

RENEWABLE ELECTRICITY GENERATION BILL

EXPLANATORY AND FINANCIAL MEMORANDUM

INTRODUCTION

1. This Explanatory and Financial Memorandum has been prepared by the Department for the Economy (the “Department”) in order to assist the reader of the Bill and to help inform debate on it. It does not form part of the Bill and has not been endorsed by the Assembly.
2. The Memorandum needs to be read in conjunction with the Bill. It is not, and neither is it meant to be, a comprehensive description of the Bill. Where a clause or part of a clause does not seem to require an explanation or comment, none is given.

BACKGROUND AND POLICY OBJECTIVES

3. The Climate Change Act (Northern Ireland) 2022 sets the target for at least 80% of electricity consumption to come from renewable sources by 2030. To achieve this, a scheme capable of attracting investment in local projects is required to support electricity generation from a diverse range of renewable sources within Northern Ireland.
4. Currently, there is no existing renewable electricity support scheme in Northern Ireland open to new generation. Potential investment into renewable electricity in Northern Ireland is instead being diverted to other countries, depriving Northern Ireland citizens of increases in wealth, prosperity, and living standards.
5. Recent global events, such as COVID-19 and wars in Ukraine and the Middle East, have had a severe impact on the price of natural gas and oil. In turn, higher fuel prices have impacted consumers across the UK, who have faced a sharp increase in the cost of commodities. Affordability for local consumers is also a key objective for any support scheme for Northern Ireland.
6. The Northern Ireland Energy Strategy - The Path to Net Zero Energy recognised the need for a new renewable electricity support scheme as a key policy mechanism to enable delivery of its renewable electricity targets. It committed to the development and introduction of a new renewable electricity support scheme, to provide a route to market and incentivise investment in renewable generation.
7. Against this background, the aim of the Renewable Electricity Generation Bill is to provide the framework for a Renewable Electricity Price Guarantee (“REPG”) scheme in Northern Ireland. Through the offer of contracts for difference (“CfDs”) to electricity generators guaranteeing price stability for a defined period, the framework is intended to encourage the generation of renewable

electricity and help insulate consumers from volatile electricity prices. Regulations will make provision for determining eligible generating stations.

8. A CfD is a legally binding contract between an electricity generator and the counterparty appointed by the Department. The CfD sets a strike price for the electricity generated during a defined contract period. During the contract period, the electricity generator receives sums from the counterparty during periods when the market reference price is lower than the strike price; and the electricity generator pays sums to the counterparty during periods when the market reference price is higher than the strike price. Payments made by the counterparty to electricity generators are funded through a levy collected by the counterparty from electricity suppliers. The CfD model has already been deployed successfully in other jurisdictions including Ireland and Great Britain, as well as across Europe more widely.

CONSULTATION

9. In February 2023, the Department published the consultation on Design Considerations for a Renewable Electricity Support Scheme for Northern Ireland. This was the first step towards the implementation of a support scheme. The consultation invited key stakeholders to provide feedback on design considerations and policy development in relation to the support scheme.
10. The government's response to the consultation was published in April 2024, outlining the wider policy objectives of the scheme and the intended features underpinning the scheme design. Alongside this, an illustrative High-Level Design ("HLD") and Auction Roadmap for the scheme was published, reflecting a combination of the independent analysis by the Department, as well as the feedback received from stakeholders through the public consultation. The HLD settled on a two-way CfD scheme, modelled on the approach of the same title used in Great Britain, as the most suitable mechanism to encourage investment in renewable electricity projects in Northern Ireland.
11. Following the publication of the HLD, the Department conducted further analysis to validate its suitability to the market and cost-effectiveness for consumers. The Final Scheme Design ("FSD") for the REPG was then published on 19 September 2025.
12. The FSD has been tailored to fit the unique characteristics of the all-island Single Electricity Market, drawing on the most successful elements of the existing auction-based CfD schemes in Great Britain and the Republic of Ireland. It includes an overview of the proposed legal and governance framework to enable the implementation stage, the core mechanism for funding the scheme, and an outline of the eligibility criteria and contract allocation process. It also committed to delivering mandatory community benefits as part of the scheme. Generators participating in the REPG will therefore be required to make arrangements for the payment of specified sums to persons who own or reside at property within the locality of REPG-supported projects.

OPTIONS CONSIDERED

13. Option 1 - Do nothing.
14. Option 2 - Progress primary legislation to provide powers for the Department for the Economy to establish the framework for the REPG scheme in Northern Ireland. This option would enable the Department to create a legislative framework for the introduction of a CfD-based support scheme,

including the powers necessary to set out the detailed design, funding arrangements, eligibility criteria and allocation processes through secondary legislation.

15. Option 1 is ruled out on the basis that it is not consistent with the Executive Energy Strategy Policy and requirements under CCA (NI) 2022.

OVERVIEW

16. The Bill has twenty-two clauses and two Schedules.
17. The Bill empowers the Department to make regulations for the purpose of providing financial assistance to encourage electricity generation through CfDs. The regulations may make provision on the procedure for allocating CfDs, the terms and conditions of CfDs, and eligibility requirements for electricity generators and generating stations. The Department is also empowered to make regulations on the financial framework for CfDs, the imposition of community benefit requirements and certain other ancillary matters such as reviewing of the allocation process and resolution of disputes.

COMMENTARY ON CLAUSES

Clause 1: Overview of this Act

Clause 1 sets out the overall purpose of the Act, which is to empower the Department to provide financial assistance through CfDs to encourage renewable electricity generation that the Department considers will contribute to a reduction in emissions of greenhouse gases. Subsection (3) defines the term “contract for difference”.

Clause 2: Contracts for Difference

Clause 2 sets out the Department’s power to make regulations about the terms and conditions of CfDs, including the meaning of “market reference price” and “strike price”, how it will be determined whether a sum is payable by either the counterparty or the electricity generator in a defined period, how such sums to be paid are calculated, and specific circumstances in which the electricity generator is not to receive or pay sums.

Clause 3: Eligible generators and eligible generating stations

Clause 3 makes provision for determining the electricity generators and generating stations that may be eligible to apply for a CfD. Subsection (3) requires the Department to make regulations about the generating activities and generating stations that are “eligible” for the purposes of the Bill.

Clause 4: Counterparty

Clause 4 enables the Department to designate a company or public authority, with the consent of that person, to be the counterparty for the purposes of the Bill. The counterparty will administer the scheme, acting as the interface between electricity generators and suppliers, by entering into and managing CfDs with eligible generators, and collecting levy payments from suppliers to fund this role.

Schedule 1 makes further provision about designations, including a requirement to try to ensure that there is a counterparty at all times and provision for what is to happen should the designation of one counterparty end and another counterparty be designated in its place.

Clause 5: Allocation rounds

Clause 5 makes provision for the allocation rounds that may be run to allocate CfDs. Allocation rounds may be run from time to time, and they may be limited by criteria chosen by the Department (such as type of generating station or total generating capacity). Subsection (3) requires the Department to publish a notice for each allocation round, issue and publish standard terms for the CfDs to be allocated, and publish an allocation scheme setting out the rules to be followed for the specific allocation round. Subsection (4) enables the Department to make further provisions by regulations on the procedure for allocation rounds. Subsection (5) enables the Department, from time to time, to issue and publish revised CfD standard terms for an allocation round.

Clause 6: Allocation schemes

Clause 6(1) provides that an allocation scheme for an allocation round must confer the functions of determining the outcome of an allocation round, and notifying the counterparty of it. Subsection (3) provides for these functions to be conferred on the system operator, unless the allocation scheme specifies otherwise.

Subsection (4) provides that an allocation scheme may confer further functions, specify conditions that applications must meet, provide for a competitive procedure, provide for the means of calculation or determination, specify targets or limits, and impose duties or restrictions on the Department.

Clause 7: Agreements to modify certain standard terms

Clause 7 permits the counterparty and an electricity generator to agree modifications to the standard terms for a CfD that have been published for an allocation round. Subsection (3) provides that a term may only be modified if it was identified as a term that may be modified when published at the outset of the allocation round under clause 5, and if the counterparty is satisfied that the modification is minor and necessary. Subsection (4) enables the Department to make further provision by regulations about modification agreements.

Clause 8: CfD notifications

Clause 8 provides for notification to the counterparty of a decision to allocate a CfD at the conclusion of an allocation round. Subsection (2) requires that the notification must specify the electricity generator, the strike price for the proposed CfD, and such other information as may be required by the counterparty for the purpose of making an offer under clause 9. Subsection (4) enables the Department to make further provision by regulations about CfD notifications; in particular about the circumstances in which a notification may or must be given, the kinds of information that must be specified in a notification, and appeals against decisions not to give a notification.

Clause 9: Allocation: offer to contract on standard terms

On receiving a CfD notification, clause 9 requires the counterparty to offer to contract with the relevant electricity generator, at the strike price specified in the notification and in accordance with the standard terms, subject to any modifications agreed under clause 7. Subsection (2) confers a power on the Department to make further provision by regulations regarding matters such as how the

counterparty is to apply or complete the standard terms, the time within which an offer must be made, how the eligible generator to whom the offer is made may enter into a CfD as a result, and what is to happen if the eligible generator does not enter into a CfD as a result of the offer.

Clause 10: Supplier levy

Clause 10 provides that the Department must make regulations to require electricity suppliers to pay a levy to the counterparty, to ensure that the counterparty has sufficient funds to make the totality of the payments to electricity generators that are required under CfDs. Subsection (2) provides that levy payments may also be required for the purpose of funding the counterparty's other costs in connection with its functions under the Bill, building a reserve fund, or building a contingency fund for use in the event of the insolvency or default of an electricity supplier.

Subsections (3) and (4) allow the regulations to provide for an electricity supplier's levy payments to be calculated by reference to the amount of electricity supplied by that supplier, and to specify that some supplies of electricity may be disregarded for this purpose.

Subsection (5) provides that the Department may make regulations to provide that suppliers must, in calculating the amount to be charged to a customer for an exempt supply of electricity, disregard any amounts payable by the supplier to the counterparty under the supplier levy, ensuring that the whole benefit of that exemption is passed on to consumers.

Subsection (6) allows the regulations to require electricity suppliers to provide financial collateral to the counterparty.

Clause 11: Supplier levy: supplementary

Subsections (1), (2) and (3) allow the regulations to make further provision about the levy, including procedural matters, the form and terms of any financial collateral required, calculation of sums payable, collection and enforcement. Subsection (4) allows any unpaid sums owed by electricity suppliers to be recovered by the counterparty as a civil debt. Subsection (5) provides that the counterparty must exercise the functions conferred on it in the manner best calculated to ensure the collection of all amounts required to be paid to it by suppliers under the supplier levy.

Clause 12: Payments to electricity suppliers

Clause 12 enables the Department to make regulations requiring the counterparty to make payments to electricity suppliers in certain circumstances. This may include circumstances where the sums held by the counterparty exceed a specified amount, for example, due to payments made by electricity generators to the counterparty or other reasons. Subsection (3) allows the regulations to impose conditions on electricity suppliers who receive the payments to ensure that their customers receive a specified benefit from the payment.

Clause 13: Community benefit

Clause 13 enables the Department to make regulations requiring electricity generators that are parties to a CfD to make arrangements for the payment of specified community benefit sums to specified persons. Subsection (2) allows further provisions to be made in the regulations, including frequency of such payments, provision for the payments to be calculated by reference to the amount of electricity generated at the relevant generating station (which may be made subject to a specified maximum), and for payments to be made to persons owning or residing in property within a specified locality of

the generating station. The requirements for the community benefit payments may be set out in the allocation scheme (subsection (2)(d)). The regulations may require the generator to advertise the community benefit scheme to potential applicants; and compliance with the scheme may be monitored (for example, by the Utility Regulator).

Clause 14: Sums held by, and liabilities of, the counterparty

Clause 14 enables the Department to make regulations about how sums held by the counterparty may be used, and which may provide that sums of a specified description are, or are not, to be used for specified purposes. Subsection (3) provides that the Department must make such provision it considers necessary to secure that the counterparty can meet its CfD liabilities, and make provision to set out how funds are to be apportioned where, despite this, the sums available are insufficient.

Clause 15: Information and advice

Clause 15 enables the Department to make regulations about the provision and publication of information and provision of advice. This may include the Department, the Utility Regulator, system operator or counterparty requiring information from an electricity supplier or from an electricity generator who is a party to a CfD. It may also include the Department requiring the Utility Regulator, system operator or counterparty to provide information or advice to the Department.

The clause also enables regulations to make provision governing the use and protection of information received to ensure it is handled in an appropriate manner.

Clause 16: Oversight and resolution of disputes

Clause 16 enables the Department to ensure oversight of allocation rounds through the monitoring functions and review functions. Subsection (1) defines the monitoring functions. Subsection (2) defines the review functions. Subsections (3), (4) and (5) enable the Department to make further provision in connection with the monitoring functions and review functions. The further provision may include requiring access for the person on whom an allocation scheme confers monitoring functions, to premises, information and other assistance as may reasonably be required for the monitoring functions.

Subsection (6) provides that the Department must make arrangements for a person to exercise the monitoring functions and review functions or exercise the functions itself. Subsections (7) and (8) provide that the Department may appoint a person to carry out the functions or direct the Utility Regulator or system operator to perform all or some of them (and such a direction may authorise or require that the Utility Regulator or system operator appoints another person to perform all or some of the functions).

Subsection (9) empowers the Department to take action in the event that it considers there has been a material failure to exercise the allocation functions properly by either bringing the allocation round to an end immediately (without CfDs being awarded) or giving directions for the purpose of remedying the failure.

Subsection (10) sets out what is meant by the “allocation functions” and exercising them “properly”, for the purposes of the clause.

Subsection (11) enables the Department to make regulations conferring functions on the Utility Regulator for the purpose of determining disputes arising in connection with the Bill.

Clause 17: Further provision in connection with CfDs

Clause 17 enables the Department to make regulations making further provision in connection with CfDs, including specifying the form or manner in which anything permitted or required by or under clauses 2 to 9 may or must be done.

Clause 18: Making of regulations

Clause 18(1) requires the Department to consult the following before making regulations: the Utility Regulator, the system operator, the distributor, electricity suppliers, and such other persons as the Department considers appropriate. Subsections (3), (4) and (5) specify the Assembly procedure for regulations to be made under each of the powers in the Bill.

Clause 19: Consequential etc. provision

Clause 19(1) introduces the consequential amendment set out in Schedule 2. Subsection (2) enables the Department by regulations to make further consequential, supplementary or incidental provisions, or transitory or transitional provision or savings, that are necessary for the purposes of, or as a consequence of, the Bill.

Clause 20: Interpretation

Clause 20 defines terms used in the Bill.

Clause 21: Commencement

Clause 21 provides for the whole of the Bill to enter into force on the day after the day on which it receives Royal Assent. As all of the provisions of the Bill depend on the Department making regulations, the practical effect of the Bill will be felt only once those regulations have been made and come into operation.

Clause 22: Short title

Clause 22 specifies the short title as the Renewable Electricity Generation Act (Northern Ireland) 2027.

Schedule 1: Designation of other persons to be the counterparty

Schedule 1 makes provision relating to the designation of a counterparty, including provisions in connection with the revocation of a designation, such as transfer schemes for the transfer of designated property, rights or liabilities from a former designated counterparty to a newly designated counterparty.

Schedule 2: Consequential amendments

Schedule 2, paragraph 1 inserts new Article 41(1A) of the Energy (Northern Ireland) Order 2003, so that requirements imposed by or under this Bill are included in the “relevant requirements” that may be enforced against a regulated person in accordance with Part 6 of that Order.

Paragraph 2 repeals Chapter 2 of Part 2 of the Energy Act 2013, so far as it extends to Northern Ireland. This repeal does not affect the fact that Chapter 2 remains in force in Great Britain. Chapter

2 contains provisions similar to those in this Bill regarding CfDs, but has not been implemented in respect of Northern Ireland.

FINANCIAL EFFECTS OF THE BILL

18. There are no immediate financial implications as the Bill relies on subordinate regulations for implementation.

HUMAN RIGHTS ISSUES

19. The provisions of the Bill are compatible with the European Convention on Human Rights.

EQUALITY IMPACT ASSESSMENT

20. The proposals have been screened for equality impacts in accordance with section 75 of the Northern Ireland Act 1998. No adverse impacts on any of the section 75 categories have been identified and, therefore, a full Equality Impact Assessment has not been considered necessary.

SUMMARY OF THE REGULATORY IMPACT ASSESSMENT

21. A Regulatory Impact Assessment has been prepared and concludes that the preferred option represents a proportionate and effective means of achieving the policy objectives. The analysis has taken a proportionate approach at this stage, reflecting the enabling nature of the primary legislation.

DATA PROTECTION IMPACT ASSESSMENT

22. The Bill does not require the processing of personal data and therefore does not give rise to any direct data protection implications. Should regulations made under the Bill involve the processing of personal data, the Department will ensure compliance with the requirements of the UK GDPR and the Data Protection Act 2018.

RURAL NEEDS IMPACT ASSESSMENT

23. A Rural Needs Impact Assessment has been undertaken, no differential impacts between rural and urban areas have been identified at this stage.

LEGISLATIVE COMPETENCE

24. At Introduction the Minister for the Economy had made the following statement under section 9 of the Northern Ireland Act 1998:

"In my view the Renewable Electricity Generation Bill would be within the legislative competence of the Northern Ireland Assembly".



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