

Energy

Minister
Approval sought
re use of consultants
GA
2015.

DFE-26843



Department of
**Enterprise, Trade
and Investment**
www.deti.gov.uk

From: Jenny Pyper
Head of Energy Division

Date: 27 May 2009

To: 1. Stephen Quinn – **Recommended SQ 28/05/09**
2. Andrew Crawford
3. Arlene Foster, MLA copy distribution list below.

DETI SUB 315/2009

BUSINESS CASE FOR APPOINTMENT OF CONSULTANTS TO ASSIST IN DEVELOPMENT OF A RENEWABLE HEAT STRATEGY FOR NORTHERN IRELAND

Issue: This submission seeks the mandatory internal approvals, ahead of an approach to DFP Supply, to appoint external consultants to undertake work in relation to the development of a renewable heat strategy for Northern Ireland.

Timing: Routine.

Need for Referral To the Executive: Not at this stage, although heat is a cross-cutting issue and will require referral to the Executive at a later stage.

Presentational Issues: None at this stage. There is likely to be media interest in due course.

FOI Implications: Exempted under Section 35 of the Freedom of Information Act.

Programme for Govt/ PSA Implications: DETI has no existing PSA targets that cover heat. It is likely that new PSA targets for renewable heat will be needed for the future. Development of a renewable heat strategy will be a target in the new Strategic Energy Framework.

Financial Implications: The assignment is estimated at between £200,000 and £250,000.

Legislation Implications: Not at this stage, but there are likely to be a number of primary legislative issues in relation to renewable heat that will need to be addressed in due course.

Statutory Equality Obligations: None.

Recommendation: That the Departmental Accounting Officer and Minister consider and approve the business case for the appointment of consultants, at an estimated cost of between £200,000 and £250,000 to assist in the development of a renewable heat strategy for Northern Ireland. Once approval has been obtained, DFP Supply approval to incur the expenditure will be sought.

Background

My submission of 30 April 2009 secured Ministerial approval for a major new programme of work which will lead to the development of a renewable heat strategy for Northern Ireland. The submission described the key work streams associated with developing this strategy, and suggested that the initial stages (gathering statistical information, economic analysis for a financial heat incentive, heat mapping, production of draft heat strategy), would be put out to tender for consultants to do the work. A copy of the submission is attached at **Annex A** for ease of reference.

Renewable Heat - Drivers

2. The key driver for this new policy work is the EU Renewable Energy Directive (RED), which sets challenging renewable energy targets for all EU Member States. The UK renewable energy target is 15% consumption from renewable sources by 2020, and the Department of Energy and Climate Change (DECC) has already outlined one possible scenario to help the UK achieve this - 32% renewable electricity, 14% renewable heat, and 10% renewable transport fuel. DECC has also taken primary legislative powers for a Renewable Heat Incentive in the Energy Act 2008. These powers apply only to GB. The financial incentive will be vital to providing market pull for the development of renewable heat, and since nearly half of all energy consumed in the UK is for heating, increasing the proportion of renewable heat will make a significant contribution towards achieving the targets.
3. Increasing the amount of renewable heat in Northern Ireland will not only contribute to the UK target, it has the potential also to meet other policy goals in terms of security of supply, lowering our carbon footprint, energy costs, and other economic benefits associated with employment within the renewable heat supply chain. Northern Ireland currently has no policy, strategy, target, or support mechanism to incentivise renewable heat, but various DETI policies have already impacted on levels of renewable heat here.

Need for Consultants

4. Given the lack of existing policy on renewable heat in Northern Ireland, rapid progress is necessary to ensure that the benefits of renewable heat will be available in the 2020 timeframe. DETI does not have the combined energy and economic expertise required to understand and analyse the current heat market in terms of supply and demand, including the potential to further develop the renewable heat market here, and to provide the evidence base for a way forward on an appropriate financial support mechanism for renewable heat.
5. In addition, work on heat resource and demand mapping, resulting in a Geographic Information System (GIS) to help plan resource, is also specialist and DETI does not have the resources in house for this. Although GSNI undertakes some work in terms of GIS, it does not cover the whole range of renewable heat technologies.

Objectives of the Assignment

6. The main aim of the proposed consultancy assignment will be to ensure that Northern Ireland has an evidence-based, coherent renewable heat policy, backed up as necessary by an appropriate financial support mechanism. The key objectives therefore, are to:
 - a. Establish base-line statistics for heat and renewable heat consumption in Northern Ireland based on primary, contemporary evidence;
 - b. Make an evidence-based economic assessment of the most appropriate way of incentivising the renewable heat market in Northern Ireland, taking account of developments in the EU, GB and ROI;
 - c. Make projections as to potential for renewable heat in Northern Ireland to 2020;
 - d. Provide a draft strategy and action plan for increasing renewable heat and making use of surplus heat in Northern Ireland, taking account of developments in GB and ROI based around agreed key themes; and
 - e. Provide a base heat map in GIS (Geographic Information System) format for Northern Ireland with recommendations on how more local heat mapping may be carried forward.
7. This work will form the basis upon which the extended work programme will be taken forward in the context of consultations with key stakeholders culminating in the Executive and NI Assembly approval for statutory powers to progress policy and legislation to support renewable heat.

Cost and Timing

8. The cost of engaging consultants to do this sizeable piece of work is estimated at between £200k - £250k. This is based on our experience of competitive prices for large scale assignments required within very tight timescales. It is proposed to utilise Divisional funding from EU ERDF on the basis that renewable heat supports sustainable development in Northern Ireland and has the potential to contribute to Priority 3 of the EU Competitiveness Programme – “Improving accessibility and Protecting and Enhancing the Environment”.
9. The tendering process with Central Procurement Directorate, DFP, will commence once final approvals are secured from DFP Supply. Energy Division will work closely with CPD to ensure that all established protocols are followed. We are aiming to award a contract by 31 October 2009, and to secure delivery of the business case objectives by 31 March 2010.

Recommendation

10. The Department has limited resources and expertise to devote to managing work in this new policy area. If we are to have any impact on the 2020 timeframe, significant consultancy support is needed to progress this initial stage of the renewable heat work programme. DETI economists have already had sight of the business case attached at **Annex B**. I therefore recommend that the Departmental Accounting Officer and Minister:

- i. approve the attached business case for the appointment of consultants estimated at between £200k - £250k; and
- ii. note that approval will subsequently be sought from DFP Supply to incur the expenditure.

I am happy to discuss.



Jenny Pyper
Energy Division
Ext 29577

e-mail: jenny.pyper@detini.gov.uk

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