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Subject: PAC evidence session 12 October
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Attachments: [RHI additional lines to take for CS.tr5](#)
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Andrew

Having watched the previous evidence session, I anticipate a fairly direct line of questioning from members on my role. I attach some suggested lines to take for my own use, which I trust are consistent with our established position.

Happy to discuss / revise as necessary.

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**RENEWABLE HEAT INCENTIVE: PUBLIC ACCOUNTS COMMITTEE 12
OCTOBER 2016**

Lines to take

What was your role?

Head of Policy Group, DETI from August 2014 until May 2016; Head of Operational Policy Group (Infrastructure and Regulation) DfE thereafter: both roles include responsibility for oversight of Energy Division.

Which of the errors are you responsible for?

Andrew has indicated that a process is underway to examine the evidence on individual responsibility for the errors that occurred.

I (along with others) am subject to that process, and I should not pre-empt its outcome.

However, I recognise that there are things that I could have done differently, and I must accept responsibility for that.

Are you managing or overseeing that process?

No, it is independent of me, and of colleagues in Energy Division. I am subject to the process, and it is important to ensure that there is no real or perceived conflict of interest in taking it forward (cannot be judge in one's own cause).

NICS internal processes are a separate matter. You owe this Committee a candid explanation of what you personally did wrong.

Accept that. Must not pre-empt the process underway, but acknowledge 4 things I wish I had done differently:

- on taking up post, should have recognised earlier that RHI was a high risk programme, and scrutinised it more thoroughly (the emphasis at the time was on NIRO);
- should have recognised the nature and extent of the problem earlier - when first brought to my attention in Spring 2015, I wrongly perceived it (as did others) as a problem of budget uncertainty – only in the following months did the full scope of the problem and the errors that led to it emerge;
- should have scrutinised and challenged the oversight and control arrangements for the scheme; and
- should have advised more strongly in Summer 2015 for earlier introduction of a full range of controls, including power to suspend the scheme

What difference would that have made?

Difficult to say with certainty. More prompt action in Summer 2015 might have partially mitigated some consequences of previous errors.

Probing the oversight arrangements may have resulted in earlier changes to address the issues raised by a whistleblower.

Whom do you think is responsible for each of the errors?

It would be wrong of me to pre-empt the investigation process that is underway, not least because I might be perceived as having a conflict of interest if I were to do so.

Were you running Energy Division?

No, the Deputy Secretary role involves oversight of a number of Divisions, and line management responsibility for the Directors who head them.

Nevertheless, should you not have been able to prevent / minimise this through better oversight of Energy Division?

In the light of the NIAO and PWC reports there are clearly things that I would do differently, but it is difficult to draw firm conclusions on how the outcome might have differed, particularly as there was a chain of errors over a number of years.

When did you form the view that tiered tariffs were required?

In July 2015.

When did you form the view that the schemes should be suspended?

On 18 December 2015, when it was established definitively that the overspend would have to be met from the NI block. (Minister advised on 31 December, agreed in principle on 12 January).

If you had moved to close the scheme in July 2015, rather than waiting to February 2016, could the spike in demand have been reduced or avoided?

It is difficult to say with certainty. It is possible that the spike could have been reduced, but impossible to avoid it completely. The inescapable difficulty (as shown in the NIAO report) was that industry could (and did) meet a rise in demand much more quickly than the Department could introduce controls.

This stems from the fact that the power to control or suspend the scheme was not included in the original legislation, and required legislative change.

Closure of the scheme required a period of notice of some three weeks. (8 Feb to 29 Feb). The Autumn 2015 spike in demand took place over a 6 week period.

Were you advised by DFP officials in July 2015 to close the scheme immediately?

To my knowledge, no such advice was ever received from DFP, which approved the extension of the scheme in October 2015.

Within a short period, RHI collapsed and NIRO was closed early to onshore wind, leaving suppliers and customers for both schemes exposed; was it coincidence that you were in charge of both?

There is no doubt that those two matters gave rise to considerable concern amongst stakeholders, and within the Assembly and ETI Committee, particularly as they came so close together.

However, the timing was coincidental, and the reasons for the two closure decisions were fundamentally different.

The early closure of NIRO to onshore wind stemmed from a **policy** decision by the then Minister. His decision was to close the scheme in line with the closure arrangements for the GB scheme. His policy aims were to secure the maximum deployment of wind generation, at least cost to the consumer; and to avoid the imposition of punitive measures by the Secretary of State for Energy and Climate Change, which would have come at considerable cost to NI consumers and renewable generators.

By contrast, as the NIAO and PWC reports make clear, the RHI closure stemmed not from policy, but from a budget crisis as a result of **operational** errors in the design, oversight and control of RHI over a number of years.

THE SEQUENCE OF ERRORS

- Original tariff too high (potential for super profit).
- Lack of controls in original legislation (tiering, cap, degression) compounded the over-generous tariff.
- Misunderstanding within DETI business case of the true risk of overgenerous subsidy (magnitude and likelihood). It was assessed as 'very unlikely' and was clearly perceived as a chronic, rather than acute risk; not something that would need a rapid response.
- Missed opportunities to follow GB and introduce controls.
- Failure to seek re-approval (irregularity, and further lost opportunity to recognise need for controls).
- Loss of understanding of basis of funding, and responsibility for risk of overspend.
- Lack of understanding of magnitude and responsiveness of rising demand.
- Weak control and oversight measures and overreliance on OFGEM.
- Lack of handover arrangements within DETI, leading to loss of corporate memory.
- Lack of structured oversight within DETI, leading to perfunctory and ineffective risk management.

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- All of the above were DETI errors, compounded by the HMT to reduce the DECC budget and (by extension) the NI budget.