

**Message:** DT1/11/0061136

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**From:** Patel Akhil (Finance)  
**To:** Hutchinson, Peter (Finance)  
**Cc:**  
**Sent:** 8/06/2011 at 17:35  
**Received:** 8/06/2011 at 17:36  
**Subject:** RE: Northern Ireland RHI - Funding arrangements

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Peter,

Good to hear from you.

Irrelevant information redacted by the RHI Inquiry and I manage what is known as the levies control framework (LCF), which is a new framework which came in this year and which seeks to limit the imputed spend on levies policies (even though they are demand-led schemes etc). The RHI is not actually a levy as it is funded out of direct taxation but given that it is demand-led it is subject to similar controls as the main levies policies (the RO, Feed in Tariffs and the Warm Home Discount). Further information on the LCF can be found here and here.

I say this as policy specific points ought to be officially answered by the policy team.

On your questions: youll have to ask the policy team what they have announced about the RHI. There is definitely an ongoing issue with HMT about what we say about spending beyond 2015. Of course, since generators receive a multi-year tariff there will definitely be some RHI spend beyond 2015, however youll have to ask the policy team what weve said about the RHI being open to new generation beyond 2015 and at what level. Irrelevant information redacted by the RHI Inquiry would be able to answer that.

On the second question: the AME budget for the RHI is an annual one and we currently do not have any ability to roll forward underspends. If we overspend against our budget then we would have to adjust the policy such that we underspent against our future annual budgets by a corresponding amount. So we are not automatically required to close the scheme if we overspend. However, if we do not manage to find these savings we would have to fund the residual overspend from DEL. Clearly, this represents a large financial risk on the department so the policy team is currently looking to develop a system of tariff depressions that could be deployed at key points to ensure (among other things) that we manage the risk of overspending against our budget.

The annual AME budgets do not rise in line with inflation, i.e. we bear the inflation risk (this is true of departmental budgeting anyway, so this is not a surprise).

I hope that this helps. My direct line is below should you want to follow up on these answers now or as your scheme is worked up.

Best wishes,

Akhil.

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From: Hutchinson, Peter [mailto:Peter.Hutchinson@detini.gsi.gov.uk]  
Sent: 08 June 2011 17:10  
To: Patel Akhil (Finance); Irrelevant information redacted by the RHI Inquiry (Finance)  
Subject: Northern Ireland RHI - Funding arrangements

Akhil / Irrelevant information redacted by the RHI Inquiry

Jonathan Marshall kindly passed me your contact details so I could ask a couple of questions regarding the funding procedures for the Renewable Heat Incentive (RHI). I am currently working on the design and the development of a Northern Ireland incentive scheme, for this we have £25m over the spending period (£2m/£4m/£7m/£12m) which was allocated from HMT/DECC on a pro-rata basis on the GB funding.

As we will shortly be finalising the scheme I had some questions about the funding arrangements for the GB RHI which might impact on the Northern Ireland scheme;

· Most importantly possibly, the GB scheme will remain open to applications until 2020 however funding is only secured for this spending period until 2015. Have there been discussions with HMT regarding funding post 2015 to provide the required confidence to state that the RHI will remain open until 2020? This will be an issue for Northern Ireland when we consult as we will have to say when the scheme will close to applications, if no funding is secure post 2015 it may be hard to state the scheme will remain open until 2020 similar to the GB scheme. This issue might also impact on the actual design of the proposed incentive scheme. Grateful if you could advise on this issue?

· Secondly, I understand that your funding is classified as AME. How does this impact on unspent money over the year, is this money lost or can it be rolled-over to the following year? Also how will you manage against overspend in your budget - i.e. could the scheme close temporarily if it was over subscribed?

· Finally (for now!), I understand that the GB tariff levels will rise with inflation, will your yearly funding from HMT do likewise?

Thanks in advance for your help in responding to these queries. As our scheme develops it might be useful to speak further about funding arrangements and monitoring.

Thanks,

Peter

Peter Hutchinson

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