

From: [Patel Akhil \(Finance\)](#)
To: [Hutchinson, Peter](#)
Cc: Irrelevant information redacted by the RHI Inquiry (Finance); Irrelevant information redacted by the RHI Inquiry (Finance); Irrelevant information redacted by the RHI Inquiry (Finance)
Subject: RE: TRIM: RE: Northern Ireland RHI - Funding arrangements
Date: 12 January 2012 17:31:14

Dear Peter,

A very happy new year to you.

Just to follow up on your pre-Christmas query about inter-year flexibility on the RHI. We raised this with HMT at the last meeting to discuss the levies policies and they re-iterated their stance that there was no such flexibility available. However, we regard this as an issue that we can continue to pursue, albeit that we are not doing anything active on this for the moment.

I will shortly be leaving DECC and I am handing over my responsibilities for the Levies Control Framework and related matters to a range of colleagues in Finance. RHI matters will be dealt with by James McEwen, Georgia Bottomley and Lucy Newman, cc-ed above, and they will be happy to answer any queries you might have.

Best wishes,

Akhil.

Akhil Patel | Levies Framework Manager
Department of Energy and Climate Change
Area 2B | 3 Whitehall Place | SW1A 2HD
0300 068 5359 | akhil.patel@decc.gsi.gov.uk

From: Hutchinson, Peter [<mailto:Peter.Hutchinson@detini.gsi.gov.uk>]
Sent: 16 December 2011 13:03
To: Patel Akhil (Finance); Hutchinson, Peter
Cc: Irrelevant information redacted by the RHI Inquiry (Finance)
Subject: RE: TRIM: RE: Northern Ireland RHI - Funding arrangements

Hi Akhil,

I just wanted to check if you had got any further with your discussions with HMT in regards to moving money from yr1 to yr2 for the RHI scheme?

Thanks,

Peter

Peter Hutchinson
Sustainable Energy
Department of Enterprise, Trade & Investment
Netherleigh

Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9532 (ext: 29532)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?

From: Patel Akhil (Finance) [mailto:akhil.patel@decc.gsi.gov.uk]
Sent: 04 November 2011 16:54
To: Hutchinson, Peter
Cc: Irrelevant information redacted by the RHI Inquiry (Finance)
Subject: RE: TRIM: RE: Northern Ireland RHI - Funding arrangements

Hi Peter,

You're welcome. We'll keep you updated with any developments.

Akhil.

From: Hutchinson, Peter [mailto:Peter.Hutchinson@detini.gsi.gov.uk]
Sent: 04 November 2011 16:50
To: Patel Akhil (Finance); Hutchinson, Peter
Cc: Irrelevant information redacted by the RHI Inquiry (Finance)
Subject: RE: TRIM: RE: Northern Ireland RHI - Funding arrangements

Akhil,

Many thanks for your response and your information. We are likely to be in a similar position as we are still in the policy development stage and still to pass legislation, however there might be scope to utilise some funding for *Premium Payments*, though this might be a very small amount.

We will therefore be having similar discussions with our Finance Department though it may well be ultimately HMT's decision on whether money could be rolled over to next year. I would be grateful if you could keep me informed of your progress with this. Our budget for yr 1 is comparatively small at £2m but it would be more useful if it could be used in yr 2 rather than lost completely.

Thanks again,

Peter

Peter Hutchinson
Sustainable Energy
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9532 (ext: 29532)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?

From: Patel Akhil (Finance) [mailto:akhil.patel@decc.gsi.gov.uk]

Sent: 03 November 2011 09:21

To: Hutchinson, Peter

Cc: Inevitably information redacted by the RHI Inquiry (Finance)

Subject: RE: TRIM: RE: Northern Ireland RHI - Funding arrangements

Peter,

On the RHI, unless our modelling is completely off, we are assuming there will be an underspend this year. At the moment the team is thinking about whether we can make use of it somehow – there are two proposals we're working through. One is HMT giving us some inter-year flexibility so we carry it forward; the other is devising some other component within the scheme that might absorb the slow start we've now got on the RHI. Needless to say that neither option will be particularly popular with HMT but we're going to put the case to them quite strongly.

On the RHPP, I think we're anticipating using up all or most of the money. Around £5m has been allocated to date as of the end of Sept. But the forecast spend does include an additional package that will use up some of what would have been an underspend through new measures (e.g. additional work with social landlords). I am not sure how public this is as yet.

The main message is that moving across years will be very difficult but we don't feel it's reasonable to have AME spend where we're capped to the upside but not allowed to manage any downsides and we'll be making this case. But reasonableness is not often the uppermost consideration!

I hope that this helps. If you want to discuss further, please call this afternoon or tomorrow.

Akhil.

Akhil Patel | Levies Framework Manager
Department of Energy and Climate Change
Area 2B | 3 Whitehall Place | SW1A 2HD
0300 068 5359 | akhil.patel@decc.gsi.gov.uk

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

Sent: 02 November 2011 17:09

To: Patel Akhil (Finance)

Cc: Inevitably information redacted by the RHI Inquiry (Finance)

Subject: RE: TRIM: RE: Northern Ireland RHI - Funding arrangements

Akhil,

Grateful if you could advise on a couple of issues, happy to discuss if needed.

Given the recent delay in implementing the GB RHI what has the impact been on funding, i.e. I am assuming there will now be an unintended underspend? Would you be able to advise what is happening to this underspend – is it being returned to HMT or have there been any discussions

about moving money to future years?

Also, in terms of Premium Payments, can you advise how much DECC has spent to date on this scheme and if there is likely to be an underspend what will happen?

We are currently discussing similar issues with our finance colleagues in regards the NI RHI and spend for yr 1 (small compared to GB budget) and whether there is any scope to move money forward.

Any advice or information would be gratefully received.

Thanks,

Peter

Peter Hutchinson

Sustainable Energy
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9532 (ext: 29532)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?

From: Patel Akhil (Finance) [mailto:akhil.patel@decc.gsi.gov.uk]
Sent: 19 August 2011 16:44
To: Hutchinson, Peter; Marshall Jonathan (Energy Efficiency and Consumers)
Cc: Irrelevant information redacted by the RHI Inquiry (Finance)
Subject: TRIM: RE: Northern Ireland RHI - Funding arrangements

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

Sustainable Energy
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9532 (ext: 29532)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?

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

Peter,

Good to hear from you.

Rita 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. Jo Greasley 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 degressions 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
Department of Energy and Climate Change
Area 2B | 3 Whitehall Place | SW1A 2HD
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

Peter Hutchinson

Sustainable Energy
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9532 (ext: 29532)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?