



To: Alison Clydesdale

**cc: Sam Connolly
Paul Montgomery**

From: Carmel McConville

Date: 28/10/10

Northern Ireland Renewable Heat Incentive

Background

1. You requested comments on 22/10/10 in relation to the Terms of Reference (ToR) that has been prepared to engage consultants to undertake an economic appraisal of a Renewable Heat Incentive for Northern Ireland.

Strategic Context

2. Within the 'contract requirements' (section 9), it would be useful to state that the economic appraisal should identify the strategic context within which this project sits, specifically identifying the particular EU, UK and NI policy which this project relates to.

Market Failure/Need

3. It would be useful to add more detail to the need section of the ToR adding that it is necessary to examine the specific market failure this project is seeking to address. The implications for the industry of doing nothing should also be identified. It would also be useful to address the potential demand for renewable heat.

Objectives

4. In order to provide a clear basis for identifying and defining options and to facilitate ex post evaluation; the ToR should state that the appraisal must establish SMART objectives. In addition the appraisal should identify any constraints to the project.

Options

5. The ToR should state that the economic appraisal identifies a full list of potential options for future delivery.

Monetary Analysis

6. The ToR should state that each option brought forward should be fully costed and the financial payback of each technology should be assessed. It will also be necessary to highlight if there are any potential additionality, deadweight and displacement impacts.

Non-Monetary Costs and benefits

7. In addition to the non-monetary benefits identified, it would be useful if the ToR stated that the Appraisal should identify the impact that the initiative may have on alternative industries e.g. oil/gas industries.

Funding, Management, monitoring and Evaluation

8. Within the contract requirement section, the ToR should state that the EA identifies how the project will be funded, who will monitor the appraisal and how and when the project will be evaluated.

Drafting point

9. The ToR in some cases refers to the economic appraisal as a 'study' or an 'evaluation'. For consistency this should be changed to economic appraisal.

Summary and conclusions

10. In general the ToR has been generally well prepared although they could benefit from some additional information as discussed in the preceding paragraphs. In particular, the ToR should include the requirement for SMART objectives the market failure that this project will address, the strategic context within which this project sits and the necessary monitoring and evaluation arrangements.