Brookfield

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Brookfield Renewable Ireland

Response to the Supplementary Consultation on Closure of the Northern Ireland Renewables Obligation to new onshore wind in 2016

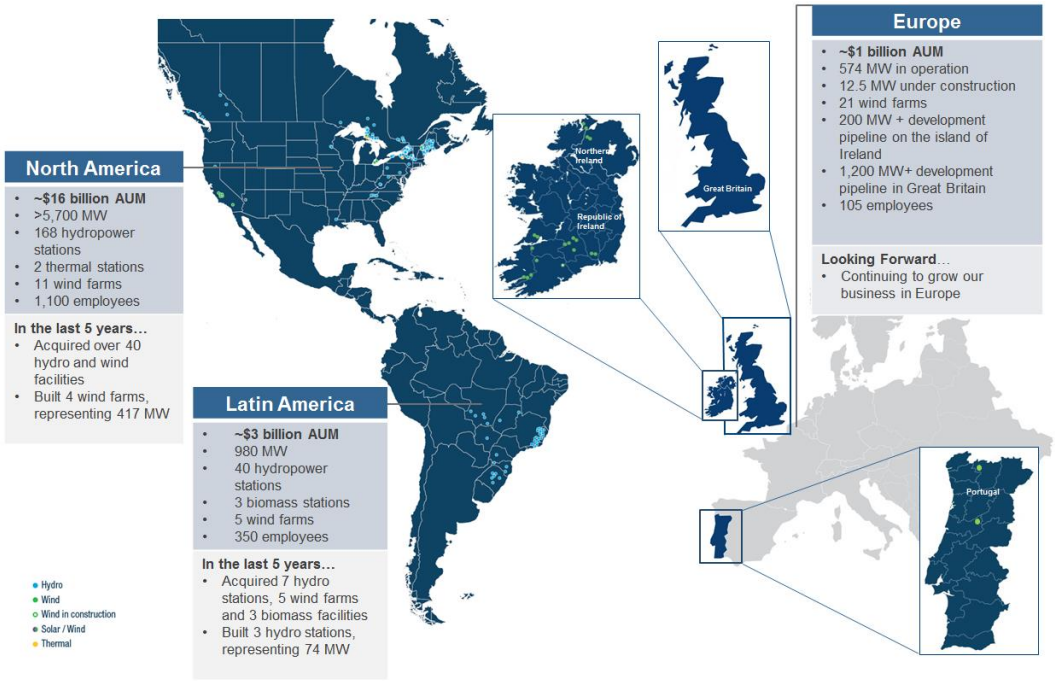
Submission Date: 14th October 2015

Introduction

Brookfield Renewable Ireland Limited (Brookfield Renewable) is a wholly-owned subsidiary of Brookfield Renewable Energy Partners, one of the largest publicly traded, pure-play renewable power platforms in the world. Our global portfolio consists of approximately 7,400 MW of installed capacity, primarily hydroelectric and wind power generation which is diversified across 14 power markets in 6 countries including the United States, Canada and Brazil, Ireland, Northern Ireland, Scotland and Portugal. Our power operating platform employs over 1,500 people globally, including full operating, development, construction oversight, and wholesale power marketing capabilities.

Brookfield Renewable completed the acquisition of the wind generation assets of Bord Gáis Éireann in June 2014 which included 326 MW of wind capacity across 17 wind projects in 8 counties in Ireland and Northern Ireland. Since then, Brookfield Renewable has brought 137 MW of wind generation to commercial operation and now have an operating portfolio of 464 MW across the island. Additionally, Brookfield Renewable plans to expand its portfolio and has an extensive development pipeline of approximately 200 MW of wind across Ireland and Northern Ireland, as well as a 100MW tidal generation project off the coast of Northern Ireland and nearly 50MW of onshore wind projects approaching construction.

Brookfield Renewable would like to take this opportunity to respond to this brief consultation on the Closure of the Northern Ireland Renewables Obligation to new onshore wind in 2016. As a long-term investor in Northern Ireland, with meaningful investments in our green-field development portfolio, we continue to stress the importance of policy and regulatory certainty. It provides the stability necessary to attract investment and deliver the benefits of wind generation – long-term rate stability to consumers, skilled jobs, increased security of supply and decarbonisation of the economy.



Our Position

As a continuing investor in Northern Ireland and indeed in other parts of the United Kingdom, Brookfield Renewable are disappointed with the policy and regulatory uncertainty for renewable developers and, in particular, for onshore wind developers that has accelerated since June of this year. Brookfield Renewable firmly believe that Northern Ireland should seek to exploit its abundant wind resource which is delivering lower electricity costs, more jobs, greater energy security and lower harmful emissions. While recognising the constraints within which the UK government and Northern Ireland administration must operate, we believe that Northern Ireland has a particular opportunity to continue to be a leader in the build-out of onshore wind as its contribution to a renewable supply mix. In Northern Ireland the NIRO scheme also takes on additional importance because unlike in the rest of the UK, it underpins the 'route to market' developers require. Accordingly, in the absence of NIRO we also call for a continued route to market for onshore wind generation in Northern Ireland to ensure that the renewable industry has a sustainable future.

The proposed early closure of the NIRO scheme to onshore wind projects from March 2016 will have significant impacts on not just Northern Ireland's electricity consumers but across the Northern Ireland economy. The benefits of continuing to grow Northern Ireland's renewable generation towards the 40% government target will be foregone. These benefits include lower electricity prices, long-term predictability and price stability giving reduced dependence on volatile international fossil fuel markets which is valued by industry, the contribution of substantial rates and taxes and the provision of highly skilled jobs. At a time of tight capacity on the Northern Ireland network further growth in indigenous renewable generation also helps to alleviate energy security concerns while providing the environmental benefits of zero carbon generation.

In our view, NIRO's proposed early closure is also likely to damage Northern Ireland as an attractive location to invest across the economy. Investors like Brookfield who have invested significantly in viable wind projects now face the prospect of no route to market and no return on that investment. As the fight against climate change gains momentum international foreign direct investors are declaring an intention to source all their energy needs from renewable sources[1]. Recent developments such as the proposed NIRO Closure and Grace Period arrangements unfortunately mean that Northern Ireland will not be in a position to exploit its abundant renewable resources to help attract this type of investment into the broader economy.

[1] RE100 (http://www.there100.org/) is a global initiative where many of the world's most influential companies such as IKEA, Johnson & Johnson, Nestle, Unilever, Kingspan are committing to 100% renewable power

Brookfield Renewable believes that without a level playing field for all electricity generation technologies there is a clear need for continued support of cost-effective renewables and request that DETI examine any and all possible support options to provide a route to market beyond closure of the NIRO scheme.

Without the NIRO in place and adequate grace periods there is no visible route to market for onshore wind, the most cost-effective renewable technology in Northern Ireland. The previous consultation on NIRO Closure last March would have resulted in a hiatus in the delivery of renewable generation between closure of the NIRO and delivery of projects under the CfD regime. However, the current negative outlook for onshore wind under the CfD regime means that the accelerated closure of the NIRO could mean the renewable industry in Northern Ireland is on hold unless the government delivers a route to market for onshore wind. The suddenly closure of the renewables industry in Northern Ireland will not just mean the departure of investors but also the industry supply chain, skills and competencies that have been built up over 20 years could be lost, a damaging long term legacy that will be difficult to overcome in the future.

Brookfield Renewable have invested significantly in a number of renewable energy wind farm projects which are at the later stages of determination within the planning system. We have continued to invest in these projects in good faith with the legitimate expectation that these projects would be eligible to receive a NIROC and secure a route to market. These projects have incurred significant delays within the planning system in part contributed by a lack of legislation regarding statutory consultees response times and more recently by the introduction of the Planning Reform in April 2015. Planning Reform while welcome and supported by Brookfield Renewable has resulted in further delays to decisions as a number of projects at the later stages of determination have been transferred from DOE Central Planning to Local District Councils. In addition the lack of policy regarding Contestability build with regard to Grid infrastructure within Northern Ireland and the recent changes to policy regarding applying for grid connection has further contributed to delays in progressing projects towards NIRO eligibility even under the old deadline, let alone the early closure dates being consulted on.

Brookfield Renewable have the following comments regarding the NIRO Closure, Grace Periods and eligibility criteria proposed in this consultation:

- **Eligibility dates for NI projects connecting through clusters (30 October 2015) and non-clusters (30 September 2015) should be changed to the date of publication of the NIRO Closure order which we expect to be within 2-3 months of this consultation.** We believe the sudden announcement of these dates does not provide sufficient notice. In any case, we believe that a natural fall-off in deployment of projects will mean not all of the 480MW assumed by DETI in this consultation will be built even if the eligibility criteria is delayed if that is the concern. Notwithstanding our view that levels of wind generation should continue to target 40%, if DETI

is to achieve its 30% we believe that a pipeline of more than 480MW will be required and should be targeted. Projects that are at the later stages of determination, where there has been significant investment to date should be eligible for RO if a grant of planning is received in advance of the date of publication of the closure order. Accordingly, extending the closure dates from those proposed in the consultation strikes a more reasonable balance between sufficient notice for developers and reducing the build-out under the current NIRO regime.

- **The recently announced changes[2] to the RO Closure in the rest of the UK for onshore wind should be included in the NIRO Closure Order.** These changes introduce an additional 9 months grace period to reflect the impact of uncertainty on financing arrangements prior to publication of the legislation. They have also introduced another category of project with outstanding planning appeals that are now eligible for the RO. This amendment follows the principle that projects should be included who would have been eligible for RO if a proper, or timely planning decision had been made, or other factors (grid, radar) have reasonably delayed the ability of the project developer to meet the deadlines. We believe that this principle should also apply in Northern Ireland where delayed planning decisions are now putting significant investment at risk.

- **Any further changes to the RO closure and grace periods that are introduced in GB as the Energy Bill progresses through the legislative process in GB should be reflected in the NIRO Closure Order. If the NIRO Closure Order is implemented prior to the UK Energy Bill, supplementary legislation should be introduced so that NI renewable project developers avail of any additional flexibility.**

- **NIE should be directed to write to all parties affected by the Mar-17 deadline for network delivery to provide a letter of confirmation as outlines in Annex A of the consultation that the grid will be delivered within expected timelines or to give comfort that these projects will be eligible for the grace period as outlined in the consultation.** The risk of achieving NIRO accreditation due to resource delays in accrediting and commissioning eligible wind generators by the grace period deadlines must be accounted for through adequate resource planning in advance of the deadlines and through the NIRO accreditation criteria themselves. In particular, this documentation we are suggesting will be required to help projects attract project financing given this additional regulatory uncertainty.

Brookfield Renewable welcome further engagement with DETI on the NIRO Closure, Grace Periods and eligibility criteria.

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[2] UK Energy Bill Impact Assessment - Onshore wind: Closure of renewables obligation on 31 March 2016 (Updated), (8th October, 2015)

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The Context for the Continued Support of Renewables

Brookfield Renewable believe that for Northern Ireland to continue to benefit from the deployment of cost effective renewables a sustainable renewable industry is required and with that continued renewable support through the closure of the NIRO scheme, adequate grace periods and beyond.

Through the 2010 Strategic Energy Framework[3] Northern Ireland has set a goal of achieving 40% of its electricity consumption from renewable sources by 2020. The framework also sets the complementary objectives of; building competitive markets, ensuring security of supply, enhancing sustainability and developing Northern Ireland's energy infrastructure. These goals are currently being pursued not least by Northern Ireland's renewable developers who have delivered over 800MW of operating onshore wind farms. As Northern Ireland's portfolio of renewable generation grows it will continue to deliver investment and jobs it will also continue to reduce wholesale energy costs for the benefits of Northern Ireland's consumers as well as addressing security of supply concerns from a sustainable, environmentally friendly source.

The security of supply benefit provided by renewable generation is of particular note given continued delays to the North-South Interconnector, the Moyle Interconnector operating at reduced capacity. The resulting risk of generation shortage has been highlighted by SONI in the 2014 All-Island Generation Capacity Statement and addressed in the short-term through the provision of a 250MW local reserve contract for a 3 year period from 2016 with a conventional generator. Recognising the budgetary constraints under which the Northern Ireland administration operates Brookfield Renewable nevertheless believes that the continued support of renewable generation through the provision of a route to market through the closure and grace periods of the NIRO and beyond is essential to increase the contribution of renewable generation to Northern Ireland's security of supply objectives.

Renewable technologies have comparatively high capital costs and low running costs when compared with other conventional generation technologies. Brookfield Renewable believe that currently the carbon price is inadequate to provide signals for investment in low carbon technologies and that the structure of electricity markets does not provide a mechanism for renewable technologies to recover their costs. Until these issues are addressed there remains a need for renewable supports to ensure that investment continues and the policy objectives listed in the consultation of security of supply, economic development and addressing climate change are met. In our view, as the cost of deploying wind generation becomes competitive with the cost of the Best New Entrant, renewables supports should no longer be viewed as a subsidy but as a long term contract at competitive costs that can provide consumers with a hedge against volatile fossil fuel prices.

[3] http://www.detini.gov.uk/strategic_energy_framework__sef_2010_-3.pdf

Brookfield Renewable believe that a strong case continues for wind energy to remain central to Northern Ireland's energy policy objectives to deliver competitiveness, sustainability and security of supply. But in order for these benefits to be realised the current challenges facing the industry must be overcome and a sustainable future delivered.

Comments on the NIRO Closure, Grace Periods and Eligibility Criteria

Notwithstanding our earlier comments on our view of the negative impact of the proposals on Northern Ireland's electricity consumers, renewable industry and wider economy, Brookfield Renewable would like to make the following comments with regards to the specific proposals:

- **The proposed eligibility dates for NI projects connecting through clusters (30 October 2015) and non-clusters (30 September 2015) should be changed to the date of publication of the NIRO Closure order to be within 2-3 months of this consultation.**

Brookfield Renewable strongly believe that more time should be given to projects to meet the eligibility criteria of planning permission, an accepted grid connection offer and secured land rights.

Firstly, we believe that there will be a natural fall-off in the deployment of projects which will mean that the ultimate deployment of onshore wind generation will fall short of the 480MW proposed in the consultation that will bring Northern Ireland's renewable generation to what DETI view as an optimal level of 30% of electricity being provided from renewable sources.

Secondly, by allowing for an additional 2-3 months for projects to achieve the eligibility criteria by the date of publication of the NIRO Closure Order, projects that are awaiting planning decisions or appeals have a chance to resolve any outstanding issues and help to provide a buffer to ensure the 480MW targeted by DETI is achieved.

There has been significant investment in many projects over a number of years that have invested on the legitimate expectation of regulatory and policy certainty and that they would receive a renewable support. While the proposed changes to the NIRO closure date cannot be classified as retrospective changes it has the same effect for projects that have entered the planning system with the legitimate expectation that if the project was successful in acquiring planning permission a route to market would be available.

Furthermore, in some cases the cause of delay in processing outstanding planning applications is due to delays in receiving responses to planning queries from government agencies. The end result of the proposed changes will be a significant erosion of value in projects that do not meet the proposed eligibility criteria. With no sight of a renewable support scheme to replace the NIRO this will ultimately

result in a significant loss of investment in viable projects that, in our view, will damage Northern Ireland's ability to attract foreign investment not just in the energy sector but across the economy.

- **The recently announced changes to the RO Closure in the rest of the UK for onshore wind should be included in the NIRO Closure Order.**

The UK government has announced additional flexibility that recognises the challenges that eligible projects have faced to close project financing in the face of huge regulatory and legislative uncertainty. Projects in Northern Ireland are also facing this uncertainty and likewise should be entitled to the additional 9 months Grace Period that has been proposed for projects that can demonstrate a delay in achieving financial close due to the requirement for the legislation to be published.

The UK government have also announced further flexibility where projects that can resolve outstanding planning appeals will now be eligible for the RO (subject to also meeting the eligibility requirements of an accepted grid offer and evidence of land rights). This amendment follows the principle that projects should be included who would have been eligible for RO if a proper, or timely planning decision had been made. Brookfield Renewable strongly support this principle and believe that it should also apply in Northern Ireland where delayed planning decisions are now putting significant investment at risk.

- **Any further changes to the RO closure and grace periods that are introduced in GB as the Energy Bill progresses through the legislative process in GB should be reflected in the NIRO Closure Order. If the NIRO Closure Order is implemented prior to the UK Energy Bill, supplementary legislation should be introduced so that NI renewable project developers avail of any additional flexibility.**

Brookfield Renewable request that any additional flexibility introduced in the rest of the United Kingdom should also be introduced to Northern Ireland whether it be through further amendment to proposals or through supplemental legislation. Indeed, Minister Bell recognizes that the implications on Northern Ireland of changes to DECC legislation as it progresses through parliament may have to be taken into account.

- **NIE should be directed to write to all parties affected by the Mar-17 deadline for network delivery to provide a letter of confirmation as outlines in Annex A of the consultation that the grid will be delivered within expected timelines or to give comfort that these projects will be eligible for the grace period as outlined in the consultation.**

Brookfield Renewable would like to highlight NIE's role in ensuring that projects are eligible for the NIRO and its grace period. Project developers require the issuance and acceptance of grid connection offers for cluster connections by the end of October 2015 as part of the eligibility requirements for NIRO.

Under the proposals an additional grace period until March 2018 can be accessed by projects where the cause of delay is due to the failure to complete the relevant grid works by the end of March 2017 and NIE provide a letter confirming this. Projects that meet the eligibility criteria are faced with an additional risk that NIE will not complete grid works by the end of the grace period in March 2018. Brookfield Renewable request that this risk is acknowledged and addressed by NIE in letter that should be issued to all applicable projects, including a target date for completion of grid works and an indicative schedule of works. These projects require this letter not just to provide comfort that the additional grace period will be accessible but is also necessary to enable project developers to arrange contracts for delivery of turbines for example.

Finally, given that there is likely to be a number of projects and grid connections working towards the March 2017 (and where relevant March 2018) deadline, the NIRO accreditation deadline must take into account the availability of NIE/SONI to commission and accredit each new renewable generator. Appropriate resource planning is required from all stakeholders including NIE, SONI and NIAUR and commissioning and accreditation delays should not prevent projects from accessing NIRO.