

**From:** [Mills, John](#)  
**To:** [Stewart, Chris \(DFE\)](#); [McCormick, Andrew \(DFE\)](#)  
**Cc:** [Lavery, Noel \(DAERA\)](#); [Henry, Ronan](#)  
**Subject:** John Mills  
**Date:** 24 November 2016 16:46:05  
**Attachments:** [John Mills.docx](#)

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Chris/Andrew,

As forecast, see approach from BBC on the scheme. Understand DFE/DAERA press offices are addressing.



Private and Confidential

Dear Mr Mills,

BBC Spotlight is making a programme about the non-domestic Renewable Heat Incentive (RHI). We understand that you were the head of the energy directorate at the Department of Enterprise, Trade and Investment (DETI) for a period during the scheme's operation.

I am therefore writing to you now to outline to you some matters which we intend to address in our programme to give you an opportunity to respond.

- 1) The NI Audit Office on DETI resource accounts 2015-16 states that consultants employed by DETI suggested a rate of 4.5p per kw/h "based on a 20kw biomass boiler reference case. At this rate the consultants noted that there was no need for tiering as, at that time, the proposed rate was less than the cost of wood pellets and therefore there was no incentive to excessively use the boilers just to claim the subsidy."

It goes on to say that the consultants, after public consultation, produced a new paper which increased the rate to 5.9p per kw/h.

It then says that in a subsequent business case submitted to the Department of Finance, it stated that there was no need to consider the tiering because the rate proposed was lower than the cost of fuel and therefore there would be no incentive to abuse the system by generating heat just to claim the subsidy. The auditor's report goes on to say: "However in the case of biomass boilers this was not the case and appears just to have been copied from the July 2011 consultant's report without thought."

The report describes the failure to consider tiering as a "critical mistake".

Do you accept that your directorate failed to act quickly enough to recognise the "critical mistake" of a lack of tiering, contributing to an unnecessary cost to the block grant of hundreds of millions of pounds?

- 2) At a Public Accounts Committee hearing in September, Dr McCormick, the current permanent secretary, noted that the "Treasury gave clear indications in the early days – I am now talking about Spring 2011 – that there would be budgetary limits. Our assumption was that the Department of Energy and Climate Change would get an allocation for renewable heat and for GB and that we would get a Barnett consequential of that. That was known and understood in the department. There is a clear email trail between the energy and finance directorates in 2011 showing that it was known and understood that there was a limit."

Dr McCormick goes on to say that he was "told repeatedly in the summer and autumn of 2015 that this is AME and that we should be able to get more from Treasury on this but that was a mistake."



Do you accept that your directorate had been told that there was a limit to Treasury funding of the scheme but failed to communicate this clearly enough within the department so that Dr McCormick could be told mistakenly that “we should be able to get more from Treasury on this”?

Do you accept that the energy directorate’s handling of the scheme was inappropriate given that Treasury funding was limited and the overall outcome was an unnecessary cost to the block grant running into hundreds of millions of pounds?

- 3) Dr McCormick told the Public Accounts Committee in November that the department was “well aware” that the scheme in Great Britain had decided to introduce digression but that was not acted upon in Northern Ireland.

Do you accept that the introduction of digression could have mitigated the number of applications to the scheme and reduced or removed unnecessary cost to the block grant running into hundreds of millions of pounds?

- 4) The Public Accounts Committee has heard details of a whistleblower’s warnings about the RHI scheme which date back as far back as 2013 and into your time as head of energy directorate in 2014. Your successor as permanent secretary has told the committee that the whistleblower’s concerns were not properly addressed.

Do you accept that addressing the whistleblower’s concerns effectively could have mitigated the significant problems that arose with the scheme, including an unnecessary cost to the block grant of hundreds of millions of pounds?

- 5) We understand that the total cost of this scheme over 20 years is potentially £1.18 billion, with Treasury funding in London meeting potentially £520m of that, leaving a deficit of £660m to be found from the block grant over 20 years. This has been described to us as a “black hole” which the Northern Ireland Executive is likely to struggle to fund given its significant budgetary constraints.

Do you accept that you, as head of the energy directorate for a significant period of the scheme’s operation, bear responsibility for failures which have created a “black hole” in the Northern Ireland public finances and which could have a significant impact on public services?

- 6) Dr McCormick has also told the PAC hearing: “I think we owe an apology to the Committee and others for the things that have gone wrong. A lot has gone wrong in this case; there have been some serious mistakes and failings. We need to acknowledge that and we are going to be very upfront in acknowledging it.”

Do you share Dr McCormick’s contrition and do you wish to join him in apologising for your role in “the serious mistakes and failings”?

Please let me know if you are willing to respond to these questions by way of a pre-recorded on-screen TV interview. Alternatively if you wish to answer the questions above in a written statement, please let me know that too.

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We are giving you this opportunity in order to reflect your views in our programme so that it is fair and balanced. The programme is currently planned for broadcast as early as December 6th so for production reasons, we would need to receive your responses no later than 5pm on Wednesday 30<sup>th</sup> November. If you would like any clarification, my contact details are [conor.spackman@bbc.co.uk](mailto:conor.spackman@bbc.co.uk) or

Personal information redacted  
by the RHI Inquiry

Sincerely yours,

Conor Spackman

BBC Spotlight

**From:** [McCormick, Andrew \(DFE\)](#)  
**To:** [Mills, John](#)  
**Cc:** [Lavery, Noel \(DAERA\)](#); [Henry, Ronan](#); [Stewart, Chris \(DFE\)](#); [McCoy, Laura](#); [Gaughran, Aine](#); [Cousins, Heather](#); [Gordon, David](#); [Caldwell, Alison](#); [Sterling, David](#)  
**Subject:** Re: John Mills  
**Date:** 24 November 2016 16:56:47

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Yes this is now the fourth such letter I am aware of. Aine can forward the approved response as agreed with DoF.

Many thanks.

Sent from my BlackBerry 10 smartphone.

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**From:** Mills, John  
**Sent:** Thursday, 24 November 2016 16:46  
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**Subject:** John Mills

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