

**From:** [Wightman, Stuart](#)  
**To:** [McCormick, Andrew \(DFE\)](#); [Stewart, Chris \(DFE\)](#)  
**Cc:** [Marten, Lucy](#); [McCann, Brendan](#); [Smith, Alan](#); [Cousins, Heather](#)  
**Subject:** Options for RHI Consultation Document  
**Date:** 08 November 2016 17:57:15  
**Attachments:** [image001.png](#)  
[image002.gif](#)

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Andrew / Chris

I am meeting Victor and his team tomorrow to discuss the analysis work needed for the Cost Control Options to be included in the Consultation Document. I am therefore keen to narrow down the options. Further to our recent discussions, I propose to proceed on the basis of the three possible options below. We have to seek legal advice on Option (1). Options (2) and (3) are effectively the same in terms of what participants are likely to receive but option (3) will be much easier to administer and predict monthly payments with no tiering involved.

Please let me know if you wish to amend or extend the proposed options.

Thanks, Stuart

### **(1) Buy-out / Scheme Termination**

This option would involve revoking the Regulations to terminate the scheme for all technologies and provide the 2,100 scheme participants with a single payment to cover their capital costs plus the 12% rate of return (approved by the EU Commission).

I think we would have to accept that some participants will receive more than the 12% because of the payments they've made to date. The EU State approval for the 12% rate of return was set against a range of 8-22%. To try and estimate the capital return that participants have received to date so this can be netted off their payments will be particularly challenging. A complex analysis will need to be carried out to estimate how much capital individual recipients will have received up to the point of termination so that this can be netted off their payment. This is compounded by the fact that there are still around 200 applications still to be processed.

### **(2) Place all the medium biomass installations onto the post November 2015 tariff (6.5p/Kwh reducing to 1.5p/Kwh after 1,314 hours capped at 400,000KWh)**

This option would involve amending the Regulations to move all the medium biomass installations on the flat 6.5p onto the tiered tariff that was introduced in November 2015. The other technologies on the scheme would not be changed. This would bring all recipients back within the 8-22% rate of return range.

To accurately calculate the rate of return, a complex analysis will again be needed to estimate how much of capital return individual recipients will have received up to the point of termination so that this can be added to their future returns under the new tariff. This is compounded by the fact that there are still around 200 applications still to be processed.

### **(3) Place all the medium biomass installations onto a flat 1.5p tariff (capped at 400,000KWh) and provide single annual capital payment.**

This option is effectively the same as Option (2) but instead of providing an uplifted tariff for the first 1,314 hours to provide capital return/payback, a flat lower tariff is provided to cover the additional running costs of biomass (over oil) and a single annual payment is provided to cover the capital payback. The 1.5p tariff would be reviewed annually.

## Stuart Wightman

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**From:** [McCann, Brendan](#)  
**To:** [McCormick, Andrew \(DFE\)](#)  
**Subject:** Fw: Options for RHI Consultation Document  
**Date:** 08 November 2016 21:28:57  
**Attachments:** [image001.png](#)  
[image002.gif](#)

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I really think you need to involve Stephen in this to get a fuller picture in relation to the options. Options 2 and 3 have other costs that need to be factored in. B  
Sent from my BlackBerry 10 smartphone.

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**From:** Wightman, Stuart <Stuart.Wightman@economy-ni.gov.uk>  
**Sent:** Tuesday, 8 November 2016 17:57  
**To:** McCormick, Andrew (DFE); Stewart, Chris (DFE)  
**Cc:** Marten, Lucy; McCann, Brendan; Smith, Alan; Cousins, Heather  
**Subject:** Options for RHI Consultation Document

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