

From: Murphy, Shane
To: [Dukelow, Victor](#); [Smith, Alan](#); [Moore, Stephen \(DfE\)](#)
Subject: RE: RE: RHI CBA and options report
Date: 19 December 2016 14:46:00
Attachments: [image001.png](#)
[image002.gif](#)

Victor,

This same option was put forward by ASU to the RHI Steering Group. It is not a “no brainer” because no option is a no brainer because there is no “single” approach that is.

The November Tariff Option has clear potential viewed at a block level / NI Resource DEL. But it comes with the following negatives and is not as good as VFM when all of Government funding is used as the yard stick:

- Unlike the compensation route there is no “retrospective” element to the approach – with compensation there is the ability to take into consideration previous returns in deciding the final compensation payment (which could be zero or something virtually zero).
- This approach offers the opportunity for those historic users who have benefitted most from the scheme to acquire additional return of capital. On a typical 20 annuity some 95% of the return of capital will accrue in the final 17 years – so those who have more that got their capital return will be able to get a further 95% of their capital again over the coming (say) 17 years. Not an easy one to defend on wider VFM (and state aid) terms (albeit this approach is still much better than not changing the grandfathered tariffs).
- Also this approach retains the incentive for unnecessarily heat production to continue up to 1,314 hours pa – now that installations are installed there will be an incentive to earn the max return and so this would probably mean running them up to 1,314hrs. Again this is a far from comfortable position.
- This approach would require notification to the EC and, even though it is a much less generous approach than the old Grandfathered tariffs, we suspect the EC would be concerned about point two above.

So – there is unlikely to be a one size fits all approach that ticks every box. Certainly this one does not tick every box and it is important that those deciding see some of the cons of such an approach before a way forward is concluded upon. The above list is not necessarily exhaustive (ie for pros and cons).

Shane

Shane Murphy

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[NI Year of Food & Drink 2016](#)

Please consider the environment - do you really need to print this e-mail?

From: Dukelow, Victor
Sent: 17 December 2016 10:58
To: Murphy, Shane; Smith, Alan; Moore, Stephen (DfE)
Subject: Fwd: RE: RHI CBA and options report

Shane, Alan, Stephen

To note below. Would welcome your views on this approach. Could we have a discussion first thing on Monday?

Victor

Sent from my Android device managed by BlackBerry Enterprise Service

----- Forwarded message -----

From: "McCormick, Andrew (DFE)" <Andrew.McCormick@economy-ni.gov.uk>
 Date: 16 Dec 2016 4:47 p.m.
 Subject: RE: RHI CBA and options report
 To: "Cousins, Heather" <Heather.Cousins@economy-ni.gov.uk>, "McMurray, Stephen" <Stephen.McMurray@economy-ni.gov.uk>
 Cc: "McCann, Brendan" <Brendan.McCann@economy-ni.gov.uk>, "Coyne, Terence" <Terence.Coyne@economy-ni.gov.uk>, "McCoy, Laura" <Laura.McCoy@economy-ni.gov.uk>, "Stewart, Chris (DFE)" <Chris.Stewart@economy-ni.gov.uk>, "Wightman, Stuart" <Stuart.Wightman@economy-ni.gov.uk>, "Marten, Lucy" <Lucy.Marten@economy-ni.gov.uk>, "Smith, Alan" <Alan.Smith@economy-ni.gov.uk>, "Dukelow, Victor" <Victor.Dukelow@economy-ni.gov.uk>

Their point is that against the AME budget available £46m a year is an overspend but £17m a year is an underspend. So Options A and B cost the Executive nothing. Is that true??

	RHI with current tariffs	Option A	Option B	Option C
Capital payments (£m)				55-63
Annual payments (£m)	46	17	16	
NPC of subsidy payments (£m)	450	196	188	55-63

From: Cousins, Heather
Sent: 16 December 2016 16:35
To: McCormick, Andrew (DFE); McMurray, Stephen
Cc: McCann, Brendan; Coyne, Terence; McCoy, Laura; Stewart, Chris (DFE); Wightman, Stuart; Marten, Lucy
Subject: Re: RHI CBA and options report

But do we know if that would be sufficient to bring back within budget?

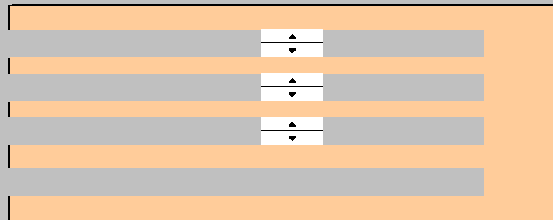
Sent from my BlackBerry 10 smartphone.

From: McCormick, Andrew (DFE)
Sent: Friday, 16 December 2016 16:31
To: McMurray, Stephen
Cc: McCann, Brendan; Cousins, Heather; Coyne, Terence; McCoy, Laura; Stewart, Chris (DFE); Wightman, Stuart; Marten, Lucy
Subject: RHI CBA and options report

DoF saying that options other than closure are nil cost to the Executive because the HMT would pay more than we need from AME whereas closure costs us. They think getting everyone onto the November 15 tariff is a no-brainer.

Thoughts.

Annual Payments on a Loan Split by Interest and Principal Elements



1		£3,600		£416		£3,600		£416		£4,016		£29,584
2		£3,550		£466		£7,150		£883		£8,033		£29,117
3		£3,494		£522		£10,644		£1,405		£12,049		£28,595
4		£3,431		£585		£14,076		£1,990		£16,065		£28,010
5		£3,361		£655		£17,437		£2,645		£20,082		£27,355
6		£3,283		£734		£20,719		£3,379		£24,098		£26,621
7		£3,195		£822		£23,914		£4,201		£28,115		£25,799
8		£3,096		£920		£27,010		£5,121		£32,131		£24,879
9		£2,985		£1,031		£29,995		£6,152		£36,147		£23,848
10		£2,862		£1,155		£32,857		£7,307		£40,164		£22,693
11		£2,723		£1,293		£35,580		£8,600		£44,180		£21,400
12		£2,568		£1,448		£38,148		£10,048		£48,196		£19,952
13		£2,394		£1,622		£40,542		£11,670		£52,213		£18,330
14		£2,200		£1,817		£42,742		£13,487		£56,229		£16,513
15		£1,982		£2,035		£44,724		£15,522		£60,245		£14,478
16		£1,737		£2,279		£46,461		£17,801		£64,262		£12,199
17		£1,464		£2,552		£47,925		£20,353		£68,278		£9,647
18		£1,158		£2,859		£49,082		£23,212		£72,295		£6,788
19		£815		£3,202		£49,897		£26,414		£76,311		£3,586
20		£430		£3,586		£50,327		£30,000		£80,327		£0
21						£50,327		£30,000		£80,327		£0
22						£50,327		£30,000		£80,327		£0
23						£50,327		£30,000		£80,327		£0
24						£50,327		£30,000		£80,327		£0
25						£50,327		£30,000		£80,327		£0
26						£50,327		£30,000		£80,327		£0
27						£50,327		£30,000		£80,327		£0
28						£50,327		£30,000		£80,327		£0
29						£50,327		£30,000		£80,327		£0
30						£50,327		£30,000		£80,327		£0