

# **SMALL SCALE GREEN ENERGY BILL**

## **EXPLANATORY AND FINANCIAL MEMORANDUM**

### **INTRODUCTION**

1. This Explanatory and Financial Memorandum has been prepared by John O’Dowd MLA (“the Member”), in order to assist the reader of the Bill and to help inform the debate on it. It does not form part of the Bill and has not been endorsed by the Assembly.
2. The Memorandum should be read in conjunction with the Bill. It is not, and is not meant to be, a comprehensive description of the Bill, and where a clause or part of a clause does not seem to require any explanation or comment, none is given.

### **BACKGROUND AND POLICY OBJECTIVES**

3. The Executive previously set a target of achieving 40% of electricity consumption from renewable sources by 2020. The Department for the Economy is currently developing an “Energy Strategy 2050”, which is to be published by the end of 2021. The Committee on Climate Change (2019) “Reducing emissions in Northern Ireland”<sup>1</sup> report regarding decarbonisation explicitly recommended a supplier obligation and feed-in system. The Member considers policy intervention is necessary to rapidly grow the share of renewables on the grid. One way of doing this is to expand the share of micro-generated renewable energy. Currently, the energy market has evidently failed to provide sufficient price incentive for homes, businesses and farms to switch to micro-generation systems. The Member considers removal of the Northern Ireland Renewables Obligation and other renewables obligations has produced a stagnant community energy sector.
4. The Small Scale Green Energy Bill has three policy objectives:
  - a. To place a requirement on major electricity providers and suppliers to provide an obligatory minimum price tariff for exporting micro-generated renewable power into the grid.

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<sup>1</sup> Committee on Climate Change, ‘Reducing emissions in Northern Ireland’ (February 2019): <https://www.theccc.org.uk/publication/reducing-emissions-in-northern-ireland/> [accessed 22/06/2021]

- b. For the Minister for the Economy ("the Minister") to establish a small scale green energy micro-generation scheme with powers that include setting this minimum price tariff, and to alter it depending on relevant economic conditions (e.g. broader macroeconomic conditions, the unit price of renewable energy and the financial stability of the providers themselves etc.).
- c. To provide the Minister with the power to determine what providers are eligible for the scheme by setting a minimum threshold for market share.

## **CONSULTATION**

5. The Member conducted a consultation exercise over an eight-week period between November 2020 and January 2021. The Member also shared his legislative proposal with the Northern Ireland Human Rights Commission and the Equality Commission for Northern Ireland.

## **OPTIONS CONSIDERED**

6. **Option 1:** Do Nothing.
7. **Option 2:** Introduce and enact a Small Scale Green Energy Bill to provide an obligatory minimum price tariff for exporting micro-generated renewable power into the grid.

Following consultation and deliberation, the Member considers that primary legislation is the best mechanism by which to achieve the policy objectives. For example, achieving the targets for the share of renewables within the timescales set out requires legislative intervention. Legislation with appropriate regulation-making and review powers will ensure a comprehensive approach is taken to the necessary reforms the Member is seeking to achieve.

## **OVERVIEW**

8. The bill has 8 clauses and no schedules. A commentary on each of the clauses follows below:

## **COMMENTARY ON CLAUSES**

**Clause 1 Establishment of scheme:** requires the Department for the Economy ("the Department") to make regulations establishing a small-scale green energy scheme for Northern Ireland. The scheme must require major electricity providers to provide a minimum price tariff for micro-generated renewable power exported into the Northern Ireland electricity grid. The scheme must also set targets for major electricity providers to have a specified percentage of their electricity supply sourced from micro-generated renewable power by a date specified in the scheme. The scheme will specify which electricity providers count as "major electricity providers", as well as defining "micro-

generated renewable power” and making provision about the minimum price tariff. The clause requires the first scheme regulations to specify a target of 5% micro-generated renewable power to be sourced by 1 January 2025. The clause sets objectives for the small-scale green energy scheme, and requires it to be compatible with existing law and with the Single Electricity Market in Northern Ireland and Ireland.

**Clause 2 Scheme regulations: supplementary:** makes supplementary provisions about the regulations establishing the small-scale green energy scheme. In particular, it allows the regulations to confer enforcement functions and other discretionary functions. The clause requires the Department to consult a range of bodies before making the regulations, and makes provision for affirmative resolution scrutiny by the Assembly.

**Clause 3 Review and revision:** requires the Department to review the operation of the small-scale green electricity scheme from time to time, and to revise the scheme where appropriate.

**Clause 4 Suspension and revocation:** ensures that the regulations will enable any part of the small-scale green electricity scheme to be suspended or revoked where it is having unintended and harmful consequences, or where urgent action needs to be taken to control the operation of the scheme for any other reason.

**Clause 5 Guidance:** allows the Department to give guidance about the operation of the small-scale green energy scheme and about the pursuit of the objectives set out in clause 1.

**Clause 6 Interpretation:** defines terms.

**Clause 7 Commencement:** provides for commencement of the Bill six months after Royal Assent.

**Clause 8 Short title:** sets the short title.

## **FINANCIAL EFFECTS OF THE BILL**

9. The provisions of the scheme envisaged by the Bill are to incentivise micro-generation through the establishment of a specified tariff system, which is to be paid to micro-generators when they export their electricity to the grid in Northern Ireland. It will be the major electricity provider or supplier which is responsible for paying micro-generators. The Member anticipates the Minister can design the scheme to address any potential increased costs associated with electricity generation. The Member contends that mitigation measures for those at risk of fuel poverty should be a priority area in the Programme for Government. The Member’s bill aims to ensure micro-generation is recognised as one element of a diverse energy generation strategy, with potential benefits for the small business community.

10. While it is difficult to project demand for the scheme due to the set-up of the electricity market, the Member believes that the Bill will not give rise to any significant additional public expenditure. On the basis of comparable renewable schemes and depending on the design of the scheme that the Minister may bring forward, it is estimated the administrative expenditure associated with the bill's objectives would be less than £1million per annum.

#### **HUMAN RIGHTS ISSUES**

11. The Member is satisfied that the bill is human rights compliant.

#### **EQUALITY IMPACT ASSESSMENT**

12. An Equality Impact Assessment has not been undertaken, as communications between the Member and the Equality Commission and legal advice the Member has received did not identify any equality implications of the Bill. Therefore, it is considered the Bill will not have an adverse impact on any of the groups identified in section 75 of the Northern Ireland Act 1998. For policy implementation, the Department for the Economy should consider Equality Impact Assessments as appropriate.

#### **LEGISLATIVE COMPETENCE**

13. At introduction, the sponsor of the Bill, Mr John O'Dowd MLA had made the following statement under Standing Order 30 of the Northern Ireland Assembly:

*“In my view the Small Scale Green Energy Bill would be within the legislative competence of the Northern Ireland Assembly.”*

#### **SECRETARY OF STATE CONSENT**

14. It is considered the Secretary of State's consent under section 8 of the Northern Ireland Act 1998 is not required for this Bill.









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