

Energy



From: Stuart Wightman
Energy Division

Date: 19 November 2014

To: 1. Andrew Crawford
2. Arlene Foster MLA

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**DRAFT DOMESTIC RENEWABLE HEAT INCENTIVE SCHEME REGULATIONS
(NORTHERN IRELAND) 2014**

- Issue:** Scheduling the 'Motion for Approval' for the draft Domestic Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2014 for Assembly Business on 8 December 2014.
- Timing:** Urgent –The Motion for Approval needs to go to the Assembly Business Office no later than **21 November 2014** to allow the Assembly Business Committee to consider the draft for inclusion in Assembly Business for week commencing **8 December 2014**.
- Need for referral to the Executive:** There is no requirement for formal approval from the Executive. The attached Ministerial Colleagues letter will formally notify Executive Ministers of your intention to bring forward legislation in this area.
- Presentational Issues:** Positive publicity has already been received for the proposal to introduce the Renewable Heat Incentive for the domestic sector in Northern Ireland. Work is underway for the launch of a marketing campaign to highlight the RHI once this legislation is passed.
- Freedom of Information:** Some parts of this submission may be exempt under section 35 of the FOI Act.
- PFG/PSA Implications:** NI Renewable Heat Incentive supports the PfG interim target of 4% renewable heat by 2015 and 10% target by 2020 as set out in the Strategic Energy Framework.
- Financial Implications:** Funding for scheme payments is via AME. There will be increased administration costs for DETI. Funding

arrangements for both elements have been approved within DETI and by DFP.

Legislation Implications:

The draft Statutory Rule requires the affirmative resolution of the Assembly.

Statutory Equality Obligations:

Screened out.

Recommendation:

That you

- (a) Sign the Motion for Approval form (Annex A) for return to me before **21 November 2014**;
- (b) Agree to the circulation of the draft letter to Ministerial Colleagues attached at Annex B;
- (c) Agree to increase the proposed annual cap on payments to £2500; and
- (d) Note that it is proposed to move the Motion in the Assembly week commencing **8 December 2014**.

Background

1. The draft Domestic RHI Scheme Regulations (Northern Ireland) 2014 will provide the legal basis for the proposed domestic RHI scheme.

Legislative Process

2. The ETI Committee has approved the policy (SL1) and Departmental Solicitors have now cleared the draft regulations which will be laid before the Assembly this week. It is anticipated that the draft Regulations will be considered by the ETI Committee at its meeting on **2 December 2014**. The Motion for Approval in the Assembly is the final hurdle we must clear before the Regulations can come into operation. **8 December 2014** has been provisionally set for the debate. A signed 'Motion for Approval' must be sent to the Assembly Business Committee by **21 November 2014** to allow consideration of its inclusion in the Assembly schedule. The 'Motion for Approval' is attached at **Annex A** for your signature. I also attach a draft letter (**Annex B**) to be sent to Ministerial Colleagues advising of your intention to lay and make these Regulations for the domestic RHI scheme.

Policy Change – Increase in Annual Cap on Domestic RHI Payments

3. The final policy proposals for the proposed domestic RHI scheme include a £2,000 cap on annual domestic RHI payments to avoid the scenario of excessive payments being made to inefficient properties. Representatives from the renewable heat industry have however raised concerns that maximum annual payments of £2,000 a year will not be enough to incentivise the owners of larger properties to switch to renewable heating. Similar concerns have been raised about inefficient domestic properties that are listed and prevented from making improvements such insulation to reduce their excessive energy bills.

4. You asked officials to explore if anything could be done to accommodate listing buildings. The quickest solution which avoids complex legislation and administrative arrangements is to increase the annual cap. Officials have used the EPC register to examine the heating needs of a number of different property types and found that a cap of £2,500 will cover the estimated heating needs of most properties. Increasing the cap by £500 potentially provides households with an additional £3,500 over the 7 years of scheme. You are asked to agree this final policy change to increase the annual cap to £2,500.
5. Very large domestic heating systems (over 99kw) do not currently qualify for either RHI scheme. However, consideration is being given to extending the non-domestic RHI scheme to cover domestic heating systems over 99kw. Through the non-domestic scheme, large properties (including listed buildings) with systems over 99kw could qualify for 20 years of tariff payments with no annual cap. Phase 2 of the Non-domestic RHI will be taken forward in 2015.

Recommendation

6. That you:
- Sign the attached Motion for Approval form for return to me before **21 November 2014** (attached at **Annex A**);
 - Agree to the circulation of the draft letter to Ministerial Colleagues attached at **Annex B**;
 - Agree to increase the proposed annual cap on payments to £2,500; and
 - Note that it is provisionally planned that you will move the Motion in the Assembly on **8 December 2014**.

STUART WIGHTMAN
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MOTION FOR APPROVAL

To: Assembly Business Office

That the draft Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012 be approved.

Arlene Foster, MLA
Minister for Enterprise, Trade and Investment

DRAFT LETTER**FROM: Arlene Foster MLA****DATE: xxxxxx 2014****TO: MINISTERIAL COLLEAGUES****PROPOSED DOMESTIC RENEWABLE HEAT INCENTIVE SCHEME REGULATIONS
(NORTHERN IRELAND) 2014**

My Department proposes to use the enabling powers taken in the Energy Act 2011 to make a Statutory Rule to be known as the Domestic Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2014.

The purpose of the RHI Regulations is to set in place a structured mechanism to provide long-term guaranteed financial support for domestic renewable heat installations in Northern Ireland. The Rule will underpin the scheme and will specifically prescribe matters relating to eligibility criteria, obligations for participants of the scheme, methods of payment and accreditation and registration.

My Department has laid the draft Statutory Rule at the Assembly.

This legislation relates solely to energy issues and does not fall within paragraph 2.4 of the Ministerial Code. The Statutory Rule is subject to the draft affirmative resolution procedure and will be debated in the Assembly.

The Scheme supports the Programme for Government commitment, “to encourage achievement of 4% renewable heat by 2015.”

I am also copying this to the Attorney General and Departmental Solicitor and to the Executive Secretariat.

Arlene Foster MLA
Minister for Enterprise, Trade and Investment