

From: Stuart Wightman
Renewable Heat Branch

Date: 18 July 2014

To: 1. Andrew Crawford
2. Arlene Foster MLA

Copy Distribution List Below

COR/336/2014: RENEWABLE HEAT INCENTIVE (RHI) TARIFFS

Issue: Mr Joe Byrne, MLA has written to you concerning the tariff rates for the Domestic RHI Scheme.

Timing: Routine

Need for referral to the Executive: None.

Presentational Issues: There is an increasing interest from the public on this issue.

Freedom of Information: Elements of this submission may not be discloseable at present on grounds of policy development.

Financial Implications: None.

Statutory Equality Obligations: There are no Section 75 implications.

PFG/PSA implications: None.

Legislation Implications: None.

Recommendation: A draft response to Mr Byrne is attached at Annex A.

Background

Mr Joe Byrne has written to you about the tariff rates set for the Domestic RHI Scheme. He has indicated that constituents have approached him to suggest that an inequality in tariffs exist when compared to England, Scotland and Wales and as such provides less of an incentive to encourage homeowners to look at alternative and renewable heat sources here in Northern Ireland. He suggests a rise in tariffs would provide a stronger incentive and that this would also encourage start-up business in the renewable energy sector.

2. In the response to the consultation on the Domestic RHI there was a significant body of stakeholders who argued that the proposed tariffs should be increased in line with those in GB to ensure parity. There was also a concern expressed that the proposed tariffs may lead to consumers installing smaller or less efficient systems that were perhaps cheaper.
3. However, despite the fact that there was stakeholder concern about the proposed tariffs there was insufficient evidence provided to warrant a revision of the tariffs. DETI accepts that the proposed tariffs are lower than those in GB but the tariffs for the Northern Ireland Scheme have been designed specifically for our market and considers local energy costs, the fuels being displaced and the scale of the technologies being installed. In calculating the tariffs, DETI assess what whole-life cost differential is between the renewable heat technology and the fossil fuel alternative and then seeks to pay out this difference, (with a rate of return of 7.5%), over the 7 year scheme period. This is the same methodology as GB however the inputs do vary and no respondents to the consultation challenged the methodology.
4. It should also be noted that when comparing the payments with GB the ongoing savings enjoyed by consumers switching to renewable heat in Northern Ireland are higher than those enjoyed in GB. In almost all cases in Northern Ireland those switching to renewable will enjoy a reduction in fuel costs as most will be displacing oil but this is not necessarily the case in GB where some consumers could actually be incurring higher energy costs when moving to renewable heat. Therefore when considering the incentive payments and the savings enjoyed the overall benefits to the consumer in Northern Ireland and GB are broadly equivalent.
5. DETI will monitor uptake and energy prices and will periodically review tariffs and the technologies included. All tariffs under the Domestic RHI will be linked to the Retail Price Index and will be adjusted accordingly on an annual basis at 1 April each year.

Recommendation

6. It is recommended that you respond to Joe Byrne using the draft attached at **Annex A**.

STUART WIGHTMAN
Head of Renewable Heat Branch

cc: Eugene Rooney

John Mills
Davina McCay
Dan Sinton
Press Office
Glynis Aiken
Alastair Ross MLA APS

Annex A

DRAFT REPLY

Joe Byrne, MLA
SDLP Advice Office
9b Dromore Road
Omagh
Co Tyrone
BT78 1QZ

Xx July 2014

Dear Joe

Re: Renewable Heat Incentive, (RHI) tariffs

Thank you for your letter of 9 July 2014 concerning the tariff rates for the Domestic Renewable Heat Incentive Scheme, (RHI), compared to the rates in England, Scotland and Wales.

The Domestic RHI Scheme was launched in England Scotland and Wales in April 2014. The Northern Ireland domestic RHI scheme will be introduced later this year. The Renewable Heat Premium Payment scheme, (RHPP), is currently available for domestic customers in Northern Ireland. RHPP customers will transfer across to the domestic RHI scheme.

I accept that the proposed Domestic RHI tariffs are lower than those in GB but these have been designed specifically for our market and consider local energy costs, the fuels being displaced and the scale of the technologies being installed. In calculating the tariffs, DETI assess what whole-life cost differential is between the renewable heat technology and the fossil fuel alternative and then seeks to pay out this difference, (with a rate of return of 7.5%),

over the 7 year scheme period. This is the same methodology as GB however the inputs do vary. No respondents to the scheme consultation challenged the methodology.

It should also be noted that when comparing the payments with GB the ongoing savings enjoyed by consumers switching to renewable heat in Northern Ireland are higher than those enjoyed in GB. In almost all cases those switching to renewable heat in Northern Ireland will enjoy a reduction in fuel costs as most will be displacing oil but this is not necessarily the case in GB where some consumers could actually be incurring higher energy costs when moving to renewable heat. Therefore when considering the incentive payments and the savings enjoyed the overall benefits to the consumer in Northern Ireland and GB are broadly equivalent

My Department will monitor uptake and energy prices and will periodically review tariffs and the technologies included. All tariffs under the proposed Domestic RHI scheme will be linked to the Retail Price Index and will be adjusted accordingly on an annual basis at 1 April each year.

I trust that this is helpful to you.

Yours sincerely

ARLENE FOSTER MLA
MINISTER OF ENTERPRISE, TRADE AND INVESTMENT

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Renewable Heat Branch

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Legislation Implications: None.

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