

**From:** [Hughes, Seamus](#)  
**To:** ["Newport Daniel \(Heat and Industry\)"](#)  
**Cc:** [Wightman, Stuart](#)  
**Subject:** RE: RHI Budget - Northern Ireland  
**Date:** 21 May 2015 16:26:48  
**Attachments:** [150119\\_RHI Jan 2015 OBR return.doc](#)

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Hi Danny

Thank you once again for the attached information which you provided to me some weeks ago. I wonder if I could trouble you for some more information/clarification. We are currently in the midst of an exercise to review our RHI AME profile and there are a number of issues I would like to explore with you.

### **Issue 1: Implications of reduced DECC AME bids on NI RHI Budget**

At the outset I should say that the NI Non-domestic RHI scheme has been very successful with monthly application numbers now running at 5% of the GB scheme. NI is on track to achieve 4% renewable heat during 15/16. With 70% of NI is reliant on oil, there is potentially much more scope to increase renewable heating percentage than GB where gas is dominant fuel. However, NI budget is determined by DECC's budget (via Barnett's formula) with 2.98% of DECC's budget allocated to NI. In other words, NI's RHI budget is determined by how much DECC bid for, not by how well the NI scheme is performing. If uptake of the GB RHI scheme (per/head of population) isn't as high as the NI scheme, we are concerned that DECC AME might submit a reduced AME profile which would lead to consequential reduction in DETI allocation under the agreed formula.

We are now being asked to provide an AME profile forecast to inform the Chancellor's July Budget. We are wondering if there is any scope for DECC to use its high AME profile in the OBR document and transfer any additional consequential funding to DETI to help with our RHI budget deficit. Increased NI funding would align with our contribution to the overall UK RHI target which looks like it is going to be larger than the 2.98% funding allocation. Can you please confirm what AME profile DECC is planning to submit as part of this exercise?

### **Issue 2: Opportunities to carry over under spends from 14/15**

With increased uptake in NI Non-domestic RHI scheme, a tariff reduction is planned later in the year, however because of committed RHI payments we're already over our projected 2015/16 consequential budget. We therefore wish to establish if there is any scope to carry over any previous unspent DECC or NI RHI budget from 2011/12, 2012/13 and 2013/14.

Many thanks and I look forward to hearing from you.

Regards

Seamus

### **Seamus Hughes**

Energy Efficiency Branch  
Department of Enterprise, Trade & Investment  
Netherleigh  
Massey Avenue  
Belfast, BT4 2JP  
Tel: 028 9052 9532 (ext: 29532)  
TextRelay: 18001 028 9052 9532  
Web: [www.defini.gov.uk](http://www.defini.gov.uk)

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**From:** Newport Daniel (Heat and Industry) [<mailto:Daniel.Newport@decc.gsi.gov.uk>]  
**Sent:** 26 March 2015 17:53  
**To:** [Seamus.Hughes@detini.gsi.gov.uk](mailto:Seamus.Hughes@detini.gsi.gov.uk)  
**Cc:** Barber Nicola (Heat and Industry)  
**Subject:** RE: RHI Budget - Northern Ireland

Hi Seamus,

Nicola sent me on your question. As you say we have little foresight ourselves as to our likely budget settlements beyond 15/16. However attached is our OBR forecast, which represents the business as usual expectation of the scheme which we have previously put to HMT. Hopefully that will give you a feel for our current AME profile. Beyond 2020 we are not expecting new applicants to the scheme so budget would start to decrease as accreditations drop off.

The uncertainty in the note does not reflect political uncertainty, which encompasses a wider set of possibilities!

Please note that this is not public information and should not be circulated more widely than your immediate internal use.

Thanks,  
Danny

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**From:** Barber Nicola (Heat and Industry)  
**Sent:** 26 March 2015 13:41  
**To:** Newport Daniel (Heat and Industry)  
**Subject:** RHI Budget - Northern Ireland

Hi Danny

This is the e-mail I mentioned to you – are you or one of your team able to help? I know we only have budget agreed to 2015/16 but is there anything we can share with them about thinking we've done beyond that?

Thanks

Nicola

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**From:** Hughes, Seamus [<mailto:Seamus.Hughes@detini.gsi.gov.uk>]  
**Sent:** 26 March 2015 12:29  
**To:** Barber Nicola (Heat and Industry)  
**Cc:** Wightman, Stuart  
**Subject:** RE: TRIM: RE: RHI Budget - Northern Ireland

Nicola

Just a further thought in relation to the RHI budget which would be helpful to us. We have been told that our RHI budget going forward should be based on 3% of the DECC allocation. With this in mind would it be possible for DECC to share its current AME profile with us to 2020 and beyond? I fully accept of course that projections are subject to change and we have the added uncertainty around the forthcoming Westminster election etc but some numbers around this would give us some insight going forward.

Many thanks

Regards

Seamus.

## Seamus Hughes

Energy Efficiency Branch  
Department of Enterprise, Trade & Investment  
Netherleigh  
Massey Avenue  
Belfast, BT4 2JP  
Tel: 028 9052 9532 (ext: 29532)  
TextRelay: 18001 028 9052 9532  
Web: [www.detini.gov.uk](http://www.detini.gov.uk)

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**From:** Barber Nicola (Heat and Industry) [<mailto:Nicola.Barber@decc.gsi.gov.uk>]  
**Sent:** 26 March 2015 11:28  
**To:** Hughes, Seamus  
**Cc:** Wightman, Stuart  
**Subject:** TRIM: RE: RHI Budget - Northern Ireland

Hi Seamus

When the RHI was first introduced the biomethane tariff was set on the based on a 1MW waste plant. In the first couple of years there was very little uptake but we then became aware that there was a significant pipeline of plants being planned or under development and some of these were much larger in size than 1MW. We announced a review of the tariff in February 2014 to respond to concerns that some of these larger plant might be in receipt of very large levels of overcompensation under the current tariff. I've attached a link to the review which includes the Con Doc, Government Response and Impact Assessment.

<https://www.gov.uk/government/consultations/rhi-biomethane-injection-to-grid-tariff-review>

The Review introduced tiering to manage the risk of overcompensation to larger plant but in parallel ensuring that small plant receive the right level to make them economic. The tiered tariffs were introduced through regulations last month.

If you have specific questions please let me know.

Nicola



**Nicola Barber**  
Head of Delivery Relations, Renewable Heat Incentive  
E: [nicola.barber@decc.gsi.gov.uk](mailto:nicola.barber@decc.gsi.gov.uk) T: 0300 068 6147  
Follow us on [Twitter.com/DECCgovuk](https://twitter.com/DECCgovuk)

I work on Monday, Tuesday Thursday and Friday.

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**From:** Hughes, Seamus [<mailto:Seamus.Hughes@detini.gsi.gov.uk>]  
**Sent:** 26 March 2015 11:13  
**To:** Barber Nicola (Heat and Industry)  
**Cc:** Wightman, Stuart

**Subject:** RE: RHI Budget - Northern Ireland

Ni Nicola

Thank you for your assistance with regard to the RHI budget contact and this is now being progressed. There is another issue which DETI is trying to obtain some clarity and guidance on and that is the matter of RHI incentives for biomethane injection. Currently in the NI RHI we have one rate of 3.2 pence per kWh for both biogas combustion and biomethane injection and this hasn't been successful in encouraging any projects to come forward. However, we are aware that there is interest out there in biomethane injection and as part of our phase 2 review of the non-domestic RHI we are looking again at this issue.

The GB RHI support in this area has always been higher although we are aware that a tiered support structure is now in place to manage the uptake. DETI would be keen to understand the rationale behind the GB support for biomethane injection and to establish if the same situation would pertain for Northern Ireland. The difference between oil and gas counterfactual is the rationale for differing RHI support rates between our two schemes but this is not an issue with biomethane injection.

It would be most helpful if DECC could share its policy thinking with us around the issue.

Apologies again if you are not the right contact in DECC and if not perhaps you could point me in the right direction.

Many thanks

Regards

Seamus

### **Seamus Hughes**

Energy Efficiency Branch  
Department of Enterprise, Trade & Investment  
Netherleigh  
Massey Avenue  
Belfast, BT4 2JP  
Tel: 028 9052 9532 (ext: 29532)  
TextRelay: 18001 028 9052 9532  
Web: [www.detini.gov.uk](http://www.detini.gov.uk)

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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](mailto: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](mailto:nicola.barber@decc.gsi.gov.uk) T: 0300 068 6147  
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**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  
Department of Enterprise, Trade & Investment  
Netherleigh  
Massey Avenue  
Belfast, BT4 2JP  
Tel: 028 9052 9532 (ext: 29532)  
TextRelay: 18001 028 9052 9532  
Web: [www.detini.gov.uk](http://www.detini.gov.uk)

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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

Energy Efficiency Branch  
Department of Enterprise, Trade & Investment  
Netherleigh  
Massey Avenue  
Belfast, BT4 2JP  
Tel: 028 9052 9532 (ext: 29532)  
TextRelay: 18001 028 9052 9532  
Web: [www.detini.gov.uk](http://www.detini.gov.uk)

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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](mailto: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  
Netherleigh  
Massey Avenue  
Belfast, BT4 2JP  
Tel: 028 9052 9248 (ext: 29248)  
Mob: Personal information redacted by the RHI Inquiry  
Textphone: 028 9052 9304  
Web: [www.detini.gov.uk](http://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](mailto: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

**Alison Clydesdale**

Sustainable Energy  
Department of Enterprise, Trade & Investment  
Netherleigh  
Massey Avenue  
Belfast, BT4 2JP  
Tel: 028 9052 9248 (ext: 29248)  
Mob: Personal information redacted by the RHI Inquiry  
Textphone: 028 9052 9304  
Web: [www.defini.gov.uk](http://www.defini.gov.uk)

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