EXPLANATORY MEMORANDUM TO

[The Renewables Obligation (Amendment) Order (Northern Ireland) 2026]

1. Introduction

1.1. This Explanatory Memorandum has been prepared by the Department for the Economy to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.

1.2. The Statutory Rule is made under Articles 52 to 55F and 66(3) of the Energy (Northern Ireland) Order 2003 and is subject to the draft affirmative procedure resolution procedure.

2. Purpose

2.1. The purpose of this instrument is to amend the Renewables Obligation Order (Northern Ireland) 2009 to change how the buy-out price is adjusted for inflation. It replaces the Retail Prices Index (RPI) with the Consumer Prices Index (CPI) as the index used for annual adjustments for obligation periods beginning on or after 1 April 2026.

2.2. Equivalent amendments are being made concurrently to the Renewables Obligation scheme in England and Wales, and the Renewables Obligation Scotland scheme in Scotland. This amendment will maintain regulatory parity and ensuring a consistent approach across all UK jurisdictions.

3. Background

3.1. The Northern Ireland Renewables Obligation (NIRO) is the main support mechanism for renewable electricity generation in Northern Ireland. The scheme closed to new applicants in 2017.

3.2. The NIRO operates as a separate but complementary scheme with the Renewables Obligation (RO) scheme in England and Wales and the Renewables Obligation Scotland (ROS) scheme, which all operate as part of a UK-wide market for Renewables Obligation Certificates (ROCs).

3.3. While the Northern Ireland Authority for Utility Regulation (UR) retains statutory responsibility for the NIRO, Ofgem administers the scheme on its behalf. Ofgem also serve as the scheme administrator for the RO and ROS.

3.4. Generators accredited under the scheme receive support for 20 years from their accreditation date or until the scheme closes on 31 March 2037, whichever is earlier.

3.5. The scheme places an obligation on licensed electricity suppliers to present a specified number of ROCs for each megawatt hour of electricity supplied to customers.

3.6. Suppliers who do not present sufficient ROCs can discharge their obligation by making a payment to Ofgem at a set buy-out price. Historically, this buy-out price has been indexed annually in line with RPI.

3.7. This amendment introduces CPI-based indexation for the buy-out price for obligation periods starting on or after 1 April 2026, ensuring consistency across the three UK schemes and with inflation measures used elsewhere in government policy.

4. Consultation

4.1. The Department for Energy Security and Net Zero (DESNZ) led on a joint public consultation with Scotland and Northern Ireland on changes to inflation indexation in the three Renewables Obligation schemes across the United Kingdom. This consultation was open to stakeholders across the United Kingdom including those in Northern Ireland.

4.2. A separate Northern Ireland instrument is required to implement the change locally. The Department for the Economy has therefore proceeded with this amendment to ensure consistency with the GB approach, maintaining regulatory parity.

4.3. In addition, the Department consulted the Northern Ireland Authority for Utility Regulation (Utility Regulator), the General Consumer Council for Northern Ireland, and other relevant stakeholders before forming a policy decision.

5. Equality Impact

5.1. The Department has considered the potential equality impacts of this instrument and concluded that there are no differential impacts on any of the groups protected by Section 75 of the Northern Ireland Act 1998.

6. Regulatory Impact

6.1. A Regulatory Impact Assessment has been prepared. The impact is considered minimal as the change relates only to the inflation measure used for indexation and does not impose new regulatory burdens.

7. Financial Implications

7.1. There are no significant financial implications for the Department. The change to CPI indexation is expected to have negligible cost implications for suppliers and consumers.

8. Section 24 of the Northern Ireland Act 1998

8.1. The Department for the Economy is satisfied that these Regulations are compatible with Section 24 of the Northern Ireland Act 1998.

8.2. In particular, the Department is content that the provisions of this instrument do not discriminate on the grounds of religious belief, political opinion or other protected characteristics.

8.3. The Department is content that these Regulations are within the legislative competence of the Northern Ireland Assembly.

9. EU Implications

9.1. Not applicable.

10. Parity or Replicatory Measure

10.1. These Regulations are a replicatory measure, introduced to ensure Northern Ireland maintains regulatory parity with Great Britain coinciding with the enactment of SIs in England and Wales, and Scotland.

11. Additional Information

11.1. An impact assessment of the effect that this instrument will have on the costs of businesses, voluntary bodies and community bodies is available alongside this instrument on www.legislation.gov.uk and from the Department for the Economy NI, 39-49 Adelaide Street, Belfast, BT2 8FD.