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**Subject:** LMU 11/42: ETI COMMITTEE QUESTION ON THE RENEWABLE HEAT INCENTIVE AND NATURAL GAS MARKET  
**Date:** 19 December 2011 08:12:31  
**Attachments:** [LMU 11 42 ETI Committee Question on RHI.DOC](#)

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Private Office

See attached in relation to a question from the ETI Committee

Fiona

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**From: Fiona Hepper  
Energy Division**

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**Date: 19<sup>th</sup> December 2011**

**To: 1. Andrew Crawford  
2. Arlene Foster MLA**

**LMU 11/42: ETI COMMITTEE QUESTION ON THE RENEWABLE HEAT  
INCENTIVE AND NATURAL GAS MARKET**

<b>Issue:</b>	The ETI Committee has asked a question on the proposed design of the Renewable Heat Incentive and the availability of support for existing natural gas customers.
<b>Timing:</b>	The ETI Committee has asked for a response by Thursday 5 <sup>th</sup> January 2012.
<b>Need for referral to the Executive:</b>	Not applicable
<b>Presentational issues:</b>	None
<b>FOI implications:</b>	This submission is exempted under Section 35 of the Freedom of Information Act.
<b>Financial Implications:</b>	N/A
<b>Legislation Implications:</b>	N/A
<b>PSA/PFG Implications:</b>	None

**Statutory Equality Obligations:**            **None.**

**Recommendation:**            **That you approve the draft response at Annex A.**

## **Background**

The Clerk of the ETI Committee has written to the Departmental Assembly Liaison Officer (DALO) with a question regarding the potential support mechanisms for natural gas customers under the proposed Renewable Heat Incentive (RHI). The question is as follows;

*In relation to the renewable heat incentive members asked how this will affect existing gas customers and what part of the incentive will be available to them.*

2. It is likely that this query follows on from concerns raised by Ballymena Borough Council that a proposed deep geothermal project would be unable to go ahead because it would be within an area with natural gas. This was also raised on a recent *Inside Politics* programme, on which the deputy chair of the ETI Committee, Mr Daithi McKay, appeared. The ETI Committee meeting on 8th December was held at Ballymena Borough Council.

## **Renewable Heat and Natural Gas**

3. Overarching policy is (and remains) to increase the level of renewable heat and extend the natural gas network where economically and technically feasible to do so. The purpose of this two-pronged approach is to develop a more sustainable and secure heat market and remove/dilute the reliance on heating oil. To appropriately incentivise the renewable heat market an oil counterfactual position was taken in designing tariffs, given that most of the premises switching to renewable heat are likely to be heated by oil.
4. The RHI is therefore open to gas customers and **at the same level** as for oil customers. However it will not as attractive to those currently on gas given the cheaper starting position of gas in comparison to oil.
5. In the consultation document on the proposed scheme, the only proposed restrictions related to large industrial sites and domestic customers who were currently on gas. Specifically the proposals were :
  - that whilst **large industrial sites** would be eligible for RHI payments, before they could be received DETI would need to be content that there was a clear need for the incentive, that the technical capability exists, that a sustainable fuel source is established and the impact on the gas network is understood.

The purpose of this was so that we could be aware of the impact on the existing network if a large gas user switched to renewable heat (potential increased distribution costs) or the impact of a large heat user, that could be vital for future extension plans, taking up renewable heat (i.e. large user in Dungannon no longer wishing to avail of gas in the future.)

- For the **domestic sector** it was also proposed that existing gas customers would not be able to avail of *premium payments* to support a switch to renewable. Domestic gas customers would be eligible for longer term RHI payments when the scheme is extended to the domestic market. The reason for this was the limited budget for *premium payments* and the desire to utilize it most effectively where greatest carbon savings would be possible (i.e. oil to renewable).

### Concerns raised by Ballymena Council

6. There has been concern, and some misunderstanding, that customers in natural gas areas would not be able to avail of the RHI. This is not the case. The project proposed in Ballymena (a deep geothermal scheme) would be able to avail of the RHI, indeed the call for evidence into deep geothermal energy will assist in designing an appropriate tariff.
7. It should also be noted that DETI had previously assisted in securing funding of £500k for the Ballymena project through DECC, however this money was returned to DECC unspent.

### Recommendation

8. It is recommended that you approve attached response to the ETI Committee Clerk (**Annex A**).

(signed)  
**FIONA HEPPER**  
 Energy Division  
 (Ext 29215)

cc: David Sterling  
 David Thomson  
 Joanne McCutcheon  
 Fred Frazer  
 Clare Baxter  
 David McCune  
 Peter Hutchinson  
 Glynis Aiken  
 Sam Connolly  
 Susan Stewart  
 Alistair Ross MLA, APS  
 DETI LMU

## ANNEX A

## REQUEST FROM THE COMMITTEE

In relation to the renewable heat incentive members asked how this will affect existing gas customers and what part of the incentive will be available to them.

## DEPARTMENTAL RESPONSE

The proposed RHI for non-domestic customers, as detailed in the July 2011 consultation paper, will be available to all consumers no matter what fuel source they are currently using. For example, a business in Ballymena on natural gas and a business in Omagh heated by oil both switching to biomass (or another renewable heat technology) will receive exactly the same incentive.

In relation to capital payments to domestic consumers and RHI payments to large industrial sites, there were **proposals** in relation to gas areas. These were:

- (i) in relation to domestics - existing gas customers would not be able to avail of *premium payments* to support a switch to renewable; however they would be eligible for the RHI payments when the scheme is extended to the domestic market; and
- (ii) in relation to large industrial sites – that is the 17 private sector sites that trade under the European Union Emissions Trading Scheme (EUETS) - it was proposed that, before these sites received an incentive payment, DETI would need to consider whether the sites required an incentive, could effectively utilise renewable heat, had a sustainable fuel source and did not impact on the natural gas market.

It should be noted, that the RHI proposals are not yet finalised and DETI is considering a range of issues before announcing the final design of the scheme.