

Date : 15/04/2011 16:29:37
From : "Iain Morrow"
To : "Willy Rickett - External" , "Willy Rickett - External"
Cc : "Mark Cockburn"
Subject : RE: Policy advice for Northern Ireland on gas vs. renewable heat
 Willy

We had a useful meeting yesterday with DETI and the NI regulator NIAUR, where the gas network extension vs. renewable heat issue was brought to a head. DETI agreed that this was an internal policy conflict for them and the regulator to sort out, and promised to get back to us shortly. Mark wondered about offering Fiona Hepper, DETI's head of energy, a call with you to help her work through this. Is that something you could do early next week?

Iain

From: William Rickett [mailto:redacted by the RHI Inquiry]
Sent: 21 March 2011 19:08
To: Iain Morrow; Willy Rickett - External
Cc: Mark Cockburn; Paget Fulcher; Tom Cochrane
Subject: RE: Policy advice for Northern Ireland on gas vs. renewable heat

Iain

I agree with you that the theoretically sensible options are either to give oil and gas consumers the same subsidy for renewable heat or to give no subsidy to those who can switch soon to gas. But if DETI cannot identify those who might be able to switch soon, then is the latter option really practicable?

I was interested in your view that switching from oil to gas will not be driven by price. What does this assume about relative heating oil and gas prices? Heating oil prices in GB have been pretty high since the autumn (causing much fury and outcry among customers and threats of intervention by Ministers – albeit stoked by long delivery times during the harsh weather) and people like Dieter Helm are going around saying that the discovery of shale gas has “transformed” the energy future for gas. But I can see that price might be marginal compared to convenience, cleanness, boiler size, perceived future reliability etc, and that these factors would also make renewable heat relatively unattractive even with a subsidy that closes the price gap with oil.

In a world of tightening carbon constraints and ambitious renewable energy targets, DETI ought surely to be relaxed about the potential loss of some, but probably not many, future gas consumers to renewable energy. But are they worried that their studies show gas extension to be marginal or uneconomic and that any further loss of potential customers would be a killer?

In short, I can't see any alternative to saying that

- a subsidy for “renewable heat” inevitably has some potential to conflict with a policy of “Gas for heat”
- our analysis suggests that the conflict is likely in practice to be small if the same subsidy is given to oil and gas consumers
- if DETI is not convinced, then the only completely safe solution is to find some way of excluding potential switchers, though this raises practical problems

Sorry not to come up with a wizard solution

Willy

William Rickett | Personal information redacted by the RHI Inquiry

From: Iain Morrow [mailto:Iain.Morrow@cepa.co.uk]
Sent: 21 March 2011 18:41
To: William Rickett
Cc: Mark Cockburn; Paget Fulcher; Tom Cochrane
Subject: RE: Policy advice for Northern Ireland on gas vs. renewable heat

Willy

Sorry, I should add, just to complicate matters, that DETI is not entirely sure which customers will have the ability to switch to gas between now and 2020. It has not decided whether to allow extension of the transmission network, despite a recent (confidential) study that shows that it is uneconomic.

Iain

From: Iain Morrow
Sent: 21 March 2011 18:16
To: 'William Rickett'
Cc: Mark Cockburn; Paget Fulcher; Tom Cochrane
Subject: Policy advice for Northern Ireland on gas vs. renewable heat