

**DETI PERMANENT SECRETARY'S FIRST DAY BRIEF – (JULY 2014)****SECTION 3: DETI/NDPBs OTHER KEY ISSUES****SECTION 3 C(xvii)**

**Division/NDPB:** Energy Division

**Subject:** Renewable Heat

**Current Position:**

DETI incentivises renewable heat via the Renewable Heat Incentive (RHI) and the Renewable Heat Premium Payment (RHPP) scheme.

Phase 2 proposed additional technologies for the non-domestic scheme as well as introducing the domestic RHI to replace the RHPP scheme.

**Way Forward:**

Energy Division currently seeking final approvals for domestic RHI and aims to open the scheme in the Autumn. Non-domestic elements should be introduced later in the year subject to appropriate approvals (state aid etc.)

Options for administration of domestic RHI to be considered.

**Key Stakeholders other than DETI (e.g. other Depts, ETI Committee etc):**

ETI Committee, renewable heat industry, general public, Ofgem, DECC.

**Funding Issues:**

Funding stream for grant payments is Annually Managed Expenditure (AME) directly from HMT with no separate bidding process.

Administration costs must be found within DETI's normal budget streams.

**Need for Primary/Subordinate Legislation:**

Primary: No

Subordinate: Yes

**Need for Referral to the Executive Yes/No (Approx Timing)**

No

**FoI Status:**

Not disclosable – section 35.

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Department of  
**Enterprise, Trade  
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# DETI First Day Brief

## DETI/NDPB's Structures; Budgets; Issues

June 2014

*New Perm Sec*

The first question I would ask on that is this: why was that not fully implemented within the procedures of the Civil Service to manage the project?

**Dr McCormick:** I have said in response to questions in previous sessions that there is no good answer to that. It should have been. There is no question —

**Mr Dunne:** It should have been.

**Dr McCormick:** It absolutely should have been. I think that David Sterling accepted that in his evidence as well. The only additional point to make is that there were other things happening. There was a desire to pursue the domestic scheme. I do not accept that as in any way taking away from the obligation to fulfil those requirements; they were accepted in the casework. The context is that the uptake was slow. The initial uptake of the scheme was relatively low, so people were not so concerned about it. I think that misses the dual responsibility that we have not only to live within budget but also to secure value for money, regularity and propriety. I am clear that, as the initial applications began to come in to the scheme, that would have begun to demonstrate that the usage, boiler size and a number of other factors were not in line with the assumptions in the business case.

It was not that the budget started to be under pressure; that did not happen until probably March 2015. The early applications started to come through in August 2013 and into the autumn of 2013. I have seen some of the printouts; they were coming in at a level that was clearly differentiated and higher than the assumptions in the model at the centre of the business case. The trigger to review was there.

**Mr Dunne:** It was there. Was it implemented?

**Dr McCormick:** It should have been reviewed. There is no question about that.

**Mr Dunne:** Exactly. The other point is about risk management. Was there a clear list of risks identified for the project at the start, and were those managed throughout the scheme, especially financial risk? I am no financial expert, but surely financial risk would have been number one when it comes to the list of risks. The projected overrun should have been looked at and managed accordingly throughout the project. Coming from a government background, I find it totally unbelievable that this multimillion-pound project was going rudderless. It was travelling along rudderless at risk and was not being managed and monitored in the way that it should have been. Is that fair?

**Dr McCormick:** The risks were identified — you read out the key risks from the business case — at the outset and confirmed in the minutes of the casework meeting in 2012, but they were not, as they should have been, monitored systematically in a proper project management process. That did not happen, and it should have happened.

**Mr Dunne:** It should have happened.

**Dr McCormick:** It absolutely should have happened.

**Mr Dunne:** The Minister in charge was Mrs Foster at the time. Was that information ever reflected back to the Minister about how poorly the project was monitored — or not monitored — and how it was drifting along rudderless?

**Dr McCormick:** Given that the evidence suggests that there was not sufficient awareness and sensitivity in the team on those points, the corollary of that is no. If they were not focusing on the risks, they would not have been bringing them to the Minister's attention. I am clear that those concerns were not brought to the Minister's attention.

**Mr Dunne:** You are clear on that, Andrew.

**Dr McCormick:** Yes, I am clear.

**Mr Dunne:** So they were not managing the risks.

## **GAS NETWORK EXTENSION**

**State Aid application submitted to Brussels in March 2013.** Favourable initial response received in May, with final response expected Summer 2014.

NIAUR announced launch of licence competition on 6 February (closed 6 May), with preferred bidder announcement expected late June/early July and formal licence award in Autumn 2014.

## **RENEWABLE ELECTRICITY**

**12% renewable electricity target by 2012 exceeded** – currently approximately 19%.

**Current renewable electricity generation is around 600MW** – this is onshore wind and other technologies.

**PfG 2015 target is 20%** – on target – primarily but not solely onshore wind.

**20% equates to circa 800MW of generation & 40% to circa 1600MW.**

**Increasing Renewables Obligation support levels for large scale ground mounted solar PV from 1 June 2014.**

**A review of small scale ROC levels is currently underway** – intention is to consult in June 2014.

## **ELECTRICITY MARKET REFORM**

**Dedicated NI EMR project boards now established.**

**Further consultation with stakeholders will take place before the end of the year.**

## **ENERGY EFFICIENCY DIRECTIVE**

**UK wide transposition now almost complete.**

**NI transposition to be completed by end June 2014.**

## **ENERGY BILL**

**Policy work ongoing in advance of introduction of Bill to the Assembly.**

## **RENEWABLE HEAT PREMIUM PAYMENTS**

**1804 applications to date and support of over £2.41 million given or on offer.**

## **RENEWABLE HEAT INCENTIVE**

**Phase 1 commenced 1 November 2012;** provides long-term support for certain non-domestic renewable installations with payments based on metered output over the lifetime of the installation (up to 20 years).

**At 31 May 2014, 169 applications received, 113 have received full accreditation.**

**A consultation on Phase 2 of scheme concluded in October 2013, with 50 responses received.** It is proposed to include the domestic sector and additional technologies.

**From:** Stuart Wightman  
Energy Division

**Date:** 16 October 2014

**To:** 1. Andrew Crawford  
2. Arlene Foster MLA

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## RENEWABLE HEAT INCENTIVE – UPDATE FOR ETI COMMITTEE

**Issue:** The ETI Committee is due to receive an update on the Northern Ireland Renewable Heat Incentive.

**Timing:** The Committee is expecting this update to be tabled for their meeting on 04 November; it therefore needs to be with the Committee Clerk by 28 October.

**Need for referral to the Executive:** None.

**Presentational Issues:** None.

**Freedom of Information:** Fully discloseable.

**Financial Implications:** None.

**Statutory Equality Obligations:** There are no Section 75 implications.

**PFG/PSA implications:** None.

**Legislation Implications:** None.

**Recommendation:** That you approve the issue of the RHI update to the ETI Committee. Draft is attached at Annex A

## Background

DETI currently incentivises new renewable heat technologies via the Renewable Heat Incentive (RHI) and the Renewable Heat Premium Payment (RHPP) scheme. The RHI was launched in November 2012 for non-domestic applications and the RHPP was introduced in May 2012 for domestic customers. The ETI has requested 6 monthly updates on the two schemes. A paper is attached at **Annex A** which provides an overview of the performance of the two schemes and next steps.

**Phase 2 proposals**

2. DETI has proposed to expand the current non-domestic scheme to include new technologies and to introduce a domestic version to cover domestic installations. These proposals were subject to public consultation between July – October 2013.
3. We have been primarily focussed on finalising the policy on the domestic RHI scheme and preparing for implementation. The scheme has received all required approvals including DFP and the ETI Committee and I will seek your approval to launch once the required legislation is finalised. You previously made an announcement about the scheme on 3 October
4. The other elements of Phase 2, such as new technologies in the non-domestic sector and technical changes to legislation, will be addressed early in 2015.

**Recommendation**

5. That you consider the attached paper at **Annex A** and agree to share it with the ETI Committee.



**STUART WIGHTMAN**  
**Energy Division**

cc: Andrew McCormick  
Chris Stewart  
John Mills  
Paul Dolaghan  
Seamus Hughes  
Dan Sinton  
Glynis Aiken  
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## Update on Renewable Heat Incentive

### **Background**

1. The Northern Ireland Renewable Heat Incentive (RHI) is a DETI scheme that provides financial support to non-domestic renewable heat generators and producers of biomethane. The primary objective for the RHI is to increase the uptake of renewable heat to 10% by 2020 (baseline position of 1.7% in 2010).

### **Uptake under the non-domestic Renewable Heat Incentive**

2. The first phase of the Northern Ireland Renewable Heat Incentive (RHI) was launched on 1 November 2012. This phase provides long term financial support for non-domestic properties wishing to switch from conventional heating to renewable heating solutions, such as biomass; heat pumps and solar thermal. Payments are made quarterly, for the lifetime of the installation (maximum 20 years) and are determined by the heat output of the installation and the relevant tariff for the technology installed.
3. The scheme is administered by Ofgem (the GB Utility Regulator) and as of 15 October 2014 they have received 308 applications. Of these applications 222 have been accredited. All but one of these applications are for solid biomass boilers, the other being for a ground source heat pump, and the majority have installation capacity in the 20-99 kWh range. The total capacity of the applications to date is in the order of 31.8 MW, with 18 MW accredited.

### **Uptake under the domestic Renewable Heat Premium Payment (RHPP) scheme**

4. The Renewable Heat Premium Payment (RHPP) scheme was launched in May 2012 as a forerunner to a domestic RHI in NI. This scheme provides grant support to eligible domestic installations and is managed within Energy Division, DETI. As of 15 October 2014, 2082 applications have been received and Energy Division has issued offers to

1467 of these. This represents support in the region of £2.7 million and a total investment in the sector of over £9.2 million.

5. Of the 1467 vouchers issued, 1178 have made claims to date. As at 15 October 2014, 1026 claims amounting to a total of £1.9m have been paid.
6. Four types of technology are supported by the RHPP; Air Source Heat Pumps, Biomass Boilers, Ground Source Heat Pumps and Solar Thermal Panels.
7. The breakdown of offers and installations by technology is given in the table below.

<b>Technology*</b>	<b>Offers of Support</b>	<b>Installations Made</b>
<b>Air Source Heat Pumps</b>	12%	12%
<b>Biomass Boilers</b>	49%	45%
<b>Ground Source Heat Pumps</b>	11%	11%
<b>Solar Thermal Panels</b>	27%	32%

*\* Different technologies have different lead in times which may account for the different technology splits between offers and installations*

8. The total renewable heat capacity of the installations supported under the RHPP is in the order of 20 MW. Therefore a total of 38 MW of new renewable heat capacity has been installed in the past 30 months through the RHI and RHPP schemes. Based on the current uptake of both schemes, DETI estimates that 3% of total heat consumption in NI will come from renewable technologies by 31 March 2015. A robust assessment of the amount renewable heat provision in NI will be completed as part of the mid-point review of the RHI in 2016.

## **Renewable Heat Incentive Phase 2**

9. DETI has proposed to expand the current RHI scheme; this would include new technologies in the non-domestic sector and the introduction of a RHI scheme for

domestic customers. The public consultation on Phase 2 of the RHI took place between July – October 2013 and 50 responses were received. DETI has assessed these responses and sought to finalise suitable policy positions.

10. Much of the focus from stakeholders was the proposed domestic RHI scheme. Some of the key issues raised included;

- i. Ensuring tariffs were sufficient to generate interest.
- ii. Ensuring that applicants who have received support under the RHPP are treated equitably in comparison to applicants who have not received support under the RHPP.
- iii. Ensuring that the methodology for payments is clear and easily understood.
- iv. Maintaining standards for installations and technologies.
- v. Setting appropriate energy efficiency standards.
- vi. Ensuring the administrative procedures are appropriate.

11. DETI has been working to address these issues and prepare the scheme for launch. This has included finalising policy, seeking approvals, drafting guidance documents, preparing legislation and scoping administration options. The Minister made an announcement about the forthcoming domestic scheme on 3 October and made available information for prospective applicants. DETI will shortly be in a position to launch the scheme once the required legislation is in place.

12. In terms of changes to the existing non-domestic scheme the main issues to be addressed include;

- i. Introduction of tariffs for more innovative technologies (large biomass, air source heat pumps, deep geothermal etc).
- ii. Introduction of an 'uplift' tariff for biomass district heating.
- iii. Technical changes to legislation in areas such as metering, relocation of installations and the use of process heating (i.e. drying).

13. In addition, it may be appropriate to review existing tariffs based on the experience of the first 24 months of the scheme. These changes will be subject to clearance through the EU Commission with regards to State Aid compliance.

**Publicity**

14. DETI will continue to promote the scheme under the 'EnergyWise' sustainable messaging brand. Publicity campaigns have been used alongside the launch of the RHI and also in Spring 2013, Autumn 2013 and Spring 2014. This has included TV advertising, 48 sheet posters across Northern Ireland, bus streetliners, on line presence and print media. DETI has also promoted the schemes through attendance at a number of stakeholder events, organised by local councils and trade bodies, to promote both the RHI and the RHPP.

15. Further publicity is scheduled to take place in 2014/15 and beyond into 2015/16 depending on the availability of appropriate budget. This will promote both the Non Domestic and Domestic RHI schemes.

**Energy Division, DETI****October 2014**