

**From:** [Cooper, Trevor](#)  
**To:** [Hutchinson, Lee-Anne](#)  
**Cc:** [Linton, Rachel](#); [McFarlane, Iain](#)  
**Subject:** RE: Minutes - DETI HQ Casework Committee - Phase 2 Domestic Renewable Heat Incentive  
**Date:** 12 June 2014 16:55:14  
**Attachments:** [Minutes - DETI HQ Casework Committee - Phase 2 Domestic Renewable Heat Incentive.doc](#)

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Thks Lee-Anne. Tracked changes attached.

Trevor

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**From:** Hutchinson, Lee-Anne  
**Sent:** 11 June 2014 13:49  
**To:** Cooper, Trevor  
**Cc:** Linton, Rachel; McFarlane, Iain  
**Subject:** FW: Minutes - DETI HQ Casework Committee - Phase 2 Domestic Renewable Heat Incentive

Trevor

Please find attached the first draft minutes of the DETI HQ Casework Committee iro of Phase 2 Domestic Renewable Heat Incentive (Domestic RHI) .

I would be grateful if you could review and let me know of any changes required before I send to Mike and Eugene.

Many thanks

LA

## **Lee-Anne Hutchinson**

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**MINUTES OF DETI HQ CASEWORK COMMITTEE  
PHASE 2 RENEWABLE HEAT INCENTIVE (DOMESTIC RHI)  
9 JUNE 2014**

**COMMITTEE:** Eugene Rooney (Chairperson, DETI)  
Trevor Cooper (Head of Finance, DETI)  
Mike Thompson (Head of Tourism, Telecoms & GSNI Policy, DETI)

**IN ATTENDANCE: PROJECT TEAM**

John Mills (DETI)  
Davina McCay (DETI)  
Dan Sinton (DETI)  
Alan Smith (DETI)

**SECRETARIAT:** Rachel Linton (DETI ACB)  
Lee-Anne Hutchinson (DETI ACB)

**Introduction**

1. ER welcomed attendees to the DETI HQ Casework Committee meeting to consider the proposed Phase 2 Renewable Heat Incentive (Domestic RHI).
2. It was confirmed by all attendees that there were no conflicts of interest to declare.

**Background**

3. JM provided a brief summary of the project. He explained that the RHI is a European driven scheme and the Executive target is to have 10% of renewable sources by 2020. JM also explained that this scheme is to replace the premium scheme which is already in place. JM stated that GB has a similar scheme that came into effect from April 2014 and the aim is to get to the ETI Committee before summer recess so that the NI Scheme can be taken forward.
4. JM explained that the main change to the premium scheme versus that operating in GB was an element of upfront capital payment. The proposal for the NI domestic RHI has a small upfront capital

payment plus a seven year tariff support. There is enough funding to maintain the payments.

## Options

5. ER enquired had the SL1 been scheduled to go before the committee prior to summer recess. DMcC confirmed that it hadn't been scheduled yet but there was space available on 3 July 2014 but it had to go through the approval stages and the Minister prior to this date.
6. JM explained that new customers would not be allowed to apply over the summer; they proposed to use this time to transfer over the premium scheme customers. The phase 2 scheme would not start until the autumn, but they would proceed to get guidance up on the internet regarding the scheme in time for its launch.
7. ER asked was the proposed range in payments being made to customers due to the technology. DS provided a response explaining that it depended on the type of technology and also the complexity of the installation system. This led to a further query from ER who asked did this not cause problems in forecasting how much will be spent if the department didn't know the preference of technology that was being chosen. JM provided assurance that they were used to this as this was a common theme within the energy sector. DS explained that the air source heat pumps had gained status and they might become more popular so this would have an effect on the forecast.

## Budget

8. TC asked what budget had been set aside for the scheme. TC asked was there a forecast of the expenditure available. JM stated that they did not have a reliable forecast but they didn't anticipate the available funding which totalled £xxM up to 2020 (DN JM to confirm) being fully spent. MT asked what happened if the budget was not spent. DMcC explained that it had to be returned to HMT it was only to be spent on this project. TC requested that further confirmation of the available budget position be provided in terms of profile and overall total. JM went on to explain the scheme was open until 2020 and would make payments for seven years after that date. JM confirmed that there is a commitment by GB that would ensure funding is available for commitments entered into up to 2020 but which would fall up to seven years later.

**Action: Profile and total available budget to be confirmed to the Committee.**

9. TC enquired was the upfront payment a Capital payment and the remaining payments during the year were resource or were all payments resource in nature. He wants to ensure that it is

managed correctly and receives the correct accounting treatment. JM said he would clarify the position with DFP.

**Action: Nature of expenditure to be confirmed**

10. ER asked were there restrictions on the scheme as it was GB money or were there constraints on how to take it forward. JM stated he thought they were constrained a bit due to the GB scheme.

**Tariffs**

11. ER asked how often the tariffs will be reviewed to ensure it set at the correct level. JM confirmed it will depend on what the market is doing but it will be reviewed at least annually. They will be able to update the tariffs via legislation as they do for the electricity renewable energy. ER asked why the GB tariffs had changed so much since they had been set and will this not make the tariffs difficult to set. DMcC stated there will be a provision to be included to ensure that an emergency review can be undertaken at any stage. The customers already on the scheme will have their costs "Grandfathered". DS stated that the difference in costs may depend on the technology and type of boilers used.

DMcC said that they had gone to consultation although there had been a few complaints about the rate being lower than GB but the NI market was predominantly oil based. JM stated if the oil prices rapidly increased it affect the tariffs.

**Administration Costs of the Scheme**

12. JM confirmed the administration costs of the scheme have to be paid by DETI. There are 3 options to make the payments in-house, outsource or Ofgem. The cost of running it in-house would initially be approximately £150k for staff and £30-50k for IT costs although as the scheme was rolled out these costs would increase. The payment system will be quite complicated so the IT systems may need extra work although the in hose option maybe the cheapest option. JM believed that a worst case estimate of peak administration costs was £1.5m.
13. MT asked a query about marketing and would it be increased if there was not a big up take of the scheme. JM commented that is hoped the marketing costs won't be too expensive as OFDFM have a similar scheme and they could share costs with them.
14. DMcC confirmed they had in-house staff who were used to making the payments. TC asked would this payment process not be different as the previous scheme only had a one off payment whereas this scheme involves monitoring and ongoing payments and will be more complex. DMcC confirmed that it will be more

difficult for staff to manage once the initial payment has been made. By year 8 volumes will drop off as the first set of customers will be paid. .

15. DMcC explained that Ofgem will likely be more expensive there approximate costs are £1,800 for each application.

### **Risks**

16. JM confirmed that the administration costs would be a big risk to the Department in regard to the delivery of the scheme and confirmed that further work would be undertaken around the business case to determine the most efficient and cost effective way of delivery. This would also provide forward forecasts of the actual funding that would fall to the Department in relation to the Scheme's delivery. It was agreed that there would be further interaction to see if the costs of delivery of the scheme as well as the funding for payments out of the scheme could be sourced from the AME funding allocated by GB for the schemes implementation. Should this not be agreed, the associated administration costs, and funding risks falling on DETI in relation thereto, should be clearly articulated in any submission to the Minister in relation to approval for the scheme.

17. MT asked should targets be set for how many applicants they are trying to achieve so that it could be managed and it can be identified if more marketing is required.

### **Payments**

18. ER discussed the carry over allocation to ensure that it will be handled correctly each year. DS said that the payments will be managed and that they will increase each year due to the annual payments, he indicated that further work would be undertaken on forecasting forward budgetary needs. MT asked about the annual payments when are they processed and is it possible to spread the payments through the year.

### **Supply Side**

19. MT asked would there be enough of the units to meet the demand and DS confirmed that there was.

### **Business Case options**

20. TC asked about the business case options and he enquired would option 3 not deliver more renewable heat than option 5 and was it not a potentially better option on that basis. AS confirmed option 3 was forecast to produce more heat but this was on the basis that units installed continued to be used and this option had a higher

NPC because of the upfront nature of a grant payment. DMcC said that if it units were installed and not used then you would not get the full forecast renewable heat outcome. DMcC stated that option 5 is the better option per tonne of CO2 used.

21. ER mentioned that option 4 had no npc calculated for it and this information should be presented given that it is the option that GB used.
22. ER asked was it possible to reduce the upfront payment. DMcC said that they would need to go to consultation before they could take this action. JM explained that most people were content with the tariffs.
23. MT stated that the admin costs are important and should be included as part of the options analysis.
24. ER said that the project was constrained by the Decc model and that the administrations cost were going to be difficult and also stated they should be included.

## **Conclusion and recommendation**

25. ER drew the meeting to a close by identifying objectives that need to be completed before a decision could be taken:
  - TC to confirm if DFP approval is required;
  - AS to speak to Economists to have a review of the economic analysis (as revised below);
  - Energy review the economic options analysis to ensure completeness and to incorporate administration costs;
  - JM to clarify the position with DFP regarding the capital/resource position.
26. ER confirmed that these objectives should be taken forward and be reflected in the submission to the Minister.

**EUGENE ROONEY**

**JUNE 2014**