

From: [Rooney, Eugene](#)
To: [Cooper, Trevor](#)
Subject: FW: Letter from David Sterling to Andrew McCormick re RHI - dated 29 January 2016
Date: 29 January 2016 17:45:14
Attachments: [image001.jpg](#)
[Letter from David Sterling to Andrew McCormick re RHI - dated 29 January 2016.docx](#)

From: Stewart, Chris (DETI)
Sent: 29 January 2016 16:39
To: Mills, John (DETI); Wightman, Stuart; Rooney, Eugene
Cc: McIlwrath, Linda
Subject: FW: Letter from David Sterling to Andrew McCormick re RHI - dated 29 January 2016
John, Stuart, Eugene

As suggested by Andrew, I will address relevant points in the draft note for Andrew to send to HOCS.

Para 2 is straightforward, and I can answer without difficulty.

I do not fully understand the question in para 3, and don't see the relevance of the reference to amendments to the scheme. My understanding is that the HMT decision in December changed a relatively manageable problem into a criticality. The change was that the original arrangement (overspend to attract a 5% RDEL penalty) was replaced with a requirement for all of the overspend (beyond Barnett consequential share) to be met from RDEL. It would be interesting to know whether DECC was subject to the same stricture.

I can answer most of paragraph 4, but would welcome any information on demand forecasting arrangements that we have. It will emphasise the point that the existence of a large vertically integrated firm with an ability to stimulate demand rapidly either before or in response to the planned introduction of controls appears to be unique to NI.

The remainder of the letter does not pose particular questions, but happy to take any suggestions on a response.

C

From: McCormick, Andrew (DETI)
Sent: 29 January 2016 16:13
To: Stewart, Chris (DETI)
Cc: Hill, Janice; Rooney, Eugene; Mills, John (DETI)
Subject: Fw: Letter from David Sterling to Andrew McCormick re RHI - dated 29 January 2016
Sent from my BlackBerry 10 smartphone.

From: Sterling, David <David.Sterling@dfpni.gov.uk>
Sent: Friday, 29 January 2016 14:24
To: McCormick, Andrew (DETI)
Cc: HOCS; Brennan, Mike; Morelli, Emer; McBurney, Joanne; Scott, Michelle; Frazer, Helen
Subject: Letter from David Sterling to Andrew McCormick re RHI - dated 29 January 2016
Please find attached letter from David Sterling, Permanent Secretary, DFP.
Many thanks.

Jill for Helen Frazer



JILL DOWNIE

SPS to the Budget Director

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**FROM THE PERMANENT SECRETARY
David Sterling**

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Department of
**Finance and
Personnel**
www.dfpni.gov.uk

Dr Andrew McCormick
Permanent Secretary
DETI
Netherleigh
Massey Avenue
BELFAST
BT4 2JP

29 January 2016

Dear Andrew

RENEWABLE HEAT INITIATIVE

Further to your letter of 28 January 2016 to HOCS, I have noted your advice that Minister Bell's office will now confirm approval of the DETI submission on action to close the scheme as soon as possible. I also welcome DETI's efforts to reduce the time required for the closure process.

From a DFP perspective, I remain unclear about the circumstances that led to the unfunded pressure which will now significantly impact upon the NI DEL Block for 2016-17 and beyond. I would welcome an explanation as to why DETI officials did not realise that DFP approval for the non-domestic part of the RHI scheme had expired on 31 March 2015. We will also need to establish whether action at that time would have prevented or mitigated the current situation.

You refer to a change in HMT's treatment of RHI expenditure and to a specific arrangement that had been put in place at the inception of the scheme. I would be grateful if you would outline the details of any engagement between DECC and DETI as to the impact of any amendments to the scheme in either jurisdiction on the specific arrangement referred to above.

You state that the "spike in demand prior to the November legislation to tighten tariff controls was beyond reasonable prediction". I would welcome your views on why this could not be predicted and a description of the controls you had in place to monitor the market and forecast likely take-up. I would also welcome your view on whether better forecasting might have caused DETI to stop the scheme rather than tighten tariff controls. I think we can reasonably assume that these questions will be asked.

While it is right that it is for DFP to lead on communication with HMT, I would point out that input was sought from DETI to inform DFP's engagement with Treasury on this issue. Indeed DETI's briefing provided to DFP at the start of December 2015 highlighted the significant increase in NI forecast expenditure against the proposed HMT allocation going forward. The quantum of funding committed by DETI at that time combined with the uncertainty around forecasting referred to above significantly weakened the Northern Ireland Executive's position in negotiations with HMT.

In relation to the fraud risk and allegations recently made, I welcome your assurance that internal audit are now engaged. It will be important to test the adequacy of project oversight controls given the allegations that have been made (albeit anonymously).

I look forward to your response.

Yours sincerely



DAVID STERLING

cc: HOCS
Mike Brennan
[Joanne McBurney](#)
Emer Morelli
Michelle Scott
~~[Joanne McBurney](#)~~

From: [Rooney, Eugene](#)
To: [Stewart, Chris \(DETI\)](#); [McCormick, Andrew \(DETI\)](#)
Cc: [Mills, John \(DETI\)](#); [Wightman, Stuart](#); [Cooper, Trevor](#)
Subject: RE: RHI
Date: 01 February 2016 08:09:52

Chris

A couple of queries:

At para 5i - I had understood that the legislation introduced here initially mirrored that introduced in GB. The para suggests that NI diverged in having no controls right at the outset ?

Para 18 I would hesitate to move to a definitive judgement on the forecasting method (2nd sentence) until we have got the analysis on the applications.

Eugene

-----Original Message-----

From: Stewart, Chris (DETI)
Sent: 31 January 2016 14:27
To: McCormick, Andrew (DETI)
Cc: Mills, John (DETI); Wightman, Stuart; Rooney, Eugene
Subject: FW: RHI

-----Original Message-----

From: Chris Stewart [<mailto:>]
Sent: 31 January 2016 14:23
To: Stewart, Chris (DETI)
Subject: RHI

Personal information redacted by the
RHI Inquiry

Andrew

Revised draft attached. There are one or two DNs.

C