

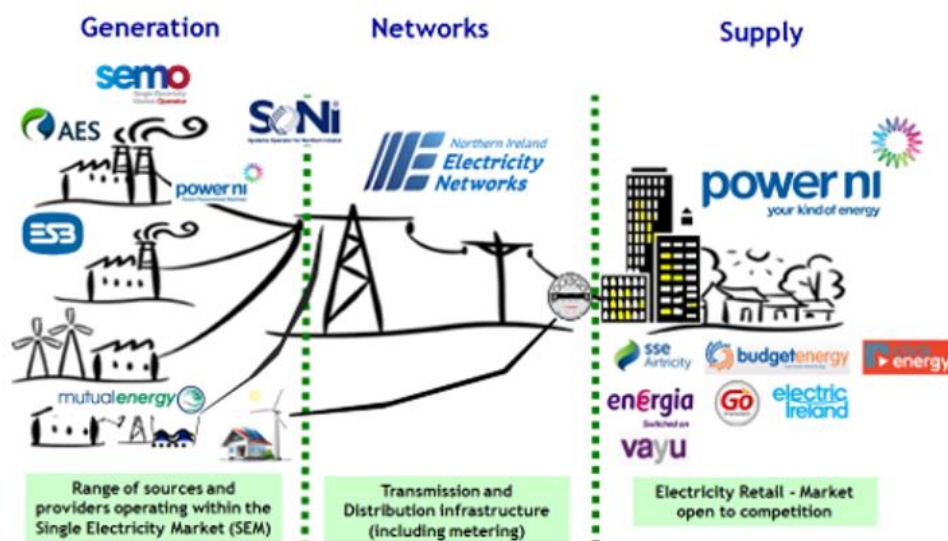
Committee for the Economy's consideration of Small-Scale Green Energy Bill – Power NI Submission

Executive Summary

- This submission is from Power NI Energy Limited t/a Power NI.
- Power NI supports measures which will encourage the installation of small-scale renewable generation and has a licence condition which mandates the provision of an export tariff. This tariff has been in existence for c.15 years and there are currently c.10,000 customers who are paid annually for their excess generation. This represents c.55% of the current microgeneration exporting sites in Northern Ireland and less than 1% of Power NI's total demand.
- There are a number of providers of an export tariff in the Northern Ireland market and there is active competition between those providers for customers who have installed small scale generation.
- Power NI agrees that following the removal of the Northern Ireland Renewables Obligation there has been a significant decline in the rate of new installations of domestic solar PV.
- Power NI believes to encourage an increase in the levels of microgeneration installation, a support scheme will be required alongside measures such building regulations to mandate installations on new builds etc.
- In terms mandating a target of small-scale generation to be contracted by suppliers; placing such an obligation on suppliers raises the question as to how to source the required volume, what are the penalties for failing to meet the obligation and the costs which are likely to be borne by the generality of customers.

Introduction

1. Power NI is the former public electricity supply company. Following privatisation in the early 1990s and the opening of retail electricity markets, Power NI now supplies c.52% of Northern Ireland's domestic customers by volume and c.55% (453,000) by customer number. In the non-domestic market, Power NI supplies c.30% by volume and c.53% (39,000) by customer number. (Source: Utility Regulator Transparency Report)
2. Power NI is the only price controlled, price regulated domestic electricity supplier in Northern Ireland and employs c.460 staff locally and has offices in Belfast, Antrim and Omagh.
3. Power NI is part of the Energia Group, an organisation which has invested heavily in the development of large-scale renewable assets and flexible generation throughout the island of Ireland. Energia Group recently announced an intention to invest a further €3bn in renewables over the next five years in onshore wind, offshore wind, solar, renewable hydrogen, anaerobic digestion, battery storage, electric vehicles, smart grid and energy efficiency.
4. Power NI is however a separate business. Power NI's legal, managerial and operational separation is mandated via licence conditions, and it is within the context of being a supplier that Power NI has considered the Small-Scale Green Energy Bill.
5. Power NI's market context is illustrated below:



Small Scale (Microgeneration) Export Tariff

6. Power NI supports measures which will encourage the installation of small-scale renewable generation.
7. Power NI currently has a licence condition which mandates the provision of an export tariff for small scale renewable generation. This tariff has been in existence for c.15 years and there are currently c.10,000 customers on the Power NI Microgeneration Export Tariff. This represents c.55% of the current microgeneration exporting sites in Northern Ireland.

8. Customers on the Power NI tariff are paid for their export to the grid on an annual basis. The tariff is set through a regulated process, is reflective of the income achievable by generators in the wholesale market and is approved by the Utility Regulator annually.
9. Retail Market Procedures which have been approved by the Utility Regulator, ensure that microgeneration export is accounted for in the wholesale market.
10. Power NI is the only provider who is mandated to provide a microgeneration export tariff however is aware that there are several other providers in the Northern Ireland electricity market and there is active competition for the customers who have installed small scale generation.

Obligations on Suppliers

11. The Small-Scale Green Energy Bill would set an obligation on suppliers to purchase 5% of their volume from micro-generated renewable power. While targets of renewable generation are important in the context of the Energy Transition and Strategic Energy Framework; it is unclear how this target would sit alongside other targets which may be part of the Department for the Economy's Energy Strategy.
12. Power NI currently estimate that its microgeneration volume accounts for c0.7% of its total demand and c1.1% of its domestic demand.
13. Placing an obligation on suppliers raises the question as to how to source the required volume, what are the penalties for failing to meet the obligation and the costs.
14. Given the percentage difference between today's actuals and the proposed target, it implies that a significant premium would either be required to be paid to incentivise the increase in small scale generation installations or some form of additional support mechanism would be required.
15. The obligation within the Small-Scale Green Energy Bill would require a licence change(s) and clarity on how compliance would be funded within Power NI's Price Control Framework.
16. Should the obligation be placed on only a sub-set of suppliers then this risks distorting competition between suppliers by placing a financial cost burden on some but not all.

Support Mechanisms

17. Power NI would agree with the Member's statement in the Small-Scale Green Energy Bill Explanatory and Financial Memorandum that "the removal of the Northern Ireland Renewables Obligation and other renewable obligations has produced a stagnant community energy sector" insofar as referring to the installations of domestic solar PV. The statistics of Power NI Microgen Tariff registrations illustrated below support this view:

Start	End	ROC Band (PV)	Installations (Solar PV)
Pre	31/03/2010	2	267
01/04/2010	30/09/2015	4	10,351
01/10/2015	30/09/2016	3	947
01/10/2016	31/03/2017	2	71
01/04/2017	31/03/2018	0	35
01/04/2018	31/03/2019	0	115
01/04/2019	31/03/2020	0	166
01/04/2020	31/03/2021	0	246
01/04/2021	To date 1/11/21	0	334
			12,532

18. The evidence clearly demonstrates a direct correlation between the support mechanism in place and the level of microgeneration installations. Since the ROC scheme has closed there has been a significant decline in the rate of new installations of solar PV, despite the cost of such installations falling.
19. Power NI believes to encourage an increase in the levels of microgeneration installation, then a support scheme will be required alongside measures such as changes to building regulations, to mandate installations on new builds etc. Power NI understands this is a requirement in Ireland.
20. In terms of the support mechanism design, Power NI believes the ROC scheme was effective in incentivising the installation of renewable generation and meeting the previous Strategic Energy Framework Target of 40% renewables by 2020.
21. Power NI believes that any future support mechanism should be linked to total generation rather than export as this encourages onsite consumption and/or storage. This links well to the net zero/decarbonisation desire to increase the electrification of both transport and heat.