



Committee for Enterprise, Trade and Investment

OFFICIAL REPORT (Hansard)

**Electricity Policy Review Part III - Grid Connections:
Department of Enterprise, Trade and Investment**

5 June 2014

NORTHERN IRELAND ASSEMBLY

Committee for Enterprise, Trade and Investment

Electricity Policy Review Part III - Grid Connections: Department of Enterprise, Trade and Investment

5 June 2014

Members present for all or part of the proceedings:

Mr Phil Flanagan (Deputy Chairperson)

Mr Steven Agnew

Mr Sydney Anderson

Mr Sammy Douglas

Mr Gordon Dunne

Ms Megan Fearon

Mr Paul Frew

Mr Fearghal McKinney

Mrs Sandra Overend

Witnesses:

Mr Michael Harris

Department of Enterprise, Trade and Investment

Mr John Mills

Department of Enterprise, Trade and Investment

The Deputy Chairperson: Briefing the Committee today is John Mills, who is the head of the energy division. I think that this is your first time briefing the Committee as head of division. You are very welcome.

Mr John Mills (Department of Enterprise, Trade and Investment): Thanks, Chairman.

The Deputy Chairperson: We wish you well in your role. We also have Michael Harris, who is the head of the renewable electricity policy branch. He has been here before, I think. You are both very welcome. Do you want to make your introductory comments and then we can get into questions?

Mr Mills: Thanks for the invitation to the Committee's review of grid connections. We have sent up some bullet slides. Hopefully, Committee members have them, as I propose to go through them. DETI's main role is the incentivisation of renewables, and that is pretty much what I will cover.

I will turn to the first slide. The framework for renewables is set by the renewable energy directive at EU level. That places a mandatory target on member states of 15% by 2020, and the Executive's contribution to that is a 40% renewables target by 2020 with an interim 20% target by 2015. That is supported by the Department's primary goal of protecting consumer interests, and its general duties contain a requirement to promote energy mix. That supports the renewables objective and the detail set out in the Renewables Obligation Order (Northern Ireland) 2009. The main way that we incentivise is through the Northern Ireland renewables obligation. Actual connection is largely down to NIE, and the slide shows the legislative provisions for that.

I will turn to the next slide and give some background. The 2008 all-island grid study commissioned by DETI and Southern colleagues in the Department of Communications, Energy and Natural Resources concluded that 42% of power demand on the island could be met by renewables but that there would need to be some grid strengthening to achieve it. Current levels of investment are estimated to be able to deliver 27%.

I will move to the next slide. We have approximately 600 MW of renewable energy installed. Most of that is large-scale wind, but about 10% is from small-scale technologies such as wind, hydro, anaerobic digestion (AD) and solar PV. It is estimated that we would need about 1,600 MW to meet the target of 40% consumption from renewable sources by 2020.

The next slide is entitled "Since 2010..." .

The Deputy Chairperson: On your previous slide headed "Renewable Electricity", the figures do not add up. It says that we have 600 MW of installed renewables, which is 19%, but that we need 600 MW to reach 40%. Those two figures do not correlate. Is that because of a predicted change in demand or consumption?

Mr Michael Harris (Department of Enterprise, Trade and Investment): Part of it will be because of the technology mix itself, because, with installed capacity, wind would have a lower load factor than biomass or AD. So, the figure of 40% and figure for the installed capacity do not correlate exactly. The 1,600 MW was a scenario that looked at what could get to 40%, but, ultimately, it will depend on what is installed, whether it is wind or another technology. You cannot match them up in the same way.

The Deputy Chairperson: OK. Sorry for interrupting you, John.

Mr Mills: We are not far off the 20% target, as you said, Chair, at 19%.

There have been considerable developments since the 40% target was introduced in 2010. Total capacity installed has almost doubled from 336 MW at April 2010 to 611 MW by May 2014 — an increase of 82%. There were 590 generating stations accredited under the Northern Ireland renewables obligation (NIRO) at April 2010 and 4,977 by last month — an increase of 740%.

The vast majority of generating stations are below 5 MW, and most are even smaller at under 250 kW. Small-scale capacity at April 2010 was 26 MW, compared with 87 MW in May 2014, a 234% increase.

That is quite an increase, and these successes bring challenges, hence the Committee's review, no doubt. At the large scale, NIE has adopted a cluster approach. Some of that can lead to developers complaining about timescales. At the small scale, connection costs have risen, timescales can be longer or, depending on upgrades, not possible because of the capacity of the grid.

At the smallest level, the thresholds for microgeneration have reduced to comply with new regulations. That is a concern for that group of developers. The Minister is not blind to that, but there is no instant solution. Any decision to allow further investment in the distribution network to accommodate greater levels of small-scale renewable generation is ultimately a matter for the generator. The cost to consumers of upgrading the grid has to be weighed against the advantage in achieving the renewables target.

Last year, the Department completed a review of large-scale technologies for ROCs. Under the statutory requirements of the 2009 order, we are now reviewing small-scale generation. We will bring that to the Committee in the coming weeks as a draft consultation document.

We are looking at the costs and benefits associated with reaching the 40% target. We expect that work to be completed by the end of the year, and that will feed into the mid-term review of the strategic energy framework, which is due to commence next year.

The Minister is aware of the grid connection issues and the issues that developers are facing. There is no quick and easy answer. Any wider investment solution that takes costs away from developers could put them on to consumers. Upgrading will take time anyway. It is important that developers be aware of the grid constraints, although there are still many opportunities for them to connect. Our goal remains to achieve the Executive's renewables target at the least cost to consumers.

The Deputy Chairperson: Thanks for your presentation. You said that DETI's main responsibility was for incentivisation of renewables. I presume that that is not DETI's main responsibility for energy policy.

Mr Mills: No, that is in the context of connections. We are incentivising the demand for connections. Our main duty is to carry out our energy duties in the interests of consumers, but one of the duties below that is to provide for a renewable energy mix.

The Deputy Chairperson: That is fine.

Mr Dunne: Thank you very much, gentlemen. How aware are you of the frustration felt by providers, especially those of large-scale renewables projects, at the length of time it takes to go about setting up their projects? One issue that they have great concerns about is planning permission, which is needed before NIE takes them seriously and engages with them. Is there not an argument that we should be running the two processes in parallel? What is your attitude to all of that? How aware is your organisation of those concerns?

Mr Mills: We are very aware of them. The Minister regularly meets developers, so she is well aware of their concerns. Even in the short space of time that I have been in post, I have met developers more than I have any other group of people. We are therefore very aware of the issues for developers. I do not want to say the wrong thing here, because I have a lot of respect for the risks that developers are taking. However, ultimately, our incentivisation is for the provision of renewables obligation levels. We do not guarantee a connection to the grid. That does not come along with that incentivisation.

On the planning issues, we are aware of calls for running the planning and grid connection processes side by side and that may speed up the process. My crude answer to that is that, if the grid is the block, it really will not matter how quickly you get through planning. Certainly, if you ran the two processes side by side, you might find people making planning applications but then not taking forward their development, and NIE closing down possible access to others as a result. I do not know whether you agree with that, Michael.

Mr Harris: I do agree. I know that, in its evidence, NIE explained why it had adopted that policy: to try to avoid the instances in which developers are trying to push ahead and hold up grid applications. The queue process is one that developers get very exercised about, but large-scale developers certainly understand why the queue is needed. The Utility Regulator agrees with the process as well.

Mr Dunne: Last week, we took evidence from a large-scale wind farm provider and were told that, for the planning stage with NIE right through to connection, it will take 10 years and that, prior to that, about three years' work will have been spent planning the project. That is 13 years. Surely such a timescale is unacceptable for such projects. I think that the Department needs to get real here, and NIE needs to get very real. I think that NIE is living in the past. What pressure are you putting on NIE to move forward? NIE reminds me of certain banks that used to be in Northern Ireland. Some of them have changed their name totally and are unrecognisable. A lot of their places have closed because they did not move on. We feel that NIE needs to step forward, get smart and get things moving in order to meet modern demands. Requirements change so quickly. Thirteen years for a project is totally unacceptable, as far as we are concerned. We are sitting up here in Stormont trying to make things happen. Surely you will agree. What is the Department doing about that?

Mr Mills: I sympathise, but I have to come back with what may sound like an unsympathetic answer to that. I admire the risks that developers are taking, but there are those project risks. I am wary of saying that the Department should assume all those risks. The Department offers generous incentives. Other industries may look at the renewables industry and its incentivisation levels and think that it is well served. Renewables get first preference in the market. They get the market price. We are not giving renewables a guarantee of connection. If we wanted to do that, inevitably, we would be looking at possibly increasing the cost to consumers, and the Committee, from the last element of its review, is well aware of pricing issues. The only thing that I would add to that is that, at the very top level of grids that are regarded as having European significance, there are new European regulations that delegate authority to the Department to try to corral all those processes that you are talking about and make sure that they happen quicker and in a more opened-up fashion. However, that affects only around five particular identified projects and would not extend to normal wind farms.

I really sympathise with developers. I was speaking to somebody yesterday who showed me map after map. He showed me areas of special scientific interest (ASSIs) and of important landscape that he could not build on and spoke about the grid constraints. I appreciate the difficulties. However, having said that, if I were being crude, I would say that we are likely to hit the Programme for Government target of 20%.

Mr Dunne: You are?

Mr Mills: Yes, for 2015.

Mr Dunne: Are you confident of that?

Mr Mills: Yes.

Mr Dunne: OK. Thanks very much.

The Deputy Chairperson: John, you kind of said it again that the Department's only responsibility in the area is the incentivisation of renewable electricity. However, the Energy Order 2003, which established the regulator, states:

"The principal objective of the Department and the Authority in carrying out their respective electricity functions is to protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission or supply of electricity."

Therefore, the Department's responsibility is much bigger than just the incentivisation of renewable electricity. It has the same primary role as the regulator and the same level of responsibility. For you to sit here and say that your only responsibility is to deal with the incentivisation of renewable electricity is quite concerning.

Mr Mills: I am sorry that it is concerning, but I disagree with you that the Department has the same responsibilities as the regulator. The legislation would make no sense in that case. If we were meant to do what the regulator does, why would we have a regulator?

The principal objective that is set out in legislation is that the guiding principle for the Department must be in carrying out its specific duties. The Department, the regulator, NIE and the Systems Operator for Northern Ireland (SONI) have numerous specific duties littered throughout the legislation. I am sure that we could provide a list of those, but it would take a while.

Mrs Overend: Thanks for coming to the Committee. It seems that, for renewables, there is a monopoly for connection to the grid. We spoke earlier about how, in GB and the Republic of Ireland, generators have the opportunity to connect their assets, which results in cost savings and a reduction in delays. I understand that the Utility Regulator is working on introducing that here. What is the Department doing to ensure that it is introduced as soon as possible and as smoothly as possible?

Mr Mills: That is the contestability. We are aware of that. It is the regulator's responsibility along with NIE to introduce that. As far as we are concerned, there are no barriers to that in the current legislative framework, and if issues arise with us, we are happy to look at them. I think that we would be happy to see that happen. If it were to help developers, it would be a good thing.

Mrs Overend: You mentioned clustering earlier. How do you see that helping or hindering contestability when it is introduced? Clustering could bring about further delays. How will that be controlled?

Mr Mills: That appears to be an issue at the moment, but I think that there is general agreement that clustering is a good thing. Certainly, for costs, it is preferable to multiple individual connections. I do not think there is any disagreement on that. There seems to be an impact on individual developers, whereby if clustering is not happening in their area, it is an issue.

Mr Harris: Contestability is something that we absolutely support. It would help any of the developers move projects along quicker.

Mr Frew: I had to nip out to see a school group from my constituency, so I missed your presentation. Apologies for that. Some of this may have been covered already.

I do not know whether you were present when we had the previous presentation, but a lot of developers have said that, if they had access to the geographic information system (GIS) that NIE uses, they could make an informed choice of where they base themselves for generation and where they make a business case for where they tap into the grid. What are the Department's views on that? What more can the Department do? I am like a lot of MLAs, in that I get very frustrated with the processes of government. The cogs turn very slowly. It is not good enough for Departments simply to say, "Well, that's a market-led thing" or "That's somebody else's pigeon". What more can the Department do? What is your view on that information not being released, when it is accessible in other jurisdictions?

Mr Mills: On the specific point, I did not know that the information had not been released. I did not think that there was an issue. We do not have an issue with the information being released, although it is a matter for NIE. Anything that can help developers, given the complexity of stuff that they have to go through to get a connection, is welcome.

I will come back to what may seem to be an unsympathetic line. From an energy point of view, we are trying to achieve the 40% target. Even given the problems that developers face at present, I am confident that we will hit the 20% Programme for Government target. The Department provides incentivisation through the renewables obligation certificate (ROC) scheme. There is a preference in the market for renewable energy.

Mr Frew: Surely your target cannot simply be to focus on a 40% renewables target. If that is the only thing that you are focused on, and we hit the 40% target, it may not have been managed right and therefore may not be manageable. We may lose some businesses because of the cost of that change. Surely the Department should be concerning itself with the cost of energy, the system of energy, the way in which it is delivered and the lack of progress. The fact is that the cost of energy and the cost of connecting to the grid are absolutely unsustainable.

Mr Mills: There is a caveat to the 40% target, which is to achieve it at least cost to the consumer. That is the whole issue.

You talked about losing business. From a DETI point of view, the Minister would like to encourage business, including renewables, some of which is very cutting edge and worthwhile in itself. I am speaking strictly from an energy point of view. The Executive decided that 40% is the target at least cost to the consumer, and that is what we are focusing on.

Mr Frew: Yes, but why should the focus be simply on that? The fact is that, in cost terms, we as a country are sitting second highest in Europe. Our large employers find it increasingly difficult to keep profit margins. They are competing with their sister plants all over the world. Surely that should be alarming the Department into taking action.

Mr Mills: Many people would argue that we should be going much more slowly on renewables support, because of the cost implications. I am going slightly off the subject of grid connections, but that argument seems to emanate from a report by the regulator in March 2013 that stated that large industry did face higher costs. The Minister asked the regulator to carry out work to look at the reasons for those costs, to consider their allocation between customer groups and to look at scenarios if the allocations were to change. That work is ongoing and, hopefully, will be delivered in the next month.

Mr Frew: I want to return to the cost of grid connections. Developers will tell you that grid connection is between 20% and 50% of their total capital cost, whereas in GB and other jurisdictions it could be as little as 5%. Surely the Department and government have to have a bigger say in that. That is a truth that is going to hurt business, and it is not in the interests of any Government for that happen. How much more can the Department delve into the problem to solve it? To me, it is not good enough to stand back and say that it is market-led so has to look after itself and that we can just keep it running smoothly. What more can government do to bring down the cost of grid connection and the cost of electricity?

Mr Mills: That is a matter for NIE and the regulator primarily. It is a matter of statutory record that they have the power and the responsibility for connections.

Mr Frew: Is government helpless?

Mr Mills: Government can change policy, and the Assembly can change the law within the limits of the constitutional arrangement and EU limits. We are not helpless, but, again, you keep making me sound unsympathetic to developers, which I am not at all. We are hitting the current target, and the total ROC support for the renewables industry was £50 million in the past couple of years. We are not guaranteeing grid connections, so, yes, there are certain project risks that lie with developers.

Mr Frew: How do you feel about the current situation, in which NIE has a monopoly on grid connection and infrastructure? Should it be opened up to other suppliers? Can it be that a developer can bring in people who will do part of the grid connection and put a heavy voltage line up under contract, after which NIE will take it over? Through legislation, of course, NIE owns and controls the grid, so it would have a fee that everyone would pay. Is government looking at that model?

Mr Mills: Mrs Overend asked a similar question, and, as Michael said, we would be happy to see that happen. As far as I am aware, there is no legislative constraint. If there were, we would deal with it and, hopefully, support development in that direction, if necessary. However, we are not aware of anything at the moment.

Mr Frew: What is keeping the energy team in DETI awake at night? What is the big issue for you, and how are you dealing with it?

Mr Dunne: It is the lights going out.

Mr Anderson: It is your questions.

Mr Mills: Yes, having the lights stay on is always a concern. Although it is regulator-led, the movement to the new integrated European target model is a very complex change. In the area of renewables incentivisation, we are moving to replace the ROC system with feed-in tariffs with contracts for difference, which is also very complex. Connections, of course, are a big issue. Those are the four big issues identified, and, as a new person, I find the complexity of some of them daunting.

Mr Frew: What can you do better?

Mr Mills: We could try to be more high level and explain and understand things in less technical or less detailed terms. That is very difficult. We could join up better. Jenny, the regulator, and I work very closely together. I met people from forestry yesterday. My two aims are probably to be more joined up and to make things more understandable.

Mr Frew: Do you hope that electricity will be cheaper, or perhaps more comparable, in the future?

Mr Mills: We need to see the results of the ongoing review, particularly in light of the impact on large commercial and manufacturing electricity users. That is just network costs. With networks, the indications are that prices are comparable across the UK and the Republic of Ireland, so it might be optimistic to look forward to lower costs.

The Deputy Chairperson: You are doing a costs and benefits study into the 40% target in the strategic energy framework. Is there any logic for it being done now, halfway through the framework, as opposed to before the target was set?

Mr Mills: Do you mean in 2010?

The Deputy Chairperson: Yes. Why was the study not done before the target was set? Why are we doing it halfway through the framework?

Mr Harris: Work was done at that time, and it came up with the 40% target. Since the 40% target came in in 2010, lots has happened, and there have been many changes, some of which John outlined. Before we move into a mid-term review of the SEF, the work coming out of the study will help to feed into that. It would be wrong not to do that work now when so much has changed since 2010.

The Deputy Chairperson: Was it done prior to 2010?

Mr Harris: Work was done, and it came up with the 40% target. I suspect that it did not go into the detail that this study will go into.

The Deputy Chairperson: Do you think that it should have been done before the target was set?

Mr Harris: Work was done to come up with the 40%. I do not think that that figure was just plucked out of the air.

The Deputy Chairperson: You are maybe less cynical than me.

Mr Harris: A study was done for that.

The Deputy Chairperson: At some stage, if you do not mind, can we get whatever work was done to come up with the 40% so that we can see where it came from?

Mr Harris: A study was done, which has never been published. That is my understanding.

The Deputy Chairperson: Those are the kind of studies that we like to see.

I know that this is about grid connection, so I will not take long. As part of the review, has the Department any intention of reviewing levels of incentivisation based on the Executive's wider economic policies, such as the economic strategy?

Mr Harris: The incentivisation is very much focused on the ROCs issue, and that is the support given to small-scale generators. The purpose of the ROCs was to take account of the different costs in generating electricity between renewables compared with conventional generation. A review was done last year on large-scale generators, and we are now doing the small-scale review. It is looking at how those technology costs have changed since 2010 and how they are likely to change. It is to make sure that we are not overcompensating or under-compensating any of those technologies.

The Deputy Chairperson: It does not, however, take into consideration the Executive's wider economic strategies. The regulator released information that £17 of electricity costs can cost £180 to generate, which, in wider economic terms, does not make any sense, whereas large-scale renewables would be much more cost-effective. Is the Department giving any consideration to looking at levels of incentivisation to take wider economic strategies into account?

Mr Mills: We will look at those. As Michael said, the review is under renewables legislation and focuses us on increasing costs and so on. You make a good point, Chair. We will look at wider issues and the cost of incentivising small-scale against large-scale generators.

Mr Agnew: Thank you, gentlemen, and welcome, John, to the Committee and your new role.

Mr Mills: Thank you.

Mr Agnew: Can I ask, if it is not inappropriate, about your background and experience before coming into the role?

Mr Mills: I was in water for a number of years.

Mr Agnew: Was that in DRD?

Mr Mills: Yes, so I am familiar with utilities and regulation and less familiar with markets and so on.

Mr Agnew: I am sure that it is a bit of a learning curve. It is interesting to know your background.

Our understanding is that the sustainable energy interdepartmental working group — SEIDWG, as we affectionately know it — has not met for some two years. Why is that? Was it a strategic decision?

Mr Mills: My understanding is that it has not met in two years.

Mr Harris: SEIDWG had a number of subgroups, and work was being channelled through those subgroups rather than the working group. That is where the focus was at that time. SEIDWG, in its wider sense, was never stood down. It is still there, but work is being developed through the subgroups.

Mr Agnew: NIRIG raised a concern with us. Has it been excluded in any way from discussions because of this?

Mr Harris: No. SEIDWG was an interdepartmental working group, so industry was never represented on it.

Mr Agnew: NIRIG raised the concern that the strategic side of grid planning and investment had maybe fallen through the cracks of those subgroups. Do you accept that, or could you even identify the subgroup at which those issues are being addressed?

Mr Harris: There was a grid subgroup, and the regulator set up the renewables grid liaison group, which included industry. There was a feeling that there was much potential duplication between those two groups, so the work seems to go through there now. It is probably more operational, and we sit on it in an observer capacity but are still part of that group.

Mr Mills: That is a fair point. If it would help, we could see whether there is something strategic there

Mr Agnew: That confirms what NIRIG said that it was operational rather than strategic. Given the review of the strategic energy framework, that is where the concern lies.

Mr Mills: In our work on the review, NIRIG has been involved in meetings.

Mr Agnew: We have just had an evidence session with SONI, and NIE has appeared before the Committee. It came up that grid investment is demand-led rather than strategic, so it is responsive rather than proactive. My understanding is that it is a policy direction from the Utility Regulator, and I find it hard to comprehend. Somebody has to put in a bid, and then upgrade approval is granted or otherwise. Has the Department any view on that approach? In the evidence session with SONI, it would be fair to say that its representatives expressed frustration over that process. They know what needs to be done to the grid and would probably rather get on with it than wait until each individual developer comes forward.

Mr Mills: I am not sure that I care to comment on that in particular. Obviously, at a very low level, it will respond to a particular connection. I do not know the context in which that was said, but —

Mr Agnew: SONI said it of transmission and the 110 kV.

Mr Mills: I do not accept that there is no strategic approach to the grid. NIE's clusters are intended to take a more practical approach as to where the majority of connections might be. At an even bigger level, the Minister has given a lot of support for and promoted the North/South interconnector, for example, and the Committee has also supported that. The Moyle interconnector will also help. Promotion of storage is done through a couple of recognised projects at European level that are being supported, and the Minister supports other shorter-term storage to help with demand. So I am not sure that you can say that there is no strategic vision.

Mr Agnew: Obviously, there will be a Hansard report of our previous evidence session, so you can read the SONI response to a question of mine. You could see whether, given what they said, you could understand their position better.

The current estimate is that £420 million worth of investment is needed to meet the 40% target. You mentioned your concerns: first, that we should hit the target and, secondly, that it be achieved at the lowest cost to the consumer. Are you content that £420 million is the lowest cost to the consumer? If I remember correctly, that is NIE's figure.

Mr Mills: We are getting back to our work on potential costs and benefits. That is NIE's figure. I am not in a position to dispute it, but I want to see the results of our work to see what we get before saying whether it is the best figure.

Mr Agnew: You say that 19% of electricity consumption now comes from renewable sources. If memory serves me correctly, the last I heard from the regulator — I could be wrong about this — was that we are at 17%. What is the basis for 19%?

Mr Harris: We receive monthly data from NIE, which we break down by technology to give us a monthly figure that we then convert into a 12-month rolling figure. We have seen months in which the figure is well over 20%, but the following month it could be down, so we present a rolling figure. That is the latest figure that we have. It depends on the point in time at which the figure is taken.

Mr Agnew: Is the figure of 19% averaged over the most up-to-date 12-month figures?

Mr Harris: Yes.

Mr Agnew: So it is not just the figure for one month?

Mr Harris: No.

Mr Agnew: I take it that, presumably, it is taken over a 12-month period?

Mr Harris: Absolutely. We have had months in which the percentage has been up to 28%, but in other months it will have dropped, so you cannot base it purely on a short time of a month.

Mr Agnew: John, you mentioned that you are confident of reaching 20%, and 19% is certainly very encouraging. Obviously, a lot of decisions must be made about investment between now and 2020. However, are you confident that we are on the right road to 40%, or do you see any major obstacles that we must overcome to make sure that we get there?

Mr Mills: My civil servant answer is that we should wait and see what the review comes up with on the road to the 40% target. It is acknowledged that there will have to be more investment. One concern has to be the progress of things such as the North/South interconnector, which will assist the grid's ability to absorb more.

Mr Agnew: Is part of the remit of the review to consider the 40% target?

Mr Mills: The Executive would have to take a decision on that. We are reviewing the costs and benefits of the 40% target. Correct me if I am wrong, Michael, but what I envisage coming out of it is that 40% will cost you a certain amount. Let us hope that, if you got to 38% for £100 million, and it costs an extra £300 million to get to 40%, it would be common sense to go for 38%. I think that the review is more along those lines.

Mr Harris: Yes. It is looking at interim steps and how to get to 25%, 30%, 35% and 40%. It will provide that data to us. However, it is about not only the costs but the benefits of reaching each of those interim steps.

Mr Agnew: A lot of this is investment for the long term. What time projections will be taken into consideration in the costs and benefits study? We know, for example, that gas is the price setter at present, when more is required than wind can meet. Will we be looking at 30 years until that gas comes onto the system? Is that the type of answer that we will get, or is that too hard to answer at this stage?

Mr Mills: It is concentrating on the 40% target by 2020. A number of people have suggested that we need to go beyond that.

Mr Agnew: It is about getting the full benefits of investing now. You do not make a £100 million investment for six years, you make it —

Mr Mills: I see your point, Mr Agnew. Obviously, if we take only one year, £100 million will never pay us back, so we will take that into account.

Mr Agnew: That is the long-term approach.

I have one question that is off the subject of grid investment, and perhaps you could come back to me on it. I want to ask about the installation of the free PV panels. We have a window of opportunity, with ROCs decreasing, when these become a less attractive investment. It seems to me that we have a legislative barrier in Northern Ireland. The banks say that the legislation is different; for example, Nationwide will give the go-ahead for free PV schemes in GB, but it will not do so in Northern Ireland because it has greater risks because of different legislation. Is the Department looking at that?

Mr Harris: Yes, we are aware of that. The Minister wrote initially to the Council of Mortgage Lenders on that point to try to understand its approach to Northern Ireland. Its view was that, although it had adopted guidance for England and Wales, it was leaving it to individual mortgage providers in Scotland and Northern Ireland to make those decisions themselves. The legislation to which you refer is for business tenancies, and it sits with the Department of Finance and Personnel. The Minister of Enterprise, Trade and Investment has written to the Minister of Finance and Personnel about what needs to be done. It affects not only domestic customers but businesses that may want to install PV panels on the roofs of their buildings and lease them in the same way as domestic customers. We raised the issue with them.

Mr Douglas: Action Renewables told the Committee that the monopoly held by NIE on the grid connections is part of its licence agreement. What is your view on opening up the whole thing to competition?

Mr Mills: As we said, we support that. My understanding is that NIE also supports it. We do not see any barriers and welcome that development.

Mr Harris: I do not think that anyone would disagree with that.

The Deputy Chairperson: An Action Renewables representative told us that generation from 3, 4 and 5 kW microscale photovoltaic solar panels — the ones you see on rooftops — is not being recorded. Is that true, and if so, why is it the case?

Mr Harris: My understanding is that it is because they do not have half-hourly meters installed. Those microgeneration technologies obviously get accredited and receive ROCs. Power NI will offer them an export tariff for the electricity that is exported. The generators themselves are not disadvantaged in any way by that approach. Under its licence conditions, Power NI is required to buy that power from microgenerators. I do not think that Power NI would say that that has given them any advantages. It is a market issue. My understanding is that, because it is not metered half-hourly, Power NI does not get the financial benefits back. I understand that that is being discussed, and Power NI has been talking to the regulator as to how that can be resolved. It is not linked to the ROCs, and nor is it inhibiting generators in that way. There is a view that other suppliers may not be able to offer a similar tariff and see it as an advantage for Power NI, but I do not think that Power NI feels that it is gaining an advantage from it.

The Deputy Chairperson: Can you be sure that the levels of payment for incentivisation are accurate for the levels of electricity being generated from these panels?

Mr Harris: Power NI will give them a tariff for that electricity, which has to be approved by the regulator so that the generator is given an appropriate price. I do not know any more than that.

The Deputy Chairperson: Is that being resolved?

Mr Harris: Yes.

The Deputy Chairperson: Invest has informed the Committee of a range of issues facing businesses as a result of grid connection issues. I presume that the energy division is aware of the discussions between Invest and a range of companies.

Mr Mills: We meet Invest and have done so recently.

The Deputy Chairperson: Do you discuss grid connections and grid issues?

Mr Mills: Yes. We have raised those matters, and they will often be raised with the Minister.

The Deputy Chairperson: Is there anything that the Department can do to help Invest or the companies that face problems?

Mr Mills: From an energy point of view — I must sound like a broken record — we provide the incentivisation. We do not necessarily get involved in the specifics of particular developments.

The Deputy Chairperson: That is fine. That is all we have for you today, so thank you for your time.