

From: [Hepper, Fiona](#)
To: [Clydesdale, Alison](#); [Hutchinson, Peter](#)
Cc: [Dolaghan, Paul](#)
Subject: FW: AME Budget Allocations 2011-15
Date: 18 April 2011 11:18:56
Attachments: [2011-15 AME Final Budget Allocations - Energy.XLS](#)
Importance: High

[Alison](#)
[Peter](#)
[To note](#)
[F](#)

Fiona Hepper

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From: Donaldson, Linda
Sent: 18 April 2011 11:12
To: Hepper, Fiona
Cc: Dolaghan, Paul; Thompson, Sandra; Brankin, Bernie; Partridge, Jeff
Subject: AME Budget Allocations 2011-15
Importance: High

Please see attached Energy Division's AME budget allocations.

Regards

Linda

Linda Donaldson

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From: [Clydesdale, Alison](#)
To: [Hutchinson, Peter](#)
Cc: [Hepper, Fiona](#); [Connolly, Samuel](#)
Subject: FW: [RESTRICTED] RE: RHI NI
Date: 04 May 2011 11:00:52

Peter

I spoke with Bernie yesterday at length about this.

This presents a significant challenge.

DFp will require evidence of our ability to control the scheme in order to minimise over/under spending in any one year.

From a finance perspective grant is the riskiest route financially as it is hard to control the number of applications especially at the end of the programme. But from the policy side I expect we will need some element of front loaded grant to stimulate demand.

You will need to ask CEPA to factor this in as a risk factor in the economic appraisal - I didn't see any evidence of this in the draft that we have already received - but it will need to be fully addressed - especially as finance have asked to see the final proposals.

I also raised with Bernie the fact that the non grant route i.e. RHI will require admin funding to cover the cost of Ofgem administering the scheme. We will need to make a bid in June monitoring (I'll discuss with Sandra) but she was not hopeful that funding could be found.

It might be useful to get the IA for the grant funded element of the DECC scheme if we can - so as we can see how DECC are addressing this risk as their AME funding is being treated in the same way.

Alison

Alison Clydesdale

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From: Brankin, Bernie
Sent: 03 May 2011 15:40
To: Clydesdale, Alison
Cc: Cooper, Trevor; Hepper, Fiona; Hutchinson, Peter
Subject: FW: [RESTRICTED] RE: RHI NI

Alison

Energy Division's AME has now been confirmed. I have spoken to Stuart Stevenson regarding RHI NI

AME allocation. RHI spending is not being treated as standard AME. This means that your RHI NI budget allocation is being treated the same as DEL allocations. If you underspend in any year, that part of your budget is lost to the department and, if you overspend in any year, DETI's budget will be reduced by the amount of overspend in future years. The NI Block lost all underspent budgets in 10/11 and DFP are currently in negotiations with Treasury about end year flexibility for the Block for this year and future years.

As discussed, you will need to take this treatment of AME into consideration when drawing up your proposals on how you will spend this allocation particularly if you are considering grants (which Energy Division knows from past experience are fraught with control problems). Please copy Finance into your draft proposals which would need to address the controls that you would put in place to prevent significant under/over spending. These proposals will also require DFP approval.

Happy to discuss further.

Bernie

Bernie Brankin

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From: Brankin, Bernie
Sent: 15 April 2011 16:04
To: Clydesdale, Alison
Cc: Cooper, Trevor; Hepper, Fiona; Hutchinson, Peter
Subject: FW: [RESTRICTED] RE: RHI NI

Alison

AME budgets have just been confirmed by Treasury/ DFP. Your AME allocation for RHI is £2m in 11/12, £4m in 12/13, £7m in 13/14 and £12m in 14/15. This will be confirmed in writing to you early next week. I will discuss further with DFP and come back to you.

Bernie

Bernie Brankin

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From: Clydesdale, Alison
Sent: 15 April 2011 12:25
To: Hepper, Fiona; Brankin, Bernie
Cc: Hutchinson, Peter
Subject: FW: [RESTRICTED] RE: RHI NI
Importance: High

Fiona - for info .

Bernie - see below regarding reporting against the £25m that we have been allocated for RHI - can you advise how this will work in practice for us - I am presuming that DFP will work through your side on this ?

Can you also advise if this years' allocation of £1.7 m will show in Energy's budget line ?

Happy to discuss.

Alison

Alison Clydesdale

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From: Parker, Jon - HMT [mailto:Jon.Parker@hmtreasury.gsi.gov.uk]
Sent: 15 April 2011 12:13
To: Clydesdale, Alison
Cc: Hutchinson, Peter; Garcia, Nicolas - HMT; Parkinson, Mark - HMT;
Mike.brennan@dfpni.gsi.gov.uk
Subject: [RESTRICTED] RE: RHI NI

Alison,

Sorry for the delay in coming back to you. Taking your points in turn:

- i) With DECC, we have agreed that they can make commitments to spending in future years (up to 20 years) for installations that are installed within the SR period (i.e. the initial payments have to be affordable within the SR profile), and providing that the policy is set up so that payments should be basically flat over the 20 year period in real terms (i.e. no backloading to ease short-term affordability pressures). This same agreement would apply to any NI scheme.
- ii) DECC's GB RHI profile is £56m/133m/251m/424m. NI's share of this is 2.98%, so £1.7m/4.0m/7.5m/12.6m. The NI scheme would need to follow this profile as much as possible – on which further below. We will need you to feed into us forecasts of NI RHI spending for the Office of Budget Responsibility's bi-annual forecasts – this can be fed through me or Mark Parkinson (in the Devolved Countries Unit within Treasury).
- iii) This funding does have to be used for renewable heat, but if NIE decide you would like to use it for a grant scheme or some such then this would be permissible as long as the cost of NIE spending is constrained to the AME consequential.

The other key point it is necessary to let you know about is that the DECC RHI spending is not being treated as standard AME, where the Exchequer takes on all risks of overspend. Instead, there is a risk-sharing arrangement whereby should RHI spending in one year exceed the SR profile, then DECC would need to repay this in future years. They can do this through announcing changes to the SR that will bring cost savings relative to the SR profile in future years. However, a small proportion of any required future savings (still to be determined, but likely to be of the order of 5%) will have to be funded through contributions from DECC's DEL. Again, these rules would be applied in equivalent fashion to NI.

Happy to discuss any of these issues in more detail.

Jon

Jon Parker | Joint Head, Energy Branch | Energy, Environment and Agriculture
HM Treasury, 1/N2, 1 Horse Guards Road, SW1A 2HQ | 020 7270 5641

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From: Clydesdale, Alison [<mailto:Alison.Clydesdale@detini.gsi.gov.uk>]

Sent: 11 April 2011 13:00

To: Parker, Jon - HMT

Cc: Hutchinson, Peter

Subject: RHI NI

Jon

We spoke briefly the other day about the £25m allocation to NI for an RHI.

Can I ask you to clarify for me :-

- (i) The position with the commitment to 20 year payments within NI.
- (ii) The process for advising on the spending profile of the £25m AME that we have been allocated.
- (iii) If the £25m can solely be used for an RHI - or we can use it to incentivise in a different way e.g grant ?

Happy to discuss.

Alison

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From: [Clydesdale, Alison](#)
To: [Thompson, Sandra](#); [Hutchinson, Peter](#)
Cc: [Dolaghan, Paul](#)
Subject: Re: June monitoring
Date: 05 May 2011 17:33:09

Sandra

The first notification of the £25 million was Oct 2010 - budget settlement letter from danny alexander but in fact the actual allocation by year from finance branch did not show in energy division budgets until march when budgets were confirmed - but that will be the same as everyone else so I'm not sure its much of an argument - we did know the money was available from oct - however decc/hmt only advised us recently that the £25m could not be used for admin costs.

the point to make I think is that no decision on the amount of admin cover can be made until the econ appraisal completes.

Alison

This message was sent from my Blackberry device.

From: Thompson, Sandra
To: Hutchinson, Peter; Clydesdale, Alison
Cc: Dolaghan, Paul
Sent: Thu May 05 17:00:20 2011
Subject: June monitoring

I attach HOD assurance statement which largely concerns RHI. This has been cleared with Fiona subject to you confirming the date in the para before last - grateful if you could confirm asap (return due noon to-morrow)

thanks

Sandra T

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<<June monitoring - HOD Assurance statement.DOC>> <<June monitoring - HOD Assurance statement.tr5>>