



**DRAFT SSE AIRTRICITY RESPONSE TO NI ASSEMBLY CALL FOR EVIDENCE  
ON A SMALL SCALE ENERGY BILL**

NOVEMBER 2021

## INTRODUCTION

SSE Airtricity would like to make the following submission to the NI Assembly's Call for Evidence on the Small-Scale Energy Bill. SSE Airtricity welcomes the intention of the Bill and efforts to support the roll out of micro-renewable technologies to consumers. We provide views on the proposals included in the Bill and barriers facing the deployment of new microgeneration below.

## WHO WE ARE

From small beginnings we've grown to become Northern Ireland's largest producer of green energy with over 142MW of wind energy installed. Since 2008, SSE has invested over half a billion pounds in the development of Northern Ireland's sustainable energy infrastructure, helping to create a greener economy and secure Northern Ireland's energy future. Through our retail business, SSE Airtricity, we provide electricity, natural gas and essential services to over 300,000 homes and businesses across Northern Ireland.

SSE is a leading generator of renewable electricity in the UK and Ireland. We have the largest offshore wind development pipeline in the UK and Ireland at over 6GW and an onshore wind pipeline across both markets in excess of 1GW. SSE has contributed over £3 million in funding to communities close to our wind farms in Northern Ireland, supporting over 800 projects. This includes the SSE Airtricity Scholarship fund which has provided over half a million pounds to students in higher education in Northern Ireland since 2014.

SSE were proud to be a Principal Partner for COP26 – the 26th United Nations Climate Change Conference of the Parties. We look forward to continuing to work with the UK government and other stakeholders to ensure the commitments made at COP26 are delivered upon.

## EXECUTIVE SUMMARY

Tackling climate change will require society and economy wide transformation as stressed at the recent COP26 summit. It is critical that citizens are at the centre of the transition to net zero in keeping with principles outlined in the Department for Economy's consultation on a new Energy Strategy for Northern Ireland which is currently being developed. Indications are Northern Ireland will set a renewable target of at least 70% with plans to decarbonise heating and transport. Enabling and facilitating microgeneration is an important part of ensuring citizens can actively participate in this shift. Microgeneration offers many benefits including the ability to generate and consume renewable electricity and reduce bills, the opportunity to adopt climate friendly technologies and become more self-sufficient.

Microgeneration or microgen is already a significant feature of Northern Ireland's electricity system due to the support provided to micro-wind and micro-solar under the Northern Ireland Renewable Obligation (NIRO) scheme which closed to new entrants in 2017. It is also important to note that Power NI already offer a regulated export tariff and other suppliers are free to do the same and compete should they wish.

While well-intentioned, SSE Airtricity does not believe it would be appropriate to legislate in this way for microgeneration for a number of reasons:

- A programme of work and analysis is required as part of the Northern Ireland Energy Strategy in the first instance to ensure a holistic approach is taken. This needs to consider implications of the EU Electricity Directive and the role of microgeneration in reaching at least 70% renewable electricity by 2030.
- We believe the driver of microgeneration policy should be self-consumption rather than export which is the main focus in this Bill. Self-consumption is where the true value lies for consumers

as it provides the ability to reduce energy consumption and bills and enables consumers to play an active part in the transition to net zero.

- We do not believe it would be appropriate to impose an obligation on suppliers to offer a microgen tariff in the absence of a market-wide, microgen customer and market settlement arrangement based on real-time data, enabled by smart meters.
- Equity issues need to be considered and the potential impact on Network Tariffs before any mandatory obligation could be brought forward. The legacy of the NIRO scheme also needs to be factored in to ensure that double subsidisation is not an unintended consequence of policy decisions taken.
- The proposal to set a minimum tariff needs to be considered carefully. The trend in GB, Ireland and across the EU has been towards remuneration for export on a market-value approach. We would favour this approach in keeping with what is on offer in GB and planned for Ireland with the Smart Export Guarantee and Clean Export Guarantee policies which facilitate competition.
- SSE Airtricity do not believe the setting of a target for suppliers to procure a certain percentage of their supply from microgen is appropriate. This proposal puts the emphasis on export rather than self-consumption which we believe should be given priority. We appreciate the intention here is to stimulate the deployment of new microgen. We believe a more appropriate way of doing this would be through supports for installation if following an economic assessment it is determined that support is needed.
- The implications for the grid also need to be considered particularly given the volume of microgen currently on the system. NIE Networks should be asked to consider this. Designing microgen policy in a way that prioritises self-consumption can help reduce impact on the grid.

## RESPONSE TO CONSULTATION QUESTIONS

**Q5. Do you agree that the Department for the Economy should support the growth of small-scale electricity generation in NI through this Scheme?**

**Q6. Do you believe that such a Scheme would be of assistance to the Department for the Economy in the development of its Energy Strategy and the making of any subsequent legislation to support the Strategy?**

Enabling and facilitating microgeneration is an important part of ensuring citizens can actively participate in Northern Ireland's transition to a net-zero economy. Microgeneration offers many benefits including the ability to generate and consume renewable electricity and reduce bills, the opportunity to adopt climate friendly technologies and become more self-sufficient.

While well-intentioned, SSE Airtricity does not believe that this Bill or the scheme proposed is the way to go about supporting small-scale electricity generation in Northern Ireland. We have summarised our reasons for this above and will expand on these here:

- A programme of work and analysis is required as part of the Northern Ireland Energy Strategy in the first instance to ensure a holistic approach. There remain financial, market-based and regulatory issues in this area which should be addressed. This needs to consider the implications of the EU Electricity Directive and the role of microgeneration in reaching at least 70% renewable electricity by 2030 in the round. We believe microgen is a key way of reducing energy consumption and engaging consumers in the net-zero transition. Large scale renewables will be the main driver for meeting Northern Ireland's renewables targets.
- SSE Airtricity believe it is critical that future microgen policy in Northern Ireland prioritises self-consumption and energy efficiency-first so that the maximum amount of the energy generated

from micro-technologies is consumed onsite. We believe the driver of microgeneration policy should be self-consumption rather than export which is the main focus in this Bill. This is where the true value lies for consumers – the ability to reduce energy consumption and bills and play an active part in the transition to net zero. An over-emphasis on export could lead to perverse incentives to over-install in the hope of achieving maximum payments.

- We do not believe it would be appropriate to impose an obligation on suppliers to offer a microgen tariff in the absence of a market-wide, microgen customer and market settlement arrangement based on real-time data. This market barrier needs to be addressed as part of a framework to efficiently enable the further development of microgeneration and to ensure existing generators are remunerated based on what is actually exported to the grid rather than deemed values/estimates.
  - This can be best facilitated by smart meters. As we stressed in our submission to the NI Energy Strategy, we would encourage the Department for the Economy to carry out a Cost-Benefit Analysis as soon as possible to progress this.
- Equity issues need to be addressed first and the potential impact on Network Tariffs before any mandatory obligation could be considered. While well intentioned, we fear that this Bill may be regressive, in that it would benefit those who can afford to install micro renewables whilst raising network costs for the general consumer, including those who cannot afford to install micro renewables. These equity issues and the potential impact on network tariffs need to be considered as part of a wider approach to microgeneration.
- The legacy of the NIRO scheme also needs to be factored in to ensure that double subsidisation is not an unintended consequence of policy decisions taken. Participating microgenerators receive generous supports under micro-NIRO. The supports on offer led to a significant increase in the microgeneration particularly solar PV which stood at 1MW in 2011 and rose to c. 120MW by the time NIRO closed to new entrants in 2017. Care needs to be taken to ensure these generators do not receive additional subsidies unnecessarily.
- The proposal to set a minimum tariff needs to be considered carefully. The trend in GB, Ireland and across the EU has been towards remuneration for export on a market-value approach which takes account of the value of exported electricity to the grid. We would favour this approach in keeping with what is on offer in GB and planned for Ireland with the Smart Export Guarantee and Clean Export Guarantee policies which facilitate competition. Under this approach, each supplier is free to set its individual CEG /SEG export tariff, subject to it meeting certain regulatory requirements and exceeding zero Euro cent/kWh or zero Pound pence/kWh.
- We do not believe the setting of a target for suppliers to procure a certain percentage of their supply from microgen will support new microgeneration because:
  - This proposal puts the emphasis on export rather than self-consumption and energy efficiency which we believe should be given priority.
  - The target would not do anything to support the roll out of additional microgen technologies. To grow this or enable domestic consumers to overcome high upfront costs, then supports may be needed. An economic assessment should be undertaken to determine what may be required.
  - We would note that the economic consultancy Ricardo produced a report for DECC in Ireland this year which shows a viability gap. In our view, exchequer funded grants would be the most straight forward way of supporting microgeneration as we outline below.
- The implications for the grid also need to be considered particularly given the volume of microgen currently on the system and its invisible and uncontrollable nature. NIE Networks should be asked to consider this. Designing microgen policy in a way that prioritises self-consumption can help reduce impact on the grid bearing in mind previous point about cost.

**Q7. Do you agree that market share is an appropriate way of determining "major electricity suppliers"?**

Yes – were a scheme to be introduced we believe this would be an appropriate way to define ‘major electricity supplier’.

**Q8. Do you agree that a small-scale green energy scheme should require “major electricity providers” to have a 5% of their electricity supply sourced from micro-generated renewable power by a specified date of 1st January 2025?**

In principle, SSE Airtricity does not agree with this proposal as it puts the focus on export rather than self-consumption. The prioritisation and promotion of self-consumption and energy efficiency should be a key focus of microgeneration policy. An emphasis on export sends a signal to consumers that the value of microgen lies in export when the true value is in the ability to reduce energy use and bills.

In addition, we would also stress that targets in general need to be evidence-based, under-pinned by data and analysis and an assessment of the potential impacts. We would note that there is already a considerable amount of microgeneration on the system in Northern Ireland which would likely be close to meeting the 5% suggested target already due to NIRO. These microgenerators are already in receipt of ROC payments facilitated by suppliers and do not require any additional market incentives.

We believe the focus should be facilitating the installation of new microgeneration. Setting a target like would not be an appropriate way to go about this in our view as it sends the wrong signal to consumers as we note above. To enable domestic consumers to overcome high upfront costs, supports may be needed. An economic assessment should be undertaken to determine what may be required. We would note that the economic consultancy Ricardo produced a report for DECC in Ireland which shows a viability gap. In our view, exchequer funded grants would be the most straight forward way of supporting microgeneration. According to SEAI research, there is a strong preference for capital grant supports over other forms of support. In general, consumers appear to prefer incentives at the point of purchase.

Grants can better help overcome high upfront costs of installation. As the subsidy value is likely to be modest, a one-off investment subsidy/grant would be the most efficient way of allocating support to consumers. Over time, the grant can be adjusted as the market matures. These grants could be allocated by the proposed “One-stop-shop” for consumer advice and support proposed in the NI Energy Strategy. It is important that these grants are rolled out in combination with supports for energy efficiency to ensure as much energy generated is used onsite and not needlessly wasted due to poor insulation.

**Q9. Do you agree with inclusion of the following objectives to be considered by the Department when devising a small-scale green energy scheme?**

- Reducing dependency on non-renewable electricity supplied by the Northern Ireland electricity grid
- Reducing environmentally harmful emissions from farms and other businesses
- Increasing the geographical and sectoral diversity of renewable energy inputs to the Northern Ireland electricity grid

**Q.10 Please elaborate and tell us about any other objectives which should be included.**

These are relevant and important objectives. Reducing emissions and increasing renewable energy supply are key. As we have noted above, the principles of self-consumption, energy efficiency first and equity are critical and should be the key drivers of policy-making in this space.

**Energy efficiency / fabric first approach** – Northern Ireland’s approach should be based on the principle of energy efficiency-first to ensure that microgen installed can be utilised to the greatest extent within the building and energy generation is not needlessly wasted due to poor insulation. Linking any

future support scheme with a minimum post-works EPC would be sensible for domestic buildings. We note, however, that an approach such as this may not be appropriate for farm buildings or other commercial properties depending on their use. This is because such buildings may not require heating or cooling (for example a dairy shed). It's important that any future NI small-scale energy scheme does not create barriers for any consumer cohort

**Self-consumption** – As we have stressed above, the primary benefit of microgeneration is the ability of consumers to reduce their energy bills. Self-consumption should be prioritised. We note that the Clean Export Guarantee export payment in Ireland will be based on an assumption that 70% of electricity generated will be consumed onsite.

**Equity** - While well intentioned, we fear that this Bill may be regressive, in that it would benefit those who can afford to install micro renewables whilst raising network costs for the general consumer, including those who cannot afford to install micro renewables. These equity issues and potential impact on network tariffs need to be considered as part of a wider approach to microgeneration. The legacy of the NIRO scheme also needs to be factored in to ensure that double subsidisation is not an unintended consequence of any policy decisions taken.

**Cost-effectiveness** - An economic assessment of microgeneration looking at barriers and costs of installation need to be undertaken to ensure any scheme is cost-effective and fair for consumers and market participants.

#### **Q11. Do you agree that there should be a fixed minimum price tariff for exporting micro-generated renewable power into the grid?**

SSE Airtricity do not believe it would be appropriate to impose an obligation on suppliers to offer a microgen tariff in the absence of a market-wide, microgen customer and market settlement arrangement based on real-time data. This market barrier needs to be addressed as part of a framework to efficiently enable the further installation of microgeneration and all generators are remunerated based on what is actually exported to the grid rather than deemed values. This can be best facilitated by smart meters. As we stressed in our submission to the NI Energy Strategy, we would encourage the Department for the Economy to carry out a Cost-Benefit Analysis as soon as possible to progress this.

#### **Q12. What should the price tariff be set at?**

The proposal of a minimum tariff put forward in the Bill requires careful consideration particularly given the existence of micro-NIRO generators to ensure against double subsidisation and to ensure export payments reflect the market value of the electricity generated in keeping with the requirements of the EU Electricity Directive. Payments made for electricity need to be reflective of the value of the electricity to the grid while minimising any additional policy costs on the consumer and avoid double-subsidisation.

As we note above, Power NI already provides a regulated tariff for the export of electricity from micro renewables back to the grid. This tariff takes account of forecast wholesale energy prices and so is broadly in keeping with the market value approach. Other suppliers are free to offer microgen export tariffs and compete should they wish to do so. There are also other players active in the market.

The trend in GB, Ireland and across the EU has been towards remuneration for export on a market-value approach rather than setting of minimum price tariff. Suppliers can offer an export payment as long as it above zero, reflects the market value of the electricity exported to the grid and aligns with EU and other regulatory requirements. We would favour this competitive and market-value approach in Northern Ireland (though the legacy of NIRO would need to be accounted for) in keeping with trends in other jurisdictions.

**Q14. Do you agree that “micro-generated renewable power” should be defined at a maximum of 50kw?**

This definition of microgeneration is appropriate in our view though this should be assessed by NIE Networks.

**Q17. Do you agree any review of the Scheme should consider the following: - Macro-economic conditions; - Unit cost prices of renewable energy; and - The financial stability and performance of electricity providers**

As we note above, we do not believe a scheme such as this would be appropriate.

In general, we believe policy development in this space should be aligned with the NI Energy Strategy, ensure competitive and sustainable market outcomes, and account for the potential impact on consumers particularly those who may be experiencing energy poverty. Prioritising self-consumption, energy efficiency first and equity are also key as we highlight above.

**Q19. What costs do you believe the ‘Scheme’ described in this Bill would generate?**

There is not enough detail provided in the Bill to properly ascertain what costs would be generated. This would depend on the decisions taken in relation to tariffs, support scheme arrangements and funding routes i.e. funded through consumer bills through PSO levy or through exchequer funding. A detailed CBA should be undertaken before any scheme is taken forward.

**Q20. Any additional comments?**

## CONCLUSION

Enabling and facilitating microgeneration is an important part of ensuring citizens can actively participate in Ireland’s transition to a net-zero economy. Our proposals outlined above are intended to support the implementation of a microgeneration framework for Northern Ireland. We hope the issue will be dealt with extensively in the Northern Ireland Energy Strategy. There remain financial, market-based and regulatory issues in this area which should be addressed.

We would welcome the opportunity to engage with the Committee and the Department on this topic.