

From: [McCormick, Andrew \(DFE\)](#)
To: [Coyne, Terence](#)
Cc: [McCoy, Laura](#); [Close, Margaret](#); [Cousins, Heather](#); [Marten, Lucy](#); [Wightman, Stuart](#); [Stewart, Chris \(DFE\)](#); [Woods, Michael \(DFE\)](#); [McFarlane, Iain](#); [McCann, Brendan](#)
Subject: RE: Emailing: Follow up letter to Andrew McCormick following meeting on 7 November 201
Date: 23 November 2016 11:00:00
Attachments: [image001.png](#)
[image002.gif](#)

I take Michael's point but I do think the sentence in question is true and I would suggest it is necessary to correct the confusion that arose through the Ofgem session and to answer the Committee's direct question. Here is a further possible redraft of the paragraph:

-

~~Although there was no specific reference to tiered tariffs,~~ The 2011 Ofgem Feasibility Study included the absence of cost controls as a possible risk factor. Paragraph 6.9 stated: "At present there are no mechanisms in place to control costs of the scheme in the event that uptake is considerably higher than anticipated." As I said in evidence, a tiered tariff in itself was not a cost control: it would have reduced the incentive, and removed the incentive for excessive use, but a tiered tariff would not have placed any ceiling on applications or costs. Our records confirm that Ofgem drew attention to the risks from not having a tiered tariff in the spring of 2014. **While Ofgem highlighted the absence of cost controls in the feasibility study, but we do not have any evidence of any specific warning in relation to tiered tariff at any earlier stage before 2014.**

Is that a true and fair summary?

Happy to discuss.

Many thanks.

From: Coyne, Terence
Sent: 23 November 2016 10:18
To: McCormick, Andrew (DFE)
Cc: McCoy, Laura; Close, Margaret; Cousins, Heather; Marten, Lucy; Wightman, Stuart; Stewart, Chris (DFE); Woods, Michael (DFE); McFarlane, Iain; McCann, Brendan
Subject: FW: Emailing: Follow up letter to Andrew McCormick following meeting on 7 November 201

Importance: High

Andrew

Following input from Energy colleagues at point 7, I have updated the draft letter to the PAC Chairman (attached). The draft also includes the revised response at point 2 which you cleared last night. Changes have been accepted and drafting notes removed.

I have also suggested that the final sentence of the response at point 5 be deleted in light of Michael Woods's e mail below. Paragraphs 6.10 and 6.11 of the 2011 feasibility study do show that concerns were expressed about cost control at the feasibility study stage and some measures to mitigate the risk were discussed but not acted on, so I think that perhaps it is better to remain

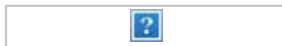
silent on the point. I have tracked a change to reflect this.

Regards

Terry

Terence Coyne

Governance Accountability and Casework
Department for the Economy
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 02890529406 (ext: 29406)
Mob: Personal information redacted by the RHI Inquiry
TextRelay: 18001 02890529406
Web: www.economy-ni.gov.uk



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-----Original Message-----

From: Woods, Michael (DfE)
Sent: 22 November 2016 13:55
To: McCormick, Andrew (DFE); Close, Margaret
Cc: Marten, Lucy; McCoy, Laura; Cousins, Heather; Coyne, Terence; Stewart, Chris (DFE); McFarlane, Iain; Wightman, Stuart; McCann, Brendan
Subject: RE: Emailing: Follow up letter to Andrew McCormick following meeting on 7 November 201

Andrew

At the time of the 2011 OFGEM feasibility study the Department's regulations had not yet been finalised and the feasibility study was based on an assumption that the NI scheme would follow the GB approach. The feasibility study actually stated that DETI was concerned to stay within budget para 6.10 & 6.11

"6.10. DETI have expressed some concerns around the need for controls to be developed to ensure the costs of the NI RHI remain within budget.

6.11. Ofgem would propose that the joint DETI-Ofgem Administration Board be continued after the Development Phase has been completed into an ongoing operational board to monitor scheme operations, costs and uptake. The Board could meet on a quarterly basis and review scheme expenditure, uptake, technologies and capacities of installations. This board could give

additional scrutiny to scheme functions and identify trends in uptake to proactively make adjustments to the scheme to control uptake steadily instead of taking a reactive approach should scheme costs grow beyond the proposed budget."

There is no evidence of the Admin Board or the proposed Budget Management Committee operating in the way described to monitor trends and take a reactive approach. I would also make the point that OFGEM also stated in the feasibility study at 10.1 that

"During the feasibility study phase we identified risks associated with this project. We would normally submit this assessment and our proposed course of action to an independent risk assessment. However given that the key risk identified were linked to DETI's final policy decision (in particular whether to allow Air Source Heat Pumps, bioliquids and Heavy Industry Sites in the scheme from the launch date), we agreed with DETI that we would defer such an independent assessment once the final policy decisions have been taken with respect to all key policy areas." One of those action related to the review of risk in the NI scheme.

Michael Woods
Internal Audit
Department for the Economy
Adelaide House
39-49 Adelaide Street
Belfast, BT2 8FD
Tel: 028 9025 7410 (ext: 57410)
TextRelay: 18001 028 9025 7410
Web: www.economy-ni.gov.uk

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-----Original Message-----

From: McCormick, Andrew (DFE)
Sent: 22 November 2016 10:04
To: Close, Margaret
Cc: Marten, Lucy; McCoy, Laura; Cousins, Heather; Coyne, Terence; Stewart, Chris (DFE); McFarlane, Iain; Wightman, Stuart; McCann, Brendan; Woods, Michael (DfE)
Subject: FW: Emailing: Follow up letter to Andrew McCormick following meeting on 7 November 201

Many thanks.

Please see my DNs and amendments - happy to discuss.

-----Original Message-----

From: Close, Margaret
Sent: 22 November 2016 09:37
To: McCormick, Andrew (DFE)
Cc: Marten, Lucy; McCoy, Laura; Cousins, Heather; Coyne, Terence; Stewart, Chris (DFE); McFarlane, Iain; Wightman, Stuart; McCann, Brendan

Subject: Emailing: Follow up letter to Andrew McCormick following meeting on 7 November 201

Andrew

Please disregard previous email. Apologies.

Please find draft response for your consideration and clearance.

Kind regards

Margaret

Your message is ready to be sent with the following file or link attachments:

Follow up letter to Andrew McCormick following meeting on 7 November 201

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