

From: [McCormick, Andrew \(DFE\)](#)
To: [John Robinson](#)
Cc: [DfE SpAd](#)
Subject: Fw: Renewable Heat Branch - Handover Note
Date: 28 September 2016 20:50:16
Attachments: [Renewable Heat Branch - Handover note - April 2014.docx](#)

As discussed. The section headed tariff is the most telling. I will need to launch a formal investigation to establish who knew about this note and why it was not acted on. So I will need to enforce controls on emails to protect evidence - great care required.

Next email will be the document referred to in the tariff section.

Many thanks.

Sent from my BlackBerry 10 smartphone.

From: Clydesdale, Alison
Sent: Wednesday, 28 September 2016 12:31
To: McCormick, Andrew (DFE); Woods, Michael (DfE); Cousins, Heather; Johnston, Wendy
Subject: Fw: Renewable Heat Branch - Handover Note

As requested.

Sent from my BlackBerry 10 smartphone.

From: Hutchinson, Peter
Sent: Wednesday, 28 September 2016 09:48
To: Clydesdale, Alison
Subject: FW: Renewable Heat Branch - Handover Note

Alison – got an out of office from your DE email account so re-sending to DfE account to make sure you get this.

Thanks,
Peter

From: Hutchinson, Peter
Sent: 28 September 2016 09:33
To: Clydesdale, Alison
Subject: Renewable Heat Branch - Handover Note

Alison,

Fiona has me to forward this to you – this is my copy of the handover note for the incoming Renewable Heat Branch team members for when Joanne and I left in April / May 2014.

Thanks,
Peter

Renewable Heat Branch**Staff**

- Vacant DP – Peter Hutchinson had previously been in post (left 16.5.14) and was mostly involved in RHI Phase 1 and the Public Consultation on Phase 2
- Dan Sinton DP (part-time) – Dan has mostly been responsible for the RHPP and administrative preparation for the domestic RHI
- Linda McGready EO1 – Linda has been part of the RHPP team. She has only recently been promoted to EO1. It was envisaged that she would assist Dan with the introduction of the domestic RHI as well as overseeing the RHPP.
- Cait Paterson EO2 (job share) – Admin for RHPP scheme
- Philippa Whiteside EO2 (job share) – Admin for RHPP scheme
- Peter Briggs SO – Peter works for two branches. We are supposed to have 0.5 of his time but have been having less of this in practice. We have been using Peter to look after any issues re legislation, to write up PPEs and as secretariat to two cross-departmental groups.

Immediate actions (by end August 2014)

- Securing approvals for the launch of the Domestic RHI
 - Secure casework committee approval
 - Secure Ministerial approval
 - Notification to ETI Committee

- Launch of Domestic RHI
 - Phased ending of RHPP scheme
 - Passage of legislation by draft affirmative -first draft prepared. Some issues to be considered are;
 - Inclusion of biomass wood stoves for a short period of time
 - Eligibility of swimming pools
 - Treatment of systems with a combined capacity over 45kW
 - Movement of large domestics (single systems over 100kW) into non-domestic scheme
 - Inclusion of bioliquids
 - Capping payments at £2000 per annum to prevent overpayments on inefficient homes.
 - Drafting of guidance documents / faqs
 - Publication of guidance on nidirect.gov.uk/energwise
 - Development of IT system for administration

- Ofgem administration
 - Agreement of “change control” mechanism for administrative costs
 - Agreement of data sharing protocols
 - Agreement on Carbon Trust loan issue
 - Discussion regarding impending changes to admin procedures based on Phase 2 policy.

- Review of current non-domestic scheme
 - Review biomass tariffs under 100kW
 - Consideration of tiered tariffs to prevent excessive payments

- Non-domestic Phase 2 policy
 - Determine policy on phase 2 for non-domestic, including;
 - New technologies and tariffs
 - Biomass sustainability issues
 - Air quality issues
 - Metering changes (in line with GB)
 - Use of process heat
 - Relocation of plants
 - Preparation of State Aid paper
 - Engagement with Ofgem re potential changes
 - Engagement with DECC re GB proposals

- Communications
 - Meeting with Navigator Blue to discuss research findings from previous media campaign
 - Agree the need for marketing activity in 2014/15 (budget of c £40k)
 - Business case and marketing brief for activity

- Arrange meetings of cross-departmental groups (heat and communications)

1. Renewable Heat Incentive (RHI)

Overview

- The RHI is an incentive mechanism aimed at promoting the uptake of renewable heat installations in the commercial sector. No upfront support is awarded but payments are provided for the lifetime of the technology (up to 20 years) and are calculated based on the size, type and heat use of the installed technology. Payments are based on metered heat output x appropriate tariff (tariffs differ for different technologies and are in the form of pence per Kwh). This scheme is similar in nature to the NI Renewables Obligation (NIRO) which incentivises renewable electricity.
- The scheme was designed following public consultation (July 2011) and independent economic analysis by Cambridge Economic Policy Associates (June 2011 and January 2012).
- The NI RHI was launched on 1 November 2012 (the GB scheme was launched in November 2011). The schemes are similar in many aspects however the tariffs for NI have been designed specifically for the local heat market. The NI tariffs tend to be lower than GB tariffs – this is because the cost differential between conventional heating and renewable heating is less in NI than GB.
- For the scheme to be launched approvals were required from a DETI Casework Committee, DFP, the DETI Minister and EU (re State Aid).
- The scheme is underpinned by secondary regulations.
- The scheme administered on a day to day basis by Ofgem. The relationship with Ofgem is via an Administrative Services Agreement. Money is transferred on a monthly basis to cover payments – this is looked after by Sandra Thompson (Energy co-ordination Branch).
- To date (12.5.14) there have been 153 applications under the RHI, all bar one for biomass, and 105 accreditations.

Useful reading / documents

- April 2009 Submission beginning the work on renewable heat - DT1/09/0033582 and DT1/09/0144352
- Executive Summary of a 2010 Study into the NI renewable heat market - DT1/10/0089593
- CEPA Analysis Work - DT1/11/0071551 (first report) and DT1/12/0034035 (follow up research)
- State Aid application and addendum - DT1/12/0000602 and DT1/12/0021740
- Casework Synopsis - DT1/12/0026878
- RHI Business Case - DT1/12/0035322
- Guidance notes for the RHI scheme - www.nidirect.gov.uk/rhi
- Legislation - [Link to legislation.gov](http://link.to.legislation.gov)
- Documents underpinning relationship with Ofgem - DT1/13/0063865, DT1/13/0063864, DT1/13/0063866
- FAQs - DT1/13/0038171
- Weekly Ofgem reports - DETI Container DT15/160/245/45/ Energy DETI - Sustainables - Renewable Heat - RHI Accreditations and Reports

- Spreadsheet analysis on uptake - DT1/14/0088879

Key contacts

- Ofgem

Day to day admin issues	Teri Clifton	teri.clifton@ofgem.gov.uk	0141 341 3991
Technical issues	Edmund Ward	Edmund.Ward@ofgem.gov.uk	0207 901 7168
Monthly payments	Deckerson Thomas	Deckerson.Thomas@ofgem.gov.uk	0207 901 3060
Monthly reports	Mohini Depala	Mohini.Depala@ofgem.gov.uk	0203 263 9917

- DECC (Organisation chart at DT1/14/0025193)

SCS Contact (G3)

Stakeholder Engagement & Communications

GB Domestic RHI

RHI Strategy

Irrelevant information
redacted by the RHI Inquiry
Irrelevant information
redacted by the RHI Inquiry
Irrelevant information
redacted by the RHI Inquiry

Nicola Barber

[Redacted]
[Redacted]
[Redacted]

nicola.barber@decc.gsi.gov.uk

- DCENR

Renewable and Sustainable Energy Division	Des Byrne	Des.Byrne@dcenr.gov.ie	+353 1 678 3215
Renewable and Sustainable Energy Division	John Rice	John.Rice@dcenr.gov.ie	

Current / emerging issues

- **Data Protection** – DETI and Ofgem have had many discussions regarding data sharing under the RHI. Ofgem receive applications and provide DETI with a weekly update on these, however the information provided does not include location, post code, type of sector and other information that might aid statistical records, briefing material or policy development. Ofgem are again considering how such information could be shared.
- **Carbon Trust Loan** – An issue arose in summer / autumn 2013 where Ofgem refused an application on the basis they had received a Carbon Trust 0% interest loan – this was despite the fact that Ofgem advised applicants and DETI that they consider the two schemes were compatible. Following consideration, DETI revoked Ofgem's decision and allowed applicants to avail of both schemes. This, however, has State Aid implications in that applicants mustn't breach EU thresholds on de minimis aid. Ofgem had previously advised this situation had been sorted however it now appears this isn't the case and are awaiting DETI instructions on how to proceed. In GB, Ofgem accredit installations and simply notify DECC that both sources of funding have been received – it is unclear whether this satisfies State Aid rules. Stephen Moore (EU) has been very helpful on this issue. Papers at DETI Container DT15/160/245/54/Energy DETI - Sustainables - Renewable Heat - Carbon Trust Loans and RHI 2013/14.
- **Tariffs** – It is becoming apparent that the payments made to installations are higher than would have been expected under the CEPA modelling. Ofgem (Edmund Ward) has advised (on 13.5.14)

that the experience in GB and NI has shown that many installations have had a higher demand (time of operation) than had been assumed in the tariff calculations; this is especially true of certain sectors. As the demand is higher than what has been assumed the tariffs can become over-generous. This issue would need to be considered as a matter of urgency. The email from Janette O'Hagan (DT1/14/0088268) is also relevant to this point, where applicants could over-use technologies for financial gain. Again CEPA had advised in their 2011 analysis that this wouldn't be the case. The solution would be to "tier" tariffs, where a certain tariff is provided for the first 15/20% of use and then another lower tariff is provided for the rest of the heat use. This is used in GB tariffs. Certainly this should be considered for biomass under 100kW as a matter of urgency. This has been discussed briefly with Edmund Ward and he advised that Ofgem would be able to implement without too many changes to existing systems.

- **Budget** – the initial budget was for £25m until March 2015, this came with correspondence with HMT that payments made under the initial funding would be covered in future years (DT1/11/0044780). DECC have received a budget of £430 for 2015/16, a DETI share of this would be the order of £10-12m however no confirmation has been forthcoming. Correspondence from DECC has suggested the money will be provided to NI from HMT (DT1/14/0061088). Finance are aware. In future years a more joined up approach with DECC may be sensible regarding budgeting i.e. a single UK budget covering both schemes? In terms of admin budget, the expected costs of Ofgem is expected to be £260k – a bid has been submitted as part of June Monitoring. These costs are based on 3% of GB costs. Ofgem are scheduled to submit a "change control" to current protocols to confirm these costs.