NIRIG
NORTHERN IRELAND
RENEWABLES INDUSTRY GROUP
The voice of renewables in Northern Ireland

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NIRIG response to NIE consultation on Proposed Changes To Methodology For Calculating Distribution Loss Adjustment Factors (DLAFs)

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The Northern Ireland Renewables Industry Group (NIRIG) represents the views of the renewable electricity industry in Northern Ireland, providing a conduit for knowledge exchange, policy development, support and consensus on best practice between all stakeholders. Committed to making a positive difference, we promote responsible development, support good community engagement and deliver low-cost electricity generation from sources such as onshore wind, tidal, solar and storage using our greatest natural resources**.**

NIRIG welcomes the opportunity to respond to NIE's consultation. We have queries regarding the methodology and level of detail included in the consultation. We have also suggested alternatives to the proposals contained within the consultation.

Queries

1. A) Can more detail be provided on how it was determined that 11kV & LV Generation reduce losses on higher voltage networks and have minimal impact on their network of connection?
   B) Is this why generic DLAFs are being applied to these connections?
   C) Is this appropriate?
2. What is the rationale to continue to apply generic DLAFs to demand connections rather than site specific DLAFs?
3. It remains unclear what methodology will be applied by NIE when calculating DLAFs for generators. In the absence of this information, it is not possible to estimate potential DLAFs for existing and future generators.

Proposals

This proposed introduction of retrospective costs on generators is a further erosion in the confidence of project developers, investors and funders in the policy and regulatory stability

of Northern Ireland and risks the further development of renewable generators in Northern Ireland.

NIRIG acknowledges the rationale for increased granularity through a time-differentiated calculation to assess the losses on the distribution system and agrees that this cost as per other jurisdictions should not be borne entirely by the supplier. However, retrospectively applying the entire charge (at 33kV) on generators who have funding models that did not take into account the new proposed calculation methodology constitutes a retrospective change. Project investors and funders who have committed capital to projects in advance of this change will be negatively impacted, some potentially to the extent where they will have difficulty in meeting investor expectations and discharging debt obligations.

In the broader context it is unclear how the decarbonisation agenda will succeed if policy changes at a regulatory and government level can retrospectively add costs to renewables projects while removing financial support. We would like to engage in a comprehensive discussion with all stakeholders about the need for increased decarbonisation, inward investment in renewables and the policy levers that can be used to facilitate this.

In 2011 the Planning (Fees) (Amendment) Regulations (Northern Ireland) enabled a maximum planning fee of £250,000 for wind farm projects, a considerable increase from the previous maximum fee of £11,834. Recent planning statistics demonstrate that the average processing time for renewables projects rose from 64.8 weeks in 2016 to 88.9 weeks in 2018. Increasing fees while not delivering on targets impacts project costs twice over.

In 2014 the rates revaluation led to significant increases for renewables projects: in Omagh District Council values for single turbines rose by an average of 661% and large-scale wind farms in saw an average proposed increase of 465%. The ratings method of calculation meant that 'high capital, low fuel cost' electricity generation was disproportionately impacted: wind is particularly affected as finance is a key cost, which cannot be taken into account in the valuation calculation. We understand that a further rates revaluation will take place shortly.

In 2016 the support scheme for renewables projects in Northern Ireland closed and no alternative scheme was set up to replace it, leaving Northern Ireland as the only part of these islands without government support for renewables.

This proposal therefore contributes to a pattern of signals that renewable investments in Northern Ireland are at risk from a range of policy changes. The cumulative effect of these changes will impact business models and act to damage overall investor confidence. Given that, NIRIG suggests the following alternatives to NIE Networks' proposals:

I. Retain the current methodology for all generators

The financial viability of generator connections in Northern Ireland due to on-going issues such as increased rates, phasing out of NIROC's and absence of government is highly questionable at present. While we agree with the proposal we do not feel that this is the appropriate time to introduce it on a retrospective basis. We instead propose retaining the current calculation methodology with a view to reviewing again in 5 years.

II. Socialisation of DLAF charges

Calculating DLAF values such that the costs are socialised amongst all distribution system users will ensure a reduction in DLAF charges for demand customers while also ensuring the increase in DLAF charges for generators is not overly punitive. This could be allocated on a pro rata GWhr basis, with both generators and demand customers sharing the losses burden.

We would welcome responses to our queries above and a better understanding of the proposed methodologies. We would also encourage dialogue between all stakeholders regarding the potential impact of retrospective changes, the cumulative impact of such changes on business models and the role of policy-makers in enabling investor confidence to ensure continued investment in this sector.

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NIRIG