FINAL SCHEME DESIGN FOR THE RENEWABLE ELECTRICITY SUPPORT SCHEME
ULSTER FARMERS' UNION – POLICY BRIEF

Background:

- Northern Ireland is legally bound by the Climate Change Act to ensure 80% of electricity consumption comes from renewables by 2030.
- To achieve this, the Department for the Economy (DfE) has launched a new Renewable Electricity Price Guarantee (REPG).
- This is Northern Ireland (NI)'s version of Great Britain (GB)'s 'Contracts for Difference' and the Republic of Ireland (ROI)'s 'Renewable Electricity Support Scheme (RESS)'.
- The policy is designed to stimulate investment in large-scale renewables while protecting consumers from the volatility in prices in the electricity market.

How REPG Works:

- Auctions determine which projects will secure support. Developers will bid the price per MWh they are willing to accept. The cheapest bids win until the target volume is fulfilled.
- Winners sign a 15 year contract with the Low Carbon Contracts Company (LCCC) who act as the counterparty.
- Under the contract, if the wholesale electricity price is below the "strike price", LCCC will top up the difference. If the wholesale electricity price is above the "strike price" the generator will pay back the difference, thereby benefitting consumers.
- All developers are paid the same clearing price following the auction. Bid bonds (deposits) must be provided to prevent speculative applications.
- This is funded by a levy on electricity suppliers which will be passed to consumers through bills, but structured to smooth costs and prevent price spikes.

Policy Design (Auction 1)

- Eligible Technologies:
  - Onshore wind
  - Solar PV
  - Hybrids with battery storage
- Eligibility Criteria:
  - Minimum size is 5MW (which will exclude farm-level projects)
  - Must already have planning permission secured, a grid connection offer, and evidence of where the finance will come from.
  - Repowering of existing end-of-life sites is eligible.
- Contract Terms:
  - 15 year duration, CPI-indexed.
  - Negative price rule means that there will be no payments if the wholesale price falls below zero.
  - Curtailment/constraint compensation – if the project could generate power but the grid cannot take it, or the whole system has too much generation so generators are

    - told to cut output (system-wide balancing), the full strike price will continue to be paid.
    - Delivery required within 2 years (with 1 year grace period). Penalties apply for non-delivery.
    - All winners are paid the same clearing price
- Auction Volumes:
    - Auction 1: 750-1,250 GWh/year (contracts awarded in 2027)
    - Auction 2: Needed before 2030 to reach the 80% target (3,250 – 3,750 GWh/year)

Institutional Roles

- DfE – policy design, auction budgets, overall oversight.
- System Operator for Northern Ireland (SONI) – runs the auctions and checks eligibility.
- LCCC – counterparty, manages the contracts and payments.
- Utility Regulator (UR) – oversees the process and handles Tier 2 appeals.
- NIE Networks – provides metering data.
- Department of Justice (DoJ) – Final arbiter in disputes (Tier 3).

Implications for Farmers and Rural Communities

- Exclusion of farm-level small-scale projects
    - Most farm owned renewables are < 1 MW such as wind or solar rooftops, and are excluded from Auction 1.
    - Wind (0.25 – 1 MW), solar rooftops (0.05-0.25 MW), AD plants (0.25 – 2 MW)
    - DfE had considered lowering the 5 MWh minimum threshold to 1 MWh but decided against it for operational issues. Future auctions may have this threshold lowered.
    - Potential opportunity for future auctions to include sub-5 MW farmer-led generation included.
- Land leasing opportunities
    - Large developers seeking > 5 MW projects may partner with farmers for land.
    - Lease value can depend on auction strike prices.
- Community benefits
    - DfE are exploring options for discounted electricity bills for households near the projects, similar to ROI's RESS scheme.
    - Potential impact on rural communities if implemented.
- Grid constraints
    - The commitment to compensate for curtailment makes developer-farmer partnerships more viable.
    - High constraints risk undermining investment confidence.

Risks

- Exclusion of <5 MW projects (farmer-led generation sidelined)

- Grid reinforcement delays, as NIE Networks and SONI say that reinforcements will not be in place before 2027-2030. If reinforcements are not timely, curtailment compensation may be paid out more than renewable energy is being used.
- Potential rise in consumer bills could politicise the scheme.