

To Peter Hutchinson cc Carmel McConville
Paul Montgomery

From Sam Connolly

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Background

1. Sustainable Energy branch has requested comments from SPES in relation to a terms of reference that has been prepared to engage consultants to undertake an Economic Appraisal/Cost Benefit Analysis of a renewable heat incentive for Northern Ireland.

General comments

2. The TOR should be clear about whether the consultants are being asked to produce a Cost Benefit Analysis or an Economic Appraisal. If this is an Economic Appraisal then the TOR should state that the EA should be carried out in accordance with [NIGEAE](#) guidelines.
3. In addition, it may be useful to clarify whether this study is specifically related to the development of a tariff or whether other options to incentivise the industry can be considered e.g. supplier support, installation grants etc.
4. Some general points that Sustainability Branch may wish to incorporate into the TOR are as follows:
 - Funding – the report should comment on the options for funding potential incentives and examine what other schemes currently promote renewable heat/energy.
 - Provide a quantitative assessment of the payback of the different technologies as part of the tariff development section.
 - Examine potential long term consequences of government subvention e.g. industry development, uptake etc.
5. In addition it is not clear what is meant by the following statements

Section	Issue
i.) a	Is this an economic appraisal or impact assessment?
i.) c	What is meant by the incremental costs and benefits of a RHI?
Vi	What exactly are the consultants being asked to benchmark?
Vii	Study should include an analysis of both the wider <u>costs</u> & benefits.

Conclusion

6. Overall, it will be particularly important to clarify whether this is an economic appraisal or more general cost benefit analysis. If this is an appraisal it will be necessary to include a reference to NIGEAE so that the consultants will know precisely what standard of work is required as well as an understanding of all of the issues that will need to be addressed.