



Northern Ireland
Assembly

Committee for the Economy

OFFICIAL REPORT (Hansard)

Small-Scale Green Energy Bill: Mr John
O'Dowd MLA

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failed to provide sufficient price incentives for homes, businesses and farms to switch to microgeneration systems.

The removal of the Northern Ireland renewables obligation (NIRO) and other renewable obligations has produced a stagnant community energy sector. My Bill is intended to be a first step in reversing that trend. It will incentivise the growth of renewable energy microgeneration in homes, farms and businesses by creating a minimum tariff that major suppliers must pay for power generated from such sources. It will also place an obligation on major suppliers to source at least 5% of their total electricity supply from microgeneration.

Climate experts around the world are agreed that microgeneration must play a role in the decarbonisation of our planet. Indeed, in its 2019 report, the Climate Change Committee specifically recommended a supplier obligation and feed-in system for the North. Not only can the growth of renewable microgeneration help us to reduce greenhouse gas emissions but it can create additional income for families and communities and help to reduce our reliance on fossil fuels, which, as we have seen over the past few months, are prone to radical and extreme swings in cost that place additional and unexpected burdens on already struggling families.

Clause 1 of the Bill establishes a small-scale green energy scheme. It lays out the main goals of the scheme, the provision of a minimum price tariff for microgenerated renewable power exported into the electricity grid and a requirement on major electricity providers to source at least 5% of their electricity from microgenerated renewables. It also sets out a number of definitions for the terms used in the Bill, such as "micro-generated" and "renewable power". A microgenerator is defined as a renewable generator with a maximum generation capacity of 50 kW. This is a standard definition in many countries introducing microgeneration legislation, including Britain and the rest of Ireland. A major provider has been defined as any provider with a market share of 5% or above. This takes in all providers here, with the exception of Click Energy, which apparently has 3.4% market share. When I carried out a consultation on the draft Bill, more than twice as many respondents favoured a definition of 5% than favoured a definition of 3%.

Clause 2 sets out the supplementary regulations for the scheme as well as setting out a list of stakeholders that must be consulted when regulations are being set. Clause 3 commits the Department to reviewing the scheme as and when economic conditions change. Clause 4 outlines the rules for suspension of the scheme, while clause 5 outlines and guides the Department [*Inaudible owing to poor sound quality*] in relation to the operation of the scheme and its goals. Clause 6 sets out the meaning of specific words and phrases used in the Bill. Clause 7 sets out the timeline for when it must come into operation, and clause 8 confirms its short title as the Small-Scale Green Energy Bill.

As I said previously, I am aware that many of the Committee members were involved in the debate and are familiar with the Bill's content. Therefore, I am happy to end my presentation and answer any questions from members.

The Chairperson (Dr Archibald): Thanks very much for that, John. It is really useful to get the overview again. As you have set out, the context in which we are discussing this is that is increasing costs of and fluctuations in price in fossil fuels. While none of us expects that the move to renewables will happen overnight or think that this Bill will solve all the problems for consumers in the here and now, it is really important that we begin to make progress on the move to renewables.

There were a couple of issues raised during the debate, and you responded to them at the time, but there were two legislative issues in particular. One related to the electricity directive and the other related to state aid. Do you have anything that you would like to say in respect of those particular issues?

Mr O'Dowd: As I said during the debate, I do not claim to be an expert on state aid rules, but I think that there is an opportunity for the Committee to bring in experts on state aid rules to see whether the Bill will be in conflict. My personal view is that it will not be in conflict, because we are not supporting one company over another or giving advantage to one company over another. All companies have to operate under the same mechanisms. There are no funding packages in my Bill, so any future scheme that the Minister brings forward may contain incentives for providers to come forward, but my Bill is not legislating for that.

With regard to the electricity directive, we should ask for the power providers and experts on the directive to be brought in to discuss that issue, but I do not believe that the Bill will be in breach of that, because all providers are being treated equally.

The Chairperson (Dr Archibald): Coming out of today's briefing, we could ask for those particular things to be addressed by the Department or whoever is most appropriate to respond to them, if that is something that members would be agreeable to.

One other issue that was brought up by a number of Members at Second Stage, and it was discussed by us at the briefing with the energy officials a couple of weeks ago, was the cost of connection to the grid. Would you like to address that?

Mr O'Dowd: My Bill does not directly refer to any cost connections, but, as a consequence of microgeneration, there will be cost connections. I do not know whether the Bill has the scope to allow us to tackle that, but it is something that needs to be challenged. The costs, whether through microgeneration or, as some members referred to, industry coming in, and the cost of connections to the grid are, in my opinion, extreme and need to be challenged or, at least, justified by Power NI, which has the monopoly on those matters. It is a useful part of the discussion around the Bill. The Committee may come to the conclusion that my Bill needs to be amended to cover that matter, but it certainly forms part of the discussion.

Mr Dickson: My question has just been answered; it was around how the Bill will fit in with the ability to connect to the network. Having spoken to a number of turbine cooperatives, I know that that is one of the biggest difficulties that they have. Also, being located in very rural areas, where you are likely to get more turbines, is difficult for grid connection. It is an issue that needs to be tackled. I appreciate that it is not necessarily part of the Bill, but if the Bill is to achieve its full potential, that issue needs to be resolved as soon as possible.

It is very important that we are discussing the Bill today and the advantages that it will deliver for Northern Ireland in the light of the appalling decision today by DAERA to allow a marine construction licence for the gas cavern project at Islandmagee for fossil fuels, which nobody wants any longer.

The Chairperson (Dr Archibald): I agree, Stewart. We have all seen the impact of the reliance on fossil fuels only too well over the past few weeks, and it is likely to continue into the rest of the winter. It is very concerning that that has been granted today.

Mr Dickson: John, what concerns do you have about grid connection? Do you feel that that might stifle or hold back the full purpose of the Bill?

Mr O'Dowd: I think that there are genuine questions to be asked about the cost of connections and how that cost is met by the subscriber or the provider. During the debate, the example of a company coming into a field and building a new plant was referred to. The cost of connection to the grid may be £85,000, regardless of the type of energy that the company is using; it does not have to be green energy or microgeneration. Another company could come into the same field — hopefully it is a brownfield site — and build a factory but would not be charged for connection to the grid. Where is the fairness in the system? How can we ensure that there is fairness in the system and that, through the Bill, microgeneration is not stifled because of very expensive connections to the grid? That is a challenge, and if the Bill passes its Final Stage in the Assembly, the scheme that the Minister will be tasked with bringing forward will have to look at how we incentivise micro green energy and ensure that it is not stifled by very high connection costs to the grid.

The Chairperson (Dr Archibald): Committee Clerk, would it be useful, as part of our discussions on the energy strategy, to have NIE witnesses attend the Committee, at some point in the near future, to discuss that and other issues.

The Committee Clerk: We can do that. We will seek to schedule that as soon as we can.

Mr Dunne: Thank you, John, for your presentation. One of the issues that was mentioned during the Second Stage debate was a feeling that those who live in certain social housing complexes or tower blocks would bear disproportionate costs and would not get the benefits of it. I would appreciate you giving us more thoughts on that, John, please.

Mr O'Dowd: Around 3·8% of energy provided to the grid comes from microgeneration. My Bill has the target of increasing that to 5%, or having the providers buying 5% of their energy, from microgeneration sources. So, we are talking about a 1·2% increase, which is marginal in the overall production. Currently, the major providers have to buy their electricity from somewhere, so they are

paying another source for that electricity. I want them to increase what they buy from microgenerators by 1.2% to the overall grid. That is a very minimal increase, which, when you spread it across the entire grid, will have a minimal impact if any on consumers. You mentioned people who live in social housing or in a community that will not be able to invest in or install microgenerators. Why should they pay for somebody else having a microgenerator? If there is going to be a cost, it will be minimal, and it may even be cost-neutral due to the fact that the electricity providers already have to buy electricity, and I am looking for just a 1.2% increase.

Again, my Bill asks the Minister to bring forward a scheme. As part of that scheme, a future Minister, regardless of what party they come from, will have to look at how we support those who are on lower incomes and ensure that they do not face the worst of the cost hikes that broader society faces.

Mr Dunne: Thank you, John. Certainly, it is timely, given the energy cost rises that we have had and the ones that will, unfortunately, come down the line for all of us.

As I mentioned during the debate, there is a line in the explanatory and financial memorandum that states:

"it is difficult to project demand for the scheme due to the set-up".

As I said in the debate, that concerns me slightly. From the consultation that you have done, is there demand for what you are trying to do?

Mr O'Dowd: There is certainly a recognised need for microgeneration to be part of our battle against carbon emissions and climate change. I referenced a number of reports in my presentation today and in my presentation in the Assembly. Those reports show that those who are looking at these powers say that microgeneration has to be part of tackling greenhouse gas emissions and providing democracy of energy to the grid. Therefore, yes, I believe that there is a need for it, but the problem has been that, in the absence of any support or legislative directive on providers, microgeneration has fallen away. The NIRO scheme is no longer with us. That means that there is no meaningful support in place or legislative pressure on the providers to provide microgenerated green energy. Yesterday evening, I was talking to someone who has a major production plant with a significant square footage of roof. Over the past number of years, he has been seeking to see whether he can put solar power panels on his roof, but there is nothing to incentivise him to put them on or to incentivise the major providers to buy green energy. It is not simply a case of, "If you build it, they will come". There is a demand that is not being met because there is no legislative incentive or direction on anyone to make it happen.

Mr Dunne: We look forward to the energy strategy being published very soon. That will have a key focus on affordability and tackling fuel poverty and so on. Thank you, John.

The Chairperson (Dr Archibald): Sinead wants to come in to ask a question, John.

Ms McLaughlin: You almost answered it, John, in your previous answer. Thank you for your presentation. My question is around incentives. In Northern Ireland, we have seen some perverse incentives around renewable energy and there is, therefore, some caution around that. However, there still has to be some form of incentive in order to support people who are looking to create new green energy. Have you looked at best practice on incentives on building small and micro schemes? What has the research shown you? What are the best types of incentives to help support communities to try to tackle this?

Mr O'Dowd: My Bill does not directly instruct the Department to bring in an incentive, but it does instruct it to bring forward a scheme to have 5% of energy delivered to the grid from microgeneration. I do not delve into the area of financial incentives. However, the fact that the provider will be given a fixed price for the electricity that they produce and sell back to the grid will be an incentive in itself for more people to have microgeneration as part of their farm, home, business, or whatever it is. If the Minister brings forward a scheme that includes incentives, there is a responsibility on the Minister to look at how that incentive should be financed, and to look at the best models from around the globe in relation to that. You are right: we have had our fingers burnt in relation to incentives. Clause 4 allows for any such scheme to be revoked if it is found to have unintended consequences. There is, therefore, a safety net built into the Bill for any future scheme that includes a grant, but my legislation does not say that the Minister has to provide a financial incentive for the scheme.

Ms McLaughlin: There are good and bad lessons around incentives. We have had the perverse situation in which landowners were paid large amounts of money to produce smaller wind turbines rather than larger turbines, through renewables obligation certificates and everything else. We have to get that right. I know that the Bill does not deal with that specifically, but if we want to increase the provision, there should be incentives. It does not always have to be about monetary incentives. We need to make sure that we build a robust system that has checks in place in order to ensure that it is not being abused at any point.

Mr O'Dowd: The most recent PAC report into the NIRO scheme is a good report. There was a lot of media criticism of the NIRO scheme, which I think went a bit overboard, but the PAC report and the Audit report offer a much more forensic examination of the issues. There are lessons to be learned from the mistakes that were made but also from what was done right in the past. We have made enough mistakes to learn from when moving forward. However, the point is well made. We have to take the best practice model. Steve Aiken referred to the advancements that are being made with the Danish model, particularly around microgeneration and connections to the grid.

Ms Sugden: Recently, someone talked to me about planning and building regulations in Northern Ireland and how we seem to be behind other parts of GB and Ireland. Does your Bill look to other infrastructure to facilitate what you are trying to do, or does it almost put that burden on to the Department to do that? Maybe I am speaking out of context, but I am not sure.

Mr O'Dowd: My Bill does a, b, c, d. The Department then has to do e, f, g, h in moving forward. The Department of Finance has issued a consultation, and the Committee Clerk referred to it when he was doing his QVC display in the previous session, when he was selling the blocks. My Bill does not cover that area, but it is an interesting dynamic. The best form of energy conservation is insulation and ensuring that people do not have to use energy to heat their homes. That is the best way forward, but when I saw the publication of the DFP report, I thought that there may be something in that for moving forward with microgeneration and how future construction can build this in, rather than it being an addition to a property. It is something that I have an eye on, but I do not think that it is necessary to cover it in this Bill.

Ms Sugden: It needs to be looked at more widely. Incentives and opportunities cannot happen if the infrastructure is not there, particularly if it is in and around building regs. I understand that Northern Ireland might be the only region of the UK that does not have it, so if we are going to try to move forward in this green way, it is something that we need to look at. I appreciate that, John. Thank you.

The Chairperson (Dr Archibald): John, no other members wish to ask a question. There are a number of things in our packs that the Committee Clerk would like us to sign off on. There are survey questions in your tabled papers. The Committee Clerk will write out to key stakeholders to seek their views, and the survey questions will be part of the Committee's wider public consultation that will be carried out on Citizen Space. Are members content with the survey questions? If there is anything that members would like to ask or amend, I am sure that the Committee Clerk will be happy to take that on board. Is there anything that you want to add?

The Committee Clerk: The rough questions are there, and a notice will go in the press once we get clearance on it. We would hope to have all that in place, theoretically, by the end of the week. We have already drafted letters to go out to stakeholders. Those are in the process of being sent out to ask for their views on the Bill. So, we have a triple approach. That is, a call for evidence, a survey and targeting specific stakeholders directly. If members are content with all those actions, we will proceed as outlined.

The Chairperson (Dr Archibald): The media notice is very straightforward, so it could definitely be signed off if members are content. The questions look OK to me, but if anybody has any views around the questions, please let us know.

The Committee Clerk: If there are any suggestions, members can let me know. We will not be going out with those on Citizen Space before Friday anyway. If we make any further amendments on advice from the Research and Information Service, we will recirculate those to members for approval. So, they will be circulated again for approval before they go out.

The Chairperson (Dr Archibald): That is great. Thank you. I advise members that there are no delegated powers in the Bill. The Bill will still need to be referred to the Examiner of Statutory Rules for

advice on delegated powers. If members are content, we will write to the Examiner of Statutory Rules to request a report on the delegated powers in the Small-Scale Green Energy Bill.

Members indicated assent.

I thank John for his presentation.