Response by Energia to DETI Consultation

Closure of the Northern Ireland Renewables Obligation to onshore wind in 2016

14th October 2015

1. Introduction

Energia welcomes the opportunity to respond to the Department of Enterprise, Trade and Investment's consultation paper on Closure of the Northern Ireland Renewables Obligation to onshore wind in 2016. Energia is one of the largest contributors to the achievement of Northern Ireland's renewable targets, this has been met through our investment, development, contracting and trading activities with policy support from the NI Executive.

This consultation aims to bring Northern Ireland in line with the changing GB renewable policy. Energia recognises the difficult negotiations which DETI and Members of the Local Assembly (MLAs) have had in order to realise a reasonable outcome for Northern Ireland given the challenging constraints which were imposed by the Department of Energy and Climate Change (DECC). The decision by DECC to end the socialisation of the cost of NIRO across the UK earlier than expected has presented policy makers and industry stakeholders with significant challenges. We would like to express our appreciation for the work which DETI and MLAs have afforded to this issue.

Whilst the early closure of the NIRO is disappointing we believe that given the DECC constraints, DETI has secured a reasonable solution for Northern Ireland. Our focus in this response is therefore to urge the swift resolution of this consultation and enactment of the resulting SI. This is essential to enable eligible projects to achieve financial close.

It is important that all stakeholders (public and private) work together to ensure that all projects which meet the eligibility criteria are delivered and accredited under the NIRO. This will require NIE, Utility Regulator, DETI, DOE (planning compliance) carefully planning their activities to help progress the delivery of these projects.

Whilst we would further note that the absence of a future support mechanism for onshore wind is detrimental to the NI energy sector and the wider economy we have not addressed this issue in this response.

2. General comments

Over the past number of years NI's commitment to renewables has contributed significantly to the growth in the Northern Ireland private sector and has considerably improved the sustainability and security of the energy sector which is imperative for attracting foreign direct investment. However, in recent times GB and NI policy has shifted from one that was steady and supportive of renewables in the long term to one that is changeable and uncertain.

Banks now view GB and NI as volatile with a significant risk that policy could materially change direction and as a result require that the outcome of this consultation has been transposed into a Statutory Instrument (SI) and the SI has been enacted. Energia has 72MW in five onshore windfarm projects that need to be financed around the end of November 2015, and this urgently

requires the SI to be enacted. The process that turns this consultation into an SI needs to be as streamlined as possible, and we strongly caution against any delays.

We note that the GB Bill that is currently before the House of Lords now includes a 9 month investment freeze provision. Similar financing delay issues are being experienced by projects in Northern Ireland and we therefore request that a similar measure be included in the NI statutory instrument.

3. Eligibility criteria clarification proposals

We support the eligibility criteria as proposed. We would suggest some further clarifications namely that

1) projects can qualify where they are sharing a grid connection with an existing project, and
2) if there is a variation or amendment granted to a windfarm planning permission after the date of an original consent which would satisfy the eligibility criteria , that the variation will also meet the eligibility criteria, even if such variation is dated after the eligibility date.
3) We also support the inclusion of projects that were subject to a planning appeal or judicial review at the relevant eligibility date, where subsequently the appeal was granted or the judicial review was either determined in favour of the generating station developer or the judicial review action was dropped.

4. Grace period criteria and clarity of commissioning and accreditation

It is important that the definitions do not lead to a ‘gap’ whereby the relevant grid works are completed on or before 31 March 2017, but the project does not receive accreditation until after this cut-off date. This is particularly important given that clusters are a uniquely Northern Ireland phenomenon and represent additional complexity in connections not experience elsewhere in the UK. For example, a large number of projects will be planning to commission during the same period leading up to 31 March 2017. The majority of these projects will be connecting at the same nodes in the network which will create operational difficulties for the network operator to manage.

The definitions of commissioning and accreditation should be clarified in the NI context. There is a gap between grid connection and ‘commissioning and accreditation’. As the consultation is currently drafted it is likely that some projects could be connected prior to 31 March 2017, but fail to achieve commissioning and accreditation by 31 March 2017, whilst projects that connect after 31 March 2017 can avail of a grace period. This may be an unintended consequence of drafting and a lack of clarity on OFGEMs requirements for commissioning and accreditation.

In circumstances where a generating station has been connected to the grid prior to 31 March 2017, but with insufficient time for the developer to complete commissioning and accreditation, we would suggest that NIE/SONI should

additionally provide a letter to the effect that "in NIE/SONI's opinion that although the relevant grid works were completed prior to 31 March 2017 that in their opinion there was insufficient time for the generating station to satisfy commissioning and accreditation requirements." A similar confirmation should be provided by NIE/SONI where a generating station has been connected prior to 31 March 2018, but there was insufficient time for the generating station to satisfy commissioning and accreditation requirements.

We also note that there are a large number of windfarm projects that are due to energise within a short timeframe. It is crucial that OFGEM, SONI and NIE have appropriate resources in place to deal with the commissioning of these projects.

Our lenders will require upfront an NIE/SONI letter which confirms that at the date of receipt of the connection application for the proposed generating station it was the intention to complete the relevant grid works no later than 31 March 2017.

5. Conclusion

Energia supports the criteria outlined in the consultation. We urgently require a decision to be made quickly following the close of the consultation and reiterate that enactment of the statutory instrument is required for financing to occur.

It is also important that other stakeholder such as NIE and SONI have adequate resources in place to deal with the increased activity coming up to the NIRO closure. Energia is advocating the following outcomes from the consultation:

- Prompt enactment of the proposals outlined in this consultation
- Appropriate amendments or clarifications as suggested above in respect of planning consent, grid connection and commissioning and accreditation
- As NI is seeking to align policy with GB any positive changes made to eligibility should be retrospectively adopted by NI.
- NIE/SONI letters that at the date of receipt of the connection application it was the intention to complete the relevant grid works prior to 31 March 2017 should be issued to all generators upfront.