



MEDIA RELEASE

Generating electricity from renewable energy

A green scheme to incentivise the development of electricity generated from renewable energy sources has succeeded in helping Northern Ireland exceed its targets, but the financial return for some investors may have been more generous than it needed to be. That is among the main findings of a new report, published today (Tuesday 13 October 2020) by the Comptroller and Auditor General, Mr Kieran Donnelly CB.

The Northern Ireland Renewable Obligation scheme (NIRO) is a market based mechanism where renewable generators are issued with Northern Ireland Renewable Obligation Certificates (ROCs) for each unit of electricity generated. The scheme is not funded by taxation. Instead renewable generators sell the certificates to electricity suppliers throughout the UK, who use them to demonstrate compliance with their obligation to source a given proportion of the electricity they supply from renewable sources.

Today's report forecasts the total maximum cost to all UK suppliers of purchasing ROCs generated in Northern Ireland to help meet their renewables obligations between its inception in 2005 to when it finally ends in 2037 to be £5 billion. This includes £1.25 billion as the forecasted cost to all NI suppliers to meet their renewables obligation. Ultimately the cost of all ROCs, irrespective of origin, is passed on by electricity suppliers to consumers as part of their electricity bills.

Approximately 85 per cent of all electricity produced from renewable sources in Northern Ireland comes from on-shore wind and is produced by 1,282 wind generating stations. Of these, 1,209 (94 per cent) are small-scale standalone turbines. This is three times the number of small-scale standalone turbines per square kilometre than in Great Britain. The report identifies a higher level of financial support from the NIRO for these type of turbines from 2014 until closure on 30 June 2016 than in Great Britain, and that the potential rate of return could be in excess of 20 per cent, with a payback period (on the original investment) of less than four years.

Mr Donnelly's report also examines Anaerobic Digester (AD) plants, which break down organic matter to produce biogas. This biogas can then be used to generate electricity by a NIRO accredited generating station. As with wind energy, the report finds that in Northern Ireland the vast majority of generating stations using biogas from AD plants (91 out of 110) were small-scale and designed with the potential of achieving the maximum level of income from the NIRO. In addition, the report concludes that the modelling used by the former Department for Enterprise, Trade and Investment to set the level of support for generating stations using biogas could be providing higher levels of financial support than necessary to investors in this technology.

The report also highlights a lack of joined-up thinking between departments and agencies, which resulted in environmental and planning risks not being identified and managed. There is no requirement in the NIRO legislation for investors and operators of these types of renewable technology to comply with planning and environmental regulations. A significant number of wind turbines and AD plants that either did not have planning permission, or had not complied with planning restrictions, were identified. In addition, out of 68 AD plants that process significant amounts of agricultural waste, 30 were found to not have the appropriate licence to do so. In all of these cases ROCs continued to be issued because there was nothing in the legislation to prevent this from happening.

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While Mr Donnelly's report identifies a number of risks and concerns, it acknowledges that the scheme was fundamental in enabling Northern Ireland to exceed its target of 40 per cent electricity consumption from renewable sources by 2020.

Commenting on the report's findings, Mr Donnelly said:

"This report does not criticise the use of renewable sources as a means of electricity generation as this undoubtedly produces significant benefits for the environment and society as a whole.

"However, I have found a number of strategic shortcomings in the design of the NIRO. This report has been published at a time of significantly reduced public confidence in renewable energy schemes. It is crucial that the recommendations I have made here are followed up, and that lessons are learned to ensure future schemes are more robust and efficient."

Other key findings from the report included:

- The NIRO legislation permits accredited renewable generating stations, which are not connected to the grid, or do not export electricity to the grid, to still earn ROCs for electricity generated. The report finds that the NIRO legislation was vague and non-specific in relation to permitted uses of electricity not exported to the grid. It recommends that any future renewables legislation should only provide financial support for generating off grid renewable electricity where it was clearly being used to replace electricity that would otherwise come from fossil fuel sources.
- The NIAO identified a large number of wind and AD based generating stations that had not been identified for a rates assessment. As a result of this an additional £2 million of annual rates has been recovered by Land and Property Services.
- The report does not identify any 'phantom AD plants' i.e. where ROCs were being issued to AD based generating stations which did not in fact exist. However, an investigation by Ofgem identified a potential issue of 'gaming', where two small generating stations had been set up in close proximity and as such were able to claim a higher number of ROCs. Ofgem concluded that both of these stations should have been accredited as a single station and were reclassified accordingly.

ENDS

Notes for Editors

1. The Comptroller and Auditor General is Head of the Northern Ireland Audit Office (the Audit Office). He and the NIAO are totally independent of Government. He certifies the accounts of Government Departments and a range of other public sector bodies. He has statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and public bodies use their resources. His reports are published as Assembly papers.
2. This report is available on the Audit Office website at www.niauditoffice.gov.uk. The report is embargoed until 00.01 hrs on 13 October 2020.
3. The examination focussed on wind and anaerobic digester based technologies, which together produce approximately 91 per cent of Northern Ireland's electricity generated from renewable sources.
4. Under the NIRO scheme accredited generators are issued ROCs for every megawatt hour of electricity they produce generally for a 20 year period, from the date of accreditation. These ROCs are then sold to electricity suppliers to meet a renewables obligation set annually by Government to generate a proportion of their electricity from renewable sources. ROCs issued in NI are tradable along with ROCs issued in England, Scotland and Wales in a UK-wide market for ROCs.

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5. While around 94 per cent of on-shore wind generating stations are small-scale, standalone turbines, they only generate about 13 per cent of all wind generated electricity. The other 81 per cent is generated by 'wind farms' which are accredited as single generating stations but have multiple turbines.
6. The report accepts that it is not possible to accurately predict the final consumer cost of the scheme in the future. The figure of £5 billion quoted, therefore, represents the NIAO's best estimate of the maximum total cost to UK electricity suppliers of purchasing NIROCs from 2005 to 2037 to meet their respective renewables obligations in NI and in GB. The calculation is based on the assumption that NI suppliers will meet their obligation solely by presenting NIROCs purchased at a net cost equal to the UK-wide buy-out fee and that GB suppliers purchase the surplus.
7. The Northern Ireland Renewables Obligation scheme was established on 1 April 2005, and closed to all technologies on 31 March 2017, with exceptions for projects that met the criteria for grace periods. Once generators became accredited to the scheme, they were entitled to claim Renewable Obligation Certificates for 20 years.
8. Background briefing can be obtained from the Audit Office by contacting Tomas Wilkinson (028 9025 1073) or Brian O'Neill (028 9025 4323).