

**From:** [Hill, Janice](#) on behalf of [Sterling, David](#)  
**To:** [Crawford, Andrew](#); [Private Office DETI](#)  
**Cc:** [Thomson, David](#); [Cooper, Trevor](#); [Brankin, Bernie](#); [McCutcheon, Joanne](#); [Hutchinson, Peter](#); [Hawthorne, Jill](#); [Aiken, Glynis](#); [Connolly, Samuel](#); [Stewart, Susan](#); [Thompson, Sandra](#)  
**Subject:** TRIM: FW: Submission - RHI Follow Up - Direct Award Contract  
**Date:** 13 December 2011 16:40:31  
**Attachments:** [Annex A - Business Case - RHI follow up analysis.docx](#)  
[Annex B - Direct Award Contract for RHI follow up.pdf](#)  
[Business Case for Direct Award Contract RHI.DOC](#)

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Please see attached for the Minister's urgent attention, as cleared by D Sterling.

Many thanks

Janice

## Janice Hill

Permanent Secretary's Office  
Department of Enterprise, Trade & Investment  
Netherleigh  
Massey Avenue  
Belfast, BT4 2JP  
Tel: 028 9052 9441 (ext: 29441)  
Textphone: 028 9052 9304  
Web: [www.detini.gov.uk](http://www.detini.gov.uk)

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**From:** McCoy, Laura **On Behalf Of** Hepper, Fiona  
**Sent:** 08 December 2011 15:37  
**To:** Hill, Janice  
**Cc:** Thomson, David; Cooper, Trevor; Brankin, Bernie; McCutcheon, Joanne; Hutchinson, Peter; Hawthorne, Jill; Aiken, Glynis; Connolly, Samuel; Stewart, Susan; Thompson, Sandra  
**Subject:** FW: Submission - RHI Follow Up - Direct Award Contract

Janice

Grateful if you could bring this to David's attention on Monday for urgent consideration. I had spoken to him about this submission a few days before he left so it will not be new to him. We still await CPD's final response - but given time constraints I would appreciate a level of parallel processing. Happy to speak to David if required.

Thanks

Fiona

## Fiona Hepper

Senior Management  
Department of Enterprise, Trade & Investment  
Netherleigh  
Massey Avenue  
Belfast, BT4 2JP  
Tel: 028 9052 9215 (ext: 29215)

Textphone: 028 9052 9304

Web: [www.detini.gov.uk](http://www.detini.gov.uk)

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**BUSINESS CASE FOR PROPOSAL TO ENGAGE A CONSULTANT**

**Project Title:** FOLLOW UP ANALYSIS ON THE NORTHERN IRELAND RENEWABLE HEAT INCENTIVE

**Prepared By:** PETER HUTCHINSON      **Date:** 28 November 2011

**Approved By:** FIONA HEPPER  
Director of Energy Division

**Signed:** APPROVED      **Date:** 29 November 2011

**Section 1: NEED FOR THE ASSIGNMENT*****Background –Purpose of the assignment***

- 1.1 The paper has been prepared in line with the DFP guidance for the use of external consultants (22 December 2009).
- 1.2 The purpose of this assignment is to carry out further essential analysis on the potential design of a Renewable Heat Incentive<sup>1</sup> for Northern Ireland. For this assignment it is proposed that a contract is put in place via a Direct Award Contract with Cambridge Economic Policy Associates (CEPA) and AEA Technologies. A<sup>2</sup> previous assignment was carried out between February – June 2011 that designed a proposed RHI for Northern Ireland, and assessed the potential costs, risks and impact. This analysis was carried out by CEPA and AEA Technologies and supported the development of an appropriate NI RHI scheme. This current assignment is a follow up to that previous research and analysis.

***Strategic/policy context***

- 1.3 The development of the RHI is a key policy for DETI and will be a key driver in supporting the achievement of 10% renewable heat by 2020, the target set by the Executive through the Strategic Energy Framework (SEF). The Department of Energy and Climate Change (DECC) have now launched the RHI scheme in Great Britain, however Northern Ireland is not included in this scheme because of significant differences in the two heat markets. The launch of the GB scheme ahead of a Northern Ireland RHI will focus attention on the progress with the NI work.
- 1.4 The RHI is the main UK policy driver to satisfy obligations under the EU Renewable Energy Directive and to support the achievement of their renewable heat target of 12% by 2020, and as such Northern Ireland is expected to contribute to this target.
- 1.5 Previous research carried out by the Department has demonstrated that 10% renewable heat is possible by 2020 but only with significant support both in terms of financial incentives and policy measures. The most recent analysis carried out by CEPA and AEA helped to design a specific incentive scheme and assisted in developing a<sup>3</sup> public consultation document on the issue.

<sup>1</sup> An RHI is an incentive scheme that will reward those who install eligible renewable heat technology with a set tariff to be paid over a number of years, the level of tariff and length of payment is determined by the size and type of technology involved. The tariffs are set in order to cover the capital, operating and other non-financial costs of installing such technologies.

<sup>2</sup> [http://www.detini.gov.uk/economic\\_appraisal\\_into\\_the\\_northern\\_ireland\\_rhi\\_-\\_june\\_2011.pdf](http://www.detini.gov.uk/economic_appraisal_into_the_northern_ireland_rhi_-_june_2011.pdf)

<sup>3</sup> [http://www.detini.gov.uk/the\\_development\\_of\\_the\\_northern\\_ireland\\_renewable\\_heat\\_incentive.pdf](http://www.detini.gov.uk/the_development_of_the_northern_ireland_renewable_heat_incentive.pdf)