

Date : 28/10/2016 10:07:33
From : "Iain Morrow"
To : "Mark Cockburn"
Subject : RE: Non-Domestic Renewable Heat Incentive
Attachment : image004.png;image007.png;
 Mark

No problem – happy to do what I can to help here.

A few points:

Scheme structure

In the 28 September report from the committee, Andrew McCormick says “You needed the incentive to buy the boiler. Getting over that barrier — that inhibition on investing — was the reason for needing the incentive. The tariff calculation has gone badly wrong. All the issues we are face today flow from that.”

Now, this was actually discussed with DETI at some length, if I remember correctly. We pointed out to them that an RHI with a tariff per unit of heat does not reflect the profile of the additional costs that those buying a biomass boiler rather than an oil boiler face. As Andrew says, it’s all about upfront costs, particularly for biomass. This is why we ended up proposing a mixture of upfront subsidy and ongoing payment for the *domestic* RHI.

My recollection is that DETI resisted this, partly because it didn’t fit with the funding they had available, but also because they wanted to have the same structure as GB (just because).

The 2012 update

DETI seems to think that we should have revisited all our assumptions when we did the 2012 update of tariffs. But that was a *very* small project, and we spent a long time discussing with Peter Hutchinson how to do the minimum required, so as not to spend public money unnecessarily. There will be emails to him at the time, but my recollection is that he basically wanted us to put the updated data into the model, turn the handle, and get the updated tariffs out. Is that a wholesale review of the scheme? No. I seem to remember that the budget was £10-15k.

I’d also note that in the exec summary of that report, we again recommend that the scheme should be reviewed in 2 years, and note that we made this recommendation in our 2011 report.

Tiering

I’m a little confused by the tiering discussion, although I haven’t seen the full Audit report so might be mistaken. My recollection is that we decided against tiering because the value of the subsidy per kWh was less than the cost of the fuel (not the incremental cost, the full cost). Tiering is to prevent people burning biomass at say 5p/kWh and getting a subsidy at say 7.9p/kWh (GB rate), isn’t it? To focus on the *incremental* cost as Andrew does rather than the *full* cost of the fuel makes no sense unless you assume that people have two boilers (an oil one and a biomass one) and can choose between the two.

Also, if the cost of biomass has gone **up** relative to oil, doesn’t that make the tariffs less attractive?

Uptake

It would be very interesting to see the uptake figures. Presumably DETI would give those to you if asked? My recollection here is that the early uptake was *very* slow. Seem to remember discussions about the number of installations being in single figures – which goes to your point about two-sided risk.

Iain

From: Mark Cockburn [mailto:mark.cockburn@cepa.co.uk]
Sent: 27 October 2016 17:49
To: Iain Morrow [Personal information redacted by the RHI Inquiry]
Subject: FW: Non-Domestic Renewable Heat Incentive

Iain

Apologies to have to contact you on this, but I’d be grateful if you could cast your eye over this to see if you can remember anything relevant (although we are doing some digging here). Also – can you remember whether we provided DETI with an updated model.

Thanks

Mark

From: McCoy, Laura [mailto:Laura.McCoy@economy-ni.gov.uk] **On Behalf Of** McCormick, Andrew (DFE)
Sent: 26 October 2016 11:16
To: Mark Cockburn <mark.cockburn@cepa.co.uk>
Cc: Cousins, Heather <Heather.Cousins@economy-ni.gov.uk>; Dukelow, Victor <Victor.Dukelow@economy-ni.gov.uk>; McCann, Brendan <Brendan.McCann@economy-ni.gov.uk>; Woods, Michael (DfE) <Michael.Woods@economy-ni.gov.uk>; Stewart, Chris (DFE) <Chris.Stewart@economy-ni.gov.uk>; Wightman, Stuart <Stuart.Wightman@economy-ni.gov.uk>; Marten, Lucy <Lucy.Marten@economy-ni.gov.uk>; Murphy, Shane <Shane.Murphy@economy-ni.gov.uk>; Smith, Alan <Alan.Smith@economy-ni.gov.uk>