Competitive Allocation, Contract Variation and Consumer Exposure under the Renewable Electricity Generation Bill

Written evidence to the Committee for the Economy, Northern Ireland Assembly

[redacted]

The legislative settlement and the financial risks left to regulations

The Renewable Electricity Generation Bill establishes the powers necessary for a Northern Ireland renewable electricity price guarantee while leaving much of the scheme's economic content to subordinate legislation. That choice is consequential in an electricity system where new generation capacity, network readiness and household affordability are intimately connected. In evidence to the Committee on 1 September 2026, Department for the Economy officials described a prospective two-way contract for difference, a fifteen-year strike-price arrangement and a subsequent consultation on the full financial package in the first part of 2027. They also indicated that an auction in 2027 would be optimistic and that procurement volume would depend on further assessment of grid readiness and affordability [1–3]. The relevant scrutiny is therefore directed at the rules through which a future contract changes public financial commitments, rather than a scheme whose auction results or realised consumer benefits are already available.

A contract for difference can stabilise a generator's expected revenue while creating contingent transfers between the generator and the funding mechanism. The direction and scale of those transfers depend on the agreed strike price, the market reference price, the volume receiving support and contractual treatment of periods in which output is constrained. The Bill empowers regulations for a supplier levy and related financial arrangements, yet the eventual incidence of costs on consumers depends on the secondary scheme design and the operation of the retail market [1, 2]. The Department's account of protection from volatile fossil-fuel prices is a policy rationale, not an estimate of the net household benefit of the as-yet-unimplemented scheme. Distinguishing those two evidence states will remain particularly important when the financial package is scrutinised.

The Committee's September hearing exposed a second dimension of timing. Officials reported dispatch-down levels between 20 and 30 per cent and referred to measures intended to release existing renewable output through operational changes, including adjustments to conventional generation requirements and additional system services [3]. Those figures were reported during evidence and should be read as the officials' description of prevailing system conditions, not as a projected loss rate for future CfD projects. Nevertheless, they identify why projected supported capacity is an insufficient proxy for additional renewable electricity delivered to customers. Where grid constraints postpone the economic use of new generation, the allocation mechanism and the network investment timetable create risks that sit in different institutions and may fall on different parties. A scheme assessment should document those dependencies explicitly, including which institution assesses them and how they affect auction volumes.

Contract variation and the integrity of competitive allocation

The Bill does contain safeguards for contracting on published terms. Clause 5 enables standard terms and their designation for modification; clause 6 creates the allocation machinery; and clause 7 permits the counterparty to agree changes to designated standard terms only where it is satisfied that their effect is minor and the modification necessary [1]. The drafting permits regulations specifying application procedures, deadlines, information requirements and the manner in which those two statutory tests are determined. Accordingly, a request for any decision record at all would overlook the existing legal architecture. The narrower deficiency concerns the comparison against which the minor effect of an agreed variation is judged, and whether a documented conclusion remains accessible to those reviewing the fairness of the preceding competition.

Materiality has at least two distinct referents in this setting. A change in a contractual provision may appear administratively minor to the counterparty while altering a prospective bidder's assessment of its downside exposure. An adjustment to a commissioning milestone, for example, could shift the consequences of delayed delivery; a variation concerning termination events could alter the financing risk assessed by lenders. These are hypothetical pathways, not findings about contracts negotiated in Northern Ireland, and their treatment depends upon which terms the Department ultimately designates as modifiable. The statutory test should therefore be operationalised through a documented comparison with the allocation conditions presented to all eligible applicants. The record should explain both the project-specific need for the variation and the grounds for determining that its economic or competitive effect is minor.

Competitive allocation scholarship distinguishes the price discovered through a bidding process from the contract performance and renegotiation that follow it. Klemperer's account of auction design emphasises the influence of auction rules on bidding incentives, while Guasch's work on infrastructure concessions shows how renegotiation can alter the allocation of risks settled at award [4, 5]. A renewable CfD differs substantially from a concession, and neither source establishes improper conduct under this Bill. Their joint implication is narrower and useful: even a formally competitive initial process needs a clear method for assessing whether subsequent exceptions preserve the original basis on which rival participants formed bids. In Northern Ireland the issue arises unusually early, because the primary legislation provides for modification before a first allocation round has been held.

Regulations under clause 7 should require the counterparty to retain the published version of the affected term, the requested and approved wording, the evidence supporting necessity, and an assessment of changes to payment timing, liability, operational obligations or delivery milestones. A concise publication of the categories of approved amendments and reasons, subject to justified commercial redaction, would facilitate scrutiny while protecting proprietary project information. Decisions creating a credible risk of altered competitive incentives should be escalated to a more detailed review by an institution independent of the contracting decision. This test would preserve flexibility for genuine technical differences among projects while treating the exceptional modification of common conditions as a substantive regulatory decision.

Grid readiness, consumer costs and community benefit

Clause 6 allows an allocation scheme to impose limits on capacity and value and to consider the geographical location of generating stations [1]. This statutory discretion is central to the Department's account of auction sequencing. During the September hearing, officials linked the future procurement volume to system readiness and the need to maximise electricity from renewable capacity already installed [3]. The Committee should request a published, pre-auction explanation of the assumptions used to determine the procurement budget and capacity ceiling, covering forecast dispatch-down, relevant transmission or distribution constraints and the network developments relied on for delivery. Such reporting would neither guarantee a precise forecast nor turn the contract counterparty into a network planner. It would disclose the premises on which public support is committed when physical delivery remains dependent upon another organisation's actions.

Independent energy-market analysis has long recognised that integrating variable renewable generation requires coordinated investment in networks and system flexibility, even where the generation technology itself is mature. The International Energy Agency's analysis of electricity grids identifies long connection queues and inadequate network investment as obstacles to clean-energy deployment, while the Climate Change Committee's Northern Ireland advice locates power-sector decarbonisation within a wider set of infrastructural and demand-side dependencies [6, 7]. Those studies do not provide an auction-specific estimate for this Bill. They indicate why evaluation should distinguish contracted capacity, generation actually accepted by the system and the public transfers associated with the contract. Procurement design is weaker when these are collapsed into a single headline measure of successful renewable investment.

The proposed supplier levy gives consumer incidence additional importance. A gross value of contracts awarded will convey little about net transfers across years when market prices move above or below the strike price; similarly, an average household estimate could obscure differences arising from consumption and tariff structure. The financial consultation scheduled for 2027 should include illustrative payment scenarios under explicit wholesale-price and generation assumptions, and explain how uncertainty is transmitted through suppliers to consumers. This is not a request to predict future bills with spurious precision. It is a request for the sensitivity of the proposed mechanism to be intelligible at the point when regulatory choices are presented for democratic approval.

Community benefit presents a related distinction between a stated policy intention and a legal mechanism. Clause 13 permits regulations requiring payments for the benefit of people living near supported stations, while the Department told the Committee that its policy preference is for generators to make payments directly to nearby households [1, 3]. Members queried why the enabling language says the Department may make regulations when officials described the proposed payments as mandatory. That apparent tension does not establish a drafting defect, since the mandatory effect may arise from regulations validly made under a discretionary power. It does mean the financial package should specify precisely when the obligation attaches, how vicinity is defined, how households become eligible and which entity verifies payments. An anticipated

benefit cannot be assessed by counting projects located in a district if the eligibility and delivery rules have yet to be enacted.

Implementation records and parliamentary scrutiny

The Committee has already raised the breadth of delegated powers, the history of the Renewable Heat Incentive scheme and the timing of regulations and auction arrangements [3]. These concerns warrant a precise scrutiny timetable rather than a general appeal for greater transparency. The Department should publish, ahead of the first allocation round, a cross-reference showing how each material issue in the primary Act is addressed in the proposed regulations, allocation framework, standard contractual terms or subsequent operational guidance. The record should identify the decision-maker, the legal authority relied upon and the point at which affected parties can submit evidence. Such a cross-reference would also expose gaps where a financially consequential matter is described in policy material but lacks a corresponding enforceable requirement.

Three publication commitments would strengthen the existing statutory structure. The first is a pre-auction statement linking supported capacity and the procurement ceiling to grid and affordability assumptions, with the date and source of each input. The second is a post-allocation record that reports the aggregate value and characteristics of awarded support and the categories of any approved clause 7 modifications, explaining the applied minor-effect and necessity tests. The third is periodic reporting of operational delivery that distinguishes contracted output, electricity produced, electricity dispatched down and net scheme transfers wherever robust data permit those distinctions. Commercial confidentiality and the limits of available measurements should be stated alongside reported figures, allowing the Committee to judge the evidential quality of each claim rather than presume uniform certainty.

These recommendations concern rules that could be adopted through the Bill's existing regulatory and oversight powers, principally clauses 7, 15, 16 and 18 [1, 2]. They do not presume that all matters require express provisions on the face of the Act. The Committee's immediate task is to secure sufficiently clear commitments about the content, publication and review of the subordinate framework before enabling powers are exercised. The Department's proposed financial-package consultation in 2027 provides a practical point for testing the draft requirements against the views of generators, lenders, consumer representatives and communities expected to receive payments.

Northern Ireland's first support auction will join a financial commitment to physical generating assets whose ability to supply the system depends on evolving grid conditions. The credibility of the arrangement will rest on whether the Department can explain what the competitive process selected, why exceptions to published terms were accepted, and how the resulting obligations are borne in practice. Records tracing those decisions from award through contract performance would give the Committee a firmer basis for distinguishing legitimate adaptation of the scheme from changes that merit renewed scrutiny.

References

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