

From: [Katy Read](#)
To: [Hughes, Seamus](#)
Cc: [Wightman, Stuart](#); [Sarah Driver](#)
Subject: RE: Feasibility study discussion
Date: 05 June 2015 15:56:50

Hi Seamus,

That's great, thanks for sending that through.

To confirm, following on from our chat, we'll work on the basis that the policy proposals will be split into two phases - with the first having a go-live of October 2015 and the second provisionally early next year.

- 1) Biomass tiering, biomass banding, CHP and cost control
- 2) The rest of the confirmed policy proposals

We'll look into splitting the feasibility study according to these two phases and let you know proposed timings.

Have a lovely weekend.

Best wishes,

Katy

From: Hughes, Seamus [mailto:Seamus.Hughes@detini.gov.uk]
Sent: 05 June 2015 15:20
To: Katy Read
Cc: Wightman, Stuart
Subject: RE: Feasibility study discussion

Katy

As discussed at our meeting earlier I am attaching an updated policy template for district heating clarifying the need for a minimum of one final customer purchasing heat or hot water from a heat supplier.

Regards

Seamus

Seamus Hughes

Energy Efficiency Branch
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From: Katy Read [<mailto:Katy.Read@ofgem.gov.uk>]
Sent: 05 June 2015 13:10
To: Hughes, Seamus; Wightman, Stuart; Sarah Driver
Subject: RE: Feasibility study discussion

OK, will do, thanks Seamus

From: Hughes, Seamus [<mailto:Seamus.Hughes@detini.gov.uk>]
Sent: 05 June 2015 13:08
To: Katy Read; Wightman, Stuart; Sarah Driver
Subject: RE: Feasibility study discussion

Katy

We will be using Stuart's office here at our side so dial in on 028 9052 9425

Thanks

Regards

Seamus

Seamus Hughes

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From: Katy Read [<mailto:Katy.Read@ofgem.gov.uk>]
Sent: 05 June 2015 13:05
To: Hughes, Seamus; Wightman, Stuart; Sarah Driver
Subject: Feasibility study discussion

Hi Seamus,

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Thanks

Katy

Katy Read
Senior Policy Manager
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From: [Hughes, Seamus](#)
To: ["Katy Read"](#)
Cc: [Wightman, Stuart](#)
Subject: RE: Feasibility study discussion
Date: 05 June 2015 15:19:53
Attachments: [Non domestic phase 2 policy development template - District Heating.DOCX](#)

Katy

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Seamus

Seamus Hughes

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Katy

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**PROPOSAL
INTRODUCE A TARIFF OF 7 PENCE PER Kw FOR NEW DISTRICT HEATING SYSTEMS
OF 200kW AND ABOVE**

RATIONALE

Article 14 of the Energy Efficiency Directive promotes district heating as a more efficient way of heating multiple properties. It is also suitable for “pay as you go” applications and could be used for meeting the heating needs of low income households.

A 2010 study in the development of the Northern Ireland renewable heat market demonstrated that 31 per cent of Northern Ireland’s heat demand lies in areas that could be suitable for district or community heating schemes, where one heat source supplies heating for a number of different buildings. However, District Heating projects often have additional capital costs because of the need for pipe-work to transport heat from the heat source to the buildings connected to the network.

As part of this second phase of the RHI, DETI has considered whether renewable district heating required a specific ‘uplift’ tariff under the RHI to account for the additional costs incurred. A tariff range for the uplift of 4p/kWh to 14p/kWh was developed, highlighting the differences in the scenarios and the variables within each potential district heating. The final proposal was to introduce an uplift tariff of 7p/kWh for new community heating or district heating schemes.

In order to prevent over incentivisation the uplift would only apply to the first 1314 peak load hours, after which the tariff would reduce to the standard biomass tariff.

CONSULTATION RESPONSES

- A lot of comments / interest.
- Agreement that uplift is required and happiness at figure set.
- Agreement that it should be for larger systems and the definitions must be appropriate, (important we consider appropriate parameters to prevent uplift being taken by very small schemes, (two homes beside each other), needs some thought.
- Comment that the uplifts should apply to all renewable technologies as well as conversions.

DISCUSSION

- ✓ The Heat Network (Metering and Billing)Regulations 2014 defines district heating as,
- ✓ **“District heat means the distribution of thermal energy in the form of steam, hot water or chilled liquids from a central source of production through a network to multiple buildings or sites for the use of space or process heating, cooling or hot water” For the purposes of RHI there must be a minimum of one final customer purchasing heat or hot water from a heat supplier.**
- ✓ A network should have a minimum of two buildings and one final customer in addition to the heat supplier.
- ✓ Evidence has shown that large district heating proposals are not coming forward under the existing incentives.
- ✓ Smaller district heating systems, (under 200kW), will be incentivised under the

proposed extension of the 6.4 pence tariff.

- ✓ GB has taken the challenge fund approach with district heating, however, our engagement with the industry suggests that the proposed 7 pence tariff would stimulate more growth in this area. Evidence from previous District Heating trials/pilots would indicate that ongoing support (through tariff payments) rather than upfront capital is needed to make such schemes successful.

Ofgem COMMENT

RECOMMENDATION To proceed with the proposal to introduce a specific district heating tariff for the first 1314 peak load hours.

LEGISLATIVE CHANGES NEEDED

The following legislative changes are required:-

Add a definition of district heating to part 1 interpretation,(see highlighted above)
Schedule 3 include new district heating tariff.

- Biomass district heating 200 kW and above 7 pence per kWh.

Final policy agreed

Signed:

Date: