

From: [Patel Akhil \(Finance\)](#)
To: [Hutchinson, Peter](#); [Marshall Jonathan \(Energy Efficiency and Consumers\)](#)
Cc: [Irrelevant information redacted by the RHI Inquiry](#) (Finance)
Subject: RE: Northern Ireland RHI - Funding arrangements
Date: 19 August 2011 16:44:13

Peter,

I will leave it to Jonathan to set out the specifics in relation to the cost of setting up the RHI programme and ongoing running costs. In terms of classification of costs, the start-up/set up costs are classified as admin costs whereas costs relating to running the scheme are programme.

Akhil.

From: Hutchinson, Peter [mailto:Peter.Hutchinson@detini.gsi.gov.uk]
Sent: 19 August 2011 16:36
To: Patel Akhil (Finance); Marshall Jonathan (Energy Efficiency and Consumers)
Cc: Hutchinson, Peter; [Irrelevant information redacted by the RHI Inquiry](#) (Finance)
Subject: RE: Northern Ireland RHI - Funding arrangements

Akhil / Jonathan,

Had a couple of questions relating to your contract with Ofgem for the administration of the GB RHI and the start-up/ongoing admin costs. Grateful if you would consider and advise on the following;

- Can you advise on what the costs were to set up the admin arrangements of the RHI (both the feasibility study element and the up front capital costs)?
- What is the ongoing contractual costs for administration per annum?
- How are the ongoing costs classed? i.e. programme costs, admin or capital?

Thanks in advance for your consideration.

Peter

Peter Hutchinson

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From: Patel Akhil (Finance) [mailto:akhil.patel@decc.gsi.gov.uk]
Sent: 08 June 2011 17:36
To: Hutchinson, Peter; [Irrelevant information redacted by the RHI Inquiry](#) (Finance)
Subject: TRIM: RE: Northern Ireland RHI - Funding arrangements

Peter,

Good to hear from you.

Irrelevant information redacted by the RHI Inquiry and I manage what is known as the levies control framework (LCF), which is a new framework which came in this year and which seeks to limit the imputed spend on levies policies (even though they are demand-led schemes etc). The RHI is not actually a levy as it is funded out of direct taxation but given that it is demand-led it is subject to similar controls as the main levies policies (the RO, Feed in Tariffs and the Warm Home Discount). Further information on the LCF can be found [here](#) and [here](#).

I say this as policy specific points ought to be officially answered by the policy team.

On your questions: you'll have to ask the policy team what they have announced about the RHI. There is definitely an ongoing issue with HMT about what we say about spending beyond 2015. Of course, since generators receive a multi-year tariff there will definitely be some RHI spend beyond 2015, however you'll have to ask the policy team what we've said about the RHI being open to new generation beyond 2015 and at what level. Irrelevant information redacted by the RHI Inquiry would be able to answer that.

On the second question: the AME budget for the RHI is an annual one and we currently do not have any ability to roll forward underspends. If we overspend against our budget then we would have to adjust the policy such that we underspent against our future annual budgets by a corresponding amount. So we are not automatically required to close the scheme if we overspend. However, if we do not manage to find these savings we would have to fund the residual overspend from DEL. Clearly, this represents a large financial risk on the department so the policy team is currently looking to develop a system of tariff depressions that could be deployed at key points to ensure (among other things) that we manage the risk of overspending against our budget.

The annual AME budgets do not rise in line with inflation, i.e. we bear the inflation risk (this is true of departmental budgeting anyway, so this is not a surprise).

I hope that this helps. My direct line is below should you want to follow up on these answers now or as your scheme is worked up.

Best wishes,

Akhil.

Akhil Patel | Levies Framework Manager
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0300 068 5359 | akhil.patel@decc.gsi.gov.uk

From: Hutchinson, Peter [<mailto:Peter.Hutchinson@detini.gsi.gov.uk>]

Sent: 08 June 2011 17:10
To: Patel Akhil (Finance); Varsani Rita (Finance)
Subject: Northern Ireland RHI - Funding arrangements

Akhil / Rita,

Jonathan Marshall kindly passed me your contact details so I could ask a couple of questions regarding the funding procedures for the Renewable Heat Incentive (RHI). I am currently working on the design and the development of a Northern Ireland incentive scheme, for this we have £25m over the spending period (£2m/£4m/£7m/£12m) which was allocated from HMT/DECC on a pro-rata basis on the GB funding.

As we will shortly be finalising the scheme I had some questions about the funding arrangements for the GB RHI which might impact on the Northern Ireland scheme;

- Most importantly possibly, the GB scheme will remain open to applications until 2020 however funding is only secured for this spending period until 2015. Have there been discussions with HMT regarding funding post 2015 to provide the required confidence to state that the RHI will remain open until 2020? This will be an issue for Northern Ireland when we consult as we will have to say when the scheme will close to applications, if no funding is secure post 2015 it may be hard to state the scheme will remain open until 2020 similar to the GB scheme. This issue might also impact on the actual design of the proposed incentive scheme. Grateful if you could advise on this issue?
- Secondly, I understand that your funding is classified as AME. How does this impact on unspent money over the year, is this money lost or can it be rolled-over to the following year? Also how will you manage against overspend in your budget - i.e. could the scheme close temporarily if it was over subscribed?
- Finally (for now!), I understand that the GB tariff levels will rise with inflation, will your yearly funding from HMT do likewise?

Thanks in advance for your help in responding to these queries. As our scheme develops it might be useful to speak further about funding arrangements and monitoring.

Thanks,

Peter

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From: [Glover, Dave](#)
To: [Hutchinson, Peter](#)
Cc: [Lynch, Gabriel](#)
Subject: RE: DAC Form - RHI administration and engagement with Ofgem
Date: 19 August 2011 17:53:02

Peter

Reference the DAC

I note that this has already been approved by the Accounting Officer therefore this gives you authority to proceed. The CPD advice that would normally be given prior to Accounting Officer Approval would be as follows

CPD Advice

N.I. Public Procurement Policy requires Competitive supply for all expenditure unless there are compelling reasons to the contrary

Managing Public Money Procurement Control Limits requires all goods and services to be publically advertised when value exceeds £30k

The threshold for Public Contracts Regulations is £106k and therefore this requirement falls just short of the scope of the regulations.

On the information provided there would seem to be minimal risk in engaging Ofgem

Regards

Dave

Dave Glover

Deputy Divisional Director

Central Procurement Directorate

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303 Airport Road West

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(Internal Dial : 14076218)

Mob:

Personal information redacted by
the RHI Inquiry

From: Lynch, Gabriel
Sent: 16 August 2011 15:27
To: Glover, Dave
Cc: Hutchinson, Peter
Subject: FW: DAC Form - RHI administration and engagement with Ofgem

Can you advise Peter on progress?

From: Hutchinson, Peter
Sent: 16 August 2011 12:36
To: Lynch, Gabriel
Subject: FW: DAC Form - RHI administration and engagement with Ofgem

Gabriel,

Sorry to bother you but wanted to check if there was any update on this case? We need to seek DFP Supply's approval for the spend aspect of the work and it would be useful if we could advise on whether CPD were content to authorise.

Thanks,

Peter

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From: Hutchinson, Peter
Sent: 12 August 2011 16:37
To: Lynch, Gabriel
Cc: McManus, Gary
Subject: DAC Form - RHI administration and engagement with Ofgem

Gabriel,

As previously discussed, please see attached DAC form relating to the contract with Ofgem for the feasibility study into the administration of the NI RHI, signed by our Accounting Officer, David Sterling.

Grateful if you would consider and advise if CPD are content to authorise also.

Many thanks,

Peter

Peter Hutchinson

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