GUSTO WIND LIMITED

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

## Response to Consultation Paper September 2015

As a developer of agricultural scale wind turbine projects (250kw or less), we welcome the opportunity to respond to DETI's consultation paper on the closure of the NI Renewables Obligation to new onshore wind in 2016. This proposal represents an abrupt cessation of all support for agricultural scale wind turbine projects. This poses a huge and immediate risk to the NI economy and is an indefensible context for the industry to be in.

It is evident from the minutes of the Committee for Enterprise, Trade and Investment: Renewables Obligation Closure Order (NI) 2015 DETI Briefing, Tuesday 8th September 2015, that there is a considerable amount of doubt about the robustness of the decision making process, upon which this amendment to the NIRO is being made. As highlighted in the Minutes, there does not seem to be any consideration by the Department of the potential benefits that positive legislation could bring in terms of job maintenance, revenue and investment coming into NI's economy.

It is also clear from the minutes that there is a considerable amount of confusion and a lack of clarity about the legal advice that the Department has sought, before reaching the current position.

Please find our points below that respond directly to the key points in Section 2 of the consultation document –

**Point 2.2** there is an assumption here that the closure of NIRO somehow aligns us with the policy in GB. This is not the case. For small wind projects in GB, they will continue to get Feed in Tariffs (FITS) post April-2016 however there will be nothing for small wind projects in Northern Ireland. This is unacceptable.

**Point 2.3 –** the estimation that around £5 would be added to an annual domestic bill and £10,000 approx. on a large user's energy bill, we believe, is inaccurate. These figures represent a 'worst case' calculation. This wrongly assumes all projects in the pipeline will actually go ahead but there are always projects that cannot progress because of issues with planning, grid, wind resource or financing. These must be factored into this calculation for it to have any meaning. Also, the statement about £10,000 extra on large energy user's bill is misleading and distorts the actual impact as it is based on the highest energy users of Northern Ireland and is not an average.

These costs are also based on historical usage and not forecast on the positive, future outlook which demonstrates that, within no more than 5 years, wind energy will be cost competitive with conventional energy sources, including coal. The cost issue can only be tackled if done so accurately.

**Point 2.4 –** The risk mentioned regarding consumer costs has been dealt with above but we're also conscious that the people of Northern Ireland haven't been asked what their view is on paying a minimal amount more per year for a much safer energy supply, which is best for our future generations. Onshore wind is supported by the majority of people within the UK as demonstrated via many independent polls.

**Points 2.6 – 2.12 –** the points covering eligibility dates are clear but we would argue that this is an abrupt halt of vital support for the industry. Therefore, the argument that the early NIRO closure aligns us with GB policy is fundamentally flawed.

Our major concerns are associated with the vagueness of the terminology, in section 2.8, the 'Proposed eligibility and evidence criteria for grace periods for NI onshore wind section'

**Point 2.8.1 -** It is unclear what "relevant planning permission" is. In the situation where an applicant has full planning approval, before 30th September 2015, but subsequently requires an amendment, or non-material change to that Planning Permission, does this invalidate their application to the grace period extension?

**Point 2.9 -** What is the process for applying to Ofgem for Grace period approval?

- Is this an application form, or an informal process of negotiation / communication?

**Point 2.12 -** "Ofgem will only be able to assess eligibility for grace periods once it is content that all other eligibility criteria have been met and the project has been commissioned".

This implies that an applicant must carry out all of the work, right up to Commissioning, at risk, with no indication from Ofgem that the developer has satisfied the grace period criteria until after the wind turbine commissions. This is unreasonable. It would be judicious to expect Ofgem to assess the criteria, at an early stage, before additional expenditure has been incurred by the applicant.

One very clear point, which cannot be stressed enough, is that the economic impact of this decision is colossal and will leave NI's onshore wind industry in crisis. There will undoubtedly be job losses in the sector, estimated by some agencies to be in the region of 5,000-10,000. Additionally, there will be an impact on the services being used across the sector and associated businesses will see a significant drop in revenue as contracts and projects diminish. This poses a huge threat to NI's economy and seems to be completely overlooked.

It should also be noted that, in the second quarter of this year, renewable energy, for the first time, provided more power to Britain than the nuclear and coal industries, a record 25%. It has done so with a fraction of the subsidies that the fossil and nuclear industries have had and continue to have. Renewable energy receives one tenth of the support that fossil fuels do.

The type of swing in regulatory support that has happened in NI creates an environment which considerably harms our commercial reputation. NIRIG held an energy summit on 13th October where it was noted that, from an investor's perspective, NI is seen as more of a risk than Nigeria, due to the lack of policy certainty and government support for renewable energy.

To avoid any further uncertainties for those seeking to make decisions, when investing in renewable generation from Wind turbines in Northern Ireland, it is critical that the following is implemented as a minimum -

1. **The proposed eligibility date for grace for agricultural scale wind turbines (250kw or less) is extended from Sept 2015 to April 2016.**
2. **A support mechanism is put in place post April 2016 which is currently available for all other regions of the UK except Northern Ireland.**