

From: [Wightman, Stuart](#)
To: [Clydesdale, Alison](#)
Cc: [Hughes, Seamus](#)
Subject: FW: Future RHI Budget - Northern Ireland
Date: 24 May 2016 13:36:25
Attachments: [image001.jpg](#)
[Response from Rt Hon Gregory Barker MP07_01_14.pdf](#)
[150119_RHI Jan 2015 OBR return.doc](#)
Importance: High

Alison

For background I include some of my early email exchanges with Finance below.
Stuart

From: Wightman, Stuart
Sent: 07 May 2015 13:52
To: Cooper, Trevor
Cc: McFarlane, Iain; Hughes, Seamus; Thompson, Sandra; Dolaghan, Paul
Subject: Future RHI Budget - Northern Ireland
Importance: High

Trevor, thanks for this morning's meeting on the Pilot Energywise OBC. It was very helpful.

I mentioned that I've been trying to get some clarity around future AME budgets for the RHI. Please see email exchange below. Uptake of the non-domestic RHI scheme has increased dramatically over the past twelve months. During the first 18 months of scheme (Nov2012-March2014) we received 130 applications. We have received a further 470 applications in the past 12 months. The table below sets out our revised RHI AME forecast based on the recent uptake figures. We have not factored in any saturation point (drop in uptake) until the scheme closes to new application in March 2020. The funding requirement is at its highest in 2020/21. Reducing non-domestic payments will continue for a further 19 years. Reducing domestic payments will continue for a further 6 years. We have also factored in the 1,500 boilers to be installed as part of the Pilot/Full Energywise Scheme. Our current AME profile only forecasts £11m of spend in 15/16 and needs revised, otherwise we run out of funds in mid September. We weren't given an opportunity to submit a revised AME profile as part of June monitoring. **We are therefore keen to revise our AME profile asap.**

Our initial RHI budget for the 4 year budget period 2011/12- 2014/15 was £25m. This was based on 3% of DECC's RHI allocation. We haven't yet spent all of the £25m. DECC's RHI budget for 15/16 is £430m (see attached letter). We await confirmation from DFP that NI has received 3% of DECC's RHI budget (£12.9m) for 15/16. This budget together with the underspend from the £25m should cover our current forecasted 15/16 RHI spend of £22m.

					Last Yr of scheme	
	15/16	16/17	17/18	18/19	19/20	20/21
Non Domestic (Resource)	20	27	36	43	46.5	48
Domestic (Resource)	2	3	3.5	4	4	5
Domestic (Capital)	3	5	5	5	5	0
Total AME Requirement	22	30	39.5	47	50.5	53

In policy terms we are chasing a target of 10% renewable heat in NI by 2020. We hope to have achieved around 4% by the end of 15/16 but this will cost £22m/yr for next 20 years even if we close the scheme at the end of next 15/16 and accept no further applications. This is because once an installation is accredited onto the scheme, the RHI payments are committed for 20 years (irrespective of future budget availability). I am therefore keen to identify what the maximum RHI budget for NI is likely to be from next year onwards. **Do we wait until DECC**

receives its budget for 2016 onwards and assume NI receives 3% of this? Or do we take 3% of DECC's most recent AME forecasts (Table 2 of the second attachment). Our revised AME forecast is running at just under 3% of DECC's high forecast. This makes sense as NI uptake is higher than GB scheme with NI application numbers currently running at 5% (and not 3%) of GB scheme.

As part of Phase 2 of the Non-domestic RHI I will be amending the legislation to extend the scheme to some additional technologies. I'm also keen to take this opportunity to include a number of future tariff reductions to help manage our budget going forward so any clarity that can be provided on the future AME budgets that are likely to be available for RHI would be greatly welcomed.

Happy to meet to discuss further.

Thanks, Stuart

From: Thompson, Sandra
Sent: 26 March 2015 15:51
To: Partridge, Jeff
Cc: Wightman, Stuart; Hughes, Seamus
Subject: FW: RHI Budget - Northern Ireland
Importance: High

Hi Jeff – as discussed please see below (and attached) re our concerns re RHI/ AME budget going forward. I appreciate that we basically secure our budget via AME profiling but it would be helpful if we could establish some parameters as non-domestic commitments made now/ in next couple of years will have implications for the next 20 years. I and RHI team will be happy to provide further info/ clarification as required.

Thanks and regards

Sandra

Sandra Thompson

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From: Wightman, Stuart
Sent: 25 March 2015 14:10
To: Thompson, Sandra
Cc: Dolaghan, Paul; Hughes, Seamus; Mills, John (DETI)
Subject: RHI Budget - Northern Ireland

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.

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 the end of 2014/15 we will have spent £7.88M. However with the increase in uptake recently, the rolling estimated monthly RHI spend has risen to around £928k which we are assuming will increase by an additional £64k for new accreditations each month (£60k non-dom / £4k dom). Based on these figures our projected total monthly RHI spend will have reached £1.68M by March 2016 and £2.496M by March 2017. **The corresponding projected annual spends will be £16M in 15/16 and £25.5M in 16/17.** 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 basically need to know what our maximum budget is going forward so we can try to manage future scheme uptake/tariffs to manage costs.

It is worth highlighting that our current projections might be a little conservative with the numbers of applications we're expecting from the poultry industry during 16/17. If we allowed to carry over the remaining £17.12M (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. This would enable us to continue to accept new applications during 15/16 safe in the knowledge that we will not overspend. We would also like some clarity around our likely budget from 16/17 onwards however I realise that this probably won't be possible until sometime after the Parliamentary elections.

In summary, our queries around the RHI budget are:

- (1) Can the unspent balance of £17.12M from the original £25M be carried forward into 2015/16;
- (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 from DETI Finance Branch and DFP would be appreciated so we can factor in tariff reductions if necessary as part of our Phase 2 Non-domestic RHI changes.

Happy to discuss.

Thanks

Stuart

Stuart Wightman
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Energy Division

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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
Follow us on [Twitter.com/DECCgovuk](https://twitter.com/DECCgovuk)

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
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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

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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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