

Mr Jim McManus  
ETI Committee Clerk  
Northern Ireland Assembly  
Parliament Buildings  
Stormont  
BELFAST  
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Dear Jim

## **SL1 – THE DOMESTIC RENEWABLE HEAT INCENTIVE SCHEME REGULATIONS (NORTHERN IRELAND) 2014**

- 1.1 The Department of Enterprise, Trade and Investment (**the Department**) proposes to make a Statutory Rule in exercise of the powers conferred by section 113 of the Energy Act 2011.
- 1.2 The Statutory Rule will be subject to affirmative resolution in the Assembly.

### **Purpose of the Statutory Rule**

- 2.1 The Northern Ireland Renewable Heat Incentive (RHI) was introduced on 1 November 2012, following the passage of the Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012. This scheme provides long term incentive payments for new generators of eligible renewable heating in the non domestic sector.
- 2.2 A commitment to introduce a similar RHI scheme for the domestic sector was made and the Renewable Heat Premium Payment Scheme was introduced in May 2012 to provide financial support to domestic renewable heat customers in the interim. We propose to launch the domestic RHI later this year and further Regulations are now required.
- 2.3 The Statutory Rule will provide the legislative basis for the domestic RHI and will prescribe matters relating to eligibility criteria, requirements and obligations of participants of the scheme, accreditation, metering requirements and payment of tariffs.

### **Consultation**

- 3.1 We consulted on a proposed domestic RHI scheme as well as the expansion of the non-domestic RHI from 22 July 2013 to 14 October 2013. Consultation seminars were held in Armagh, Belfast and Coleraine. A total of 50 responses were received and the vast majority of respondents were supportive of the proposals for a Northern Ireland domestic RHI.
- 3.2 We have taken account of feedback and prepared a decision paper, outlining how DETI intends to deliver the scheme. This paper is attached at Annex A. We intend to publish this decision paper once final financial approvals for the tariffs are in place. We do not expect that the chosen tariff options will change from those

proposed in the decision paper. The document is therefore for internal policy consideration at present.

### **Position in Great Britain**

- 4.1 DECC legislated for an incentive scheme in the Energy Act 2008 and laid the Domestic Renewable Heat Incentive Scheme Regulations 2014 before Parliament on 11 February 2014. Following Parliamentary agreement, the domestic RHI was launched in GB on 9 April 2014.
- 4.2 The Office of the Gas and Electricity Markets (**Ofgem**) is responsible for administering the scheme on behalf of DECC.

### **Equality Impact**

- 5.1 In accordance with the requirements of Section 75 of the Northern Ireland Act 1998, an equality screening exercise has established that the proposed Regulations do not have any significant equality impact.

### **Regulatory Impact**

- 6.1 The Department completed economic analysis in developing the proposed domestic RHI. Options considered were:
  - (a) No support, instead focus support on the non-domestic sector where greater levels of renewable heat could be delivered;
  - (b) An RHI payment, where tariffs would be set for the lifetime of the asset (to a maximum of 20 years);
  - (c) A compressed RHI, where tariffs are set for 7 years with payments compressed to cover the total payments expected over asset's lifetime;
  - (d) A grant based system, where capital support is provided similar to the RHPP; and
  - (e) A two phased RHI, where upfront support is available along with ongoing support over 7 years.
- 6.2 Analysis concluded that the best option for Northern Ireland is upfront support (at the rate currently paid under the RHPP) with ongoing tariff payments for 7 years. Upfront support increases accessibility of the scheme, assists in capital expenditure and reduces potential financing costs for applicants. The 7 year tariff offers the greatest potential uptake and is better value for money in terms of ongoing delivery of renewable heat.
- 6.3 As the funding for the domestic RHI scheme will come from direct Government expenditure there will be no impact on Northern Ireland consumers' energy bills.
- 6.4 There will be secondary benefits to the development of the renewable heat market other than increased renewable uptake. These include a reduction in CO<sub>2</sub> emissions as fossil fuels are displaced, an increase in fuel diversity and growth in the renewable heat industry.

**Financial Implications**

7. HMT previously advised that £25m of funding will be made available for a Northern Ireland RHI over the period 2011-2015 with further Annually Managed Expenditure (AME) budget profiled up to 2020. Administration costs will be met by DETI.

**EU Implications**

- 8.1 The Renewable Energy Directive requires the UK to ensure that 15% of its energy consumption comes from renewable sources. The requirement extends beyond electricity to heating and cooling and transport. Almost half of the final energy consumed in the UK is in the form of heat, producing around half of the UK's CO<sub>2</sub>.
- 8.2 The requirement to meet the very challenging 15% renewable energy target falls at Member State level, not at Devolved Administration level. However, while energy is a devolved matter for Northern Ireland, each devolved administration is expected to contribute as much as possible to the overall UK target.

**Section 24 of the Northern Ireland Act 1998**

9. The Department has considered section 24 of the Northern Ireland Act 1998 and is satisfied that the proposed Rule does not contravene the Act.

**Section 75 of the Northern Ireland Act 1998**

10. The Department has considered section 75 of the Northern Ireland Act 1998 and is satisfied that the proposed Regulations will have no negative implications or possible infractions under Section 75.

**Operational Date**

- 11.1 It is proposed that the Regulations will come into operation in autumn 2014.
- 11.2 I would be grateful if you would bring this matter to the attention of the Enterprise, Trade and Investment Committee.

Yours sincerely

**JOHN MILLS**  
Head of Energy Division

cc Human Rights Commission  
Legislative Programme Secretariat