

1. NOTES FROM DETI MEETING 17 MAY

Peter thinks report is “in good shape”. The main areas we need to revise are discussed below, together with **ACTION** points.

1.1. Domestic tariffs

DETI are not comfortable with just an upfront grant for e.g. heat pumps. DETI has concerns about the long term incentive where there is no ongoing payment. More specifically, they do not believe that they can get a grant of more than 50% (say) past their finance department. Arguments about grants being improved value for money, on an NPV basis, and of overcoming upfront barriers, did little to persuade them. The capital barriers point may be less of an issue these days with the introduction of ESCOs in the NI heat market.

There was also a problem about giving those who had received the RHPP another grant. Finance would not be happy. But those who received the RHPP needed to be no better and no worse off than those who received the RHI.

There is a question here about expectations. Consumers would be expecting a tariff (although CEPA had a question about whether they wouldn't prefer an upfront payment in any case).

DETI asked about the option of having an upfront payment that matched the RHPP payments, and then an ongoing payment. In modelling terms, this could be done by reducing the upfront capex payments for new technologies.

ACTION: PF to rerun model with this option, after IM/PF resolve issue of upfront capital constraint in model. This should also take account of the 3.5p tariff for CHP (see below).

ACTION: IM to think of form of words which makes it clear what CEPA's view is, but also leaves door open for DETI to do something different based on other considerations. E.g.:

“In our analysis, we looked at [xx].

We also understand that DETI has made a number of commitments to those who took advantage of the RHPP – in particular that they should be no better or worse off than those who take up the RHI. We also understand the administrative simplicity of having an approach where new RHI participants receive the same upfront payments as those under the RHPP, plus an ongoing stream of payments. Those who participated in the RHPP would also receive this ongoing stream of payments, but no further grant.

We have therefore looked at what these payments might be.”

1.2. CHP tariffs

DETI wanted to be sure that we had set the CHP conversion tariff correctly. Were we confident that Invista's numbers were reasonable? Ricardo-AEA said that they had, and yes the numbers were reasonable.

Was it justified to set a tariff based on a single installation? The response to this was that if we did *not* do this, Invista would be eligible for the 4.3p tariff, which would be an over-subsidisation.

The only other alternative was to exclude Invista entirely, which would deprive us of 237GWh/year of renewable heat from 2015 at a very reasonable price.

ACTION: Ricardo-AEA to supply details of Invista cost figures to DETI. This is also to consider whether raising the capital to build a new CHP plant at Invista would be more cost effective overall at 4.3p/kWh (note: as we are changing to 3.5p/kWh this should be done on 3.5p/kWh).

There was also a question about which sites might convert to biomass CHP from gas. Which of the “anchor” loads assumed in the plans for expansion for the gas network might switch to biomass?

ACTION: Ricardo-AEA to supply a table showing which sites might convert, and include an estimate of the impact on gas demand. [DONE IN MEETING]

ACTION: Ricardo-AEA to specify which two of the sites in the table on page 89 of our draft report are on oil and are likely to switch to biomass. [DONE IN MEETING]

There was a discussion about self-financing versus third party financing. The 4.3p tariff assumed third party financing, but a 3.5p tariff was more reasonable if self-financing was assumed. This would slightly increase the money available for domestic and commercial renewable heat.

ACTION: CEPA to revise figures slightly to take account of reduced cost of CHP.

ACTION: Ricardo-AEA to amend the draft report as necessary.

1.3. Other points leading to actions

There was a question about the energy efficiency assumption included in our assumption of domestic heat loads.

ACTION: Ricardo-AEA to provide this.

The district heating figures need to be revised, as case four (large apartment blocks, the one used as the basis for the tariff) does not exist in NI to any great extent. The uplift figures were also presented in a somewhat confusing way for DETI.

ACTION: DETI to speak to the NI Housing Executive to confirm whether there were many (or any) large blocks using electric heating. Subject to this, Ricardo-AEA to consider what a better case might be, and how the figures might be better presented.

Why is there a 10MW limit on large biomass?

ACTION: IM to remove this from the report.

The bioliquids tariff for commercial installations of 5.0p is somewhat misleading, as it is per kWh of heat generated, but only 30% of the fuel is renewable (assuming a B30 blend). This means that it is 16.7p/kWh of renewable heat, which is above the cap used for the solar thermal tariff. This cap would also need to be applied to the domestic bioliquids tariff.

ACTION: CEPA to re-run the model with capped bioliquids tariffs. Since bioliquids are more expensive than oil (70p per litre versus 64p per litre) this tariff is unlikely to lead to any uptake of bioliquids.