

Date : 01/03/2011 16:19:25
From : "Hutchinson, Peter"
To : "Iain Morrow"
Cc : "Clydesdale, Alison"
Subject : RE: Memo to CEPA re RHI analysis and policy options
Iain,

Thanks for your email, just by way of response;

1. In scenario 2 it will be important that the spend is profiled to 2015 and then an expected or required budget is profiled post 2015. This should probably also be accompanied with advice on when the RHI should close to new entrants, be reviewed, or seek an alternative method of funding? A lot of this will depend on the final GB scheme, if they continue with long term tariffs then we should also and expect to receive a share of DECC funding post 2015. I think working on the premise "of what funding do we need" to continue the scheme is best as it will provide a firm evidence base for DECC/HMT if needed.
2. We can rule out solely using "green oil" but it should be included as an element in other scenarios. In terms of having an obligation, this could either be a stand-alone policy or work alongside a traditional RHI but instead of incentives for bio-fuel or bio-gas the emphasis is on the existing oil and gas suppliers to increase the levels of these technologies. The obligations could be set realistic levels depending on available resource. It may not be feasible because of technological issues (bio-gas injection) or the cost/confusion in administration but it might be worth considering for these two technologies only? If they would be better incentivised under a straight forward RHI that is fine.
3. Agree - it is unlikely we will be able to proceed with the industry only option, we just want to speak to Invest NI to ensure that they don't hold a differing opinion or raise something we haven't considered. I think from all the reasons we have already discussed it is unlikely that this option is feasible.
4. Agree, a position where we have funding secured (in-line with GB) post 2015 would mean a longer-term approach similar to the draft GB model. I think it would take elements of some of your proposed options already, i.e. NI RHI which is based on GB model however with different tariff levels, consideration of alternative technologies, increased role for refurbishment, renovation and energy efficiency, consideration of the heavy industrial sector, impact on gas mitigated. In essence it's the most effective and appropriate RHI for NI.
5. I think Friday, 18th March should suit us but will check and let you know asap. Morning would be best for us also.
6. The most important thing is that the potential impact on gas (current network, future extension and distribution costs) is understood for each of the scenarios and, where possible, mitigated against. For the final scenarios we need to be clear on what the impact will be so an informed decision can be taken. As you say, no matter what policy option is developed there will be an impact on gas by increasing the level of renewable heat to 10%, all we can do is factor this into our considerations and ensure we fully understand the impact when the final policy option is selected.

I hope this answers your queries. Happy to discuss.

Thanks,

Peter

Peter Hutchinson

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From: Iain Morrow [mailto:Iain.Morrow@cepa.co.uk]
Sent: 01 March 2011 12:01
To: Hutchinson, Peter
Subject: RE: Memo to CEPA re RHI analysis and policy options

Peter

Thank you for this note. I had a few follow-up questions on it:

1. In scenario 2 (funding post 2015 available), what level of funding should we assume? Do you want us to assume that the funding from 2014/15 continues at the same level, or work backwards to say “what level of funding do we need to deliver X”?
2. You mention in paragraph 5 a Renewable Heat Obligation (RHO), but then in paragraph 6 rule out the “Green Oil” option on the basis of the likely supply and resource of bioliquids. An RHO would probably suffer from the same problems as “Green Oil” – could we discuss whether it is worth considering?
3. From paragraph 7, it sounds like exploring a “Focus on industry” type of option may not be necessary, so I propose that we don’t work on it until you’ve had a chance to speak to InvestNI. The more I think about that option, the less attractive it looks so it may not be worth discussing very much in any case.
4. There are lots of choices to be made for the NI RHI in scenario 2. Do you want us to propose something for our next meeting?
5. Talking of the next meeting, I think you’d previously suggested the 18th. Is that still OK? Morning would be better if that’s possible.
6. Gas. I’m going to speak to Sam about this later today. Having thought a little about this, you are inevitably weakening the case for gas, since anyone you persuade to switch from oil to renewable heat is no longer a potential gas customer (why give people an incentive to take up renewables and then one to switch to gas). If you approach 10% renewable heat, you are significantly reducing the number of potential new gas customers. This might make more of a difference in areas where you already have gas (since you are further reducing the small pool of potential new customers) than to the case for extending the network, but since the economic case for extension is not very strong (I understand from Fred) it may have an effect. This is all assuming you target oil customers, or at least are technology neutral - other options are I think worse for gas. So I’m not sure that we can say that we aren’t weakening the case for gas – I know this probably isn’t what you are looking for, so happy to discuss and see how we might present this.

Regards

Iain

From: Hutchinson, Peter [mailto:Peter.Hutchinson@detini.gov.uk]

Sent: 28 February 2011 16:45

To: Iain Morrow

Cc: Hepper, Fiona; Clydesdale, Alison; Frazer, Fred; Connolly, Samuel; Mark Cockburn; Paget Fulcher; Mahmoud.Abu-ebid@aeat.co.uk; Oliver Edberg

Subject: Memo to CEPA re RHI analysis and policy options

Iain,

Please see attached note following on from last week's video-conference.

Thanks,

Peter

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