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From: Kate.KELLIHER@ec.europa.eu [<mailto:Kate.KELLIHER@ec.europa.eu>]
Sent: 16 February 2017 16:18
To: steven.mcgregor@fco.qsi.gov.uk; DfE stateaid
Cc: Irrelevant information redacted by the RHI Inquiry; Ronald.VAN-DE-VEN@ec.europa.eu; Marcos.GONZALEZ-ALVAREZ@ec.europa.eu
Subject: RE: SA. 47501 Renewable Heat Incentive Follow Up Questions

Dear Mr Moore,

Thanks once again for the detailed explanations and your responses to our last set of enquiries. Please find some follow-up questions below as discussed over the phone,

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A. Rates of Return

In your response to this topic, you state that "*The following chart [...]. These returns are based on assumptions of capex and running costs [...]*".

Q1. Could you indicate the point in time that these assumptions of capex and running costs reflect?

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B. Quantum of the Tiered Tariff

You kindly provided us with some data demonstrating the quantification of the tiered tariff (which was set at 1.5p/kWh).

Q2. Could you explain why LPG was the appropriate cost comparator for heat installations in Northern Ireland?

Q3. Could you indicate the point in time that the DARD analysis reflects?

C. Re-banding of the Medium Biomass Tariff

There are some minor discrepancies on the original upper tiers of the Biomass bands (20-100 and 100-1000 in the 2012 State aid decision *cf.* 20 – 99 and 20-199 in the pre-notification paper.

Q.5 Could you let us know which figures are correct?

Q.6 We would also like to know what the upper bands (the maximum installed capacity for eligible installations) is to be eligible for receipt of biomass and ground source support is.

D. Eligible technologies

From the phone conversation we understand that CHP installations using biomass have always been eligible for the scheme but that in October 2015 they were split out into a separate CHP category.

Q. 7 Could you confirm whether this is correct and let us know the basis on which the tariff for this new CHP category was set?

We also understand that the CHP tariff introduced in 2015 is not intended to be varied or tiered under the auspices of this notification but that CHP installations in receipt of the medium biomass tariff (because they entered the scheme before the CHP tariff was split out as a separate category) will be subject to the pre-notified amendments.

Q.8 Is that understanding correct? Please explain.

E. Eligible RES heat

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From the phone conversation we understand that the review mechanism which is envisaged to take place in 2017 will have a dual purpose:

- (i) The investigation and subsequent remedy of any instances of support for non-eligible heat load; and
- (ii) An information-gathering exercise so your authorities can update their assumptions and inform future amendments to the scheme.

You have further explained that:

- (i) The DoE will procure independent consultants to conduct onsite inspections
- (ii) Onsite inspections will be carried out of all installations in the NI RHI scheme by the end of 2017
- (iii) Each installation will be assessed for compliance against the NI RHI Scheme.
- (iv) Enforcement action will follow and best endeavours will be made to ensure that Ofgem takes such enforcement action.

Q.9 Could you please specify and provide commitments to the enforcement action, in particular in the event that the inspections find non-compliance with the scheme and in view of the best endeavours to ensure that Ofgem takes such action.

Please feel free to get in touch with any questions,

Kind regards,

Kate

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