

From: [Wightman, Stuart](#)
To: [Cooper, Trevor](#)
Cc: [Rooney, Eugene](#); [Murphy, Shane](#); [McFarlane, Iain](#); [Hutchinson, Lee-Anne](#); [Mills, John \(DETI\)](#)
Subject: RE: Business Case Addendum for the NI Non-Domestic Renewable Heat Scheme
Date: 28 October 2015 10:35:02

Trevor

I can confirm that the inflationary uplift was included in paragraphs 2.26 and 7.58 of the original 2012 Business Case (Annex B of papers sent to DFP).

Stuart

2.26 *Payments will be made by the scheme administrator on a quarterly basis for the lifetime of the technology (maximum of 20 years). Tariffs are grandfathered so beneficiaries will receive a consistent level of support over the lifetime of the installation with the only revision being adjustments for inflationary pressures. The profiles of the tariffs and the length of scheme is consistent with the GB RHI and other renewable energy schemes (Renewables Obligation and Feed-in-Tariffs).*

7.58 *The Northern Ireland RHI tariffs will automatically adjust each year to account for inflation ^[1]. This in line with the approach taken in the GB RHI and the Feed-in-Tariffs scheme. This increase (or decrease where deflation occurs) will apply to all existing participants in the scheme as well as new entrants. This indexation will provide investors with confidence that tariffs will remain appropriate if input costs (fuel, electricity, maintenance etc) increase through inflation.*

[1] *The tariffs for each subsequent year commencing with 1st April and ending with 31st March, are the tariffs applicable on the immediately preceding 31st March adjusted by the percentage increase or decrease in the retail prices index for the previous calendar year (the resulting figure being rounded to the nearest tenth of a penny, with any twentieth of a penny being rounded upwards).*

From: Cooper, Trevor
Sent: 28 October 2015 10:28
To: Mills, John (DETI)
Cc: Rooney, Eugene; Murphy, Shane; McFarlane, Iain; Hutchinson, Lee-Anne; Wightman, Stuart
Subject: RE: Business Case Addendum for the NI Non-Domestic Renewable Heat Scheme
Importance: High

John

Thanks – i think the rpi uplift point was in the original case that DFP approved in 2012 – can you confirm.

Ref risk management point – have you details of the risks identified ref the Programme and management actions (i know much of actions flow from the current proposals but this is not the most difficult question they could have asked so good to go back with a bit of detail/assurance).

Trevor

From: Mills, John (DETI)
Sent: 28 October 2015 10:20
To: Cooper, Trevor
Cc: Rooney, Eugene; Murphy, Shane; McFarlane, Iain; Hutchinson, Lee-Anne; Wightman, Stuart
Subject: RE: Business Case Addendum for the NI Non-Domestic Renewable Heat Scheme

Trevor,

Responses in red:

The tariffs currently in place for this scheme are slightly higher than those set out within the 2012 business case. For example the proposed tariff for 20-99 kWth for Biomass was 5.9p in the business case, however the actual tariff operating is 6.4p. Indeed, the only tariffs which remain in line with the business case are those for the largest installations. Sorry if I am missing it in the addendum – but grateful for an explanation on why the tariffs increased post DFP approval.

Tariffs are increased every year with inflation (RPI). This is set out in Regulation 36 of The Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012 as shown below:

Payment of periodic support payments to participants

This section has no associated Explanatory Memorandum

36.—(1) Periodic support payments shall accrue from the tariff start date and shall be payable for 20 years.

(2) Periodic support payments shall be calculated and paid by the Department.

(3) Subject to regulation 42(5) and paragraph (7) the tariff for an accredited RHI installation shall be fixed when that installation is accredited.

(4) Subject to paragraph (7), the tariff for a participant who is a producer of biomethane is the biomethane and biogas combustion tariff set out in Schedule 3.

(5) Subject to paragraphs (6) and (7), the tariff for an accredited RHI installation is the tariff set out in Schedule 3 in relation to its source of energy or technology and installation capacity.

(6) For the purposes of paragraph (5), where the accredited RHI installation is one of a number of plants forming part of the same heating system its installation capacity is to be taken to be the sum of the installation capacities of that accredited RHI installation and all plants for which an application for accreditation has been made (whether or not they have been accredited) which—

(a) use the same source of energy and technology as that accredited RHI installation; and

(b) form part of the same heating system as that accredited RHI installation.

(7) The tariffs—

(a) for the period beginning with the commencement of these Regulations and ending with 31st March 2013, are the tariffs set out in Schedule 3; and

(b) for each subsequent year commencing with 1st April and ending with 31st March, are the tariffs applicable on the immediately preceding 31st March adjusted by the percentage increase or decrease in the retail prices index for the previous calendar year (the resulting figure being rounded to the nearest tenth of a penny, with

any twentieth of a penny being rounded upwards).

(8) The Department must calculate the tariff rates each year in accordance with paragraph (7) and publish on or before 1st April of each year a table of tariffs for the period commencing with 1st April of that year and ending with 31st March of the following year.

I just wanted to check another quick point regarding risk management. The original business case contained a relatively high level assessment of risk and in this section there was reference to, for example, risk of incorrect subsidy (to be managed by DETI through regular reviews) and risk of insufficient budget (to be managed through ongoing engagement by DETI with key industry stakeholders, DECC and HMT). While I assume this narrative around risk was not translated into a live risk register at the time, has it been now in response to our current experience?

Yes, risks associated with both RHI Schemes are included in the Energy Division Business Plan and Risk Register. RHI risks were in previous plans but focus was on, for example, internal resources and introduction domestic scheme.

On a related point – was this programme subject to Gateway review?

There is no record that a Gateway Review was completed on the original RHI proposals in 2012.

From: Cooper, Trevor
Sent: 28 October 2015 09:34
To: Mills, John (DETI); Wightman, Stuart
Cc: Rooney, Eugene; Murphy, Shane; McFarlane, Iain; Hutchinson, Lee-Anne
Subject: FW: Business Case Addendum for the NI Non-Domestic Renewable Heat Scheme
Importance: High

Stuart, John

Can you please give this your urgent attention – as i indicated michelle is on leave aftre today.
Trevor

From: Scott, Michelle
Sent: 28 October 2015 01:37
To: Cooper, Trevor
Cc: Millar, Angela (DFP); Finlay, Christine
Subject: RE: Business Case Addendum for the NI Non-Domestic Renewable Heat Scheme

Trevor

Apologies – quick couple of question on this.

The tariffs currently in place for this scheme are slightly higher than those set out within the 2012 business case. For example the proposed tariff for 20-99 kWth for Biomass was 5.9p in the business case, however the actual tariff operating is 6.4p. Indeed, the only tariffs which remain in line with the business case are those for the largest installations. Sorry if I am missing it in the addendum – but grateful for an explanation on why the tariffs increased post DFP approval.

I just wanted to check another quick point regarding risk management. The original business case contained a relatively high level assessment of risk and in this section there was reference to, for example, risk of incorrect subsidy (to be managed by DETI through regular reviews) and risk of insufficient budget (to be managed through ongoing engagement by DETI with key industry stakeholders, DECC and HMT). While I assume this narrative around risk was not translated into a live risk register at the time, has it been now in response to our current experience?

On a related point – was this programme subject to Gateway review?

Thanks

Michelle

From: McCoy, Laura **On Behalf Of** Cooper, Trevor
Sent: 27 October 2015 16:20
To: Scott, Michelle
Cc: Rooney, Eugene; Stewart, Chris (DETI); Mills, John (DETI); Brankin, Bernie; McFarlane, Iain; Wightman, Stuart
Subject: Business Case Addendum for the NI Non-Domestic Renewable Heat Scheme

Michelle

Please see attached from Trevor Cooper.

Please note the Business Case Addendum has been updated slightly from yesterdays version due to a few typos and formatting errors.

Regards,

Laura McCoy

Personal Secretary
Department of Enterprise, Trade & Investment
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Belfast, BT4 2JP
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Please consider the environment - do you really need to print this e-mail?

^[1] The tariffs for each subsequent year commencing with 1st April and ending with 31st March, are the tariffs applicable on the immediately preceding 31st March adjusted by the percentage increase or decrease in the retail prices index for the previous calendar year (the resulting figure being rounded to the nearest tenth of a penny, with any twentieth of a penny being rounded upwards).

From: [Mills, John \(DETI\)](#)
To: [Cooper, Trevor](#)
Cc: [Rooney, Eugene](#); [Murphy, Shane](#); [McFarlane, Iain](#); [Hutchinson, Lee-Anne](#); [Wightman, Stuart](#)
Subject: RE: Business Case Addendum for the NI Non-Domestic Renewable Heat Scheme
Date: 28 October 2015 11:06:13

Trevor

This is the detail from our Divisional Risk Register – assuming that’s what you mean. The second risk concerns aspects that are probably not of immediate concern with regard to our discussions with DFP (it also contains some non-RHI stuff) but show we are dealing with a range of issues on RHI. There is also reference to RHI in the Corporate DETI plan so it has been escalated appropriately. There’ll be also be references in assurance statements and actions in our Divisional plan – though that’s just in the process of half year review. Stuart’s gone back on the other point.

Objective: Promote Sustainable energy			For risks with a residual assessment of High or Medium Impact and High Likelihood:					
Category – Operation and Policy Delivery			Number of Quarters at this Level:					
Risk Appetite – Open								
RISK	Inherent Assessment		CONTROLS IN PLACE	Residual Assessment		ACTION PLANNED	TARGET DATE	OWNER
	Impact	Likelihood		Impact	Likelihood			
10. Failure to manage RHI budgets and authorisations.	High	High	Revised RHI profile Escalate issues Develop revised business case	High	High	Introduce tiered controls for biomass. Develop proposals for digression Continue to refine estimating of budgets Seek DFP approval	November 2015 March 2016 Ongoing October 2015	John Mills (SW)

Objective: Promote Sustainable energy			For risks with a residual assessment of High or Medium Impact and High Likelihood:					
Category – Operation and Policy Delivery			<u>Number of Quarters at this Level:</u>					
Risk Appetite – Open								
RISK	Inherent Assessment		CONTROLS IN PLACE	Residual Assessment		ACTION PLANNED	TARGET DATE	OWNER
	Impact	Likelihood		Impact	Likelihood			
1. Insufficient resources / expertise to implement complex programmes within deadlines.	High	High	<p>RHPP data transfer to new domestic RHI database.</p> <p>Divisional SO resources temporarily re-prioritised to help cover Domestic RHI resource pressures.</p> <p>NI EMR project board and technical steering board established.</p> <p>Engagement with NIAUR, NIE, SONI and SEMO to ensure delivery of EMR in NI.</p>	High	Medium	<p>Clarify admin resource costs of RHI / set up costs for EMR and bid accordingly.</p> <p>Recruit RHI Staff Officer.</p> <p>Secure Ministerial agreement to delay processing of Domestic RHI applications to address work backlog.</p>	<p>Ongoing</p> <p>August 2015</p> <p>31 July 2015</p>	John Mills (SW, AC)