

Support Scheme Consultation

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RE: Design considerations for a Renewable Electricity Support Scheme for Northern Ireland

Dear Team,

FSB welcomes the opportunity to respond to this consultation. 99% of businesses in Northern Ireland are SMEs, of which 90% are micro and 8% small businesses. SMEs collectively employ more people than the public and large business sectors combined - they are the backbone of our economy.

It is therefore essential that the design of a bespoke Renewable Electricity Support Scheme (RESS) for NI fully considers and *works* for SMEs, as part of the wider drive to a sustainable NI. FSB also welcomes the Department for the Economy (DfE) Energy Strategy – [to which we responded in 2020](#) – and subsequent action plans. The Department has outlined three key objectives to be met by 2030 in respect of energy and Net Zero:

- 1) Delivering 25% energy savings from buildings and industry
- 2) Ensuring 80% of NI electricity consumption comes from renewables
- 3) Reaching £2 billion turnover for Northern Ireland's Green Economy.

The former Economy Minister was clear in the [Path to Net Zero Energy Strategy](#) that a collaborative approach will be necessary to achieve such ambitious targets set within – *“we need every person and business to play their role”*.

However, NI faces a uniquely challenging road to Net Zero – underlined by the fact it was the last region of the UK to introduce climate action legislation in 2022. A recent report by the Climate Change Committee (CCC) refers to *the “extremely stretching legal target”* set by this legislation, observing that *“the Committee has not seen evidence of policy ambition at this scale in Northern Ireland. That must change.”*¹

The absence of a functioning NI Assembly has further compounded the difficulty in achieving progress targets. We must achieve carbon reductions in a fixed timeframe – a timeframe which only shrinks, the further we delay. But FSB members see the opportunity for government and businesses to be imaginative and ambitious in their pursuit of sustainability. From a small business perspective, the primary considerations around energy are:

- Price competitiveness
- Security of supply
- Understanding usage and digitisation
- Connection prices and resale
- Sustainability

¹ CCC Advice report: The path to a Net Zero Northern Ireland

<https://www.theccc.org.uk/publication/advice-report-the-path-to-a-net-zero-northern-ireland/>

- Opportunity to form part of the solution.

In the context primary considerations, FSB wishes to ensure any RESS:

- 1) Takes account of Northern Ireland's unique status as a small economy primarily composed of micro, and small businesses
- 2) Maximises the use of globally best available evidence, data and technology to encourage innovation in deploying the best solutions for Northern Ireland.

FSB Concerns

As outlined above, FSB welcomes any move to encourage the transition to sustainable energy and a Green Economy - outlined in our [2022 Assembly Election Manifesto](#). However, there is a concern that the design of the consultation is biasing too heavily in favour of supporting large-scale generation, without taking sufficient account of other important factors in favour of incentivising a more diverse mix. Some of these factors are included in the DfE [consultation document](#) and the accompanying [Cornwall Insight report](#). For example, the consultation document states:

"...since most technologies can be run more efficiently at large scale, it is likely that to meet the 80% by 2030 target defined in the Climate Change Act (Northern Ireland) 2022, large scale generation will need to be favoured in order for a renewable electricity support scheme to be cost-effective for the consumer."

However, the consultation document goes on to acknowledge that:

"...small and microgeneration has played a crucial role" in previous schemes such as the Northern Ireland Renewables Obligation (NIRO), which helped the successful drive toward the previous 40% renewable electricity target in NI.

The report by *Cornwall Insight* further notes that *"the NI market potentially has more small-scale assets"* than comparable markets in which support schemes for small/microgeneration have been trialled, such as GB, RoI, Germany, Italy, and others. To this end, the report continues:

"The NI market is well positioned to facilitate microgeneration so it is expected that more benefit can be achieved by encouraging these assets and there is more viability in engaging these assets in the subsidy scheme."

On closer inspection of the consultation document, it shows the Department has outlined considerations on key findings that appear to be inaccurate. Section 5.6 of the consultation document questions whether:

"...incentivisation for the mass deployment of small-scale/microgeneration assets is necessary and if such deployment would be capable of making substantial contributions to the 80% renewable electricity target by 2030."

The same section continues:

"Evidence from the Cornwall Insight study reveals that considerable solar PV deployment occurred in GB between 2012 and 2016, when the RO scheme was in place. After this date, deployments of solar PV assets below 5MW were minimal, and in 2021 small-scale assets contributed to only ~40% of total solar PV capacity deployed."

The information to which the above section refers can be found on page 114 of the Cornwall Insight report:

"However, evidence from the market indicates that microgenerators still require some support. Analysis for the GB government shows that the level of solar deployed at microgeneration capacities has been low since the removal of the RO in NI. This is shown in the graph. Considerable deployment took place between 2012 and 2016 with the RO scheme being in place. Large increases in larger scale (5MW plus) assets is seen after this date, but deployment of assets under 5MW was minimal"

The consultation document appears to suggest that deployments of small-scale solar PV were minimal in GB, but Cornwall Insight states that this was in NI (not GB), and that deployments dropped off after the referenced government support ended in Northern Ireland.

Furthermore, it could be argued that small-scale assets demonstrably did make a significant contribution to total solar PV output in Northern Ireland (~40%), until the termination of the RO incentive. Whilst FSB acknowledges that this will no doubt have been an unintentional error, the Department's statement – and resulting perspective – departs considerably from the evidence provided by Cornwall Insight.

Furthermore, the Department states in section 5.5 that:

"In GB, since the removal of the FiT scheme, new solar, onshore wind and remote island wind sites under the 5MW capacity currently receive no support."

However, readers may also be misled by this statement. On top of the FiT scheme, which was in place for nine years, there is now support for microgenerators in GB via the Smart Export Guarantee Scheme (SEGS) - as outlined in the section below.

Why does Northern Ireland need smaller-scale renewable generation?

In light of the above, FSB is concerned that the consultation indicates a bias toward replication of the CfD scheme deployed in GB since 2014 – but without the additional support with which microgenerators could benefit. The GB RESS scheme is limited to supporting large-scale production and has a minimum capacity requirement of 5MW for prospective projects to be eligible. To put this type of scale into perspective, available evidence indicates:

- 5MW solar PV farms in GB generally consist of approximately 20,000 solar panels²
- A solar PV farm of this scale will usually require approximately 25 acres of land³
- A wind turbine at 1MW capacity would cost approximately £1.03 million, with an annual maintenance cost of £45k
- A wind turbine with 3.5MW capacity would cost approximately £3.13 million, with an annual maintenance cost of £174k

² E.g., **Bidwell 5MW Solar Farm**

<https://wessexsolarenergy.co.uk/our-solar-farms/bidwell>

³ **Solar farms: A factsheet by the Solar Trade Association**

https://consultations.rochdale.gov.uk/research/solarfarm/supporting_documents/STA%20solar%20farm%20factsheet%20NEW.pdf

- Typically, the wind turbine itself will account for 69% of total project cost⁴.

A key concern around choosing only larger scale assets is that they require a longer lead time due to their greater environmental impact, compared to smaller deployments. As a result, they can attract more scrutiny and challenge, slowing the process. This presents potential negative impacts on the achievement of Net Zero requirements, in that we must imminently transition to renewables. Smaller-scale assets embedded in local communities, invested in by small businesses, and rolled out more quickly can, and arguably should, form part of this transition.

Furthermore, renewable energy systems which are too heavily dependent on large, centralised generator sites are potentially less resilient. A 2020 report commissioned by the European Parliament found that small, distributed renewable energy deployments “*could improve resource efficiency, increase energy system resilience, and give individuals and communities a stronger role in decarbonisation.*”⁵ FSB members can provide evidence that supports the assertion of the European Parliament report.

This factor is crucial - whilst it appears true that larger deployments of renewable assets represent a lower Levelised Cost of Energy (LCOE) by way of return on taxpayer investment - energy systems containing distributed, localised, smaller-scale electricity production also appear to be more reliable and efficient.⁶ Renewables investment policy in the rest of the UK and throughout Europe reflects this point and is outlined in further detail below.

Another key consideration in terms of the benefits of small-scale support is the ability to aggregate geographically distributed, small-scale producers into ‘virtual assets’. Using Smart Local Energy Systems (SLES) to share data and control operations, collectives of small/microgenerators can ‘pool’ their outputs to benefit from economies of scale, but with the advantage of spreading the benefits down to individual businesses and communities. Any support given to small-scale assets should encourage their ability to operate in an aggregated manner. NI is home to businesses with experience of working with SLES, and once more, FSB can facilitate access to knowledge, output and potential expansion of this work.

As such, FSB suggests that there are regionally specific and broader technical factors that underscore the need to ensure support distributed, smaller-scale renewable electricity in Northern Ireland. With these considerations in mind, FSB will make the case for designing scheme(s) which support a mix of large and smaller-scale renewable generation.

An approach which disproportionately concentrates on large-scale deployments may also miss out on opportunity to build Northern Ireland’s local Green Economy - a key aim of the overall Path to Net Zero Energy Action Plan.

How Northern Ireland’s neighbours are supporting distributed small and microgeneration

The above sections outline considerations from an FSB perspective. This section outlines what other regions are doing in line with FSB suggestions.

SMEs in Northern Ireland hoping to invest in renewables must currently do so in a market which is, and has historically been, uniquely lacking in government support or incentives. In GB, renewable energy projects with

⁴ **Renewables First: How much does a wind turbine cost?**

<https://www.renewablesfirst.co.uk/windpower/windpower-learning-centre/how-much-does-a-wind-turbine-cost/>

⁵ [Quoted in RenewableNI, ‘Empowering you’] **Will distributed energy resources (DERs) change how we get our energy?**

[https://www.europarl.europa.eu/RegData/etudes/ATAG/2020/651944/EPRS_ATA\(2020\)651944_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2020/651944/EPRS_ATA(2020)651944_EN.pdf)

⁶ **RenewableNI, Empowering you: The future of distributed renewable generation in Northern Ireland**, p. 17

<https://renewableni.com/wp-content/uploads/2021/10/Empowering-You-distributed-wind-in-NI.pdf>

capacities under 5MW received Feed-in Tariff (FiT) support from 2010 until 2019. This provided a positive incentive for small and medium-sized renewable investment by ensuring that participating renewable producers received an above-market price for electricity supplied to the grid. FiT does not appear to be in scope for the proposed NI RESS.

When the FiT scheme came to an end, the UK government explicitly stated that it was “committed to driving forward the policies needed to improve the resilience and flexibility of our energy system through decentralised energy.”⁷

In keeping with this commitment, the UK Government replaced FiT with the Smart Export Guarantee (SEG) - replacing the tariff system with a requirement for energy companies to pay licensed small-scale generators for electricity exported back to the National Grid. NI generators and consumers have not been able to avail this support for nearly a decade.

Beyond GB, several European countries are also currently operating schemes to support smaller-scale renewable generation:

- **Germany** allows cooperatives of wind microgenerators under 18MW to apply to its auction-based subsidy scheme, with preferential rules that apply.
- **Italy** provided FiT and tax credits for smaller deployments under 1MW or under 200kW for wind, without auction from 2008-2019. It now runs a separate auction for smaller deployments.
- **France** recently launched a €5.7 billion scheme to provide FiT support for the installation of solar PV units under 500kW capacity on buildings.

Northern Ireland’s lack of comparable support in this regard is perhaps most striking in an all-island context. The Republic of Ireland (RoI) launched its own RESS in 2020, with two auction rounds in 2020 and 2022. This scheme employs a CfD mechanism similar to that used in GB, but requires a minimum offer quantity for prospective renewable projects of 0.5MW. This means that smaller, locally distributed renewable deployments are more likely to benefit from the scheme.

RoI is the most comparable market to NI in terms of scale and geography. It has two relevant schemes to support smaller domestic and commercial renewable energy investment - the Microgeneration Support Scheme (MSS), and the forthcoming Small-Scale Generation (SSG) scheme. The former provides direct payments for solar PV assets under 6kW, while the latter will provide Feed-in Premium (FiP) support for solar assets between 6.1kW and 50kW in capacity. In outlining the reason for SSG, the relevant RoI government department notes:

“We are now developing a support scheme for Small-Scale Generation (SSG) which will fill the gap in tariff-based supports between these two schemes [CfD and MSS], and which aims to provide an easier route to market for community projects while also enabling farmers, businesses and others to maximise their participation in the energy transition.”⁸

⁷ [Quoted in RenewableNI, ‘Empowering you’] BEIS, **The future for small-scale low-carbon generation** https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/807393/smart-export-guarantee-government-response.pdf

⁸ **Consultation on a Small-Scale Generation Support Scheme (SSG) in Ireland:** <https://www.gov.ie/en/consultation/353f2-consultation-on-a-small-scale-generation-support-scheme-ssg-in-ireland/>

FiP works in a similar way to the FiT support described in GB, but includes a premium paid on electricity fed back to the grid on top of the market rate – instead of a standard guaranteed payment. Beyond this, additional other incentives and support initiatives for microgeneration operate in RoI include:

- An ESB Networks pilot scheme to institute a simplified process to enable microgenerators to connect to the electricity distribution network
- The Sustainable Energy Authority of Ireland (SEAI) Community Energy Grant Scheme, which supports retrofitting for renewables including solar assets
- Tax incentives for the development of renewable technologies, such as the Accelerated Capital Allowances Scheme and the Employment and Investment Initiative.

The RESS, MSS, and Small-Scale Generation Scheme (pending) have all been successfully designed and rolled out in the Republic of Ireland since 2020. This underlines what can be achieved with sufficient ambition and determination. Whilst FSB notes the Covid related [energy efficiency schemes](#) for businesses in NI, these were extremely limited and are now discontinued.

In addition to other countries, the corresponding Republic of Ireland energy support schemes appear to recognise the importance of encouraging green investment at all levels. Although large scale renewable energy production may be the priority for DfE in Northern Ireland, there appears to be evidence that smaller scale generation cannot be neglected.

Conclusion and recommendations

Whilst FSB welcomes the introduction of a Renewable Electricity Support Scheme for Northern Ireland, it is deeply concerned that proposals do not go far enough to help small businesses develop small-scale generation, or to bring NI into line with other regions.

Furthermore, although there is reference to the matter of microgeneration in the consultation - DfE action plans do not indicate that this is a priority, if left unfulfilled within RESS. This will increase the risk that principle 3 of the consultation – *“encourage a wide range of renewable sources to diversify the technology mix to support security of supply”* – will not be applied in practice.

To this end, FSB urges DfE to build on the identified models of success in creating a resilient, distributed energy network for Northern Ireland - ensuring a Green Economy that is fair, competitive, and at least proportionate when compared to our neighbours. FSB proposes that an NI RESS should include provisions to encourage investment in smaller-scale renewables - *or* future schemes must be undertaken to achieve the same aim, with urgency. Our recommendations at this time are as follows:

1. **Match the minimum capacity requirement for CfD set by the RoI RESS of 0.5MW** to ensure a level playing-field across the island and make the scheme as accessible as possible to small businesses and innovative energy start-ups. This will help Northern Ireland to build a diverse, distributed, and resilient renewable energy system.
2. **Include plans and undertakings for bespoke mini/microgeneration scheme(s)**, as is the case in GB, RoI, and other comparable markets. If the Department does not ensure microgeneration is catered for in RESS,

per the 2022/23 energy strategy action plans, there appears to be no relevant support for small businesses in the pipeline. The Department should deploy measures such as FiT, FiP and SEGS to incentivise investment in renewable energy technology by SMEs.

3. **Ensure businesses have simple, efficient and cost-effective connection to the distribution network when investing in renewable technology.** FSB members note that the current system is prohibitively expensive and difficult to understand. This is a simple way to help incentivise green investment and bring Northern Ireland into line with GB / RoI.
4. **In line with Principle 3, explore and include opportunities presented by energy storage or sharing via battery and Smart Local Energy System (SLES) technologies.** Consider the viability of supporting renewable energy pooling by collectives of SMEs or microgenerators to enable them to benefit from economies of scale. Such an approach may help to address concerns on viability of public subsidy for smaller scale production – if such concerns exist. The provision of data from such schemes to policy makers, network operators and regulators should also be prioritised as this will form the foundation of evidence-led policy development.
5. **Urgently evaluate the scope for local ‘taxation’ incentives on the deployment of renewable energy technologies.** If businesses have invested in the generation, storage and use of renewables that are capable of supporting the grid in terms of data and/or services – they are creating a public good by achieving actual reductions in carbon earlier in the target period. Those benefits accrue over a longer period and reduce the burden being deferred, as we await larger schemes moving through their respective processes. By offering reductions in local taxes e.g., business rates or equivalent, then we can help to nudge businesses to adopt earlier. This will make more of a direct impact upon the local environment sooner and develop the Green Economy with it.
6. **Urgently establish an *Energy Stakeholder Group*** with representatives from renewables industry, local business, government, and others – to ensure effective governance, clearer and more up-to-date communication, and that policy decisions are taken with the benefit of continuous feedback and expertise from relevant stakeholders.

We hope you have found this response useful. FSB members look forward to working with you in partnership going forward, and wish you well with the process for now.

Yours faithfully,

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