

From: [McCoy, Laura](#) on behalf of [Cooper, Trevor](#)
To: [Scott, Michelle](#)
Cc: [Rooney, Eugene](#); [Stewart, Chris \(DETI\)](#); [Mills, John \(DETI\)](#); [Brankin, Bernie](#); [McFarlane, Iain](#); [Wightman, Stuart](#)
Subject: BUSINESS CASE ADDENDUM FOR THE NORTHERN IRELAND NON-DOMESTIC RENEWABLE HEAT INCENTIVE
Date: 07 December 2015 13:04:56
Attachments: [Letter to Michelle Scott ref RHI.docx](#)

Michelle

Please see attached letter from Trevor Cooper for your attention.

Thanks.

Laura McCoy

Personal Secretary

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Michelle Scott
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7 December 2015

Dear Michelle

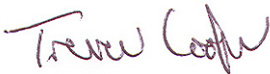
BUSINESS CASE ADDENDUM FOR THE NORTHERN IRELAND NON-DOMESTIC RENEWABLE HEAT INCENTIVE

1. I am writing in follow up to my letter of 27 October 2015 and the subsequent letter from Emer on 29 October 2015 setting out prospective RHI approval to 31 March 2015.
2. The legislative changes to the Non Domestic RHI scheme were approved by the Assembly on 17 November and came into operation on 18 November 2015. An increase in application activity was predicted in the run up to the scheme changes but the actual response far exceeded the expectation. The table below demonstrates how application numbers have increased from August 2015 up to the legislative changes on the 18 November 2015.

Period	Application Numbers	Annual Cost	20 Year Cost
Nov 2012 – March 2015 (Previous Commitments)	522	£12.3m	£246m
April 2015	85	£1.1m	£22m
May 2015	66	£1.4m	£28m
June 2015	49	£1.3m	£26m
July 2015	42	£0.9m	£18m
August 2015	55	£1.1m	£22m
September 2015	90	£2.14m	£42.8m
October 2015 (up to 28/10/15)	441	£9.8m	£196m
Total for Retrospective Period (1/4/15 – 28/10/15)	828	£17.74m	£355m
November 2015 (29/10/15 – 29/11/15)	452	£9.95m	£199m
December 2015 – March 2016 (forecast)	80	£1.92m	£38.4m
Total for Prospective Period (29/10/15 – 31/3/16)	532	£11.9m	£238m
Total Forecast Commitments to 31 March 2016	1882	£41.94m	£839m

3. Some 983 applications were received during the 2½ months leading up to the tariff changes on 18 November 2015. Processing and accreditation of these applications is likely to take many months given the numbers. There is nothing to suggest that all these applications won't be accredited. Ofgem's initial checks suggest the applications are in order. Accordingly the figures have been included for forecasting purposes.
4. The current 2015/16 AME budget is £22.8m which was based on monthly non domestic application numbers up to August 2015 and a forecast of increased application numbers in September and October. However, with almost 1,000 applications received during the 2½ months leading up to the changes, we are now forecasting Non Domestic RHI expenditure to be £30m in 2015/16. Even if there were no new offers of support beyond 2015/16, Non Domestic RHI scheme expenditure is forecast to be £42m in 2016/17 (as shown above) and for the subsequent years going forward. Any further offers in 2016/17 would increase this further.
5. If there were no new offers of support under the Domestic RHI beyond 2015/16, annual expenditure under this scheme is forecast to be £2.2m from 2016/17 onwards pushing total RHI expenditure to £44.2m.
6. Application numbers have dropped dramatically as expected after the introduction of the scheme changes with only 1 application received since the 18 November 2015. It is expected that numbers will remain low going forward. However, it is likely that any decision to close or restrict either of the RHI schemes from April 2016 could trigger another spike in demand and committed expenditure.

Yours sincerely



TREVOR COOPER
Head of Finance Division

cc Eugene Rooney
Chris Stewart
John Mills
Bernie Brankin
Iain McFarlane
Stuart Wightman