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Supply 1**

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Department of  
**Finance and  
Personnel**

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**Ms Jill Hawthorne-(by e-mail)**  
**Accountability & Casework Branch**  
**Department of Enterprise Trade and Investment**  
**Netherleigh**  
**Massey Avenue**  
**Belfast,**  
**BT4 2JP**

**3 January 2012**

**Dear Jill,**

**NI RENEWABLE HEAT: STRATEGIC OUTLINE CASE**

1. You wrote on 22 November 2011 seeking approval of a Strategic Outline Case (SOC) for a NI Renewable Heat Incentive.
2. HMT would provide £25m funding for a NI Renewable Heat Incentive (RHI) over the period 2011-15. This funding would allow the NI Executive to meet its target of producing 10% of NI's heating requirements from renewable sources by 2020 and would assist the UK to meet the EU's target of producing 15% of all energy from renewable sources. It is envisaged that a NI RHI subsidy would stimulate job creation in the renewable energy sector, improve air quality and reduce imports of oil. The scheme would be implemented and administered on DETI's behalf by Ofgem which has the power to impose sanctions upon participants that do not comply with set regulations and criteria.
3. Having considered the SOC in conjunction with our economists, I am content to provide approval for DETI to proceed to Outline Business Case (OBC) stage. As part of this process the following items should be addressed;
  - Further cost detail in relation to administration costs should be provided at OBC stage, including benchmarking information as

to how the level of administration fee for the NI RHI scheme compares to that of the GB regions;

- It is not entirely clear that in the event of the UK not meeting the EU RED target of 15% by 2020, if NI would be subject to any infraction fines. This point should be addressed at OBC stage;
- It is not entirely clear how Ofgem would administer a NI RHI scheme, what the eligibility criterion is, what the ongoing obligations are and what DETI's responsibilities would be. Also it is not clear what the likely cost of Ofgem's management/administration services would be. Further detail should be provided at OBC stage;
- Section 2 identifies a number of constraints including a lack of knowledge/awareness regarding the development of renewable heat in NI, planning constraints and a lack of skills in NI's business sector to build and develop these new technologies. Further information detailing how these constraints could be overcome should be provided in the OBC document;
- Further detail regarding project/option benefits, their delivery and monitoring should be provided at OBC stage.

Happy to discuss.

Yours Sincerely

Sylvia Sands

cc Trevor Cooper  
Iain McFarlane  
Stuart Stevenson