

<b>Title:</b> <b>The Renewables Obligation (Amendment) Order (Northern Ireland) 2021</b>	<b>Regulatory Impact Assessment (RIA)</b>	
	<b>Date:</b> 18/03/2021	
	<b>Type of measure:</b> Subordinate Legislation	
<b>Lead department or agency:</b> <b>Department for the Economy</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> Trevor McBriar	
	Renewable Electricity Branch	
	Email: <a href="mailto:trevor.mcbriar@economy-ni.gov.uk">trevor.mcbriar@economy-ni.gov.uk</a>	

## Summary Intervention and Options

### What is the problem under consideration? Why is government intervention necessary? (7 lines maximum)

The Combined Heat and Power Quality Assurance (CHPQA) is a UK wide programme that has been in operation since 2001. In 2020 CHP operators expressed concern to BEIS that COVID-19 and the associated nationwide and regional restrictions has changed the demands of customers and that this has had an adverse impact on heat and power ratios. Concern is that some CHP schemes will be unable to reach the required benchmark to qualify as Good Quality CHP for 2020, and will therefore be unable to qualify for CHPQA certification in 2021. BEIS is implementing a minor legislative amendment to update the CHPQA Standard allowing operators to submit 2019 data. To maintain consistency of approach across the UK, a similar amendment to The Renewables Obligation Order (Northern Ireland) 2009 is required, to ensure that eligible operators in NI are not disadvantaged.

### What are the policy objectives and the intended effects? (7 lines maximum)

The objective of the amending legislation, which is temporary for 1 year, is to allow NI CHP businesses to submit 2019, pre-covid data, to qualify as good quality CHP and hence, potentially, qualify for annual benefits such as Climate Change Levy exemption.

### What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base) (10 lines maximum)

1. Do nothing.
2. Introduce temporary amendment to the Renewables Obligation (Northern Ireland) Order 2009

The CHPQA scheme is a UK wide voluntary programme providing a practical, determinate method for assessing all types and sizes of Combined Heat and Power (CHP) schemes. BEIS is introducing temporary legislation to amend the CHPQA Standard, lasting for 1 year, to allow CHP operators to submit 2019 data to potentially qualify for 'Good Quality' CHP through the CHPQA scheme. The NI legislation is to bring NI operators into line with GB legislation and allow NI operators the opportunity to submit their 2019 data.

**Will the policy be reviewed?** No

**If applicable, set review date:** Month/Year

### 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
N/A	N/A	N/A

<b>Does Implementation go beyond minimum EU requirements?</b>	<b>YES</b> <input type="checkbox"/>	<b>NO</b> <input checked="" type="checkbox"/>
<b>Is this measure likely to impact on trade and investment?</b>	<b>YES</b> <input type="checkbox"/>	<b>NO</b> <input checked="" type="checkbox"/>
<b>Are any of these organisations in scope?</b>	<b>Micro</b> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<b>Small</b> Yes <input type="checkbox"/> No <input checked="" 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.

Jane Deeds

Approved by:

Date: 16 Apr 21

**ECONOMIC ASSESSMENT (Option 2)**

<b>Costs (£m)</b>	<b>Total Transitional (Policy)</b> (constant price) Years		<b>Average Annual (recurring)</b> (excl. transitional) (constant price)	<b>Total Cost</b> (Present Value)
<b>Low</b>	<b>N/A Optional</b>		<b>N/A Optional</b>	<b>N/A Optional</b>
<b>High</b>	<b>N/A Optional</b>		<b>N/A Optional</b>	<b>N/A Optional</b>
<b>Best Estimate</b>				
<p><b>Description and scale of key monetised costs by 'main affected groups'</b> Maximum 5 lines            In 2019, 41 NI CHP sites submitted data to BEIS, passing the threshold necessary to be certified as good quality CHP and be eligible for relevant benefits, such as Climate Change Levy exemption. If these businesses have to use their disrupted 2020 data, potentially due to the impact of lockdown due to Covid-19 restrictions and the changing demand of their customers, they may not reach the required benchmark to qualify as good quality CHP for 2021 certification.            The Department does not have access to the necessary data to show the potential negative financial impact to these businesses.</p>				
<p><b>Other key non-monetised costs by 'main affected groups'</b> Maximum 5 lines</p>				
<b>Benefits (£m)</b>	<b>Total Transitional (Policy)</b> (constant price) Years		<b>Average Annual (recurring)</b> (excl. transitional) (constant price)	<b>Total Benefit</b> (Present Value)
<b>Low</b>	<b>N/A</b>		<b>N/A</b>	<b>N/A</b>
<b>High</b>	<b>N/A</b>		<b>N/A</b>	<b>N/A</b>
<b>Best Estimate</b>				
<p><b>Description and scale of key monetised benefits by 'main affected groups'</b> Maximum 5 lines            The scheme is administered by Ricardo Energy &amp; Environment on behalf of BEIS therefore the Department does not have access to value of benefits for NI CHP operators. However, in 2019 there were 41 sites based in NI that were accredited to the CHPQA programme and benefited from the scheme.</p>				
<p><b>Other key non-monetised benefits by 'main affected groups'</b> Maximum 5 lines</p>				
<p><b>Key Assumptions, Sensitivities, Risks</b> Maximum 5 lines            If Northern Ireland does not amend its legislation the Department could face legal challenges from operators who consider themselves at a disadvantage compared to GB organisations under the same scheme.</p>				

**BUSINESS ASSESSMENT (Option 2)**

<b>Direct Impact on business (Equivalent Annual) £m</b>		
---	--	--

<b>Costs: Unknown</b>	<b>Benefits: Unknown</b>	<b>Net: Unknown</b>		
-----------------------	--------------------------	---------------------	--	--

### **Cross Border Issues (Option 2)**

**How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland)** Maximum 3 lines

BEIS laid a Statutory Instrument (SI) in Westminster on 17 March which will come into force during May. This SI will introduce new, temporary legislation, lasting 1 year, allowing CHP operators to submit their 2019, pre-Covid 19 data, to qualify for good quality CHP, allowing GB operators to continue to qualify for annual benefits.

## **Background**

The Combined Heat and Power Quality Assurance (CHPQA) is a UK wide government initiative providing a practical, determinate method for assessing all types and sizes of Combined Heat and Power (CHP) schemes. CHPQA aims to monitor, assess and improve the quality of UK Combined Heat and Power. The programme is administered by Ricardo Energy & Environment on behalf of the Department for Business, Energy and Industrial Strategy (BEIS), in consultation with the Devolved Administrations. The programme, which is voluntary, has been in operation across the UK since 2001. In 2019, 41 CHP schemes in Northern Ireland were accredited to the CHPQA programme.

## **Problem Under Consideration**

CHP operators expressed concern to BEIS that COVID-19 and the associated nationwide and regional restrictions has changed the demands of customers and that this has had an adverse impact on heat and power ratios. The CHPQA programme operates on a calendar year basis and the concern is that some CHP schemes will be unable to reach the required benchmark to qualify as Good Quality CHP for 2020, and will therefore be unable to qualify for CHPQA certification in 2021.

## **Rationale for Intervention**

Implementation in GB will necessitate a minor legislative amendment to update the CHPQA Standard. To maintain consistency of approach across the UK, a similar amendment to The Renewables Obligation Order (Northern Ireland) 2009 is required, to ensure that eligible operators in Northern Ireland are not disadvantaged.

## **Policy Objective**

To bring NI legislation into line with GB legislation ensuring NI CHP operators are not disadvantaged.

## **Description of Options Considered**

### **Option 1 – Do Nothing**

Doing nothing would mean that Northern Ireland CHP operators could not submit 2019 data and potentially may not be eligible for good quality CHP accreditation. This could mean not being eligible to receive annual benefits through the scheme.

### **Option 2 (Preferred Option) – Introduce temporary legislation.**

Implement temporary legislation to amend the Renewables Obligation (Northern Ireland) Order 2009 which would allow affected participants, who can provide appropriate evidence on the impact of COVID-19, to choose to use 2019 operational data in place of their disrupted 2020 data for their 2021 certification.

## **Monetised and Non-Monetised Costs and Benefits**

Certification to the CHPQA scheme is the route through which NI operators can be eligible for a range of financial benefits, e.g. climate change levy exemption. CHP operators expressed concern to BEIS that COVID-19 and the associated nationwide and regional restrictions has changed the demands of customers and that this has had an adverse impact on heat and

power ratios. The CHPQA programme operates on a calendar year basis and the concern is that some CHP schemes will be unable to reach the required benchmark to qualify as Good Quality CHP for 2020, and will therefore be unable to qualify for CHPQA certification in 2021.

### **Rationale and Evidence that Justify the Level of Analysis used in the RIA**

Implementation in GB will necessitate a minor legislative amendment to update the CHPQA Standard. This is a temporary measure, lasting for 1 year from the date of coming into operation. BEIS, who administer the scheme UK wide, has laid relevant legislation in Westminster to allow operators to submit 2019 data. The amendment to the Renewables Obligation (Northern Ireland) Order 2009 is a temporary measure, also lasting 1 year from date of coming into operation, to allow NI operators to do the same.

### **Risks and Assumptions**

Option 1 – If the new temporary amendment is not implemented then there is a risk of legal challenges against the Department from NI CHP operators who may feel disadvantaged if their 2020 data does not meet the criteria for good quality CHP.

### **Directs Costs and Benefits to Business**

In 2019 there were 41 NI CHP schemes which were accredited to the CHPQA scheme and met the criteria for good quality CHP. The Department does not have access to the level of financial benefit this entails for the operators.

### **Wider Impacts**

The Department has conducted a screening exercise to assess if the legislation would have wider impacts (positive or negative) on Environmental, Human Rights or Economic issues. The Department has ascertained that there are no impacts and therefore have been screened out. An equality impact assessment has also been carried out and the Department is of the view that there is no impact, positive or negative, on the various Section 75 categories. |