

<b>Title:</b> <b>Closure of Northern Ireland Renewables Obligation to Onshore Wind Projects</b>	<b>Regulatory Impact Assessment (RIA)</b>	
	<b>Date:</b> March 2016	
	<b>Type of measure:</b> Secondary Legislation	
<b>Lead department or agency:</b> <b>Department of Enterprise, Trade and Investment</b>	<b>Stage:</b> Final	
	<b>Source of intervention:</b> Domestic NI	
<b>Other departments or agencies:</b> <b>N/A</b>	<b>Contact details:</b> Alan Smith	
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## Summary Intervention and Options

**What is the problem under consideration? Why is government intervention necessary?** (7 lines maximum)  
The Secretary of State for the Department of Energy and Climate Change (DECC) announced the early closure of the Renewable Obligations (RO) to onshore wind projects from 1 April 2016. DECC has confirmed that, should Northern Ireland not align with UK-wide policy, it will legislate to prevent GB suppliers from redeeming Northern Ireland Renewables Obligation Certificates (NIROCs) from projects that do not meet the early closure eligibility criteria. Government intervention is necessary to provide certainty for renewable investors and to ensure the tradability and value of eligible NIROCs and protect the wider Renewables industry in Northern Ireland. Without intervention, up to an estimated £900m of investment could be lost along with 600MW of renewable electricity.

**What are the policy objectives and the intended effects?** (7 lines maximum)  
The NI policy objective is to close the NIRO to onshore wind while ensuring the maximum number of MW in the NI pipeline can be brought forward at minimum cost to the consumer. This is set within a UK wide policy objective to remain as close to the limits of the Levy Control Framework (LCF) as possible, by limiting spend of on shore wind under the RO while seeking to provide protection for projects that have made a significant financial commitment. A policy of generally aligning with DECC's closure proposals of closing in April 2016 achieves this and should result in the amount of renewable electricity consumption in NI increasing to approximately 30% by 2020 while maintaining UK wide cost socialisation.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)** (10 lines maximum)  
Policy options considered relate to how closure is best managed. This IA considers:  
Option 1: Closing NIRO to onshore wind projects in line with GB policy  
Option 2: Closing NIRO to large scale wind projects and consulting further on small scale projects  
Option 3: Adopting a different approach for small scale wind projects  
Option 4: Closing the NIRO to all scales of onshore wind projects from April 2017  
Option 5: Do Nothing  
Option 2 is the preferred option. While option 2 is not the most economic option it provides certainty for large scale renewable investors, while providing further consultation for small scale renewables in line with the majority of consultees views. Though it has higher risks than Option 1 it could result in a similar outcome.

<b>Will the policy be reviewed?</b> It will not be reviewed	<b>If applicable, set review date:</b> N/A
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Cost of Preferred (or more likely) Option		
Total outlay cost for business £m	Total net cost to business per year £m	Annual cost for implementation by Regulator £m
£63.5m	£3.2m	Zero

<b>Does Implementation go beyond minimum EU requirements?</b>	<b>NO</b> <input checked="" type="checkbox"/> <input type="checkbox"/>	<b>YES</b> <input type="checkbox"/>
Are any of these organisations in scope?	<b>Micro</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<b>Small</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
	<b>Medium</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<b>Large</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

**The final RIA supporting legislation must be attached to the Explanatory Memorandum and published with it.**

Approved by: Jonathan Bell Date: 16/3/16

Description:

Close NIRO to Large Scale Wind Projects and Consult Further for Small Scale Projects

**ECONOMIC ASSESSMENT (Option 2)**

Costs (£m)	Total Transitional (Policy) (constant price) Years		Average Annual (recurring) (excl. transitional) (constant price)	Total Cost (Present Value)
Low	Optional		Optional	Optional
High	Optional		Optional	Optional
<b>Best Estimate</b>	<b>n/a</b>		<b>£7.4m</b>	<b>£147.1m</b>

**Description and scale of key monetised costs by 'main affected groups'** Maximum 5 lines  
 Costs of supporting 30MW additional small scale wind which may be eligible for NIROCs by 2017. Assumption of 10% growth in the eligible NIROCS in 2018 and 2019. Costs are based on NIRO price remaining at current levels. Impact of falling price also modelled.

While option 2 is not the most economic option it has the potential to match the least costly option while meeting concerns about the need for further consultations. On the other hand it has the potential to be an expensive option should it result in the scheme staying open to small scale until 2020.

**Other key non-monetised costs by 'main affected groups'** Maximum 5 lines  
 Option 2 meets concerns about the need for further consultation by some small scale developers.

Benefits (£m)	Total Transitional (Policy) (constant price) Years		Average Annual (recurring) (excl. transitional) (constant price)	Total Benefit (Present Value)
Low	Optional		Optional	Optional
High	Optional		Optional	Optional
<b>Best Estimate</b>	<b>n/a</b>		<b>£2.1m</b>	<b>£41.2m</b>

**Description and scale of key monetised benefits by 'main affected groups'** Maximum 5 lines  
 Monetised benefits include reduced payments for CO2.

**Other key non-monetised benefits by 'main affected groups'** Maximum 5 lines  
 Further consultation on small scale enables consultees to take account of any changes in circumstances since the consultation of autumn 2015.

**Key Assumptions, Sensitivities, Risks** Maximum 5 lines  
 Large scale wind load factor is 31%. Small scale load factor is 20% ROC allocation is 0.9 ROCs per MWh for large scale and 4 ROCs per MWh for small scale. Value of ROC is £40. Carbon intensity of NI electricity generation was based on the National Atmospheric Emissions Inventory information and taken to be 460g/kWh (average last 3 years data). Traded carbon price is taken from DECC's updated short-term traded carbon values used for UK policy appraisal November 2015. Business customers represent 60% of the NI electricity bill

**BUSINESS ASSESSMENT (Option 2 )**

Direct Impact on business (Equivalent Annual) £m			
Costs £88.3m	Benefits £24.7m	Net £63.5m	

**Cross Border Issues (Option 2 )**

**How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland)**

This option closes the NIRO to large scale onshore wind in line with the rest of the UK. In GB a support mechanism will still exist for small scale renewables (the small scale FIT). ROI is bringing its renewable electricity support scheme (REFIT) to an end is currently consulting on a replacement scheme. All renewable support schemes will have to meet the 2014 EU Environmental and Energy State Aid Guidelines which promote the introduction of competitive bidding processes for renewable technologies to increase cost effectiveness and limit distortions of competition.

## Evidence Base

There is discretion for departments and organisations as to how to set out the evidence base. It is however desirable that the following points are covered:

- Problem under consideration;
- Rationale for intervention;
- Policy objective;
- Description of options considered (including do nothing), with reference to the evidence base to support the option selection;
- Monetised and non-monetised costs and benefits of each option (including administrative burden);
- Rationale and evidence that justify the level of analysis used in the RIA (proportionality approach);
- Risks and assumptions;
- Direct costs and benefits to business;
- Wider impacts (in the context of other Impact Assessments in Policy Toolkit Workbook 4, economic assessment and NIGEAE)

## Background

The Northern Ireland Renewables Obligation (NIRO) is the main support mechanism for encouraging increased renewable electricity generation in Northern Ireland. It works alongside the Renewables Obligation for England & Wales (RO) and the Renewables Obligation Scotland (ROS).

The RO places an obligation on UK electricity suppliers to source an increasing amount of the electricity they supply from renewable sources. OFGEM issues generators with Renewable Obligation Certificates (ROCs) depending on how much electricity is generated. Generators sell ROCs to electricity suppliers (like Power NI or the “big six” in GB) who are legally obliged to buy a certain percentage of electricity from renewable sources. A ROC generally sells for about £40. NI exports about 60% of its ROCs to GB. NI benefits from a reduced obligation level under the NIRO and therefore costs to the NI consumer are less than 50% of the costs to GB consumers.

The UK Government was elected with a commitment to end new subsidies for onshore wind. As part of delivering that commitment, on 18 June 2015, the Secretary of State for the Department of Energy and Climate Change (DECC) announced her intention to close the Renewables Obligation (RO) in Great Britain to onshore wind from 1 April 2016.

At that time the DETI Minister reiterated his commitment to retain the NIRO open until 2017. DECC responded that, should Northern Ireland proceed with a 2017 closure with a 1 year grace period, NI consumers would be required to pay for the 1 year grace period. Estimates at that time were that 200-300 MW would fall into such a grace period and would cost £9 - £16 on a domestic bill and up to £32,000 on the largest industrial and commercial customers' bills. Further refinements to the DECC policy position in July 2015 offered a 2-stage closure process for onshore wind projects meeting early closure grace period eligibility criteria. This was beneficial to Northern Ireland as the vast majority of the Northern Ireland wind generation met the eligibility criteria and the cost of having to pay for a 1 year grace period would fall to £3 - £5 on a consumer bill and £10,500 on the largest industrial and commercial bills.

Negotiations with DECC to maximise socialised costs secured a concession for cluster connecting wind projects<sup>1</sup> if Northern Ireland adhered to the 2016 closure deadline. This meant that non cluster connections had to follow the GB policy of an eligibility date of the date of publication of the consultation. All costs would remain socialised. DECC would only agree this if the NIRO was closed to all wind on equivalent terms to GB. Subsequently the Secretary of State confirmed that measures to protect GB consumers would only apply to installation not closing on an equivalent basis to GB.

## **Problem under consideration**

The UK Government was elected with a commitment to end new subsidies for onshore wind. On 18th June 2015 the Secretary of State for Energy and Climate Change announced her intention to close the RO in 2016.

Subsidies for multiple low carbon technologies across the UK are funded through the Levy Control Framework (LCF). This sets annual limits on the overall cost of DECC's levy funded policies. Any increase in spend for one sector from the LCF will reduce the level of support available for other sectors within the Framework. The costs of the levy funded schemes are paid for by consumers through their energy bills. The Office for Budget Responsibility's latest projections show that subsidies raised from bills are currently set to be higher than agreed. This is due to a number of uncontrollable factors such as lower wholesale electricity prices, higher than expected take up of the demand-led schemes such as the RO and a faster than expected advancement in the efficiency of the technology meaning renewables are projected to generate more electricity than previously estimated.

Should Northern Ireland not align with UK-wide policy on RO closure, DECC has taken powers through the UK Energy Bill to prevent GB suppliers from purchasing NIROCs that do not meet the early closure eligibility criteria of land, planning and grid connection by 30 September 2015. There would, therefore, be NIROCs that could be sold across the UK (those that meet the eligibility criteria) and those that could only be sold in Northern Ireland (those that fail to meet the eligibility criteria). Effectively, there would be 'tradable' and 'untradable' NIROCs (albeit the latter could still be sold in Northern Ireland).

## **Rationale for intervention**

DECC's announcement in June 2015 has created uncertainty for all developers and their potential investors within the renewable electricity sector in Northern Ireland regarding future policy direction. There has been a call from the sector to provide certainty through legislation as soon as possible.

Although there is no direct impact on NI consumer bills from DECC's proposals the impact of limiting the tradability of NIROCs cannot be accurately predicted. It could have impacts for all forms of renewable electricity generation. There is a risk that the untradeable NIROCs could 'contaminate' all NIROCs. GB suppliers may decline to buy NIROCs from any NI renewable source. As 60% of NIROCs are currently exported to GB, there would be over-supply locally and the value of NIROCs could fall thereby affecting the viability of all Northern Ireland renewable generation

It is likely that the number of untradeable NIROCs might be relatively small. While GB suppliers could not buy them, Northern Ireland suppliers might absorb these NIROCs and the proposals may have little impact.

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<sup>1</sup> This is a policy unique to Northern Ireland which aims to connect wind farms to the electricity network in groups. The purpose of grouped or 'clustered' connections is to reduce the number and length of new overhead lines needed for the connections.

The NIRO could not operate in the absence of GB ROs due to the socialisation aspect of its operation. There is a need to intervene to ensure the tradability and value of eligible NIROCs, ongoing cost socialisation and to protect the wider Renewables industry in Northern Ireland. Without intervention, up to an estimated £900m of investment could be lost along with a possible 600MW of renewable electricity capacity.

## **Policy objectives**

The overall policy objective is to close the NIRO to ensure the maximum number of MW for least cost whilst providing certainty for renewable investors and ensuring the tradability and value of eligible NIROCs.

## **Description of Options Considered**

### Option 1. Close NIRO to Onshore Wind Projects in Line with GB Policy

This option means that the NIRO would close to all onshore wind projects on 31 March 2016. Those projects that meet the grace period eligibility criteria would have until 31 March 2017 to accredit, and could access a further 12 month grid and radar delay grace period, if appropriate.

### Option 2. Close NIRO to Large Scale Wind Projects and Consult Further for Small Scale

This option would close the NIRO to large scale onshore wind (>5MW) on 31 March 2016 in line with the 30 September consultation. This would provide the certainty that many large scale developers seek and allow most of the pipeline of large scale projects to proceed. The NIRO would remain open to small scale wind until further consultation on small scale closure was completed. DECC backstop powers may be activated.

### Option 3. Adopt a Different Approach for Small Scale Wind Projects

This option means closing the NIRO to large scale wind (>5 MW) on 31 March 2016 in line with the 30 September consultation and closing it to small scale wind on 31 March 2017, with a 1 year grace period to allow for delays in connecting to the grid (this would be the same as non-wind closure). It is assumed that DECC's backstop powers would be activated.

### Option 4. Close the NIRO to all scales of Onshore Wind Projects from April 2017

This option means that all onshore wind projects could continue to accredit until 31 March 2017, with a one year grace period. It is assumed that DECC's backstop powers would be activated.

### Option 5. Do Nothing

This option means that the NIRO would stay open to onshore wind (or, at least, not close by April 2016 in line with DECC's position). It is assumed that DECC's backstop powers would be activated as a minimum response.

## **Monetised and Non-Monetised Costs and Benefits of Each Option (Incl Admin Burden)**

If NI does not close the NIRO to onshore wind projects in line with GB policy it is assumed that DECC would act to restrict the non-eligible NIROCs from being redeemed by GB suppliers. Ineligible projects could not sell their NIROCs to GB suppliers. This would mean the only market for these restricted NIROCs would be the NI market. This could lead to a reduction in the value of these ROCs. The increase in risk to generators of an unguaranteed ROC price may deter investment. In the cost and benefit analysis options have been assessed under the base case scenario that the price for all NIROCs remains at the current level. (i.e. £40)

Subsequent sensitivity analysis shows the impacts of the costs and benefits of the options with reduced NIROC values for the generation outside the GB closure parameters at £30, £20 and £10.

The analysis also assumes that suppliers in Northern Ireland would be obliged to pay for any additional MW of NIRO wind which is generated outside the GB closure parameters i.e. 'untradeable' NIROCs must be purchased by NI suppliers.

The figures quoted in these options are NPV figures based on 20 years of expenditure.

### Option 1. Close NIRO to Onshore Wind Projects in Line with GB Policy

This option retains socialisation of costs for projects that meet the criteria and will involve neither additional costs to consumer bills nor, in all likelihood<sup>2</sup>, any detriment to NI generators as DECC's measures to restrict the sale of NIROCs may not be implemented. This will secure the majority of the pipeline of around 600MW of renewable projects. No further costs associated with additional projects which do not meet the March 2016 deadline will be incurred and no environmental or job related benefits will be realised.

### Option 2. Close NIRO to Large Scale Wind Projects and Consult Further for Small Scale

This would retain the socialisation of costs for projects (including all large scale) that meet the criteria. However, DECC may act to restrict the non-eligible NIROCs from being redeemed by GB suppliers. Ineligible small scale projects could not sell their NIROCs to GB suppliers. This would mean the only market for these restricted NIROCs would be the NI market. This could lead to a reduction in the value of these ROCs. There is also the potential that adopting a different approach could incur additional administration costs from OFGEM who are unlikely to agree to maintain their system solely for small scale wind projects in Northern Ireland.

However, the effects of this option are very difficult to forecast. On a "best case scenario", it may be possible to conduct further small scale consultation prior to the introduction of any measures to limit the sale of NIROCs to GB suppliers. If so, there would be no impact as described above. As there is currently an NIE/SONI moratorium on new grid connections due to grid saturation and the extent of the existing pipeline of eligible projects there is only a small possibility of additional projects accrediting in the immediate months beyond 31 March 2016. If closure was confirmed on this basis there may be no need for DECC to introduce its backstop powers. In this case there may be no further costs associated with this option as is the case with Option 1.

Taking a "worst case scenario" under this option it is assumed that the NIRO would remain open to small scale until closure in 2020<sup>3</sup>. It is estimated that some 30MW of small scale renewables will be eligible for NIROCs between 31 March 2016 and 31 March 2017. Between 31 March 2017 and the closure of the NIRO scheme in 2020 additional small scale wind may be eligible. In this scenario we have assumed that in 2018 and 2019 the accreditation of small scale wind generating stations grows by 10% above 2016/17 levels. Costs associated with this option include the support levels under the supplier obligation of £147.1m while benefits in terms of reduced CO<sub>2</sub> EUETS payments and job creation are estimated at £41.2m, leaving a net cost to NI of £105.9m

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<sup>2</sup> DECC will take enabling powers in the Energy Bill to allow them to make regulations which would restrict the NIROCs. The very act of the provisions being included in the Energy Bill might make it more difficult for NI projects to achieve closure with their investors. However, if NI "fell into line" DECC may not need to make the subsequent regulations.

<sup>3</sup> There is no closure date within the NIRO and, in theory, it would continue indefinitely. However, the scheme would need to be re-notified to the EU in 2020 and it is considered that a non-competitive scheme like the NIRO would not be approved.

### Option 3. Adopt a Different Approach for Small Scale Wind Projects

Like Option 2, this option would retain the socialisation of costs for projects (including all large scale) that meet the criteria. However, DECC would act to restrict the non-eligible NIROCs from being redeemed by GB suppliers. Ineligible small scale projects could not sell their NIROCs to GB suppliers. This would mean the only market for these restricted NIROCs would be the NI market. This could lead to a reduction in the value of these ROCs. There is also the potential that adopting a different approach could incur additional administration costs from OFGEM who are unlikely to agree to maintain their system solely for small scale wind projects in Northern Ireland.

Under this option the NIRO would close to small scale generators at 31 March 2017. Costs associated with this option include the support levels under the supplier obligation of £123.8m while benefits in terms of reduced CO<sub>2</sub> EUETS payments and job creation are estimated at £34.5m, leaving a net cost to NI of £89.3m.

### Option 4. Close the NIRO to all Scales of Onshore Wind Projects from 2017

DECC would act to restrict NIROCs which did not meet the criteria of the 30 September consultation from being redeemed by GB suppliers. NIE's advice is that this would not lead to a significant increase in the amount of renewables that could be connected. Under this scenario it is estimated that 18MW of additional large scale onshore wind would come forward above the large scale generation supported in option 1 and 2. In total 48MW (18MW large scale and 30MW small scale) would come forward. The costs associated with supporting this 48 MW under the supplier obligation are estimated at £149.7m while the benefits in terms of reduced CO<sub>2</sub> EUETS payments and job creation are estimated at £61.2m, leaving a net cost to NI of £88.5m.

### Option 5. Do Nothing

Unlike the other options this would not provide certainty to any developer. Developers may be unable to reach closure with their investors (in the absence of the guarantees provided by a defined grace period). Up to an estimated £900m of investment could be lost along with potentially 600MW of renewable electricity. Further actions would be taken by DECC and there is potential for increased administration costs from OFGEM to meet the possibility of NI being the only region of the UK to maintain a renewables obligation.

Under this option the 48MW of option 4 is likely to come forward. An additional unknown extra level of MW from both large and small generators until the closure of the NIRO scheme in 2020 may also register for NIROCs. In order to estimate this unknown quantity it is assumed that an additional 10% of generation above the 2016/17 levels comes forward in 2018 and 2019. The costs associated with supporting this 48 MW and the extra MW in 2018 and 2019 under the supplier obligation are estimated at £177.9m while the benefits in terms of reduced CO<sub>2</sub> EUETS payments and job creation are estimated at £73.2m, leaving a net cost to NI of £104.7m.

### Analysis on ROC price

The following table shows the NPV of each option assuming the ROC price of those NI generators which qualify outside the GB parameters falls. In this analysis it is assumed that the level of generation which comes forward is unchanged even if the ROC price falls. However this is highly unlikely, indeed investment may fall to zero given the riskiness of price uncertainty. Option 1 is the only option which clearly removes this uncertainty though Option 2 may also be able to deliver this.

		ROC price (£ per MWh)			
		10	20	30	40
NPV	Option 2	Zero to £4.4m	Zero to -£32.4m	Zero to -£69.2m	Zero to -£105.9m
	Option 3	£3.5m	-£27.4m	-£58.4m	-£89.3m
	Option 4	£23.8m	-£13.7m	-£51.1m	-£88.5m
	option 5	£28.7m	-£15.8m	-£60.3m	-£104.7m

If the ROC price of 'untradeable' NIROCs falls below the current level of £40 per MWh the subsequent supplier obligation costs fall and the impact of the options lessens. At a ROC price between £10 and £20 per MWh the benefits of extra NI MW outweigh the costs. However at these prices investment is unlikely to be tenable.

Under option 2 DECC may decide not to act to restrict the non-eligible NIROCs from being redeemed by GB suppliers. In this case the additional renewable MW supported would be socialised and the overall cost to Northern Ireland could be zero.

### **Rationale to Justify the Level of Analysis in the RIA (Proportionality Approach)**

The impact of closing the NIRO in 2016 to all onshore wind projects in line with GB policy (Option 1) is difficult to assess in monetary terms.

The level of ROCs in NI is considerably lower than the obligation on suppliers in GB and therefore any impact on bills is lower in NI. The price of ROCs is determined by a calculation set out in the Renewables Order. The formula used to set the price takes into account the level of Renewables generated across the UK.

### **Risks and Assumptions**

#### Option 1. Close NIRO to Onshore Wind Projects in Line with GB Policy

There is a risk of losing 18 MW of large scale wind and 30MW of small scale wind which could have connected if the NIRO had shut as originally proposed in April 2017. There is a risk of legal challenge. The current NIE/SONI moratorium on grid connection due to grid saturation and the large existing pipeline may prevent connection anyway.

#### Option 2. Close NIRO to Large Scale Wind Projects and Consult Further for Small Scale

There is an extreme difference of the outcome of economic analysis depending upon the response to further small scale consultation.

#### Option 3. Adopt a Different Approach for Small Scale Wind Projects

There is a risk that even though small scale projects could continue to accredit until 31 March 2017, they cannot get connected due to grid saturation, and the NIE/SONI joint statement to defer making grid connection offers until May 2016.

There may be an increased risk of legal challenge from the large scale sector on grounds of fairness.

There would be a risk of 'contamination' of eligible projects as DECC would act to stop ineligible NIROCs being sold in GB. This would arise either from investors losing confidence in NI projects or GB suppliers avoiding all NIROCs. It could affect non-wind projects.



#### Option 4. Close the NIRO to all Scales of Onshore Wind Projects from 2017

DECC will implement backstop powers which would restrict NIROCs from projects that do not meet the eligibility criteria.

There is a risk that DECC may go further than restricting ineligible NIROCs in this scenario. The risk of non redeemable NIROCs could be increased.

#### Option 5. Do Nothing

The above risks would be likely to materialise but, in addition, this scenario could result in the loss of £900m investment and 600MW of renewable generation.

### **Direct Costs and Benefits to Business**

Businesses (industrial and commercial customers) make up around 60% of the total Northern Ireland electricity bill with domestic customers making up the remaining 40%. In order to assess the direct costs and benefits which apply only to business, the figures in the CBA have been adjusted down to 60% of the overall values.

### **Wider Impacts**

The wider impacts of this policy are that the amount of renewable electricity generation will continue to increase to around 30% by 2020. Increasing the proportion of electricity generated from renewable sources reduces the amount of fossil fuels used in the power sector. Wider benefits include reduced CO<sub>2</sub> emissions together with increases in employment.

### **Competition Assessment**

The NIRO is not competitive. All renewable support schemes will have to meet the 2014 EU Environmental and Energy State Aid Guidelines which promote the introduction of competitive bidding processes for renewable technologies to increase cost effectiveness and limit distortions of competition. The scheme would need to be re-notified to the EU in 2020. There are no UK plans to renotify any UK RO scheme.

### **Environmental Impact and Sustainable Development**

The NIRO is aimed at increasing the deployment of renewable electricity generation in order to move Northern Ireland away from fossil fuel dependency. It supports mitigation of climate change and more sustainable and secure energy. Individual projects supported under the NIRO that are deemed to have the potential to cause significant adverse impacts are required to undertake an Environmental Impact Assessment (Directive 85/337/EEC) as part of the planning process.

### **Rural Proofing**

A rural proofing exercise has been carried out and the policy of the closure of the NIRO has been screened out.

### **Enforcement and Sanctions**

The NIRO is administered and enforced by Ofgem on behalf of NIAUR. Ofgem reports annually on their administration of the NIRO and conducts regular audits in relation to compliance with the NIRO.

## **Conclusion**

The Minister's aim is to close the NIRO in a way that obtains the most MWs for the least cost whilst providing certainty for renewable investors and ensuring the tradability and value of eligible NIROCs. On this basis Option 1 provides certainty for the entire onshore wind industry and its investors. It is the preferred option on economic grounds. The number of existing projects to be connected, the saturation of the grid and the effect of the DECC provisions may mean that any extension of closure will result in little or no additional renewable generation. On balance the risk to the integrity of the NIROC market is not worth taking for the marginal gain in MWs. However, Option 1 does not give small scale developers the opportunity to respond to changed circumstances since the closure consultation of autumn 2015. Option 2 may achieve the same outcome as Option 1 in terms of avoiding the activation of DECC's "backstop" powers, albeit, at higher risk. By providing for further consultation on small scale closure Option 2 enables consultees to take account of any changes in circumstances since the closure consultation of autumn 2015. For this reason it has been selected.

## **Monitoring and Review**

DETI is responsible for monitoring the level of renewable energy in Northern Ireland.