

From: [Wightman, Stuart](#)
To: [Thompson, Sandra](#)
Cc: [Dolaghan, Paul](#); [Hughes, Seamus](#); [Mills, John \(DETI\)](#)
Subject: FW: RHI Budget - Northern Ireland
Date: 23 March 2015 14:00:30
Attachments: [image001.jpg](#)
[Response from Rt Hon Gregory Barker MP07_01_14.pdf](#)

Sandra

Please see email exchange below and attachment concerning the Northern Ireland RHI budget. We made contact with HMT for advice but have been directed to DFP. We are seeking some clarification around the future NI RHI budget. As you are aware, the level of uptake of the Non-domestic scheme has increased significantly over the last few months and we're expecting uptake to remain high with over 200 new applications for biomass heating systems from the poultry industry (linked to Moy Park's expansion) expected over the coming 12 months. With RHI payments for accredited non-domestic heating installations committed for 20 years, it is important we manage our budget carefully. In addition, with the introduction of the full domestic RHI scheme in December 2014, we now have the added pressure of annual domestic tariff payments.

I'm therefore keen to identify the total RHI budget going forward to ascertain if any tariff reductions will be needed. We'll be making amendments to the Non-Domestic RHI Regulations later this year which provides an opportunity to introduce future tariffs reductions if necessary.

We were originally allocated £25M for the 4 years from 11/12 to 14/15 (£2M-11/12, £4M-12/13, £7M-13/14, 12M-14/15) and to date we have spent around £8M. However with the increase in uptake recently, the rolling monthly RHI spend has risen to around £800k with an additional £60k being added for new accreditations each month. Based on these figures our rolling monthly figure will have reached £1.52M this time next year with a total spend of £14.28M in 15/16. My concern is that these projections might be a little conservative with the numbers of applications we're expecting from the poultry industry during 16/17. If we can carry over the remaining £17M (we haven't spent), this might cover our payments for 15/16 but I would be much happier if I knew we also had our 15/16 allocation on top of this. We would also like some clarity around our likely budget from 16/17 onwards however I realise with the Parliamentary elections looming this is probably not possible.

In summary, our queries around the RHI budget are:

- (1) Can the unspent balance of £17M from the original £25M be carried forward into 2015/15;
- (2) Have we received a budget allocation for 2015/16 which based on our current understanding would be 3% of the DECC allocation (£430M) which would equate to £12.9M.
- (3) Can any clarity be provided on the maximum annual budget available from 16/17 onwards or is this determined by our own AME profile.

Urgent clarification on the above matters would be appreciated so we can factor in tariff reductions if necessary as part of our Phase 2 Non-domestic RHI changes.

Thanks

Stuart

Stuart Wightman

Head of Energy Efficiency Branch
Energy Division
Department of Enterprise, Trade & Investment

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From: Smyth Murray, Samuel - HMT [<mailto:Samuel.SmythMurray@hmtreasury.gsi.gov.uk>]
Sent: 20 March 2015 09:48
To: Hughes, Seamus
Cc: Wightman, Stuart; Barber Nicola (Heat and Industry)
Subject: RE: RHI Budget - Northern Ireland

Hi Seamus,

I cover the GB RHI in HMT. I had a word with my colleagues in the devolution team here in HMT and they advise that you need to speak to the DFP NI in the first instance.

Regards,

Sam

From: Hughes, Seamus [<mailto:Seamus.Hughes@detini.gsi.gov.uk>]
Sent: 20 March 2015 09:38
To: Smyth Murray, Samuel - HMT
Cc: Wightman, Stuart
Subject: FW: RHI Budget - Northern Ireland

Good morning Samuel

Just in follow up to Nicola's email below I would be grateful if you could confirm that you are the relevant contact in HMT. We are keen to have early engagement to establish the budgetary position.

Many thanks

Regards

Seamus

Seamus Hughes

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From: Barber Nicola (Heat and Industry) [<mailto:Nicola.Barber@decc.gsi.gov.uk>]
Sent: 16 March 2015 11:14
To: Hughes, Seamus
Cc: Irrelevant information redacted by the RHI Inquiry; Samuel.SmythMurray@HMTreasury.gsi.gov.uk
Subject: FW: RHI Budget - Northern Ireland

Hi Seamus

Our contact in HMT is Sam Smyth-Murray who I have copied into this e-mail. Jon Parker moved jobs some time ago – I think initially to Ofgem. If Sam isn't the right contact for your queries I hope he'll be able to put you in touch with someone that can help.

Kind regards

Nicola



Nicola Barber

Head of Delivery Relations, Renewable Heat Incentive

E: nicola.barber@decc.gsi.gov.uk T: 0300 068 6147

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I work on Monday, Tuesday Thursday and Friday.

From: Hughes, Seamus [<mailto:Seamus.Hughes@detini.gsi.gov.uk>]
Sent: 13 March 2015 16:23
To: Barber Nicola (Heat and Industry)
Subject: FW: RHI Budget - Northern Ireland

Good afternoon Nicola

The email thread below and attachment refers.

I had attempted to contact Jon parker in HMT but I received a bounce back on my emails and the phone number I have is also dead. I am attempting to locate an appropriate contact in HMT but this is not forthcoming as yet, hence this alternative approach to DECC in the first instance.

If you are the wrong person to assist with the query perhaps you could re-direct me.

Apologies for the unannounced approach but we are keen to get some clarity around the Northern Ireland RHI budget going forward.

Many thanks in advance.

Regards

Seamus

Seamus Hughes

Energy Efficiency Branch

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From: Hughes, Seamus
Sent: 12 March 2015 16:54
To: 'jon.parker@hmtreasury.gsi.gov.uk'
Cc: Wightman, Stuart
Subject: RHI Budget - Northern Ireland

Good afternoon Jon

Apologies at the outset for this email out of the blue on foot of the old correspondence below but we are trying to establish the position with the Northern Ireland RHI budget going forward from 2015/16. I'm not sure if you are still involved in this work area but if not perhaps you could redirect me to the appropriate person. In addition I am also attaching a copy of correspondence from Gregory Barker MP to our Minister in January 2014 confirming that the Northern Ireland RHI budget would come from the £430m figure agreed for the GB RHI scheme.

We are keen to establish clarity around the budget and perhaps an initial step following this email would be to set up a teleconference over the coming period to talk through the issues?

Both Stuart and myself have both recently joined DETI and therefore were not involved in the early discussions. The Northern Ireland RHI has been in operation now since November 2012 for the non – domestic sector and was extended to the domestic sector in December 2014 and RHI uptake has been good and is increasing.

Best Regards

Seamus

Seamus Hughes

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From: Clydesdale, Alison [<mailto:Alison.Clydesdale@detini.gsi.gov.uk>]
Sent: 15 April 2011 12:36
To: 'Parker, Jon - HMT'
Cc: Hutchinson, Peter; Garcia, Nicolas - HMT; Parkinson, Mark - HMT; Mike.brennan@dfpni.gsi.gov.uk
Subject: RE: [RESTRICTED] RE: RHI NI

Jon

Many thanks - this is most helpful and will help us clarify our options in our economic appraisal.

We will of course still require Ministerial and DFP approval in due course for any scheme proposed here.

DFP would, I think , lead on feeding back to you on forecasting so I have passed on your email to our finance team here who will liaise with DFP in that regard.

Best Regards

Alison

Alison Clydesdale

Sustainable Energy
 Department of Enterprise, Trade & Investment
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 Tel: 028 9052 9248 (ext: 29248)
 Mob: Personal information redacted by the RHI Inquiry
 Textphone: 028 9052 9304
 Web: www.detini.gov.uk

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From: Parker, Jon - HMT [<mailto:Jon.Parker@hmtreasury.gsi.gov.uk>]
Sent: 15 April 2011 12:13
To: Clydesdale, Alison
Cc: Hutchinson, Peter; Garcia, Nicolas - HMT; Parkinson, Mark - HMT; Mike.brennan@dfpni.gsi.gov.uk
Subject: [RESTRICTED] RE: RHI NI

Alison,

Sorry for the delay in coming back to you. Taking your points in turn:

- i) With DECC, we have agreed that they can make commitments to spending in future years (up to 20 years) for installations that are installed within the SR period (i.e. the initial payments have to be affordable within the SR profile), and providing that the policy is set up so that payments should be basically flat over the 20 year period in real terms (i.e. no backloading to ease short-term affordability pressures). This same agreement would apply to any NI scheme.
- ii) DECC's GB RHI profile is £56m/133m/251m/424m. NI's share of this is 2.98%, so £1.7m/4.0m/7.5m/12.6m. The NI scheme would need to follow this profile as much as possible – on which further below. We will need you to feed into us forecasts of NI RHI spending for the Office of Budget Responsibility's bi-annual forecasts – this can be fed through me or Mark Parkinson (in the Devolved Countries Unit within Treasury).
- iii) This funding does have to be used for renewable heat, but if NIE decide you would like to use it for a grant scheme or some such then this would be permissible as long as the cost of NIE spending is constrained to the AME consequential.

The other key point it is necessary to let you know about is that the DECC RHI spending is not being treated as standard AME, where the Exchequer takes on all risks of overspend. Instead, there is a risk-sharing arrangement whereby should RHI spending in one year exceed the SR profile, then DECC would need to repay this in future years. They can do this through announcing changes to the SR that will bring cost savings relative to the SR profile in future years. However, a small proportion of any required future savings (still to be determined, but likely to be of the order of 5%) will have to be funded through contributions from DECC's DEL. Again, these rules would be applied in equivalent fashion to NI.

Happy to discuss any of these issues in more detail.

Jon

Jon Parker | Joint Head, Energy Branch | Energy, Environment and Agriculture
 HM Treasury, 1/N2, 1 Horse Guards Road, SW1A 2HQ | 020 7270 5641

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From: Clydesdale, Alison [<mailto:Alison.Clydesdale@detini.gsi.gov.uk>]
Sent: 11 April 2011 13:00
To: Parker, Jon - HMT
Cc: Hutchinson, Peter
Subject: RHI NI

Jon

We spoke briefly the other day about the £25m allocation to NI for an RHI.

Can I ask you to clarify for me :-

- (i) The position with the commitment to 20 year payments within NI.
- (ii) The process for advising on the spending profile of the £25m AME that we have been allocated.
- (iii) If the £25m can solely be used for an RHI - or we can use it to incentivise in a different way e.g grant ?

Happy to discuss.

Alison

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Department
of Energy &
Climate Change

The Rt Hon Gregory Barker MP
Minister of State

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3 Whitehall Place,
London
SW1A 2AW

www.gov.uk/decc

Your ref: DETI COR 595/2013

Minister Arlene Foster, MLA
Minister for Enterprise, Trade and Investment
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast,
BT4 2JP

7 January 2014

Dear Arlene

Thank you for your letter dated 16 December in response to mine of 29 November that included detail of the government's proposed response to the consultation on extending the non-domestic RHI scheme, and details of the budget management mechanism for the domestic RHI scheme.

I am pleased you were able to support the Government's range of proposals, which have since been formally published on 4 December.

You raised a point about the Northern Ireland budget for the RHI in 2015/16, and in particular sought clarification of whether this comes from the £430m settlement agreed for the GB RHI scheme.

The standard arrangement is that the population-based Barnett Formula is applied to all departmental settlements in Spending Reviews in the normal manner, with full details of the formula set out in the Statement of Funding Policy. Funding for the Northern Ireland RHI scheme for 2015/16 would therefore be derived from the £430m 2015/16 settlement figure agreed for the GB scheme, but not paid directly from that.

I understand that your Department should have received RHI funding directly from HMT in the 2015/16 Spending Round.

I hope this is helpful.

Yours faithfully
Gregory Barker