

The Business Case doesn't spell out why DETF rejected the challenge fund in favour of a RHI option - As a result DETF needs to spell out Why ! ! .

Domestic "Premium Payments" Scheme

Basically host output "Assumed" or "Deemed" rather than metered for Domestic. However some domestic will be offered financial incentives in return for a more intensive inspection regime (presumably providing data / a sample for the Deemed schemes).

Obvious Questions:

Why not a challenge fund:

~~Consultant~~ Cambridge's Appraisal certainly champions it, ~~really only leave it up~~

Is the HMT funding really only for an RHI Scheme in NI?
 < Any Classification?
 Resource or Capital?

If so then we should be clear to say that while a challenge fund is all very fine and well that HMT's fund is for an RHI scheme & the funding stream knocks on its head this challenge fund idea.

RHI.

AECOM

Page 97 & 98.

Projected that the most efficient Net Resource Cost was about £25m of 2020, but the net RHI, at the tariff differentials assumed would be nearly 6 times that. (looks like a ^{poor} estimate of deadweight).

In what ways ^{& to what extent} has the final scheme mitigated this.

HMT Funding — Is it restricted to an RHI scheme?
 — ~~Eq 10.1~~ Can it be capital resource?

Does the profile of the funding from HMT in many ways largely point us down the road of tariff based incentives rather than capital grants.

I.E. if GB goes down on RHI rate, presumably net funding profile will be driven by that??

Commitment to support eligible project ~~part~~ from 1st sept — Is this covered by Ofgem Approvals

Is Domestic Sector to be part of the GB RHI.

Q Where do we expect to get the budget to cover administration.

More has to be used for RHI.

Simple Case -

- legal & Stat Obligations to meet - unavoidable.
- RHI Scheme being Brought in GB.
- HMT have set aside money for us to do a similar RHI Scheme.
- We are proposing to run a scheme in a very similar way with similar features
- By and large our scheme involves slightly lower subsidy tariffs than GB equivalents

Ofgem = Project, setting code development, perhaps
£300k or so p.a.

John

This seems much lower than the 10%
Estimate by Cambridge. How would something
at this level compare to say your experience
on the Grant Based Reconnect Scheme.

Addendums

Units up due to -

- inflation
- slight shifts in counterfactuals?

Still lower than GS Tariff.

Arguably Tariff.

- Bands have been increased for Biomass
Boilers
- Also for ~~GS~~ GSHPs as well now
3 Bands.

Biomass - Fuel prices were under estimated.

Legal Contingency Fund? £1m
recommended by Ofgem:

What Approvals are and being Sought, from Casework, from DFP?

✓ 1) NI R671 Scheme as described.
& Premium Scheme.

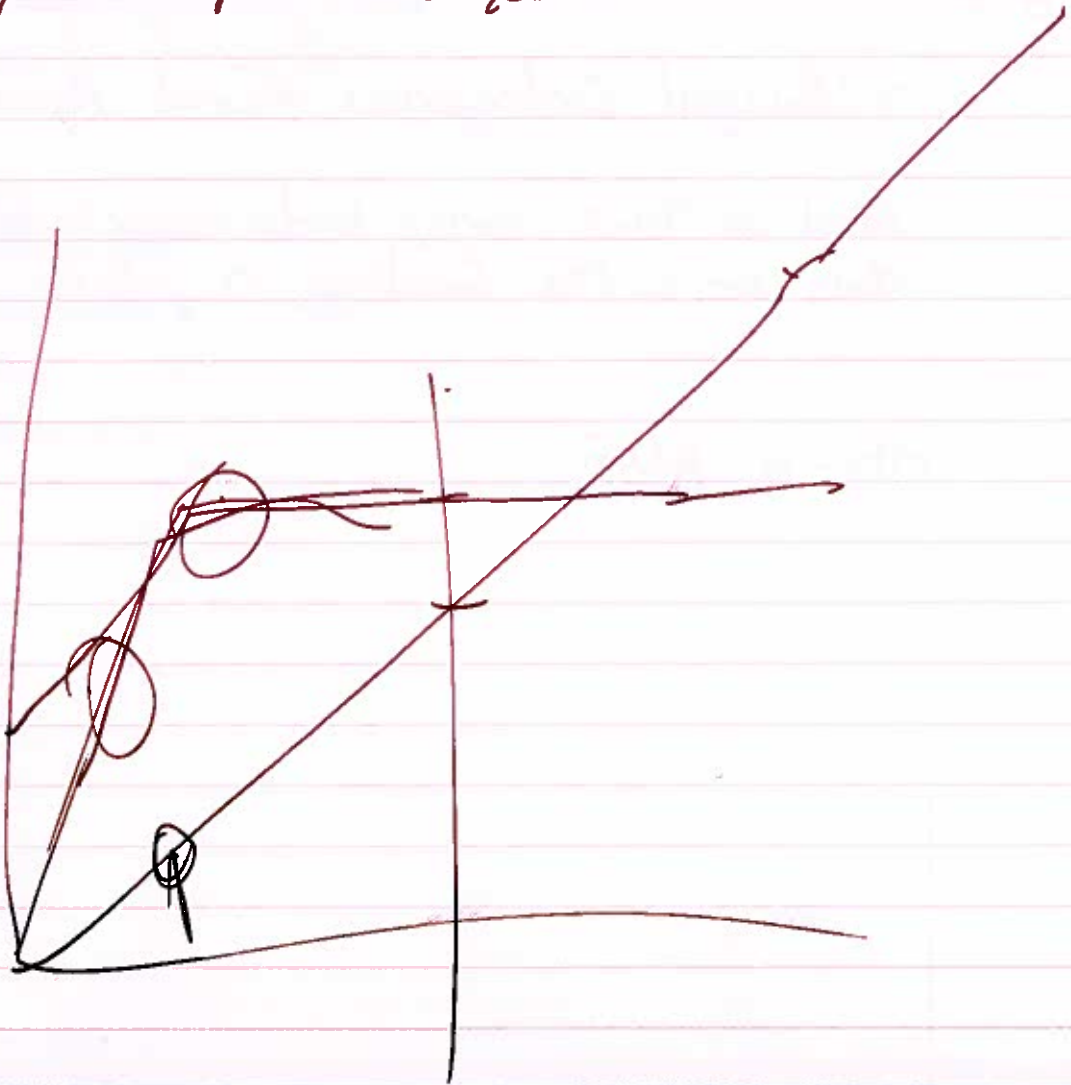
Bd: 2) OFGEM Development & Running Costs.

X 3) Illegal Contingency Fund Recommended by OFGEM.

And is there any bids associated with this or is the funding in place.

This is AME.

- 6) This favour of incumbent technologies under a challenge fund \Rightarrow This is a relatively immature ~~area~~ area where new technology needs to be encouraged - better nurture under an DfE type approach to ~~assist to become~~ improve its performance quicker.



Challenge Fund Issues / long term incentives. Other than typical issues.

1) Not convinced that the challenge fund is as powerful as that suggested by Cambridge. Assume that sufficient ~~high quality~~ resource efficient applications are made. ~~It~~ Too simplistic to assume that things will be as perfect as this - eg. of intensity of solar in renewable programme despite it being bottom of resource efficiency league.

↓ as cost effective as suggested

2) Administrative ⇒ Assessed At 10% for all options. ~~to 12%~~ of £m pa. for challenge fund (Renewable experience in line with this ??). OFGEN solution, RHI dependent, is only a fraction of this.

At least holds from a DfE perspective. & NI perspective.

3) Leverage brings cost savings on steam earlier, opportunity to meet targets earlier (would any Milestone Pfd Target be jeopardised by going challenge fund etc.).

The chart

3) Can build up GB System's experience for smooth Transition to new scheme. Some challenge funds in past suffered from early delays to get properly up and running, forms, applications, approvals assessed, money drawn down. Some

TOP EFFS

Undated Note

Notes on the initial RHI
proposal taken to
Casework Committee
of 9th March 2012.

SM