

From: [Hughes, Seamus](#)
To: ["Katy Read"](#)
Cc: [Wightman, Stuart](#); [Edmund Ward](#)
Subject: FW: NI RO
Date: 07 July 2015 13:51:07
Attachments: [Non domestic phase 2 policy review template - cost control.DOCX](#)

Katy

Please find attached updated cost control policy template as promised.

Regards

Seamus

Seamus Hughes

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From: Hughes, Seamus
Sent: 07 July 2015 10:56
To: 'Katy Read'
Cc: Wightman, Stuart; Edmund Ward; 'Sarah Driver'
Subject: FW: NI RO

Sarah

Thanks for this and apologies for the confusion. It's been a bit of a moving feast over recent days here. I will have a word with Stuart this afternoon and we will get an amended policy template to you today to provide clarity on what is now proposed.

Regards

Seamus

Seamus Hughes

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From: Katy Read [<mailto:Katy.Read@ofgem.gov.uk>]
Sent: 07 July 2015 10:47

To: Hughes, Seamus
Cc: Sarah Driver; Edmund Ward; Wightman, Stuart
Subject: RE: NI RO

Hi Seamus,

Thanks for your reply. That's no problem if things have changed, but this does go against with the latest proposal we had through with some of the dates specified.

So just for clarity, I've made comments on the attached as to what the split should now be for the different parts, and noted where the proposal specifically refers to October for the degression measures just to highlight where we would be going against the detail specified here.

Can you confirm that you agree with my understanding please?

Many thanks

Katy

From: Hughes, Seamus [<mailto:Seamus.Hughes@detini.gov.uk>]
Sent: 07 July 2015 09:51
To: Katy Read
Subject: RE: NI RO

Hi Katy

The tiered tariff for biomass and change to the banding are the cost control measures to be in place from October. Any further degression measures will be taken forward after that date.

Regards

Seamus

Seamus Hughes

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From: Katy Read [<mailto:Katy.Read@ofgem.gov.uk>]
Sent: 06 July 2015 19:47
To: Hughes, Seamus
Cc: Wightman, Stuart; Edmund Ward; Sarah Driver
Subject: RE: NI RO

Hi Seamus,

Thanks for letting us know, that's very helpful for planning.

Following our last communication with Stuart, we understand the cost control/degression measures to be planned for October as well (attached). Is this still the case?

Thanks

Katy

From: Hughes, Seamus [<mailto:Seamus.Hughes@detini.gov.uk>]
Sent: 06 July 2015 14:58
To: Katy Read
Cc: Wightman, Stuart; Edmund Ward; Sarah Driver
Subject: RE: NI RO

Hi Katy

Just by way of a “**heads up**” the industry here is now becoming aware that changes are afoot for the non domestic RHI later in the year and although none of the detail is out there yet it is likely that Ofgem may see an increase in application volumes over the next while.

As you know our proposed staging of changes at this time is CHP, tiered biomass tariff and change to the biomass banding from October. Beyond that we are going to be looking at tariff digression and expansion to other technologies and tariffs.

Regards

Seamus

Seamus Hughes

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From: Katy Read [<mailto:Katy.Read@ofgem.gov.uk>]
Sent: 03 July 2015 12:51
To: Hughes, Seamus; Wightman, Stuart
Cc: Sarah Driver
Subject: RE: NI RO

Hi Stuart,

We have discussed further with our RO colleagues and it looks like the delay to their Orders won't actually affect us after all, meaning that pushing for October still seems like the sensible option. I've summarised our understanding below:

- The current NI RHI regs allow biomass CHP to be accredited but this is *not* permitted if the CHP station has ever received a heat uplift on the RO. The tariff is based on the biomass tariffs.
 - The current NI RHI regs do not allow bioliquid CHP
 - The current [RO Guidance](#) (p44) explains that from 1 October 2015 CHP stations newly accredited cannot get a heat uplift on the RO unless their technology or fuel doesn't meet the RHI eligibility criteria. And "Where the heat produced is from a technology and / or fuel source which does not, and has never met the RHI eligibility criteria the generator may still be able to claim the CHP uplift under the RO for 2015/16 and post-16 capacity."
 - The NIRO Order amendments are now expected to come into force 1 December 2015, but the rule above is already in place so this is what will be applied from October regardless
-
- This means that from 1 October 2015 and new biomass CHP stations accredited must join the RHI to get their heat payments, which is possible currently. However, if they are over 1MWth, they won't be eligible. If they are under 1MWth they will be eligible but will be on the biomass tariff which is likely to be the 'large' banding of 1.5p/kWh – significantly lower than the proposed 3.5p/kWh that you have proposed for the phase 2 changes
-
- Any new bioliquid CHP installations accredited from 1 October will:
 - Be able to continue getting their uplift on the RO if we have **not** changed the NI RHI Regs by then
 - Be able to join the RHI if we **have** changed the NI RHI regs by then

So with these points in mind, do you want to push for the CHP amendment to come into force in October as originally proposed?

Apologies for any confusion.

I can follow up with a call if any of this is unclear.

Thanks

Katy

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From: Wightman, Stuart [<mailto:Stuart.Wightman@detini.gov.uk>]
Sent: 02 July 2015 14:23
To: Sarah Driver
Cc: Katy Read; Hughes, Seamus
Subject: RE: NI RO

Sarah, unfortunately, unlike the NIRO, the NI RHI is constrained by the budget allocated by HMT so we will have to push ahead with cost control measures ASAP (Oct), but the other Phase 2 proposals can wait until the new year.

Stuart

From: Sarah Driver [<mailto:Sarah.Driver@ofgem.gov.uk>]
Sent: 02 July 2015 13:26
To: Hughes, Seamus; Wightman, Stuart
Cc: Katy Read
Subject: NI RO

Hi both,

During a catch-up an RO colleague we've been informed that the NI RO amended regs won't be coming into force until 1 December. If this is the case then we would recommend holding off introducing the NI RHI amendments until the same time, so do you think you would be able to get clarity from your RO colleagues on this so that we could discuss?

Thanks
Sarah

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PROPOSAL COST CONTROL

RATIONALE

Given the introduction of tariffs for larger systems and the need to maintain confidence and consistency in the scheme DETI is proposing to introduce cost control measures that would ensure budgetary levels wouldn't be breached and to remove the need for emergency reviews or reductions in tariffs at short notice. DECC has introduced a system of tariff degression in GB whereby tariffs will automatically reduce when deployment levels reach set trigger points. DETI expect to introduce similar measures in the future but in the interim it is proposed that a simpler system is put in place.

The RHI is different in nature to the NIRO in that there is a finite budget for new installations and these budget limits cannot be breached. Whilst tariffs are designed to ensure that the budget is adhered to there is always a risk that renewable heat technologies might be deployed in greater numbers than what is forecast and payments exceed expectations. The risk of this increases as tariffs become available for larger technologies such as biomass over 1MW, biomass/bioliquids CHP and deep geothermal. Therefore DETI must retain the right to suspend the scheme if budget limits could be breached; however this will only happen at a last resort and, at this stage, is not envisioned to happen

In order to ensure confidence in the scheme continues DETI proposes to introduce a number of trigger points that will provide forewarning to potential applicants that the committed budget is nearing the set limit. The trigger points are set out in summary as follows, (detail in the consultation document).

Trigger 1 **50%** of annual budget committed – DETI will make public announcement on committed budget.

Trigger 2 **60%** of annual budget committed – DETI will make an announcement on committed budget and advise that the domestic RHI may need to close if next budget trigger point is reached.

Trigger 3 **70%** of annual budget committed – DETI will make an announcement on committed budget and begin procedures to close the RHI for the financial year.

Trigger 4 **80%** of annual budget committed – DETI will make public announcement on committed budget and formally advise administrator to prepare for closure.

Trigger 5 **90%** of annual budget committed – DETI will make a public announcement and begin actions to close the scheme for the financial year.

CONSULTATION RESPONSES

- Trigger method of budget management could be viewed as a disincentive and cause further uncertainty in the market.
- DETI would need to clarify if any suspension of the scheme would impact only on new applications and not existing accreditations.
- Good clear advance warning with guidance and parameters would be needed for any cost control measures.

DISCUSSION

- The proposed tripper points are too proscriptive therefore DETI should have the flexibility and control to restrict/close the scheme to new applicants at any given point to help manage the budget.
- This needs to be provided for in the Regulations.
- On the wider issue of affordability/future tariff levels there is a lack of clarity over RHI funding beyond March 2015.
- Consideration should be given to plan for reduced tariffs now as part of the phase 2 review.
- A tier system should also be introduced from 1 October 2015 for all biomass tariffs up to 200kW where the first 1314 hours will be paid at the tier 1 rate and hours thereafter will be reduced to tier 2 rates.

Ofgem COMMENT

RECOMMENDATION To introduce a two tier tariff structure from 1 October 2015 with tier 1 applying to the first 1314 peak hours and hours thereafter paid at the reduced tier 2 tariff rates (see proposed tariff table attached below). Further tariff degression measures are to be considered during 2016. These are likely to be similar to the GB model but will be based on total application numbers and not individual technologies.

LEGISLATIVE CHANGES NEEDED

Appropriate amendment to be drafted.

Current Biomass Tariffs				
Size	Tariff	Size	From	1/10/15
Less than 20kWth	6.7	Less than 20kWth	Tier 1	6.7
			Tier 2	1.5
20kWth up to 100kWth	6.4	20kWth up to <u>200kWth</u>	Tier 1	6.4
			Tier 2	1.5
100kWth up to 1000kWth	1.5	200kWth up to 1000kWth	N/A	1.5

Tier 1 applies to the first 1,314 peak hours. Tier 2 applies remaining hours.

Final policy agreed

Signed:

Date: