

From: [Partridge, Jeff](#)
To: [Cooper, Trevor](#)
Cc: [Brankin, Bernie](#); [Craig, Suzanne](#)
Subject: FW: Future DETI RHI Budgets
Date: 02 June 2015 16:50:27
Attachments: [Doc1 \(5\).docx](#)

Trevor,

Please see attached.

Please also note that approval for the 2015-16 scheme has been granted.

Jeff

From: Partridge, Jeff
Sent: 02 June 2015 16:04
To: Brankin, Bernie
Cc: Craig, Suzanne
Subject: FW: Future DETI RHI Budgets

Bernie,

Q&As attached.

Jeff

From: Partridge, Jeff
Sent: 02 June 2015 15:56
To: Craig, Suzanne
Subject: FW: Future DETI RHI Budgets

Suzanne,

I have amended and added more Q&As. Are you content with this version?

Jeff

From: Craig, Suzanne
Sent: 02 June 2015 15:08
To: Partridge, Jeff
Subject: FW: Future DETI RHI Budgets

Jeff

As discussed, I have put together a few Q&As that David had posed at the meeting. I think most points are already covered within Stuart's email below but happy to discuss. If you can think of any others that David raised I am happy for you to include.

Thanks

Suzanne

Suzanne Craig

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Please consider the environment - do you really need to print this e-mail?

From: Partridge, Jeff
Sent: 02 June 2015 14:54
To: Brankin, Bernie
Cc: Craig, Suzanne; Conliffe, David; Cooper, Trevor
Subject: FW: Future DETI RHI Budgets

Bernie,

I received this email from Stuart this morning.

I will forward the summary of the Q & As from yesterday's meeting with Energy shortly, after which we could meet to discuss.

Jeff

From: Wightman, Stuart
Sent: 02 June 2015 10:19
To: Partridge, Jeff
Cc: Thompson, Sandra
Subject: Future DETI RHI Budgets

Jeff, further to our discussion yesterday, please see draft email below. Please amend/comment as you see fit. I want to get this to John this morning.

Thx, St

Trevor,

Further to our discussion on Friday, can I please ask for Finance Division to engage with DFP/HMT to get clarity around our current and future RHI Budgets?

I attach our most recent RHI AME forecast which shows an estimated expenditure of £23.2m in 2015/16 against our previous forecast of £11.6m which was made in November 2014. I understand you have already submitted this revised forecast to DFP as part of the recent AME exercise to inform the Chancellor's July Budget. The second spreadsheet provides the basis for this forecast. I also include some background on the NI RHI scheme(s) including the basis for our forecasts.

I'm keen to understand from DFP/HMT:

(1) How future NI RHI AME allocations (2016 onwards) will be determined?

As the NI RHI is a demand led scheme (like the NI free prescriptions scheme & concessionary fares scheme), will future AME allocations not be based on our forecasts? If so, do we not just provide our revised forecast along with an explanation of why/how we under forecasted and move forward on the basis of our revised figure?. If future NI RHI funding on the other hand is going to ultimately be determined by what DECC is allocated, we need to be making the case for NI to receive a much larger percentage of the DECC budget (possibly 5-6% to reflect current uptake levels) than the 2.98% under Barnett's.

(2) What options are available for securing additional AME Funding for 2015/16?

Will DfP/HMT honour our revised AME forecast of £23.2m submitted as part of the recent exercise? If not, can we spend any of our previous RHI AME underspends (£14m) in 2015/16 or is there other surplus AME across NI which we can use for the NI RHI?

Background

The Domestic Renewable Heat Premium Payment (RHPP) and Non-domestic RHI schemes were introduced in 2012 in pursuit of the PfG objective to achieve 4% renewable heat by 2015.

Both schemes are demand led. It is therefore difficult to predict future uptake / spend. For this reason HMT agreed to fund the RHI through AME. £25m of AME was initially allocated to the NI RHI for the 4 year 2011-15 period. In the absence of any robust

evidence on likely uptake/spend, this initial allocation was based on 2.98% of the DECC allocation. However the scheme underperformed in terms of achieving our renewable heat target with an underspend of around £14m over the first 4 years.

Our focus over the past 12 months has therefore been on improving the performance of the RHI to achieve our PfG target and address this underspend. This included introducing the full Domestic RHI Scheme in December 2014 and completing an extensive advertising campaign. Despite the drop in oil prices over the winter months, we have successfully increased uptake of the Non-domestic RHI scheme over the last 12 months. Total non-domestic RHI applications have increased from 200 to 700 during this period and we're now on course to meet the PfG target of 4% renewable heat during 2015. However this increase in uptake has seen committed monthly non-domestic payments rise from £430k to over £1.3m over the same period. Forecast expenditure in 2015/16 is now twice our previous AME 2015/16 forecast (made in November 2014) although total expenditure during the 2011/12 - 2015/16 period is still expected to be within the allocated NI budget of £37.8m (£25m + £12.8m).

We are planning to introduce a tiered tariff for the most popular non-domestic biomass tariff from 1 October 2015. New applicants will only receive the current 6.4p tariff for their first 1,314 hours after which a reduced 1.5p tariff applies. This change requires legislation and cannot be introduced without appropriate consultation/notification.

RHI Forecasts

The table below shows how monthly non-domestic application numbers and committed monthly payments have increased since Jan 2013.

RHI Non Domestic

Period	No of Applications	Ave per month	£ - ave money at	Committed Monthly Payments
Jan - Mar 13	9	3.0	£6,204.00	£18,612.00
Apr - Jun 13	17	5.7	£11,718.67	£53,768.00
Jul - Sep 13	23	7.7	£15,854.67	£101,332.00
Oct - Dec 13	36	12.0	£24,816.00	£175,780.00
Jan - Mar 14	43	14.3	£29,641.33	£264,704.00
Apr - Jun 14	80	26.7	£55,146.67	£430,144.00
Jul - Sep 14	86	28.7	£59,282.67	£607,992.00
Oct - Dec 14	116	38.7	£79,962.67	£847,880.00
Jan - Mar 15	153	51.0	£105,468.00	£1,164,284.00
Apr - Jun 15 (to 21 May)	87	51.9	£107,284.44	£1,486,137.31

Previous RHI budgets had been underspent so there was nothing to suggest there would be such a large increase in uptake over such a short time. Estimated monthly increases in committed payments are around £110k. The last AME 2015/16 forecast (made in Nov 2014) for the Non-domestic was based on a smaller sample of 300 applications had assumed an average monthly increase in payments of £60k. This had been the average increase in the 6 months previous as highlighted in the table above.. A £60k increase which would have left committed RHI expenditure within profile.

There was nothing to suggest that the increase in non-domestic application numbers during the last quarter of 2014 would be sustained through to 2015, so no action was

taken. However, following a further increase in application numbers during the first quarter of 2016 which seen the average monthly increase rise to £105k, we have been reviewing how we forecast future non-domestic RHI payments. This review is what has led to our revised forecast for 2015/16 and the large accrual from 2014/15.

Rather than simply including fixed increases of £60k/month, forecast increases in future RHI payments are now based on historic payment data. Previously, there wasn't enough payment history to use for forecasting. The majority of the applications are from the poultry industry for 99kw biomass boilers so we're now also seeing much more consistent operating hours and monthly payments. We will continue to refine our forecasting system as information improves. However, there will always be an element of unpredictability about future RHI payments. Estimated quarterly payments must be accrued for all accredited systems until such time as the individual businesses submit their meter readings online to Ofgem. This can take many months. There can also be quite a variation on payment depending on the type of business and of course the weather. Uptake will also vary from month to month. This is why DECC produce 3 different forecasts (low/medium/high).

The Domestic RHI scheme on the other hand is much easier to predict with fixed upfront payments and annual payments determined by the EPC for the property. However, the Domestic RHI Scheme currently only accounts for 13% of total RHI expenditure.