



Northern Ireland
Assembly

Committee for Enterprise, Trade and
Investment

OFFICIAL REPORT (Hansard)

Draft Renewables Obligation Closure Order
(Northern Ireland) 2015: DETI and the Utility
Regulator

9 July 2015

NORTHERN IRELAND ASSEMBLY

Committee for Enterprise, Trade and Investment

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Members present for all or part of the proceedings:

Mr Patsy McGlone (Chairperson)
Mr Phil Flanagan (Deputy Chairperson)
Mr Adrian Cochrane-Watson
Mr Gordon Dunne
Ms Megan Fearon
Mr Fearghal McKinney
Mr Máirtín Ó Muilleoir

Witnesses:

Ms Alison Clydesdale	Department of Enterprise, Trade and Investment
Mr Alan Smith	Department of Enterprise, Trade and Investment
Mr Chris Stewart	Department of Enterprise, Trade and Investment
Ms Jenny Pyper	Northern Ireland Authority for Utility Regulation

The Chairperson (Mr McGlone): Briefing us today are Mr Chris Stewart, the deputy principal of the policy group in DETI; Alison Clydesdale, a principal officer in the renewable electricity branch; Alan Smith, a principal economist in DETI; and Jenny Pyper, the chief executive of the Utility Regulator.

For the record and for clarification, the Department informed the Committee Clerk by telephone that the hope is that any regulation would come into operation in mid to late September.

Thank you all for being with us. I also thank members for making themselves available so quickly to look at the issues associated with this matter. We have received the document that tries to clarify the Department of Energy and Climate Change (DECC) position at the moment. There will obviously be more on that. The words "may" and "would" appear too many times to make it clear to me as Chair of the Committee. We want clarity on the issues and uncertainties. We want certainty, but, given all the toing and froing, particularly with DECC, when funding was on and was then withdrawn post-election, I certainly want something much more certain than the DECC position, which appears to have moved somewhat. We need a whole lot of certainty on that. You may not be in a position to give that certainty, because you cannot speak on behalf of DECC, but we look forward to hearing from you.

That is the major issue. We are hearing that this could cost consumers £30 million to £40 million. People will have different takes on that. We are getting representations from the industry and the wider manufacturing sector that have big concerns about how much their electricity bills will go up. It would be grand if DECC clarified that it is now funding what it chose to withdraw funding from. However, we need to hear it with absolute clarity, openness and transparency rather than moving into the "buts" or the "what-ifs" territory. Until now, it has been a wee bit like a financial hokey-cokey with

that Department and the trade. We have been dealing with consumers and people who have been in touch with us, and those who want certainty on investment opportunities also want clarity.

It is now over to you to expand on the position, Mr Stewart. If I am reflecting correctly, and I am sure that members will correct me if I am not, the views of the Committee on this matter and the reason why we have convened this meeting today are that we need to add certainty to the situation. We will reconvene again if necessary to deal with what happens when that certainty is given. Will you make your opening comments, please.

Mr Chris Stewart (Department of Enterprise, Trade and Investment): Thank you, Chair. I share those sentiments, and I will endeavour to give as much clarity and certainty as I can.

I begin by thanking you, Chair, and members, for agreeing to this additional meeting during recess. We are extremely grateful. I candidly acknowledge that the reason for the meeting is that, last week, we were unable to satisfy members on the range of concerns raised. We are grateful for a further opportunity to do so and, hopefully, to secure the Committee's support for this very important and time-critical legislation.

Chair, you have given us some very helpful feedback, both in your remarks today and prior to the meeting, on members' concerns, and I will attempt to address those now and advise the Committee on the implications of that very recent policy change, to which you referred, from DECC, the Whitehall Department. I believe that it is a game changer, and I think that it will be instrumental in addressing the concerns around costs that members have raised. I will say more about that in a few moments.

If I may, Chair, I will cover three specific areas. First, I will give some context: I think that it is important that we clarify for the Committee exactly what we are trying to achieve and why we need to legislate in this particular way and at this particular time. Secondly, I will address the specific issue of decoupling, which members asked us to look at following last week's meeting, and the suggestion that we might split the legislation in order to deal with those parts that do not have major cost implications and leave the others for later. Finally, I will address comprehensively the costs-and-benefits issue that you referred to.

To begin with the context, it is worth restating that the reason for the legislation is that we must end the renewables obligation (RO), but in a managed way and in a way that strikes a balance between three very important matters. First, it must contribute to the Executive's target on renewable energy. Secondly, it must protect the considerable investments that have already been made by projects and secure the considerable further investment that they plan and the associated economic benefit. Thirdly, we must protect the interest of domestic and non-domestic consumers. We need to legislate now exactly for the reason that you described: to provide certainty and clarity for project developers.

Members will be aware of the particular concerns that were raised about the Bombardier project, which is at a critical juncture, but I want to emphasise that this is not about one particular project or technology. We have spoken to a number of onshore wind developers in the past week, and I know that members have also been contacted. The volume of correspondence that I think you have received demonstrates that very clearly. Those people have all given us a consistent message: they have stressed that projects can only secure investment if there is confidence in the legislative basis for their revenue support. They have emphasised that these projects run to very tight timescales, with lengthy lead times and many complex interacting issues, leaving them little or no margin for delay. They have also emphasised that a whole range of projects — not just the Bombardier one — are approaching key investment decision points. All developers, without exception, are urging us to legislate now to provide that certainty. Otherwise, they say, key projects will be lost. That is why we think it is important to legislate early and once to provide that clarity and certainty for all types of projects.

The clarity they seek is on two things: when the Northern Ireland renewables obligation (NIRO) will end and what the grace period will be. The focus and concern of many of the members is largely on the latter, because that is where the additional costs may lie.

It is very important to be clear on what a grace period is and, just as importantly, what it is not. It is a safety net; it is not an extension of the renewables obligation. Its purpose is to reduce the risk for projects that, through no fault of their own, might experience delays and not complete by March 2017. It is not a back-door extension or a way in for additional projects. Those projects that might need the grace period are already well advanced and known to us; indeed many are approaching financial close. That has a bearing on the potential costs of this legislation, and I think that it is important to

emphasise that they are "potential" costs. It is, therefore, difficult to estimate them with absolute precision. We cannot be entirely certain of how many projects will need the safety net, but we have given you our best estimate.

Chair, that leads us to the issue of decoupling. Members, quite understandably, asked us whether it is possible to decouple and to legislate now for some types of projects and, at a later date, for others when we have given more consideration to the issue of cost. We have given that very considerable consideration over the last week and sought legal advice on it. We have concluded that, for three reasons, it is not feasible to take that approach.

First, it would not have the desired effect. Specifically, it would not solve the problem that members hoped that it might. The Committee had hoped that legislating in a decoupled way would allow those projects that are particularly time critical to move ahead now. Unfortunately, it would not, the reason being that decoupling would require us to withdraw the SL1 and redraft the legislation, which would require a formal consultation process. That arises not only from the usual expectation of consultation but from a specific legal duty to consult on any closure order, and the time required would take us well beyond the critical period for the project that is most directly affected.

Secondly, decoupling would give rise to uncertainty for other projects, particularly onshore wind. In effect, we would create the very difficulty for them — uncertainty — that we would be trying to solve for another project. Many developers have advised me that the likely outcome of that would be that they could not obtain the investment and financial close for their projects, so those projects would fail with a loss of future investment, future generating capacity and substantial economic benefit. In addition, the investment that has already been made by those developers and, indeed, by NIE in preparing for connection clusters — around £28 million — would also be lost.

The third reason is that differentiating between different types of projects in the way that is proposed may be challenged on the grounds that it would constitute unlawful state aid. To sum all that up: we do not think that it is a feasible proposition. It would not achieve its objective, would have unintended adverse consequences and may be open to legal challenge.

I turn now to perhaps the most fundamental issue: costs and benefits. I hope that, in addressing that, I can also convince members that decoupling is unnecessary, because there has been a fundamental change on the issue of costs over the last week. Members will recall the potential for increased costs did not arise from DETI's policy but from a change in DECC policy, which was to bring forward the closure of the GB renewables obligation by one year. DECC indicated that, if Northern Ireland did not follow suit, it would seek to have the costs of the grace period borne by Northern Ireland alone rather than by the broader back of the UK. However, on Tuesday, an unexpected and very significant policy change was announced by DECC. We have been seeking clarification on that over the past two days, and some of that clarification was forthcoming only this morning — indeed, only within an hour or two of this meeting — and we have summarised that in a paper for you. I apologise to members for the very late tabling of that paper. That is never acceptable for a Committee, but it is a direct consequence of some of that information being available only in the hour before the paper was prepared.

The position is that DECC still plans to close the renewables obligation to onshore wind in 2016, but, in a significant change, it has now agreed to allow projects that are already in the system until March 2018 to connect. That will have the effect of quickly curtailing new development but will allow existing projects to build out. In other words, DECC is now contemplating closing in 2016 with a two-year grace period, whereas the Northern Ireland proposal is to close in 2017 with a one-year grace period. The DECC position has moved much closer to the Northern Ireland position, and, indeed, we now see no material difference in the policy effect of our respective proposals. In view of that policy change, DECC has indicated that, if Northern Ireland onshore wind projects meet certain grace period criteria, the grace period costs will be socialised — charged — across the entire UK rather than just to Northern Ireland. In other words — we have clarified it with DECC officials — provided Northern Ireland can demonstrate that the Northern Ireland policy position gives effect to the same policy intent as Great Britain, Northern Ireland will not be charged.

Chair, I am pleased to say that our initial analysis is that the majority of the Northern Ireland onshore wind projects in the pipeline will meet the criteria that DECC has set. Some may not, and that is an inevitable consequence of drawing a line at any particular point in time. However, the option would remain for Northern Ireland to support even those projects; but, if they required the grace period, DECC has stated that it would seek to have those costs borne by Northern Ireland.

As we said today in our paper, and I am conscious of your admonition at the beginning of the meeting, we cannot give precise and final figures until we work through some of the detail with DECC. Our best estimate today, and one in which we are extremely confident, is that between 70 MW and 100 MW of development capacity might fall outside the DECC criteria and, therefore, have to be paid for by Northern Ireland. That is very considerably less than we were advising the Committee last week.

Our estimate of the effective cost is that this would add between £3 and £5 to a domestic bill, which compares to the range of £9 to £16 we advised last week. For an average large energy user, this would add between £7,500 and £10,500 to its bill. Members will also be aware of, and I am sure will have seen in the media today, concerns expressed by Michelin that the proposals as we described them last week might add as much as £75,000 to Michelin's energy bill. Under the latest DECC proposals, we estimate the effect to be less than a third of that and that Michelin's additional costs may be in the region of £23,500.

Chair, I must stress, and I have a duty of candour to the Committee, that these are estimates, which may change as we work through the detail with DECC, but I can assure the Committee that we see little likelihood of the cost being higher. Those estimates, we think, are at the upper range, because we will stick closely to the grace period criteria that DECC proposed in order to contain the costs. Indeed, the costs could be lower than the estimate we have given, because we will work very closely with NIE to minimise the potential for grid connection delay.

Overall, we think that this is very welcome news indeed. Whilst there is still detail to be worked out, we are able to say to the Committee with confidence and with certainty that the cost that will fall to the Northern Ireland consumer as a result of the proposals in the SL1 will be very significantly reduced from the figures we advised you of last week.

Chair, it would be remiss not to address benefits as well as costs, and we have been able to provide the Committee with some information on that that we were not able to provide last week. The economic study is the key document. It demonstrates that the energy and economic policy benefits of continuing to invest in renewable energy are considerable: £300 million of net benefit if we achieve 25% of energy consumption from renewable sources. The proposals under the grace period would take us to somewhere in the region of 25% to 27% of renewable energy.

In response to members' queries, we have provided information on the benefits that would be lost if we are not able to proceed with the legislation, and they are significant. There would be lost capacity to the system in the region of 450 MW, lost investment to Northern Ireland of £200 million, the lost economic benefit of £300 million that I referred to, and, we think, considerable reputational damage to Northern Ireland as a location for investment. Some of those effects would be felt very keenly by local communities. One developer estimated to me that for a particular 90 MW capacity development, the annual benefit to the local community in rates revenue and community benefit would be in the region of £1.5 million per year, which would be lost if the project were lost. In addition, the very significant development that has already been made by developers and the £28 million of investment by NIE in developing cluster connections would be lost.

Chair, in conclusion, this is a very important, time critical piece of legislation, and for that reason we understand and absolutely respect the Committee's desire to subject it to very thorough scrutiny. That is entirely merited. We are now in a position to commend it to the Committee on the basis that it will provide a managed exit from the NIRO at reasonable and much reduced cost and with very considerable energy policy and economic benefit. I commend the proposal to the Committee, and I urge members to support it.

The Chairperson (Mr McGlone): Ms Pyper, maybe you would care to give us some reflections on the Utility Regulator's view. At the last Committee meeting, we decided to invite your office along to give us a take, because there were shortcomings in the evidence that we heard. We felt that the expertise of your office could give us a reflection on this decision, as members wanted to be best informed about any decision that they might make.

Mr Stewart, you mentioned that we had received a good body of representation from developers. We also got some body of representation from industries and sectors that were concerned about the increase that the previous SL1 could have on their electricity bills, so it is not just one sector that has been in touch with us. Ms Pyper, maybe you would care to continue.

Ms Jenny Pyper (Northern Ireland Authority for Utility Regulation): Thank you, Chairman. After the briefing last week, I was conscious that the Committee was keen that the Utility Regulator's office

be represented. I know that the Committee understands the matter of the SL1 on the NIRO closure order grace periods. That is clearly outwith the locus of the Utility Regulator. However, the primary statutory duty of the Utility Regulator is to protect the interests of consumers of electricity and gas, particularly on price, so the implications of those policy decisions are clearly a matter that we have been watching with some interest.

From the regulatory perspective, the key risk for me is around investor certainty and policy consistency. I have to say that what DECC has been doing in that area — the nature of the changes, the speed of the changes and the emerging information, which seems to be changing daily — is not good policymaking, so I have considerable sympathy with the Department, the Minister and, indeed, this Committee on how to get a handle on so many moving parts. It is not good for investors. It is not a good signal to send to people who have already committed to making decisions when they see the ground moving in front of them, so, from my perspective, certainty and consistency on policy are hugely important.

As Chris said, in Northern Ireland, we have the ability to provide a greater level of certainty for investors here. He described it as a managed exit from the NIRO. The NIRO has been very good for Northern Ireland consumers. I was part of the team that helped to negotiate that in 2003-04. We got a very good deal from it, but we have known for some time that it was coming to an end. DECC, however, is the body that has been making those changes to exactly what will end and when. The Department has been as anxious as the Committee to try to get a handle on what that might mean.

It is a fact that consumers here have already paid for significant grid investment to facilitate renewables — over £30 million since 2013 — which should see us get to a point at which we have some 33% of installed renewable capacity. That is a very significant contribution from renewables to the Northern Ireland energy mix. I completely understand the Committee's concern. It is a very tricky balance to be struck, as Chris articulated, but, ultimately, these are policy matters that require judgement calls to be made that take on board factors other than the statutory duties of the Utility Regulator. The wider economic implications, as Chris articulated, have to be weighed in that decision.

I know that the Department has been working very hard with DECC over a long period and particularly over recent months. Arguments are still there to be made. For me, the key signal that the Committee could give is to endorse that certainty and consistency on policy to give certainty to investors. From my perspective, I am more than happy, with my team, to provide support, if it is appropriate and useful to the Department in making further arguments with DECC. It is about providing certainty for the Northern Ireland situation, which DECC has clearly not weighed in any of its considerations. We want to provide a strong, certain signal for investors not only in energy, where the investments are very significant and long term, but in terms of Northern Ireland being a good place to do business more generally. We have the ability to send those strong, certain signals, and I believe that that is what the Minister has been seeking to do.

The Chairperson (Mr McGlone): OK. You put your finger on it at the start. I think that your words were that the emerging information from DECC is changing on a daily basis. It is very hard to arrive at a point of certainty until you see in black and white in front of you the position that you are in. Mr Stewart, we have had you here before and you are very competent. However, with the best will in the world, there is an old saying from Sam Goldwyn that:

"A verbal contract isn't worth the paper it's written on."

That is the level of certainty that I am looking for. The document from yourselves says in paragraph 2:

"The DECC position would appear to have moved somewhat in the favour of Northern Ireland."

That is not a certain statement. That might well be the situation as it is perceived by you at the moment. I realise that you have been working very hard to try to get us to that point, but, as I see it, that certainty is not in the document before us. You may well choose to interpret that differently, but I spend a good bit of time on language and how it is written and how it is read. As that is written, it does not provide certainty. It provides an interpretation of what might be rather than a certainty of what is.

Has there been correspondence with DECC back and forward that reveals that level of certainty, or at what point do you feel that you will arrive at the point of certainty where DECC says, "Look, we are covering the projects, and that's it"? That is the decision that investors want to hear. It is also the

decision that consumers out there want to hear, as they are going to be affected by anything that we may or may not do here.

Mr Stewart: Chair, yes. Let me say two things that I hope will give you more confidence, perhaps, than the very cautious Civil Service language in that particular sentence. We have had direct conversations with senior officials. I engaged in some very plain speaking with them yesterday and said, "Can you tell me that, if our policy delivers the same as your policy, you will not charge Northern Ireland?". The answer to that was a very clear yes. Like you, I was not prepared to go forward on the basis of a verbal assurance, so I asked DECC officials to ask their Minister to write to our Minister very quickly to provide that clarity. That letter took rather longer to appear than we thought. In fact, two letters arrived just today and they say just that: that, if the Northern Ireland policy has the same effect as the DECC policy, Northern Ireland will not be charged. That will be the effect of the SL1 as we have proposed it.

The Chairperson (Mr McGlone): Right. Can I ask you the obvious question: why do we not have those letters in front of us today?

Mr Stewart: They arrived literally in the last couple of hours and are with the Minister, but we will of course provide them to the Committee.

Mr Ó Muilleoir: Ms Pyper, have you seen those letters?

Ms Pyper: No, but, with respect, I would not necessarily expect to see them because they are to do with policy matters that are outside my remit and I was not involved in any of the correspondence with DECC.

Mr Ó Muilleoir: I am just trying to get a handle on where you are on this. You reference risk and the ground moving and so on. The issue for me is that I would like to see the DECC policy change on Tuesday. Could we see that in writing? Could we see the two letters? Do we have to adjourn for five minutes to get those two letters, or will it take weeks to get those letters?

Mr Stewart: If the Chair is minded to adjourn, we will retrieve the letters.

The Chairperson (Mr McGlone): I am happy to adjourn as long as we see the letters. If there is certainty contained in those letters, it is not reflected in the document that we have from the Department in front of us, which is dated today. I would have thought that, if there was certainty there, it should have been reflected in this document.

Mr Ó Muilleoir: I do not want to short-circuit an interrogation, conversation or whatever, but I agree with you entirely, Chair. The document uses the terms, "appear to have moved", "appears to indicate", "would like", "anticipate", "indicated", "estimated", "indicate". Some of us have to stand in elections in the future. It would be nice if we kept this as simple as possible. It is a complex area. If it is yes, let us see the yes and we will move on this. If it is critical — and we presume that it is critical, although the legislation will not pass until autumn anyway — I would be much happier if I could see something in black and white.

The Chairperson (Mr McGlone): Other members — Phil, Fearghal and Gordon — have indicated. Is it about this particular issue, or do we want to adjourn and get the details?

Mr Ó Muilleoir: We do not necessarily need to adjourn. Could someone request the letters and we can continue?

The Chairperson (Mr McGlone): Is it OK if you communicate in whichever way you want to get that dealt with?

Mr Stewart: The Minister is aware of the Committee's views. The letters will be forthcoming.

The Chairperson (Mr McGlone): OK. Thank you.

Mr Flanagan: Thanks for the presentation. Has there been a change of heart in the last month within DETI about the introduction of a grace period?

Mr Stewart: No. Jenny made the point about the importance of policy consistency, and the DETI policy has been consistent on this. The Minister has expressed, on a number of occasions, his intention to close the renewables obligation in 2017 with a one-year grace period. That remains our policy intention.

Mr Flanagan: What was the policy intention before he became the Minister?

Mr Stewart: It was the same.

Mr Flanagan: So, there were no efforts at the time of the change in Minister to implement an 18-month grace period, because the Minister felt that DECC would grant an 18-month grace period for renewable connection here?

Mr Stewart: We have put a proposal to DECC in the past for either an 18-month grace period or even a two-year grace period. At no stage was DECC amenable to that, so at no stage was it central to our policy. We were aiming for a one-year grace period.

Mr Flanagan: Did the Minister give anybody any kind of assurance or positive indication that he might be willing to get DECC to move to an 18-month grace period?

Mr Stewart: Not that I am aware of. I am not aware of DECC ever being prepared to entertain that.

Mr Flanagan: Has the recommendation emanated from the Civil Service or a Ministerial decision?

Mr Stewart: In terms of the DECC change?

Mr Flanagan: No, in terms of introducing a stand-alone 12-month grace period, which was put before us last week. Was that a ministerial decision, or was it a recommendation that came from the energy policy unit in DETI?

Mr Stewart: What we are conveying to you today is the Minister's policy decision. All of the evidence that we have put to you has been endorsed by the Minister.

Mr Flanagan: I am trying to establish where it emanated from? Did it originate from the Minister indicating that he wanted to see such a grace period or from the advice of officials within the energy department in DETI?

Mr Stewart: It would have been advice from officials, which the Minister accepted, and that was then reflected in the consultation exercise that we had on the policy.

Specifically on the immediate changes, the Committee was good enough to agree to this meeting some days ago, and we would have been trying to answer your queries on the basis of the cost position as we understood it last week. However, there has since then, frankly, been a sea change in DECC's attitude on this, and we are now in a significantly better position in relation to the costs. If I could turn back time and rewrite the document before putting it to you, I would put it in much plainer language. This is a sea change in DECC's attitude, and it is a very significant reduction in the costs that Northern Ireland will bear.

Mr Flanagan: If your officials within the energy department are so convinced that this is the right thing to do, why was the case that was presented to us last week so weak and one sided?

Mr Stewart: As you will understand, I would not describe the case as, "weak and one sided". The case that we presented last week —

Mr Flanagan: If you were sitting in our seat, would you have approved the SL1 with the information that we were provided with?

Mr Stewart: Well I would, but of course I would say that, would I not?

The case that we made last week, and we would have been making the same case this week, was that the proposal, with those costs, represented a good deal for Northern Ireland. The proposal that we can put to you this week, which is the same proposal but with different costs, is a much, much better deal for Northern Ireland.

Mr Flanagan: OK. We are moving from situation of between £9 and £16 on an average domestic bill to somewhere between £3 and £5, but that still represents a considerable increase for electricity intensive customers. We have heard from organisations like Michelin, which I have visited, whose plant here is facing intense competition from sister plants around the world because of the uncompetitive price of energy here. So, whilst you say it is only £3 to £5, that will have a considerable impact on large users.

That price is for stand-alone system. What does that mean for a socialised system through the DECC scheme?

Ms Alison Clydesdale (Department of Enterprise, Trade and Investment): The £3 to £5, if it was socialised across the UK —

Mr Flanagan: No, the £3 to £5 is the stand-alone renewable obligation cost.

Ms Clydesdale: That is right.

Mr Flanagan: There is the rest of the generation that connects within the grace period that you are telling us that DECC is standing over. What financial impact will that have on consumers here?

Mr Stewart: It would be pence on a bill.

Mr Flanagan: Are you telling me that, if DECC puts in the scheme, it will cost consumers here very little and that, if it does not do so, it will cost them pounds?

Mr Stewart: DECC will put in the scheme. We pressed DECC officials very hard on this. This is published on the DECC website and is now DECC policy. It will do this. It has said that, if our policy aligns with its policy, Northern Ireland will not be charged. What we are saying in this proposal is — I checked this specifically with the Minister before coming to the meeting — that we will stick very closely to the criteria that DECC published for the grace period. That will mean that very few projects will have to be charged to Northern Ireland, even if they require the grace period, and the cost of those projects, which will fall across the whole of the UK, will amount to pence rather than pounds.

Mr Flanagan: However, 100 MW here, if we had a stand-alone incentivisation scheme, would put £5 on an average domestic bill. What would 100 MW cost on a scheme that is socialised through DECC?

Mr Stewart: It would be pence. I do not have a figure to hand, although I think that we could get one for you fairly quickly, but it would be a small number of pence.

Mr Flanagan: That is the type of information that we need as well, because we need to have all the information.

Mr Stewart: My colleague here is saying that it is less than 10p.

Mr Flanagan: Less than what?

Mr Alan Smith (Department of Enterprise, Trade and Investment): Less than 10p.

Mr Flanagan: We were told last week — I am not sure whether it was Paul Frew or Mr Mills who said it — that for every £1 that we put in, we get £2 out. Is that an accurate figure?

Mr Stewart: That is an accurate figure, but that is the deal that we have had in the renewables obligation up to now, which, as Jenny said, was a very good deal for Northern Ireland.

Mr Flanagan: So if we are not getting the same deal, what deal are we getting?

Mr Stewart: I would love to be able to come to the Committee today and say that there is no cost or an insignificant cost on this. I know that some of the correspondence that you received, which was copied to us, has interpreted it in that way, but our duty of candour to the Committee requires us to say that we think that, arising from this, there will be some costs to the Northern Ireland consumer.

Some of the developers will tell you that they think that we are being much too cautious and that the deal is, in fact, much better than we have presented to you, but our best estimate today, which is a result of direct contact with NIE to take its view on how long it will take projects to connect, is that between 70 MW and 100 MW of connection will require the grace period in a way that will have to be paid for by Northern Ireland. I stress that that is the upper estimate as we see it. There is potential for the cost to be less than that.

Mr Flanagan: In your closing summary, you told us that we could lose out on 450 MW of generation capacity. Where did that figure come from?

Mr Stewart: That is the total of the projects that we know are in train and plan to connect to the grid and that would fall within the renewables obligation in the grace period.

Mr Flanagan: So we are being asked to introduce a renewables obligation system here for 450 MW. Last week, we were told that it was —

Mr Stewart: No. We are being asked to manage the closure of the renewables obligation to allow for the remaining 450 MW that are already in train to be built out.

Mr Flanagan: If we do not approve this SL1, will 450 MW of electricity not be connected, or is there a different figure?

Mr Stewart: No. It is 450 MW. That is what we are being advised by NIE and by project developers.

Mr Flanagan: What are the financial implications of doing it then? Last week, we were told that it was 120 MW or 170 MW, which equated to £9 to £16. Now you are telling me that it is 450 MW. When I worked it out, I found that the £16 was based on 270 MW of additional connection. Now we are looking at 450 MW, which is just over £32 on a domestic household bill. I am trying to figure out whether it is 270 MW or 450 MW.

Ms Clydesdale: It is important to understand that any of the costs that would fall to Northern Ireland within a grace period and which Northern Ireland would have to bear would not be calculated on the same basis as the socialisation costs. At the moment, through the NIRO, we get a good deal in that we have only a 50% obligation level. Should we have to bear the costs of between 70 MW and 100 MW, Northern Ireland would have to bear the full cost of the ROCs generated in that period. We would not benefit from the 50% discount, which is why the costs are quite increased for that period. We would have to bear the full cost as opposed to 50% of the costs.

Mr Flanagan: I understand that, but the issue that I am trying to clarify is why we were told last week that this SL1 needed to be brought in to provide for 270 MW of additional generating capacity and why we are now being told that, if we do not approve it, 450 MW will be lost.

Ms Pyper: I may be able to clarify that. I am not responsible for those figures; I am working off my own. There is something close to 450 MW in the delivery pipe and about 270 MW at application stage. Those at application stage have not yet got their connection offer. Therefore, they are behind. We are talking about a chain of projects.

Mr Flanagan: Will the 450 MW of generating capacity be connected, regardless of whether we approve this SL1?

Mr Stewart: Absolutely not. In fact, developers are telling us that, without the certainty of the SL1, a large number of those projects — probably all of them — will fail.

Mr Flanagan: So, it is not 450 MW that we are dealing with and it is not 270 MW, but 720 MW.

Mr Stewart: No —

Mr Flanagan: Jenny said that there are 450 MW there, plus 270 —

Mr Stewart: That is —

Ms Pyper: In the pipe.

Mr Stewart: No, I think the 270 MW is within that 450 MW, is it not?

Ms Pyper: That is at application stage.

Mr Stewart: Yes.

Ms Pyper: It is further down the chain.

Mr Flanagan: Does the 450 MW include the 270 MW or is it separate?

Mr Stewart: Sorry, I may have misunderstood you.

Ms Pyper: I do not know. I am sorry; I do not know the distinction.

Mr Flanagan: What did you read out, Jenny?

Ms Pyper: There are close to 450 MW of large-scale applications in the delivery pipe and 270 MW at application.

Mr Stewart: I beg your pardon, Chair.

Ms Pyper: As I read my figures, I think that they are separate; they are at different points in the delivery pipeline. So, the 270 MW are further back. They have not yet got their connection.

Mr Stewart: Apologies, Chair, I misled Mr Flanagan with that answer.

Mr Flanagan: You are all right. I will not take it personally. So, we are being asked to subsidise 720 MW of future connection through the closure of this scheme?

Ms Clydesdale: The 450 MW are in the pipeline at the moment and have been in the system for quite some time. The vast majority of those are likely to connect within a grace period, should it be forthcoming.

Mr Flanagan: Is that regardless of whether or not we approve the SL1?

Ms Clydesdale: No. They need the certainty of a grace period to get to financial close. The vast majority of the flat 450 MW should connect within the grace period, but they need the certainty of the grace period to close the deal, if you like.

Mr Flanagan: OK.

Ms Clydesdale: An element of that may spill over into the grace period but the vast majority of it will connect right out to the end of the grace period. As Jenny said, other projects in the system will be at just the application stage. As we set out in the consultation in March, the grace period criteria were always around projects that were anticipated to connect by March 2017. There is no change to that. Unfortunately, projects that are not yet in the system will probably not meet that at this point.

Mr Stewart: My apologies, I did not make that clear in my answer. The policy intention in GB and here is that those projects already well advanced and in the system will build through to completion.

Mr Flanagan: Point 11 of your briefing states:

"Onshore wind projects which do not meet the 18 June criteria and which still require a grace period to 31 March 2018 could still be supported but DECC has indicated that the costs would have to be borne by ... consumers in this instance, should that be the policy position".

What does that mean?

Mr Stewart: That means that, were we to adopt an absolutely identical approach to DECC, we could say that there would be no additional cost whatsoever to Northern Ireland. However, we recognise that some projects are in train and in the system that would fall into the grace period but not meet the DECC criteria. Were we to support those, DECC would say that their costs have to fall to Northern Ireland. That is the 70 MW to 100 MW that we referred to.

Mr Flanagan: OK. Is there any chance that a scheme would be permissible where you allow only those projects to go ahead that are socialised through the DECC scheme and the rest of them to fall?

Mr Stewart: Yes, it would be possible to do that.

Mr Flanagan: But that is not what you propose to do at this stage.

Mr Stewart: That is not what we are proposing.

Mr Flanagan: Why not?

Mr Stewart: We think that it is important to balance the three things that I referred to at the outset: to get the contribution of renewables up to around 25% or 27%, minimise additional costs to consumers and achieve that additional capacity.

It would be possible to do as you say and simply to use a cut-off that would not involve that 70 MW to 100 MW, but we think that the right balance would be to include those. We are very conscious in coming to the Committee today that you may well have asked, "Well, how can you assure us that it is 70 MW to 100 MW and it is not suddenly going to turn into 200 MW, 300 MW or 400 MW, with lots more additional cost?". I checked that point very closely with the Minister before coming to the meeting. We would apply the criteria and the policy so that it would be 70 MW to 100 MW. That is the extent of the additional cost and generation that the Minister proposes to bring forward.

Mr Flanagan: Is that set out in the statutory rule?

Mr Stewart: No. It is an operational matter.

Mr Flanagan: How will it be enforced?

Mr Stewart: We can deal with that in setting out the criteria for the grace period. At this stage, we do not think that it is necessary to include it in the statutory rule.

Mr Flanagan: Why has the figure of 70 MW to 100 MW been plucked out of the air? What is the rationale behind that? Who will benefit from it?

Mr Stewart: We think that that will allow us to achieve the policy objective of building out the projects that are already in the pipeline.

Mr Flanagan: Would reducing 70 MW to zero and not having a stand-alone system allow you to meet the three policy levers that you are talking about at zero additional cost to consumers here?

Mr Stewart: It would be a different balance. It would mean less cost, less additional generation, some projects would fall, and some investment would be lost.

Mr McKinney: Maybe I could also touch on that, because I am trying to gauge the point at which you can see the benefits of DECC's changes, what flows from them and how they extend, subject to information from the Minister and letters about decisions that have to be made to deal with the issue.

What are the criteria? How do you assess the 70 MW to 100 MW? If you were to describe that to me, where are they now?

Ms Clydesdale: The DECC criteria are very straightforward. You must have planning permission, which our projects have because our system is slightly different to that in GB; you must have a signed grid connection offer, which the majority of the projects in the pipeline have; and you must be able to present evidence of land rights, which, again, most developers here already have.

A number of projects in the system have always expected to connect by March 2017, because they are connecting into a certain cluster, but they do not have a signed grid connection agreement. Those projects came forward and made that investment, anticipating that they would connect by March 2017. Those are the types of projects that we feel would fall into that period that we may have to pay for, because they made an investment on the legitimate expectation that they would be connected. They may not have a signed grid connection offer to present as part of the evidence in the DECC criteria, but those are the types of things — the fine detail — that we will be working through with DECC over the next few weeks. DECC has already said that it is keen to listen to the local situation, which is slightly different, but it would still demonstrate the same policy intent, in that those projects always intended to connect by March 2017.

Mr McKinney: Whose overall responsibility is it to ensure that the signed grid connections are there?

Ms Clydesdale: NIE offers grid connection letters.

Mr McKinney: Does that have to be consistent with an absolute plan and timescale?

Ms Clydesdale: Yes.

Mr McKinney: What is slowing that up?

Ms Clydesdale: I think that you would have to ask NIE about that.

Ms Pyper: There is a balance between the grid's ability to take the connection and the type of connection the developers are looking for. Again, that is the balance that the Utility Regulator allows in its price control: how much investment is needed to maximise the grid connections. We do not want NIE to invest in gold-plating the network. It is NIE's responsibility to build out the network in an economic way and to maximise grid connections.

The Committee has seen NIE's heat map and knows that there are some areas where the grid is saturated. There are some areas where it is extremely difficult for NIE to make grid connection offers, so some projects simply will not get connections, because the grid does not have the ability to deal with them.

Mr McKinney: Are they subtracted from the 70 MW to 100 MW?

Ms Pyper: No, because they are working through that process with NIE. In particular, some very small-scale projects may not get a connection. Alison mentioned the clusters, and we should be able to connect what is in the pipeline with the investment that the Utility Regulator has allowed.

Mr McKinney: I am trying to work out the scale. If it is 100 MW or less, what will come off the 100 MW, and what will make it come off? Some will not be able to connect or get offers. What is the scale of that?

Ms Pyper: We do not know at this stage, because applications have been made based on an expectation of the renewables obligation being in place until 2017, so they are further back in the process. Depending on how quickly NIE is able to build out the grid and so on, they may be able to get connected, but, at this point, they are further back in the pipeline, so there is some uncertainty about exactly how much will get connected.

Mr McKinney: Somehow or other, that will have to be mitigated through discussions with NIE, and a figure will be arrived at.

Mr Stewart: That is absolutely right. We have given you what we think is the upper end of the estimate. As to what might be done to lower that and whose responsibility it is, our aim — it is worth repeating it — is to have as many projects as possible connected before the start of the grace period. If possible, we do not want any to fall into the grace period. We think that some will require the grace period but that the vast majority of those will meet the DECC criteria and therefore not result in additional cost.

We will not sit on our hands and be satisfied with that. We will engage with the regulator and NIE to ensure that we minimise the potential for connection delay. We must not point everything entirely at NIE, and some of that is in the Department's control. Members will be aware that delays arise from time to time in processes around the granting of way leaves, and when there is an appeals process, the Department is involved. That process seems to take a long time, and that causes great concern to some developers. As a Department, we need to look at that and make sure that we have sufficient capacity to run the way leaves appeals procedure expeditiously. That, too, will reduce some of the potential for connection delays.

Mr McKinney: That is what is in the system right now. What about anything new coming into the system as a result of the potential in a grace period and satisfying next year's deadline for applications?

Mr Stewart: It is important to stress that it is DECC's intention and ours that the policy cannot really provide for a last-minute rush of new projects. If projects are to meet the criteria that DECC has set, they will already be well known to us and well advanced. The policy cannot allow for a last-minute rush of applications.

Mr McKinney: What will be in the policy to prevent that?

Ms Clydesdale: They should have had an expectation of connecting by March 2017. Many of the projects in the system already have that. A new project coming —

Mr McKinney: In other words, you are saying that the door is shut to new applications.

Ms Clydesdale: It would depend on exactly what the nature of the connection was. However, given the long lead times to build out grid, it is probably very unlikely that many more projects will come along at this time that would be connected by March 2017.

Mr McKinney: We are being asked to make a decision on future costs, and you highlight in your paper what those would be. However, if new applications come on board, the scale of which we do not know, our decision will be made in ignorance. Is there any guesstimate of what is out there, what could come or even what could be encouraged by what we decide?

Ms Clydesdale: The key criterion in the grace period is connection by March 2017. That would be very difficult for very large-scale projects that are just kicking off now.

Mr Stewart: The risk of that is low. As I said earlier, our policy position on closure in 2017 with a one-year grace period has been consistent for some time, and project developers are well aware of that. It is, if you like, the mirror image of the concerns that they are expressing to you. They are very concerned because these projects have been in plan for some time, and a very considerable investment has already been made. All that has been on the basis of expecting closure and a grace period in the timescale that we have indicated. On the basis of the policy, it would be well-nigh impossible for someone to come along with a large-scale project now and say "Let's try to get in."

Mr McKinney: What about the range of multiple small-scale projects?

Mr Stewart: There is perhaps more risk of exposure to those. However, the Minister has said to DECC that we will adopt the DECC criteria and simply not allow a last-minute rush of applications.

Mr McKinney: How is that achievable?

Mr Stewart: At this stage, we do not think that that needs legislation. I am confident that it does not require us to change the legislation, but we will make that clear in our operation of the scheme and in setting the criteria.

Mr McKinney: Is that legally binding? You will shut the door on any new applications. You could find yourselves being legally challenged if project A gets the go-ahead and project B 10 miles up the road does not. How will you decide on that?

Mr Stewart: It has to be closed at some time, and it has always been our intention to have a managed closure of the renewables obligation. We think that we have been consistent in the signals that we sent to the market that there will be a closure in a particular period with a one-year grace period. The grace period is not an extension or an invitation for new projects to come along. We do not think that it would be reasonable for those behind a project to complain now because they wish to put forward a new application now on that basis. That is not to say that some will not try it, but we do not think that that would be reasonable.

Mr McKinney: I get where you are coming from when it comes to how people may or may not consider what is in front of them, but the remarks at the start were about certainty. How can we be certain that there will not a whole range of others who could challenge you legally and still compete within the time frame? You are saying that you will make it clear in the policy, but how will that be represented and how can we be certain that we are not looking at another 50 MW or 60 MW or whatever at a cost to the people we are saying we are trying to reduce costs for?

Ms Clydesdale: The criteria will be set out in the legislation, and Ofgem administer the scheme. When someone goes to accredit through ROCs, they have to present the evidence listed in the criteria in the legislation to Ofgem, which follows the legislation and either approves or does not approve the project.

Mr McKinney: Yes, I get that. So, there is room for more.

Ms Clydesdale: Only if they can connect by March 2017 and can demonstrate to Ofgem that they have a grid connection offer letter saying that they would have connected by March 2017.

Mr McKinney: I know that. At the same time, on the other side, that is a cost to the public. If there are x megawatts, that is a bigger cost. How do we know what that cost will be? On the one hand, you are saying that the policy will be clear, and the intent is there and it would stop; but on the other hand you are saying that people will apply, and I do not know how many will apply. They may see this as an opportunity for a wind rush. How can we be assured that there will not be a bill that just keeps rising?

Mr Stewart: I am very conscious of that concern and was very conscious of it in preparing for the Committee. I knew that if I said to the Committee, "This is our estimate of the cost, but it might be two, three or four times that", you would kick that for touch, and rightly so. So, I checked the line with the Minister before coming. We will do whatever we need to do to constrain the additional cost to Northern Ireland to the estimate that we have given you. Today, we do not think that means that we need to withdraw the SL1, but if a change in legislation is necessary, we would do that.

Mr McKinney: It is possible between us clearing the SL1 and it appearing before the Assembly for you to give us some assurances about that?

Mr Stewart: Yes. We could give you some assurances, and I am happy to assure the Committee that, as we work through the detail with DECC over the summer, we will do so transparently, and I will bring that information back to the Committee before any legislation is taken to the Floor of the House.

Mr Dunne: Thank you very much for the information. Most of my points have been covered in the two interviews earlier. Could you please clarify that the proposed closure of NIRO went out to consultation in 2013? What were the terms in relation to the grace period and the —

Ms Clydesdale: In 2013?

Mr Dunne: Yes, the consultation that went out in 2013.

Ms Clydesdale: There were two consultations. There was one in 2013 that was just about the closure of the NIRO in the wider context of a transition to contracts for difference (CFDs). The consultation this March was about the specifics of the grace period.

Mr Dunne: What has been the impression of the public on the extension of the grace period?

Ms Clydesdale: The consultation was on our website and was widely accessed. We engaged with many stakeholders both in 2013 and in 2015. We regularly hold consultation events and workshops.

Mr Dunne: But the impression was given, rightly, that it was closing in 2017 with a grace period down to 2018.

Ms Clydesdale: That is right. That is what we consulted on in March: closure in 2017 and a one-year grace period.

Mr Dunne: That is the understanding of what was going to happen in Northern Ireland.

Ms Clydesdale: Yes.

Mr Dunne: The problem is, then, that there has since been a change of Government and, as a result, a change in how it is to be funded.

Mr Stewart: You are absolutely right, Mr Dunne. Had it not been for the change in GB policy following the election, this probably would have been a very straightforward item of business for the Committee. We would have brought the SL1 to you and said that we saw no scope for additional costs in Northern Ireland. Then, there was the rather dramatic change in GB policy that the Chair alluded to earlier, with the potential for significant additional costs, which we think still would have been worthwhile, but they are significant additional costs to Northern Ireland nonetheless. I have to say that we have now seen a swing in the other direction, which has been very helpful, and the proposal can now be taken forward with very substantially reduced costs to Northern Ireland. I think that Jenny summed it up very well. It is difficult to do policy in that sort of environment, but our policy intention has been consistent throughout. It is fair to say that DECC's policy intention is now coming much closer to ours. We are not entirely sure of the reason for that, but I strongly suspect that DECC had a number of representations from onshore wind providers that have pointed to the reasonableness or unreasonableness of changing policy in that way when there have already been very considerable sums of money invested in projects that were very well advanced.

Mr Dunne: OK. You are fairly confident that DETI will deliver in line with the criteria laid down today and that it is deliverable.

Mr Stewart: Yes. I am conscious of the Chair's admonition not to use weasel words. I am very confident that we will deliver it.

Mr Dunne: Very good. Thank you.

The Chairperson (Mr McGlone): We have had sight of the two letters to the Minister from Amber Rudd, the Secretary of State at the Department for Energy and Climate Change. With the best will in the world and the most liberal licence, I cannot extrapolate from either of the two letters that they are actually confirming or affirming support for the Northern Ireland wind industry or for Northern Ireland renewables. All that I hear is a number of underlying issues. There is a paragraph — the letter is dated today — that states:

"And I confirm my position that should you maintain a different policy on the NIRO closure to new onshore wind than in GB the cost impact of that decision should not be funded by GB consumers. My officials are currently developing the detailed options to implement this position and I would welcome your inputs on the best ways to achieve it."

Frankly, that tells me nothing. It adds no certainty. I can understand, in the light of the two letters, why the particular briefing that is prepared for us today had so many terms like "would appear", "may present" and all that sort of equivocal language. To me, reading both letters gives me no clarity or

security. If there is an assuredness around the place, it is certainly not contained in a first or a second reading of either of the two letters, or in any liberal interpretation of what might be said between the lines in them. They are just so vague as not to give me, as a person expected to make a decision on an SL1, any clarity.

Mr Stewart: Chair, I have to respect your interpretation of the letters. I have had, as has Alison, the benefit of conversations with senior DECC officials, in which I am able to say to them, "What does this mean?" I accept that you would prefer clearer language in it.

The Chairperson (Mr McGlone): You can appreciate, then, why I am looking at it and saying, "What does this mean?" I do not have anything in black and white in front of me that explains what the SL1 means. I have "may", "maybe" and "may be interpreted", but I do not have anything in black and white.

Mr Flanagan: Have you seen that letter?

Mr Stewart: Yes.

The Chairperson (Mr McGlone): These two letters further confuse it.

Mr McKinney: I have looked at them separately from the Chair, and neither can I see anything. Can you point out to us where in those letters we see a significant change?

Mr Flanagan: I think that we have all underlined the same sentence that Patsy read out, so can you tell us how you get from that statement from the Secretary of State in DECC to the two-page conditional letter that you have given us? I do not see where the two things match up.

Mr Ó Muilleoir: The 9 July letter, Chris.

The Chairperson (Mr McGlone): Today's letter.

Mr Stewart: Chair, I have to say that the paper that we presented to you today is based on our interpretation of letters and our interrogation of DECC officials as to what the letters mean. I have to respect it if members take a different view of what those letters are, but I have to place considerable weight on talking to my senior colleagues from DECC and an explanation from them as to what the policy intention behind this is. Yes, I wish that that had been expressed in clearer, simpler and much more positive language, but it is not.

The Chairperson (Mr McGlone): You had to ring them up and ask them what it means, and we are expected to make a decision on what we may interpret it to mean or not to mean. You are the seasoned practitioners. You are the experts in the field, and you are having to ask them what it means. At what point are we likely to get from them what they clarified to you verbally in writing? That is crucial, because they have been in and out of interpretation of it like a fiddler's elbow. It is just not good for us. As I read that letter, I could not extrapolate from it in any way that the cheque might be in the post. You are not even sure if the cheque is coming or what is contained in the cheque.

Mr Flanagan: It could be a bill coming.

The Chairperson (Mr McGlone): It could be a bill coming; that is right.

Mr Stewart: DECC is inviting the Minister to reply to those letters to set out very clearly our commitment to applying those criteria and applying and working the policy in the same way as DECC. In a sense, they have invited us to give the clarity that they have perhaps not given in the letters. I know that it is precisely the Minister's intention to do that. When you see the Minister's reply to those letters, you will see some of the language that you are looking for, which is not in the DECC letter.

The Chairperson (Mr McGlone): Whatever about the Minister's reply to them, it is their reply to that and the clarity that they give or do not give that is the important bit for all of us. I presume that the very fact that the Minister is writing back to them shows that he and you see that there are issues here that need further clarification.

Mr Stewart: Sometimes, in correspondence, Ministers will write to Ministers and officials will write to officials and say, "If we ask this, will you say this?". This is an example of DECC saying, "If we write to you in this way, will you write back and say that you will do a, b and c?". The Minister will be writing back and saying that he will do a, b and c.

The Chairperson (Mr McGlone): We are not even at a yet.

Mr Ó Muilleoir: The audience might get the impression that the Committee on both sides of the table is not in favour of renewables and growing the renewables sector, so it might be worth saying first of all that we are. We understand that there might be some pain involved in that for consumers, and we are not ruling that out either. However, we need clarity.

Chris, there is the old saying, "When you're in a hole, stop digging." The letter of 9 July from the Rt Hon Secretary of State at the Department of Energy and Climate Change, Amber Rudd, whoever he is, says —

The Chairperson (Mr McGlone): He is the one with the money.

Mr Ó Muilleoir: He says — sorry, Amber is a woman.

Mr Stewart: Amber is the Secretary of State.

Mr Ó Muilleoir: Amber says:

"And I confirm my position that should you maintain a different policy on the NIRO closure to new onshore wind than in GB the cost impact of that decision should not be funded by GB consumers."

That is a long distance from the clarity that we need, but, if that is the case, we will take it on board. We are not ruling anything in or out, but we need clarity, and that is —

The Chairperson (Mr McGlone): The more we delve into this, the more uncertainty we, as legislators in this place, are establishing. We want to deliver to people outside this room the certainty that they need. However, based on what we are seeing here today, it is not by any means clear or certain.

Mr Stewart: I understand members' concerns. It is unusual to get two letters so close together. There was a recognition within DECC that the 8 July letter really did not offer us enough —

The Chairperson (Mr McGlone): It did not offer you anything.

Mr Stewart: — and that is why the 9 July letter came as well. I draw members' attention to a paragraph in that that perhaps does not go as far as you want but goes a little further than the paragraph that you quoted from.

"The size of the bill impact for NI consumers of a decision to maintain the NIRO open longer in Northern Ireland would depend on how long the NIRO would remain open and on your policy going forward."

Mr Flanagan: Where is this?

Mr Stewart: It is in the third paragraph from the bottom of the 9 July letter. That is a signal. I accept that it is perhaps not as clear a signal as members are looking for, but that is a signal, which we confirmed in conversations with DECC officials, that, if the effect of our policy on the ground is the same as the effect on the ground of the DECC policy, Northern Ireland would not be charged.

The Chairperson (Mr McGlone): That is grand —

Mr Flanagan: But it does say:

"should you maintain a different policy on the NIRO closure to new onshore wind than in GB".

It is very clear that, if we adopt a different policy than they do in Britain, we will have to pay.

Mr Stewart: Yes.

Mr Flanagan: So, are we going to adopt a different policy, or are you telling me that the policy is going to be similar?

Mr Stewart: The policy is going to be similar. If there is a difference, it will be the 70 MW to 100 MW that we talked about earlier.

Mr Ó Muilleoir: Chair, could I move it on?

The Chairperson (Mr McGlone): We run the risk of going back over ground. I want to bring this to a close. Máirtín, if there is something further that you want to —

Mr Ó Muilleoir: I was going to suggest how we might close. One of the things that I wanted to say to the officials, the audience and those watching online is that it is not just as time critical as I was led to believe yesterday, because the legislation cannot pass until the autumn. We want to tackle this and get it sorted, but we certainly have another week or another two weeks. This will not be presented to the Assembly. We will want to know what the Committee's position is, but, in my view, there is no terrible urgency on us to take this decision today or make a recommendation today.

The Chairperson (Mr McGlone): There are probably people around the place who are saying that there is an urgency. However —

Mr Stewart: Chair, may I respond to that, because it is a very important point?

The Chairperson (Mr McGlone): One second. I do not want the fanfare of one person saying that he needs one thing to be done, and another person saying that he needs something else to be done. The Committee will make a decision based on certainty and clarity, neither of which we have. For a variety of reasons, it is important that the industry and everyone outside this room hears that.

Adrian, if you want to come in now, I will come back to Máirtín.

Mr Cochrane-Watson: For clarity, I want to follow up on Máirtín's comments. What is the position? The matter has to be debated at a plenary sitting in September. The Committee has four to six weeks. Does the decision have to be taken today? As you rightly highlight, there does not seem to be a lot of clarity.

The Chairperson (Mr McGlone): It is a matter for members. We have certainly not had any clarity to make a decision today. In fact, the confusion has been added to. Chris, I accept that you have had verbal assurances, but, to go back to the original point, verbal assurances have been given on many occasions, and they count for nothing. We are here to be open and transparent and to take tangible decisions that we can stand over. We need absolute clarity and certainty on what we are doing. These couple of letters have created another maelstrom of uncertainty for us as members.

When you get full clarity from DECC in written form, we will have the key hard facts that we need to look at. We want to do this from as empowered and informed position as possible and to give certainty so that, when the statutory rule comes to the Assembly, Members will be able to stand up, put their hands on their hearts and say that they can endorse it or otherwise.

Mr Cochrane-Watson: Chris, if this is delayed, what are the implications for the timescale?

Mr Stewart: That relates to Mr Ó Muilleoir's point. All the project developers would say to you that their preference is absolute certainty, which would mean the legislation being passed by the Assembly. However, they absolutely recognise, as do we, that a number of important steps have to be taken before then. First, the Committee has to scrutinise and decide whether it is satisfied with the proposals. Secondly, given the affirmative resolution procedure, there has to be a debate and a vote in the House before the legislation can be passed. Mr Ó Muilleoir is quite right: that will not happen until after recess, and there is more work to be done.

A number of projects — I stress again that it is not just one project — are saying that they are at time-critical decision points. Crucial investment decisions will need to be made in the coming days, never mind the coming weeks, which will determine whether particular projects will proceed. They know that they cannot have the certainty today of the legislation being passed. What they are looking for, if the Committee is able to give it, is the certainty of the Committee's approval of the SL1, recognising that there is more work to be done. As you made very clear, there is certainly more information to be brought back to the Committee on costs and certainty — we respect that — before we can think about taking the legislation into the Assembly.

Mr Ó Muilleoir: I am happy with your summation, Chair, on the lack of clarity and transparency. Chris, you are trying to give us an eight ball, but we send it right back at you: this is not sufficient.

The Chairperson (Mr McGlone): Exactly. I am happy to reconvene the Committee. The sooner the Department has full written clarity on the specific issues, the better. You are well aware of the scale of what is required, because you have been trying to wrinkle it out of DECC since this letter hit the Department. You are well aware of what we need, and, once that clarity comes back from DECC on funding and other issues, there will be no problem in getting this through the Committee as efficiently as possible. Neither of the two letters, nor the résumé or interpretation of them by the Department, gives me the clarity that is required.

Mr Flanagan: Chris, I hear what you are saying. I am sympathetic to investors who urgently require clarity from us, around this table, that we are minded to support the legislation to give them the assurance that they need to give to their financial backers that they can proceed to the next stage of their projects. I genuinely am sympathetic, but I am also sympathetic to people who work in Michelin and other energy-intensive organisations who, if we get this wrong, would also be out of a job.

People want clarity from us on what we will do, but we want clarity on the implications of our decision, and we do not have that. I hear what you are saying: you want us to take a decision today. However, the problem is that, if we took a decision today, it is unlikely that it would be a positive one because we do not have the information in front of us to make a decision that we think is in the best interests of everybody involved. From my point of view, we need more information.

I am still concerned about the extra 70 MW to 100 MW that would be in a stand-alone system. If you could give us an assurance from DECC that the costs of the scheme will be socialised through the DECC scheme, I would be happy enough to support that. I am still not sure about the extra 70 MW to 100 MW. I do not know about a stand-alone grace period. I am not convinced by it. At the moment, I am not in a position to support that.

We are putting the ball back in your court. I think that, if you look at what we said last week and today, you will have a fair indication of where the Committee is at and what we want from the Department and from DECC to allow us to approve the legislation.

Mr McKinney: It strikes me that, if we supported this today, it clearly would solve all the problems, but that does not mean that the problems cannot be resolved elsewhere in conversations between you, DECC and any of those other industries, because you know what is in our mind now. You know that, if certain issues are resolved, the chances are that we will be supportive.

I assume, Chair, that we would be happy to come back at some early point. I do not want to make that offer on everybody's behalf, but I know that we were prepared to do it once, so I am sure that we would be prepared to do it again. However, those in the industry could receive greater reassurance from your conversations back and forward with DECC on their specific issues, irrespective of whether we agree, because you know that you are getting closer on the types of things that the Committee wants to hear. That is not me taking the pressure off us. Yes, we could take the pressure off entirely, but that would not solve the problem because further pressures would emerge, particularly financial ones in the form of bills and the extent to which that piece of string is short or long. You could have conversations elsewhere that would satisfy specific industries that have gone through specific problems.

Mr Stewart: Chair, I respect the views of members on that, and we will take careful notice of what the Committee has said. We will endeavour to provide that information as quickly as we can. I am very grateful that you might consider another meeting. We will reflect on that and try to get an indication of just how quickly we can come back with the information that you are looking for.

The Chairperson (Mr McGlone): I have no problem with that, and I am sure that other members feel likewise. We want to get this done and dusted. I have no bother at all with reconvening another meeting with the urgency that is required to deal with it. However, it will be in circumstances in which we have absolute certainty on the issues absent from the two letters from Amber Rudd.

Mr Stewart: That is clear, Chair, and we will not come before you again without that.

The Chairperson (Mr McGlone): OK. You were speaking to them to try to get them to think about how quickly they could have that clarity with you. They know the time frame that we are working to, because it is mentioned in the Minister's letter about the Northern Ireland Assembly. They know, I presume, about the urgency of this. Have they an impetus to make sure that those issues are clarified to our satisfaction and, indeed, to your satisfaction, because you saw the voids in the final letter insofar as you picked up the phone to them? Have you any idea of when they will come back with clarity on those matters?

Mr Stewart: No, Chair. I cannot give you a specific time frame. We said to DECC colleagues that we really needed them to write very quickly to the Minister before this meeting. Unfortunately, the second letter was not forthcoming until this morning. I think that our attention will now turn to our Minister's reply to Amber Rudd. Let me assure you, Chair, that it will not contain any of the gaps or shortcomings that members are concerned about in the DECC letter. We will set out our Minister's position in great detail and with absolute clarity, and we will invite the Secretary of State for Energy and Climate Change to endorse it. If we can get that quickly, I think that we will have the clarity that you are looking for.

The Chairperson (Mr McGlone): OK.

Mr Flanagan: Can I just seek some clarification? At the bottom of the letter we received today, there is also reference to contracts for difference. Can you give us an update on that in terms of the potential for electricity customers here to pay for renewable generation based somewhere in Britain, with no positive economic impact or implications for electricity pricing here, given the workings of the single electricity market?

Mr Stewart: That is a separate, much bigger and, I have to say, extremely challenging policy issue that is still with the Minister. He has not made his decision yet on whether to proceed with the electricity market —

Mr Flanagan: It is not tied up with this other decision?

Mr Stewart: No, it is not tied up with this. It is perfectly possible to take forward these proposals and for the Minister and Assembly to decide either way in terms of the broader electricity market reform policy.

Mr Flanagan: All right. Thanks, Chris.

The Chairperson (Mr McGlone): OK. Thank you. That concludes our observations for today. Hopefully, the next time we meet, we will have all these matters resolved with clarity and certainty by the appropriate people who can give that certainty and clarity. Thank you very much for your time.