NIRIG
NORTHERN IRELAND
RENEWABLES INDUSTRY GROUP
The Voice of IWEA & RenewableUK in Northern Ireland

Forsyth House
Cromac Square
Belfast BT2 8LA

SEM Committee,
c/o Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24.

25th May 2012

By email to: jburke@cer.ie

Re: NIRIG Response to the **"Treatment of Curtailment in Tie-Break situations ", SEM-12-028**

Dear SEM Committee members,

The Northern Ireland Renewables Industry Group (NIRIG) is a joint collaboration between the Irish Wind Energy Association (IWEA) and RenewableUK. NIRIG represents the views of the large scale and small scale renewable energy industry in Northern Ireland, providing a conduit for knowledge exchange, policy development support and consensus on best practice between all stakeholders in renewable energy. NIRIG welcomes the opportunity to respond to the SEM Committee consultation on the ***Treatment of Curtailment in Tie-Break situations.***

NIRIG supports the IWEA response and would like to reiterate that curtailment is a critical matter to be addressed so as to provide a stable policy framework to allow the industry in Northern Ireland to move forward. NIRIG continues to contend that linking curtailment to firm access will result in the required level of new renewable energy not materialising which will in turn negatively impact the consumer and prevent Northern Ireland from reaching its 2020 renewable electricity target.

NIRIG supports the positions put forward by IWEA on the options presented in the paper and in particular wishes to highlight some specific Northern Ireland impacts and concerns:

- Option 1 is strongly rejected for a number of reasons including but not limited to the following:
    - **Significant shortfall with regards to NI specific target**

      Northern Ireland requires between 1250 and 1600MW of wind generation to meet the 40% target as per the most recent EirGrid and SONI All-Island Transmission

Forecast Statement 2012-2018[1]. Current wind generation levels are approaching 500MW. It is difficult to see under the proposed grandfathering option how this figure would exceed 800MW by 2020. This presents a significant shortfall in the development required in Northern Ireland.

- **Increased Consumer cost**

  Cluster substations should be cost neutral i.e. sufficient generation should connect to ensure that in the medium term there is no cost to the consumer associated with the construction of these clusters. The Utility Regulator has already approved the concept of the consumer helping to fund clusters until sufficient generation is connected to allow full cost recovery. Grandfathering introduces a real risk that projects facing unacceptable curtailment levels will not proceed, leaving excess capacity at cluster substations funded by the consumer. In addition to this infrastructure cost, the analysis conducted by Redpoint for IWEA shows that grandfathering is more expensive for customers.

- **Negative investment signal to NIE**

  Deep reinforcements have long timelines associated with design and construction. NIE needs to be given clear signals in the short term that there will be sufficient generation to justify the installation of such infrastructure. Grandfathering sends the opposite signal. Crucially, in the context of the SEM, deep reinforcement of the NI grid infrastructure is of critical importance to a significant number of ROI projects, therefore a failure to deliver infrastructure in NI may negatively impact the prospects for achievements of RE targets in both jurisdictions.

- **Displacement of investment to GB**

  Great Britain has a similar but more stable regime for renewable electricity with curtailment much less likely in the short term. Many companies operating in NI have an international presence and would be confident to invest in the GB market in preference to NI. This would result in the loss of inward investment, jobs and economic activity in Northern Ireland. Redpoint analysis commissioned by NIRIG has demonstrated that renewable energy generation in NI is one of the most cost effective methods of helping to meet the UK EU energy targets and has the potential to create significant annual savings on a UK basis when compared to more expensive generation technologies. The net result of grandfathering curtailment will be reduced renewable generation in NI which would therefore be a missed opportunity to make a net positive contribution to the UK energy economy.

- **Negative signal regarding offshore development**

  There is already evidence that this issue has given a number of developers cause for concern in terms of the Crown Estate NI leasing round. Offshore development provides significant wider opportunities for NI – the delivery of a local offshore project will have much wider implications in terms of developing expertise and

[1] http://www.soni.ltd.uk/upload/All-Island%20Transmission%20Forecast%20Statement%202012-2018.pdf

supply chain. Grandfathering could stop development before it even starts with a "not open for business" message to the offshore development sector.

- As the IWEA response highlights, Option 2 would be acceptable but we recognise that it could introduce challenges, since it would be difficult to model curtailment given uncertainties post 2020.
- NIRIG supports also the strong rejection of Option 4 as it contravenes a fundamental strand to the structure of the SEM. The implementation of Option 4 would require significant changes to market structure, something that the SEM Committee, as recently as August 2011, previously rejected.

  In addition, given that ROCs are only allocated for metered generation, any reduction in market compensation levels would have a significant impact on the viability of a wind energy project.

  It should also be noted that in the UK the Electricity Market Reform (EMR)[2] process is moving to a position where the Government is minded to pay CfD supported plant **based on availability** where the market reference price drops below zero. There is a clear recognition that negative prices will become increasingly likely in GB as the amount of variable generation on the grid increases. As recently as 22 May 2012, Energy Minister Arlene Foster MLA, confirmed that Northern Ireland will implement a series of measures to ensure UK-wide implementation of EMR.
- NIRIG recognises the merits of Option 3 but as drafted it poses difficulties from an industry perspective. Hence NIRIG supports the variant of Option 3 (Option 3b) put forward by IWEA as a solution that represents an industry compromise position which importantly meets all of the SEM Committee objectives as well as having the least impact on the consumer.

  The core principles of this option are as follows:

  A. There should be a tranche of projects required to deliver the MW required to meet the 2020 targets in each jurisdiction independently, which would be curtailed for the operational lifetime of the project on a pro-rata basis. These projects would be protected from higher curtailment as a result of further connections.

  B. Any projects connected and exporting power by a cut-off date (no earlier than 1 January 2018 or at a later date if targets are unlikely to have been met by this time), will be in this first tranche.

  C. This tranche could in principle grow in size, but in a controlled fashion as curtailment mitigation measures arrive such that its projects do not incur higher curtailment than would otherwise have been expected.

  D. The treatment of new projects post the achievement of the 2020 targets will need to be defined at a later date.

[2] http://www.decc.gov.uk/assets/decc/11/policy-legislation/EMR/5358-annex-b-feedin-tariff-with-contracts-for-differe.pdf

E. Projects being developed explicitly for export should not add to the curtailment of projects that contribute to 2020 targets.

In conclusion we would like to thank the SEM Committee for the opportunity to engage on this issue. This consultation is of particular importance to the wind industry in Northern Ireland given the significant implications it has for the viability of the sector. Given the seriousness of the issues presented, NIRIG would like to request a meeting with the Utility Regulator and the SEM Committee to discuss our response in more detail.

Yours sincerely

**sent by email, requires no signature*

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Meabh Cormacain, NIRIG