Chapter 16 – Monitoring the initial operation of the NI RHI scheme

16.1 As previously discussed, the NI RHI scheme launched in November 2012. Initial uptake of the scheme was slow, and the first applications did not occur until February 2013. In the first six months there were 11 applications (an average of fewer than two per month) and in the first year, 56 (an average of fewer than five per month).[884]

16.2 Ms Hepper left Energy Division in November 2013. From the start of the scheme in November 2012 until Mr Hutchinson left in May 2014 there were around 100 accreditations to the non-domestic RHI scheme.[885]

16.3 During 2013 and up until the point when staff changes occurred in the spring and summer of 2014, Energy Division's Renewable Heat Branch consisted of five people. Ms McCutcheon, who did not work full time, and Mr Hutchinson who did, were responsible for monitoring the non-domestic RHI scheme and also the development of Phase 2 of the NI RHI. Phase 2 covered both changes to the non-domestic scheme and the development of a scheme for domestic users. There were three other staff members, (two full-time equivalents) all of whom worked on the Renewable Heat Premium Payment (RHPP), the interim scheme for domestic users pending the introduction of a domestic RHI. Mr Hutchinson told the Inquiry that, in addition to his RHI duties, he also worked on the RHPP for half a day to three quarters of a day a week providing a second check on payment approvals.[886]

16.4 Despite the fact applications to the non-domestic RHI scheme were initially very low, there were a number of imperatives for DETI to monitor ongoing performance of the RHI scheme, not least the assurances given to the Casework Committee, DFP and the ETI Committee. State Aid approval had also included requirements to monitor production costs and adapt as necessary to avoid over-compensation.[887] In addition, the NIGEAE (the guidance under which the scheme had been approved) set out clear requirements for monitoring and evaluation (Step 9 of 10), with a requirement for there to be a monitoring plan in place for the chosen scheme.[888]

16.5 DETI received information from Ofgem on a regular basis:

(i) Each week, Ofgem supplied a spreadsheet showing raw data derived from application forms, including the technology type of each installation, its installed capacity and the (anonymised) applicant's estimate of the average weekly running hours. Information was also supplied as to whether and when an application was accredited.

(ii) Each month, Ofgem supplied to DETI a further spreadsheet with a different purpose, seeking DETI's approval for payments to owners of accredited installations. This contained information of heat output and proposed payment against each accredited member's code number, but no further identifying information.

884 WIT-08442; WIT-06118
885 WIT-95150 to WIT-95151
886 TRA-04836
887 DFE-78137
888 INQ-50251 to INQ-50259

16.6 From the summer of 2013 onwards, initially for marketing reasons, DETI began asking Ofgem for more detailed information about applicants' locations. In the autumn of 2013, Ofgem shared with DETI the location of applicants, though only grouped by the first part of their post-code (e.g. BT34; BT47). This was included in the form of a map showing the distribution of applicants in the first (and it turns out only) annual report on the scheme from Ofgem. The map was subsequently seen by the Minister in approving an update to be sent to the ETI Committee in November 2013.[889]

16.7 Gaining more specific detail however took much longer due in large part to Ofgem's concerns about ownership of data and privacy. It was not until 2015 that information which was crucial for the detection of scheme exploitation through the use of multiple boilers, such as data relating to the names and addresses of applicants, was made available to DETI.

16.8 In addition to reviewing the material that he did receive from Ofgem, Mr Hutchinson maintained a summary spreadsheet in which he brought together information that he obtained from published sources about uptake in GB and similar types of information about uptake in NI, derived from the raw data supplied by Ofgem. This enabled him to track the NI uptake compared with GB uptake at a similar point in their scheme, adjusted on a *pro rata* basis. Such comparisons were used in updates to the ETI Committee.[890]

16.9 The Inquiry saw evidence that, towards the end of 2013 and particularly in early 2014, Mr Hutchinson was alert to some of the trends that emerged on the NI RHI scheme. For example, he became aware of increasing uptake of the scheme and the popularity of 99kW boilers by the end of 2013. His initial reaction however was to see this as a positive development, for as he told the Inquiry referring to 99kW boilers: "at least there's uptake in that band." The scheme at that stage, it seemed to him, was catching on and the task ahead was to achieve uptake for the other technologies and biomass boilers in other bands.[891]

16.10 It was only in late 2013/early 2014 that he started to be more conscious that there were virtually no applications for 200kW or 300kW boilers.[892] It was April or May 2014 before he pieced this together with other information to reach a view that action of some sort was needed.[893]

16.11 Not only was there an obligation upon DETI officials to monitor the scheme arising from the advice they had received, and consistent with assurances they had given, but under regulation 51[894] of the 2012 NI RHI regulations they also had an obligation to publish information about the scheme performance, the number of accredited installations, technology and capacity breakdown, the amount of heat generated and the total amount of payments. None of the DETI officials appear to have been aware of the requirements of this particular regulation, carried over from the GB RHI regulations. If they were so aware, they did not comply with its requirements.

889 DFE-355680
890 WIT-06032; WIT-06060 to WIT-06061; WIT-06092 to WIT-06095; WIT-06116 to WIT-06120
891 TRA-04905
892 TRA-04908 to TRA-04909
893 TRA-05159
894 LEG-00027 to LEG-00028

16.12 Separate from any monitoring obligation arising directly from the NI RHI scheme, DETI also had an internal assurance process that operated on a six-monthly basis, requiring officials to identify and report problems in their work areas. In June 2013 CEPA, once again in conjunction with AEA, had provided a further report to DETI, following on from DETI's Phase 2 RHI work[895] (discussed elsewhere in this Report), which recorded that the desired target for the production of renewable heat (10% by 2020) was now unlikely to be reached.[896] However, the Energy Division six-monthly assurance statement for the period up to September 2013 did not record this potential problem in respect of the NI RHI scheme.[897] The same is true in respect of the following six-monthly assurance statement for March 2014.[898] Indeed, each of these documents, signed off by the Head of Energy Division, contained a positive tick against box 1.2 which recorded that "timely, relevant and reliable reports on progress against targets are produced and reviewed at the appropriate level to ensure that corrective action is taken as required."[899]

895 DFE-349064 to DFE-349195
896 DFE-349074
897 DFE-312034 to DFE-312048
898 DFE388233 to DFE-388368
899 DFE-312035; DFE-388258