen the advertisements in the 'Farming Life', have you not?

Mr Harris: No.

The Chairperson: OK. They are from some of the PV companies. I think that most other people are aware of that. Could you check that out for us, please?

Mr Flanagan: Michael, thanks for coming along. Will you go over the rationale for this? I am not really sure what the point of it is.

Mr Harris: As I stated before, large solar was never part of what we envisaged ever being here, and the majority of our target will be met through wind. We understand that. However, we are now finding that the cost of PV has come down. I understand the question as to why are we giving a higher ROC level if the cost of PV has come down. The cost of PV has come down significantly over the past two years, which is partly why we are seeing such a massive uptake of small-scale solar in Northern Ireland. It is now making Northern Ireland a viable economic proposition for large-scale solar. Developers are coming to us, but they are making the point that there are different conditions here that make it less attractive and that they could do it in Great Britain instead. One of those companies, which is London-based, has Northern Ireland people at senior level who are very keen to invest in Northern Ireland. Apart from 100 MW to 200 MW, depending on who you talk to, it would make a significant contribution to our 40% target. It is not wind, and it has less visual impact, as I mentioned. That is £50 million or more that we could bring directly into the Northern Ireland economy. It is difficult for us to ignore that.

The Chairperson: You mentioned £50 million. What is that £50 million for?

Mr Harris: That is excluding the cost of the panels, which are not bought in Northern Ireland. That is the cost of the construction, the ongoing maintenance of the sites and the land rental, and companies are saying that, in the future, they expect to have to pay business rates. So, they are factoring in about £50 million directly for that.

The Chairperson: Over what period of time?

Mr Harris: The £50 million would bring in 100 MW, and they expect those 100 MW to come in by 2017. So, it is a relatively short period. There would be ongoing maintenance, because those stations would be in place for 20-plus years.

The Chairperson: Hopefully, you are not anticipating that we invest in something that will require a huge amount of maintenance costs.

Mr Harris: No, my understanding is that they do not need a lot of maintenance. Once solar is up and running, it does not need significant maintenance.

Mr Frew: Maintenance is good for the sparking industry.

The Chairperson: It is indeed. Do you know any opportunities there? You could get a wee grant.

Mr Mitchel McLaughlin: Did you say "opportunities"?

Mr Frew: You never know what I will be doing in a few years time.

Mr Flanagan: Are you planning to put the levels of incentivisation up or down?

Mr Harris: The levels that came in last year were a reduction. It used to be two ROCs for large-scale solar. Last year, the figures brought that down to 1.5 ROCs. We propose to make it 1.6 ROCs because the figures that we brought in last year were at the levels that went in across the whole UK. At that time, we had no evidence to suggest anything different for Northern Ireland.

Mr Frew: Are you suggesting that you change it every year?

Mr Harris: No, not every year; it changes depending on when you come in. So, while, in 2014-15, we are proposing 1.6 ROCs, it would be 1.5 ROCs next year for somebody new coming in and then 1.4 ROCs in the following year. It would degress, because we expect the costs of the technology to reduce over the next couple of years.

Mr Flanagan: What was the view of the five respondents on the proposal?

Mr Harris: Three of the responses were from developers, who gave us quite detailed evidence and comparisons. One was from NIE, which set out its timescales and the rationale for those, and the other was from Northern Ireland Environment Link, which was supportive of solar PV but mindful of impacts on land use.

Mr Flanagan: What did the three developers who responded say?

Mr Harris: They gave us different figures. In fact, in the consultation response, we do not outline who gave what figure. They put in their suggested ROC levels, which were all higher than what we had consulted on, and we have gone for the lowest one, which is also the one that we think will bring forward the most. We do not expect all those who came to us with those levels to progress with investment, because some said that, unless we have a higher level, it would just not work in Northern Ireland.

Mr Flanagan: Lightsource approached the Committee some time ago to express concern that there was such a differential in the level of incentivisation here compared to that in Britain, and that is part of the reason that you have made the changes. However, the rationale that developers gave and that you have provided us with on why there needs to be an increase in the levels of incentivisation is because it takes six months to get a planning application passed in Britain and might take 15 months here. Instead of increasing consumers' bills to sort out the problem, would it not be easier to sort out the planning problem? What happens if you increase the incentivisation and, somehow, we get a political agreement to sort out the planning problems? Will developers continue to receive the proposed higher rate of incentivisation while not having to go through the barriers?

Mr Harris: A bigger issue than planning is the length of time that it takes to get on the grid. Planning is now better, and planners have a better understanding of solar.

Mr Flanagan: Take the two issues of planning and NIE allowing people to connect to the grid. Would it not be easier for DETI to try to sort those out instead of talking about increasing the levels of incentivisation?

Mr Harris: Yes, and we work with NIE. I was supposed to be at an NIE grid workshop this morning to look at how the processes can be streamlined. It is an NIE decision that it will not accept a grid application until it has a planning application, and my understanding of its rationale is because it stops speculative bids and applications that would massively increase its load. That is why NIE has taken that decision. We cannot make it change that.

Mr Flanagan: Who can make NIE change it?

Mr Harris: My understanding is that it is a process that NIE can make the decision on. I honestly do not know whether the regulator can enforce anything on NIE. NIE has a queue process and, if that were to suddenly change overnight, it would have a flood of additional applications, which would not speed up the process.

Mr Flanagan: In all your discussions with NIE, do you have the feeling that it is overstating the extent of the problem?

Mr Harris: No.

Mr Flanagan: So, we are no closer to sorting out that problem with NIE. One issue that we are looking at in our continuing inquiry into prices is how renewables generators are incentivising. From all the information that we have seen, they are being far too heavily rewarded for renewable energies, not just wind. An awful lot of their prices continue to rise as the price of fossil fuels increases, yet you are proposing to give them greater incentivisation. I am interested to see how that fits in with the legislation side of it and the Energy Order 2003, which gives the Department its responsibilities on electricity policy. The principal objective of the Department in carrying out the respective electricity function is to protect the interests of consumers of electricity supplied by authorised suppliers by promoting effective competition. So, how does trying to protect the interests of consumers fit with increasing the levels of incentivisation?

Mr Harris: Earlier, I mentioned the figure of how much we think it will add to a bill. The difference between what came in last year and what we propose this year will add a penny across all UK consumer bills. Actually, it will add less to Northern Ireland consumers' bills, as we have a lower obligation under the renewables obligation.

Mr Flanagan: That is the one change that you are making to the incentivisation.

Mr Harris: Yes.

Mr Flanagan: That 1p adds to another £9 million that large energy users may be paying.

Mr Harris: Yes. We talk about security of supply, and it will give us that. I do not think that we can ignore not being able to take that additional renewable contribution here. If we had turned our backs on 100 MW of renewables, I assume that the Committee would question us for doing that.

Mr Flanagan: If you had what?

Mr Harris: If we had not gone ahead with the incentivisation. Ultimately, if that investment had not come forward — who knows whether it would — we would have effectively been turning our back on that for that small additional cost.

Mr Flanagan: Could you not try to sort out the other problems instead of changing the price that people are paid?

Mr Harris: Yes.

Mr Flanagan: That makes more sense than increasing consumers' bills.

Mr Harris: I think that that is a longer process. The Department has limited control over that overall in how NIE's practices work. That would be more for the regulator. I am not saying that it is the regulator's issue and not the Department's, but we have limited influence over that.

Mr Flanagan: But the Department and the regulator have a joint function in that regard. It is not solely a matter for the regulator; the Department has to be involved as well.

The Chairperson: In all of this, you are expecting us to go on a wing and a prayer. The companies will not come here and do the work pro bono. They obviously have their projections and are set on making profits. What I am hearing from you — to re-emphasise the point that Phil made — is that we have to compensate for perceived shortcomings in other organisations outwith the control of your Department. Essentially, that is what you are asking us to do. You are asking us to compensate firms, one of which is making very substantial profits. The Department's logic on this sounds rather bizarre to me. Are you telling me that, without this incentivisation, whether minor or not so minor, the project for PVs will not be viable?

Mr Harris: That is what we have been told.

The Chairperson: I did not ask you that. Somebody could tell you that it is a lovely day outside when it is snowing and you could relate what they told you. What is the fact? Has the Department done any research to establish whether that is the reality? Those companies will make money. What has the Department done to establish whether that is the hard reality, rather than repeating to us what you have been told?

Mr Harris: We worked with the Department of Energy and Climate Change (DECC) in London, which has a solar PV team and a solar PV strategy. We shared the figures with that Department, which has the expertise to guide us. It has done a lot of work recently on solar PV. We also have in-house economists who looked at the figures. We have not just taken the figures for granted.

The Chairperson: Just so that you know: Northern Ireland Electricity's pre-tax profit for 2012 was up by 202%. That is a fact. We are being asked to compensate for shortcomings in a private company. Is that not where you are taking us?

Mr Harris: My purpose in doing this is to get 100 MW to 200 MW of large-scale solar PV into Northern Ireland. That will contribute to our targets, enhance our security of supply and ease costs to the consumer. That is what I am trying to do in my job.

The Chairperson: I hear where you are coming from, but I just do not hear the rationale for it in detail, as I would have expected.

Mr Agnew: Thank you for the information so far, Michael.

I understand where the Chair and Deputy Chair are coming from on some of this; they want to ensure that we are not over-incentivising. I think that that is important. However, we have some basic facts. Did any large-scale renewable projects come online at 1.5 ROCs?

Mr Harris: No.

Mr Agnew: So, we have increased it to 1.6 ROCs, and we are now getting large-scale renewable projects online.

Mr Harris: Yes. This area is so fine as far as what makes a project viable is concerned. They said that it was not viable at 1.5 ROCs in Northern Ireland but that it is at 1.6 ROCs. Those points of a ROC are making the difference. The information that we have from them sets out the difference that that makes to the bottom line for those projects.

The Chairperson: As they have told you.

Mr Harris: Yes, and as the information has been shared with DECC in London. They have 900 MW of large-scale solar there. It is well-established, and they are well-used to large-scale solar there. We do not have the knowledge of large-scale solar here, so we checked the figures with DECC to make sure that what the companies have said is correct and that their projections are correct.

The Chairperson: Sorry, Steven.

Mr Agnew: No problem, Chair. Just to repeat: under 1.5 ROCs, no large-scale projects came online, and we are increasing it to 1.6 ROCs —

Mr Harris: Yes, that is the minimum that we can increase it to bring that forward.

Mr Agnew: You propose to go back down to 1.5 ROCs for 2015-16.

Mr Harris: Yes.

Mr Agnew: You said that that was because of the price of PV coming down. I am interested in the evidence of that, because we hear that costs are going up everywhere else. I know that there will be efficiencies of scale as PV becomes a more mature technology across GB and these islands. However, transport costs are going up, electricity costs are going up and manufacturing costs are going up; we hear that costs are going up everywhere else. What is the evidence to suggest that the cost of PV will go down, particularly year-on-year, which is what you have said it will do until 2017?

Mr Harris: That evidence was gathered primarily through the banding review that was done last year that saw the ROC level reduce from 2 ROCs to 1.5 ROCs. The majority of panels are made in China, so a lot have come from the Chinese market. That is also why we are seeing the massive increase in small-scale solar — as I mentioned earlier, we are starting to see that more on domestic housing. The costs have come down rapidly. They have come down significantly in the past two years, but that is now slowing. The industry acknowledges that it will continue to reduce over the next couple of years. That will start to flatten out. Those levels are supposed to take account of the fact that the costs will continue to reduce.

Mr Agnew: Maybe this is an unfair question, but are you confident that, by going back down to 1.5 ROCs, we will not return to the situation where it becomes unviable again?

Mr Harris: No, we will not.

Mr Agnew: OK. I want to ask you about a related point — it is not what we asked you here to discuss, so, if you do not have the answer, I fully accept that. We have small-scale PV in Northern Ireland, and we are seeing free-PV offers to households coming online. I declare an interest as I am getting my house assessed for it at the minute. That seems to be good for the consumers who avail themselves of it, for the industry and for us, as far as our renewables targets are concerned. However, we have a problem in Northern Ireland with mortgage providers being uncertain about this. Is that something that

the Department is working on? It does not appear to be a problem in GB, but the bank — the building society, I should say — that I have my mortgage with has a problem with it in Northern Ireland though not in GB. I have not got to the bottom of that. They are operating in GB and are happy to put them on houses, but they are not so sure about it in Northern Ireland. How much work is the Department doing on that?

Mr Harris: We are aware of that, and we have been in contact with the Council of Mortgage Lenders. Our understanding is that the guidance on free solar in England and Wales is different from Northern Ireland and that it is different in Scotland again. The issue seems to be that some mortgage lenders are uncomfortable with panels being put on the roofs of mortgaged properties, because that could impact on the future saleability of such properties. Some people might find it attractive to have a property with solar, and some might not. The Council of Mortgage Lenders has said to us that it does not impose it one way or another; it will be up to individual lenders. It may be an issue, but it does not seem to be an unsurmountable one, given that the number of accreditations that we see coming through for ROCs have snowballed. I can give you an idea of how those figures have increased.

The Chairperson: We need not go into that. We will just stick with the issue in front of us at the moment. Steven, do you have anything further to add?

Mr Agnew: No. That is me. Thank you very much.

Mr McKinney: I would like to return to the issue that the Chair and Deputy Chair were pushing on. On page 34, the last sentence of paragraph 2.10 —

Mr Harris: Is this the consultation response?

Mr McKinney: Yes. Will you explain that for me, given what you said about the other elements of the consultation response?

The Chairperson: Sorry, which page you are on, Fearghal?

Mr McKinney: It is on page 34. The last sentence of paragraph 2.10 states:

"Several respondents noted that planning and grid application can be undertaken".

Does that mean that there was a divergence of views among the consultees?

Mr Harris: No. What was I trying to explain there was that those who responded noted that planning and grid applications can happen in parallel in GB, so you can submit both together. However, you cannot do that here; it has to be done successively.

Mr McKinney: I understand.

Earlier, in response to Mr Flanagan's questions, you played down the lead-in planning element and emphasised instead the grid. On the one hand, you say in paragraph 8 of the overall proposal that longer lead-in times and grid connection were, if you like, equally responsible for your conclusions. However, your evidence today has played down the lead-in time and emphasised the grid connection. That is what I am hearing.

Mr Harris: Yes. What developers are saying is that planning is an issue for them.

Mr McKinney: I am just really applying the evidence that you gave today. Do you accept that, in some respects, the consultees would say that? Would they not?

Mr Harris: Yes, they would. Of course you would expect them to say that. However, we know, from dealing with other renewable technologies, that planning for, say, wind can take a considerable amount of time here and can take a lot longer than it would in Great Britain.

Mr McKinney: Do you accept that there is perhaps a need for further interrogation of the issue and further discussion with NIE and others about grid connection, given that the Chair is reflecting on the speed of planning and that you are reflecting on it not being an equal issue?

Mr Harris: We have had discussions with NIE about the grid connection issue. The NIE response, which I will happily share with the Committee, sets out the reasons why it has very long lead-in times for those. The grid might take six months, which is not untypical — a timescale of three months is, I suggest, fast for any planning application — but NIE says that, for some of those projects, the grid bit can take up to two years.

Mr McKinney: Forgive my ignorance, is NIE behind any of the plans for the development of the farms themselves?

Mr Harris: Not that I am aware of.

Mr McKinney: Back to my point, do you accept that there is a need for further interrogation and work on this, on the basis of this conservation and other, albeit anecdotal, evidence? It appears to me to throw up more questions that should not just be accepted as issues that a ROC increase will resolve.

Mr Harris: I think that very few applications for solar PV are in the planning system. This is the first one that has come out the other end. So, we do not have a lot of evidence yet on how long they take. We can discuss further with the planners how long they think such applications will take. Planning is part of the issue, but it does not get away from the grid aspect of it, unfortunately, which is probably the larger and longer part.

Mr McKinney: You have not answered my question. Do you think that there is further interrogation to be done on this?

Mr Harris: Yes, we can look at it. I am not sure that there is yet enough evidence on how long they are taking for us to base any decision on. We only have one through at the minute. We can look at it again.

The Chairperson: Following through on what we have heard today, I am not comfortable with making any sort of recommendation on this, because there are a few issues that we found to be a wee bit nebulous as we drilled down into them. The Committee is getting that feeling. They are issues such as the potential for planning. I would like to know whether the Department has shared those concerns about the ROCs with DOE and, if so, has DOE responded? You mentioned that NIE has responded to you. I think it appropriate that the Committee should have sight of that response, please.

Mr Harris: Sure.

The Chairperson: Mr Agnew said that PV prices were coming down and talked about how they were dropping. Certainly, I would like to know something about that, because I do not know about it. If you have evidence that you can share with the Committee about that, it would be very helpful. There is also the issue of land prices and conacre. Have you looked into that? There is not much point in over-incentivising at one side and having a further incentivisation at the other. We would need to have a wider picture. I am sure that other members would like to raise further issues that we need to explore.

Mr Frew: What are the ramifications of holding this up?

Mr Harris: It will create investor uncertainty. We were not expecting any investment to come through in 2014-15 because of the long lead-in times. Nothing was expected to come through until the following year. This was due to go into the Renewables Obligation (Amendment) Order (Northern Ireland) 2014, which comes into place on 1 April 2014. That is where the ROC levels were to be set out. Therefore, I assume that it will create uncertainty that we are not going ahead with it.

The Chairperson: How do you make that assumption? The onus is on you to provide the Committee with the detail that we require to make the decision.

Mr Harris: Yes, sorry. I base that on the assumption that it does not go ahead.

The Chairperson: All right.

Mr Frew: I would like to ask about the cogs of the process, rather than about the mood and perception of the industry. What is the mechanism for us? What decision do we have to take? As a Committee, do we hold it up by seeking more clarification and more information? What impact does that have on the cogs of the process?

Mr Harris: The other part of the order is about biomass sustainability, which is being introduced across all three renewables obligations. The text of the order is mainly about biomass sustainability requirements. That is bringing in reporting criteria on biomass users to show where they are importing fuel stock, or not even importing, but what fuel stock they are using, be it biomass or AD. Reporting requirements will be put on that. Ultimately, if stations producing over 1 MW do not comply with those requirements, they could have ROCs withheld until they do. If we did not progress that part of the order, it would put us out of step with the other two renewables obligations.

The Chairperson: That is if you did not do it.

Mr Frew: Yes, but how long does the Committee have before delay impacts on your work programme to get these SL1s into operation? That is my question about the actual cogs of the process. Do we have two weeks to assess this further? One week? Should we be passing this now in order to let you do your work in time for April?

Mr Harris: According to our schedule, because this is following the draft affirmative process and there is a debate in the Assembly, the order should be laid in draft by the beginning of March, with a view to having it approved before the end of March, allowing the order to come into operation on 1 April.

Mr Frew: You have asked very valid questions, Chair. I do not know how long this has been scheduled for, or how long we have been waiting for it. They are all valid questions, I know. However, some of those issues are not in the destiny or remit of DETI.

The Chairperson: Yes.

Mr Frew: We could hold DETI hostage on issues that it has no real remit on. I worry about that. They are all valid questions, I know. One other valid question is about the progress of the work being undertaken by the Department on the European regional development fund, in order to enhance investment in the grid. That is a pertinent question that we could ask the Department. Some of the issues are centred on the grid and investment in it. However, this is in the short term. Although DETI, and all of us, would like NIE to put more investment into the grid and make it more readily available for renewable energies, the change and variation in the ROCs is a short-term hit to manipulate the issues and incentivise the market. The issue of the grid will take a long-term strategy; it is a long-term issue to resolve. Although we can connect those aspects, because we want them to be resolved, we need to be careful that we do not de-incentivise the market and make things worse. So, I urge caution.

The Chairperson: As a Committee, we want to be as well informed as possible to make any decision — good, bad or indifferent, as it may be perceived. That is our job and that is why we are here. Phil, do you want to make a comment?

Mr Flanagan: This all comes down to risk. There is reluctance in the wider public service to take risks with taxpayers' money. That is not really a view that I share; I think that it is an attitude that we need to get rid of. However, when it comes to electricity bills and the money that domestic and business consumers will spend on electricity, we have to be very careful about taking a risk. I know that you are talking about only a very small amount of money, but it all comes together to make a significant difference.

I am not convinced by the arguments that you have given, to be honest. However, I do not know enough about it, and that is the problem. I am here with an open mind and am willing to be convinced. I am willing for you to sell it to me, but I am not buying it. I am concerned that it would have a detrimental impact on consumers' bills with very little benefit for them. What I would like you to do is to come back and sell it to us properly, if you can.

The other point that I want you to come back on is the whole issue of technology costs and the EU/China trade dispute, which has led to a minimum price level for Chinese panels being sold in Europe. That is something that constituents have raised with me as a potential opportunity, but it is not something that I know anything about. Does the Department have any information on that, or would we be better to get the Assembly's Research and Information Service (RaISe) to get us information on it?

Mr Harris: We do not have any direct information on that, but it is one of the reasons why panel prices had dropped dramatically but that has slowed while this is going on. My understanding is that it is hoped that that will be resolved later this year. However, I can provide the Committee with more information on that.

Mr Flanagan: Would we be better to get that information from the Department, or would RaISe be fit to give us a broader outlook?

The Chairperson: Or Invest NI.

Mr Harris: Yes, if you want to get RaISe on to it.

Mr Flanagan: OK. We will get RaISe to do it.

The Chairperson: I am not sure about RaISe. Invest NI might have it, I would hope.

Mr Flanagan: Invest NI would have no knowledge of European Union trade import limits.

The Chairperson: Sorry, I thought that you were talking about the price of the PV panels.

Mr Flanagan: Yes, but Europe is importing them from China; importing them, not exporting them.

The Chairperson: I know that.

Mr Flanagan: Invest NI would not know anything about it.

The Chairperson: Surely, their client companies here would have raised it with them. If they have not done, it is a bigger problem.

Mr Flanagan: I think that RaISe would give us a better assessment of it, and hopefully quicker, too.

The Chairperson: Good luck to them. So, on that point, we have raised a number of issues and would like you to get back to us on them. It is clearly in your interests to get back to us as soon as possible.

Mr Harris: Absolutely.

Mr Frew: Let me just squeeze in a last question. What are we talking about in value? What is 0.1 of a ROC?

Mr Harris: Do you mean 0.1 of a ROC in monetary terms? The value of a ROC can vary, but typically it is worth about £40 to £45.

Mr Frew: Yes, but in this issue of the —

Mr Harris: I calculate that, if 50 MW came on board because we make this increase of 0.1 of a ROC, it would mean an additional £400,000 over and above us not increasing the ROC level.

The Chairperson: Is that £400,000 per annum?

Mr Harris: Yes, per annum. That is £400,000 cost-spread across all UK consumers. There are 26.4 million consumers.

Mr Frew: And we are 2% of those consumers.

Mr Harris: That is where the figure of a penny comes from. However, it is less than that for Northern Ireland consumers because we have a lower obligation level. Suppliers here have to buy fewer ROCs, so it is less than a penny.

The Chairperson: That is grand. Thanks very much for your presentation. We look forward to getting further detail from you. Members, we will wait to get further word about the SL1 before we give our considered view on it.