



From: Alison Clydesdale
Sustainable Energy Branch

Date: 5 March 2010

1. Andrew Crawford
2. Arlene Foster MLA

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ETI COMMITTEE QUERY ON A RENEWABLE HEAT INCENTIVE (LMU 15/10)

Issue: Following correspondence between Nutherm Renewable Energy NI and Paul Butler MLA, the ETI Committee has requested information on why the Renewable Heat Incentive is not available in Northern Ireland.

Timing: Routine – due with ETI Clerk on 12 March 2010

Need for referral to the Executive: Not at this stage

Presentational Issues: None, at this stage.

Freedom of Information: This note is fully disclosable.

Financial Implications: Not applicable.

Legislation Implications: There are a number of legislative issues to be addressed in relation to renewable heat.

PSA/PFG Implications: None at present, but it is likely that new PSA targets in relation to renewable heat could be developed.

Statutory Equality Obligations: Not Applicable.

Recommendation: That you note the submission and agree to the briefing note at Annex A being forwarded to the

Committee Clerk.

Background

The ETI Committee has sought information on the proposal by the Department of Energy and Climate Change (DECC) to incentivise renewable heat from April 2011 and has asked for an explanation as to why the incentive will not apply to Northern Ireland.

2. This query follows correspondence from Aidan McKinney of Nutherm Renewable Energy NI (Nutherm) to Paul Butler MLA, deputy Chair of the ETI Committee. In Mr McKinney's letter he provides information on the proposed legislation by DECC and asks if similar legislation will be enacted in NI by the Assembly.

Nutherm Renewable Energy NI

3. Nutherm was founded in 2000 and currently has regional offices in Londonderry, Donegal and Northants and operates using a network of trained installers covering Great Britain, Northern Ireland and the Irish Republic. They specialise in the design, installation and commissioning of various renewable heat and energy efficiency technologies. These include ground and air source heat pumps, solar thermal technology, heat recover ventilation and under floor heating solutions.
4. Nutherm also offer an advice service, with schemes to reduce energy consumption and costs for householders and businesses through deployment of renewable energy. This includes a system proposal, dependent on the requirements of the individual project, (whether retro-fit or new-build) a quotation, running cost and life-cycle cost analysis and advice on possible financial assistance available.

GB position

5. From previous submissions on this matter you will be aware that DECC has proposed to incentivise renewable heating technologies through a Renewable Heat Incentive (RHI). The legislation for this incentive is expected to be in place by April 2011, however, DECC has indicated that appropriate installations made after 15 July 2009 will also be eligible for the payment.
6. DECC has the statutory powers to implement a RHI via last minute amendments to what is now the Energy Act 2008 (in advance of the Renewable Energy Directive coming into force). At that time (September 2008) the timing was too tight to get a Legislative Consent Motion through the Assembly for extension of powers for an RHI to Northern Ireland and Energy Division was unable to advise categorically that an RHI was the best course of action for NI, because of the lack of any evidence base or detail on the DECC proposals and the significant difference in the NI and GB heat markets.

7. The RHI will apply across England, Scotland and Wales and will be open to individuals, community groups and businesses. The incentive is intended to increase the uptake of technologies such as air source and ground source heat pumps, biomass boilers, solar thermal etc. The incentive will mean that those installing eligible renewable heating technologies will be entitled to a payment which varies depending on the size and type of the technology. For those technologies under 45kW the payment will be made on a yearly basis with the amount being agreed or 'deemed' in advance. For larger installations the payments will be made quarterly, again some payments will be agreed in advance whilst others will be dependent on the actual amount of heat used recorded via heat meters.
8. Sustainable Energy Branch staff recently attended a stakeholder seminar held by DECC on the design and the implementation of the RHI. This was a useful event and has given us some advance warning of the likely issues to be encountered with the implementation of a RHI. Whilst there was general support for DECC's proposals a number of concerns were raised by those in attendance, these included;
- **The administration of the scheme:** OFGEM will be tasked with administering the scheme, validating installations and making payments. For the renewable heat equipment to be eligible it must be installed by MCS accredited installers. There was widespread concern by those in attendance regarding the ability of both OFGEM and MCS to fulfil the roles that they have been tasked with. It is unclear at this time if OFGEM would be prepared to administer the scheme for Northern Ireland, however DETI would support the use of MCS accredited installers as would DECC.
 - **Deeming v metering:** There were concerns regarding the amount of payments that would be made without actual heat usage data being taken. For all microgeneration technologies (under 45kW) and for a number of medium sized technologies (between 45kW and 300kW) payments will be made based on an assumed heat load, this will be determined by the type and size of the dwelling in question and the type and size of the technology used. Concerns were raised that this could result in the abuse of the system with incentives being claimed for installations that are not actually used. DETI would share these concerns.
 - **Energy Efficiency:** In DECC's proposals properties are only required to have a basic level of energy efficiency in order to be eligible. Stakeholders at the seminar were very keen for this minimum standard to be increased and asked DECC to consider what more could be done to encourage energy efficiency through the RHI, this could include higher tariffs for more efficient properties. DECC officials understood concerns but did not wish to add a barrier for those wishing to apply. The desire by stakeholders for increased levels of energy efficiency

mirrors the recommendation from the Reconnect evaluation which strongly recommended a minimum level of energy efficiency before any renewable technologies are deployed. DETI would be supportive of a minimum level of energy efficiency if a RHI was to be implemented in Northern Ireland.

- **Fuel Poverty:** Whilst DECC wish to use the RHI to tackle the issue of fuel poverty it is unclear how their plans will achieve this as significant up front capital costs will be required if you are to benefit from the scheme. Again this mirrors our findings in the Reconnect evaluation, the significant up front payment required means that this incentive will be out of the reach of the majority of households in fuel poverty.
9. Details of how this scheme will be funded will be included as part of the Chancellor's Budget in April. It had previously been suggested that it would be funded by a levy on fossil fuels suppliers, however, following consultation DECC has decided that enforcement and administration of such a levy would be complex and potentially costly to business and Government. Funding of such a scheme in Northern Ireland would need to be discussed with DFP in due course.
 10. The current DECC consultation process will conclude on 26 April 2010. Once the responses are considered and analysed final proposals regarding the design and implementation of the RHI will be made and appropriate GB legislation drafted. We have asked DECC to keep us informed of their progress over the next number of months, especially regarding any changes that are made to the existing proposals.

DETI position

11. Sustainable Energy Branch appointed AECOM Ltd and Pöyry Energy Consulting in December 2009 to consider the potential for the deployment of renewable heat in Northern Ireland. This study includes the collection of reliable up-to-date data for renewable heat in NI; the consideration of options for encouraging the market in the short, medium and longer term; and the development of an evidence based target for renewable heat to 2020. This study will complete in April 2010.
12. Grant assistance for heat generating microgeneration technologies remains available across the UK through the Low Carbon Building Programme (LCBP) until April 2011 so as to provide some support until the RHI commences. However DECC have indicated that they are likely to run out of funds for 2010/11 renewable heat applications as early as April 2010.
13. While the introduction of a RHI is planned for April 2011 in GB, it is unlikely similar legislation will be in place in NI before 2012 due to the necessary consultation process that will be required, should you be content that an RHI is the way forward. The current study will therefore include

considerations as to options for encouraging the market in the short term so Northern Ireland is not unduly disadvantaged.

Recommendation

14. It is recommended that you note this submission and agree that the briefing note at **Annex A** is forwarded to the ETI Committee Clerk for the attention of Committee members.

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ANNEX A

From: David McCune
Departmental Assembly Liaison Officer

Date: March 2010

To: Jim McManus
ETI Committee Clerk

Issue: **Renewable Heat Incentive**

1. The ETI Committee requested information regarding why the Renewable Heat Incentive is not available in Northern Ireland.
2. Grateful if you would circulate the attached information to the Committee members as required.

DAVID MCCUNE

BRIEFING NOTE TO THE ETI COMMITTEE - RENEWABLE HEAT INCENTIVE

GB Position

The Department of Energy and Climate Change (DECC) has proposed to incentivise renewable heating technologies through a Renewable Heat Incentive (RHI). The legislation for this incentive is planned to be in place by April 2011, however, DECC has indicated that appropriate installations made after 15 July 2009 will also be eligible for the payment.

DECC has statutory powers to implement a RHI via last minute amendments to what is now the Energy Act 2008 (in advance of the Renewable Energy Directive coming into force). The RHI will apply across England, Scotland and Wales and will be open to individuals, community groups and businesses. The incentive is intended to increase the uptake of technologies such as air source and ground source heat pumps, biomass boilers, solar thermal etc. The incentive will mean that those installing eligible renewable heating technologies will be entitled to a payment which varies depending on the size and type of the technology.

The RHI will reward those who install eligible renewable heat technologies through a payment to be made annually for small micro-generation installations or quarterly for larger technologies. Generally, in the domestic sector the annual payments will be agreed in advance and will depend on the size and type of household. For large industrial sized installations the quarterly payment will be dependent on the actual heat used

The DECC consultation which was published on 1st February 2010, and closes on 26th April 2010, is available at the following link;

<http://www.decc.gov.uk/en/content/cms/consultations/rhi/rhi.aspx>

Details of how the scheme will be funded will be included the Chancellor's Budget in April 2010.

DETI Position

The incentive is not available in Northern Ireland because at that time (September 2008) the timing was too tight to get a Legislative Consent Motion through the Assembly for extension of powers for an RHI to Northern Ireland and Energy Division was unable to advise categorically that an RHI was the best course of action for NI, because of the lack of any evidence base or detail on the DECC proposals and the significant difference in the NI and GB heat markets.

However grant assistance for heat generating microgeneration technologies remains available across the UK through the Low Carbon Building Programme (LCBP) until April 2011, subject to the availability of funding.

In December 2009, DETI appointed AECOM Ltd and Pöyry Energy Consulting to undertake an independent assessment to identify and quantify the current scale, future sustainable growth potential and optimum size and scale of the renewable heat sector in Northern Ireland.

Specifically this work will;

- establish up to date and accurate statistics on the current heat and renewable heat usage in NI;
- produce a base heat map using GIS;
- benchmark the potential for renewable heat in NI against renewable heat markets in GB, RoI and two other European regions;
- present options on how the renewable heat market in NI could be encouraged;
- assess the need for an interim measure in NI in light of the introduction of the Renewable Heat Incentive in GB; and
- make projections as to an evidence based target for renewable heat to 2020, setting out clearly the potential impact of any target on other existing energy markets.

This work, which will complete by April 2010, will ensure that up to date information on heat and renewable heat is gathered, that all possible options for incentivising the NI market place are considered and that future policy decisions are based on sound evidence. The ETI Committee will be provided with a written briefing once this work has completed.

If this work indicates that a RHI would be the most effective way of developing renewable heat in NI then a legislative timetable will need to be developed. While the introduction of a RHI is planned for April 2011 in GB, it is unlikely similar legislation will be in place in NI before 2012 due to the necessary consultation process that would be required.

One key aspect of the current study therefore will be to include considerations as to options for encouraging the market in the short term so Northern Ireland is not unduly disadvantaged.

DETI will be liaising closely with DECC's Renewable Heat Team over the next number of months as they collate and assess responses to their ongoing consultation and finalise the proposals relating to the design and implementation of the RHI.

Version numbers added by RHI Taskforce 04/04/2017



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Legislation Implications: There are a number of legislative issues to be addressed in relation to renewable heat.

PSA/PFG Implications: None at present, but it is likely that new PSA targets in relation to renewable heat could be developed.

Statutory Equality Obligations: Not Applicable.

Recommendation: That you note the submission and agree to the briefing note at Annex A being forwarded to the