

**From:** [Cooper, Trevor](#)  
**To:** [Wightman, Stuart](#)  
**Cc:** [Murphy, Shane](#); [Smith, Alan](#); [McCay, Davina](#); [Hughes, Seamus](#); [McCoy, Laura](#); [McFarlane, Iain](#); [Hutchinson, Lee-Anne](#); [Linton, Rachel](#)  
**Subject:** RE: Case Work Clearance - Domestic RHI Business Case  
**Date:** 23 July 2014 11:08:00

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Stuart

Thanks – to my uneducated eye this looks ok – but i defer to the experts on such matters so would ask for Shane’s /his team’s confirmation please. Subject to receipt of such confirmation i dont think we need to meet.

Trevor

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**From:** Wightman, Stuart  
**Sent:** 22 July 2014 17:17  
**To:** Cooper, Trevor  
**Cc:** Murphy, Shane; Smith, Alan; McCay, Davina; Hughes, Seamus; McCoy, Laura  
**Subject:** Case Work Clearance - Domestic RHI Business Case

Trevor

I recently joined Energy Division and am tasked with taking forward the proposed domestic RHI scheme. I attach a revised version of the Business case (in tracked changes) which hopefully addresses the queries raised by the Case Work Committee on the lower heat output of the preferred option and the administration costs of the scheme. I have summarised the queries and our responses below. I would welcome a discussion on the revised Business Case and if any further work is needed to secure Case Work and DfP approval. The Minister is keen to announce the proposed domestic RHI scheme. We hope this can be done in early August.

Please contact me on Ext 29425 to discuss.

Thanks

Stuart

**Stuart Wightman**

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### **Case Work Committee Queries on Domestic RHI Business case**

(1) Heat output of preferred option (5) lower than other options

The Case Work Committee questioned why the preferred option (op5) delivered less renewable heat output than some of the other options. The table comparing the long list of options is included on page 25. We have removed the unconstrained heat output column which didn't take account of the ability of households to pay the upfront costs of installation. This leaves options 3, 6a & 6b with higher renewable heat outputs than option 5. However, because we are constrained by the funding profile of DECC's 7 years tariff scheme we have also ruled out options 2, 3 & 6a which involve either 100% upfront costs or life-time (20+yrs) tariff periods.

Option 6b (grant + 7year tariff) is then the only other option that generates more

renewable heat than option 5. While option 6b delivers more renewable heat, it offsets a higher proportion of gas. Option 5 will offset more oil usage and therefore has a greater impact in terms of carbon savings. In addition when the phase 2 commercial and industrial installations are added to these figures the most renewable heat deployed is delivered by option 5. Option 5 is both the least costly overall and the most cost effective in terms of £ per tonne/CO<sub>2</sub>. The net present cost of this policy option is £56m to 2040, compared to a range of £127m - £140m for the other options.

#### (2) Administration Costs of Scheme

The Case Work Committee asked for more information on the likely administrative costs of the scheme. The Business Case has been revised to compare the estimated costs and benefits of three different administration options: inhouse, outsourced or through Ofgem. This is covered in pages 43 – 47. The costs and benefits have been compared for the first 6 years of the scheme up to 2020 whilst both upfront payments and annual payments have to be made. Resources can be reduced accordingly beyond 2020.

The estimated costs of administering the scheme inhouse (£1.4m) for the first six years are significantly lower than the Ofgem (£2.7m) or external outsource (£2.6m-£7.6m).

Administering the scheme in house also has the benefit of an immediate start date for the scheme and will utilise the skills and expertise within the branch. To ensure this can happen some minor IT requirements are needed and new guidance documentation will be developed. Having the scheme administered by DETI also ensures consistency with the RHPP. Administering the scheme inhouse is the preferred option with additional funding of £116k / yr needed (over existing resources for the RHPP scheme) from year two onwards to cover additional staff (2xSO, 1xAO).

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**From:** Cooper, Trevor

**Sent:** 11 July 2014 16:30

**To:** Murphy, Shane

**Cc:** Connolly, Samuel; Smith, Alan; Mills, John (DETI); Linton, Rachel; Rooney, Eugene; Hutchinson, Lee-Anne; McFarlane, Iain

**Subject:** FW: Domestic RHI Case  
Shane

We briefly discussed before you went off on leave.

Further to Sam Connolly's comments on the case, in terms of progressing this case further with DFP there are a couple of issues that need to be confirmed specifically around the options analysis. The Casework Committee specifically queried why a couple of the options which apparently delivered better outcomes had not been fully analysed. We need to be able to cover and stand over this with dfp and we do not have information on this so can i ask that this is specifically addressed to enable us to get dfp onside with the case.

Trevor

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**From:** Connolly, Samuel

**Sent:** 18 June 2014 14:48

**To:** Linton, Rachel

**Cc:** Cooper, Trevor

**Subject:** FW: Domestic RHI Case

Rachel,

As discussed, please see below my email to Shane expressing my contentment with the RHI project.

Sam

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**From:** Connolly, Samuel

**Sent:** 13 June 2014 15:10

**To:** Murphy, Shane; Smith, Alan

**Cc:** Mills, John (DETI)

**Subject:** Domestic RHI Case

Shane,

I've met with Alan and despite only being able to undertake a cursory review of the economic

appraisal I'm reasonably content that the NIGEAE guidance has been applied appropriately and that all the key issues have been considered and noted within the document.

As discussed with Alan, the principles applied appear to be in line with the previous RHI scheme (which I did have some involvement with) and the preferred option has been chosen on the basis of optimising heat output, total cost and available funding. Furthermore there is a clear policy expectation that NI (and other devolved administrations) make a contribution towards the UK's overall legally binding renewable energy target.

It is on this basis, that I'd be content for the EA to be submitted to DFP.

Regards

Sam

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**From:** Murphy, Shane

**Sent:** 11 June 2014 18:09

**To:** Smith, Alan

**Cc:** Connolly, Samuel; Mills, John (DETI)

**Subject:** Domestic RHI Case

Alan,

I hear from Finance today that this case needs to go to DFP for approval and, as I understand it anyway, that this raises two issues following the casework:

- 1) The case is complex and Finance want to ensure that a DETI economist is fully up to speed on all the detail within the case, so that DETI can respond with authority, and quickly to any, DFP queries. I suspect that, with time being tight, it is really only feasible for you to be that person and ensure that you know the issues etc inside out.
- 2) In addition there needs to be an ASU overlay (the fully "independent" ASU assessment). That will have to be short and quick, but any assessment will be unable to get into the detail, and it will only ever conclude on VFM while taking the various figures etc at face value. Sam can do this, but will only have a short time to devote to this.

Finance are targeting a submission to DFP on Monday. That means we need to be in good a position on No1 and No2 very quickly and you will need to get a copy of the case etc to Sam ASAP.

Sorry I wasn't around much today to speak personally about this.

Also copying to John as I don't know who in Energy Division led on this case as I wasn't involved in this particular casework.

Regards

Shane

**Shane Murphy**

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