

From: Hutchinson, Peter
To: [Hepper, Fiona](#)
Cc: [McCutcheon, Joanne](#)
Subject: Development of Phase 2 of the RHI - Submission for EU Designation
Date: 05 December 2012 10:17:00
Attachments: [Covering Submission - EU Designation.DOCX.DOCX](#)
[Annex A - Terms Of Reference - RHI Phase 2.DOCX.DOCX.DOCX](#)
[Annex B - Phase 2 Business Case.DOCX.DOCX.DOCX](#)
[Annex C - SUB 516 Min noted 19 11 12.PDF.PDF](#)
[Annex D - EU Designation - Priority 3 template.DOCX.DOCX](#)
[Annex E - EU Designation - Equality Screening.DOCX.DOCX](#)
[Annex F - EU Designation - Development Path Analysis.DOCX.DOCX](#)
[image001.png](#)
Importance: High

Fiona,

Please see attached draft submission and accompanying attachments in relation to the EU designation for funds for the Economic Appraisal of a NI RHI.

Attached at Annex E is the draft equality screening for your consideration and signature.

Many thanks,

Peter

The documents below are as follows;

- **Cover Submission**
- **Annex A:** Terms of Reference for the project "Development of Phase 2 of the Northern Ireland RHI"
- **Annex B:** Signed Business Case for this project
- **Annex C:** SUB 516/12 detailing DAO and Ministerial Approval.
- **Annex D:** Completed template detailing selection criteria
- **Annex E:** Equality Screening
- **Annex F:** Development Path Analysis

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The new website for the European Sustainable Competitiveness Programme for NI is now available - visit www.eucompni.gov.uk

TERMS OF REFERENCE

DEVELOPMENT OF PHASE 2 OF THE NORTHERN IRELAND RENEWABLE HEAT INCENTIVE

General

1. The Department of Enterprise Trade and Investment (DETI) is responsible for the development and maintenance of an appropriate legislative and policy framework for energy in Northern Ireland and in September 2010 published the Strategic Framework for Northern Ireland to cover the next 5-10 year period. The vision is for a competitive, sustainable, reliable energy market at the minimum cost necessary. Four key policy goals have been identified to support this vision as follows
 - Competitiveness
 - Security of Supply
 - Infrastructure
 - Sustainability
2. Heating energy accounts for around half of all total energy consumed within Northern Ireland with over 98% of our heating fuels coming from imported fossil fuels. Renewable heat is simply heat produced from renewable sources such as solar radiation, biomass materials, heat pumps, geothermal energy and waste materials.
3. The EU Renewable Energy Directive (RED) (2009/28/EC) set a binding target that 20% of the EU's energy consumption should come from renewable sources by 2020. The UK share of this target commits the UK to increasing the share of renewable energy to 15% by 2020 and Northern Ireland is expected to contribute to this share. The Department of Energy and Climate Change (DECC) has indicated that renewable heat levels of around 12%, coupled with 30% renewable electricity consumption are required for the UK to meet its requirements. £860million has been made available from central Government funding to support the introduction of a Renewable Heat Incentive (RHI) in GB over the period 2011-2015; HMT has notified the Northern Ireland Executive that £25million of funding is available for a NI RHI over the same period.

Background

4. In 2010, DETI commissioned a study conducted by AECOM Ltd and Pöyry Energy Consulting – an Assessment of the Potential Development of Renewable Heat in Northern Ireland. The report concluded that a 10% target

was achievable but would require significant Government intervention. The report also indicated that an incentive scheme specific to Northern Ireland would be required.

5. The Strategic Energy Framework (SEF) was agreed by the Northern Ireland Executive in September 2010. The SEF includes four key energy goals: building competitive markets; ensuring security of supply; enhancing sustainability; and developing our energy infrastructure. The development of the renewable heat market locally will support the delivery of these energy goals, specifically in regards to Northern Ireland's sustainability and energy security. A target of 10% renewable heat by 2020 was included within the SEF; this is a challenging target given that the level in 2010 was 1.7%.
6. In order to achieve the renewable heat target, DECC introduced a GB Renewable Heat Incentive for the non-domestic market in November 2011. Northern Ireland was not included within that scheme because of the differences in the two heat markets. In GB the natural gas market is prevalent and accounts for 68.8% of heating demand with oil only accounting for 10%. This is very different from the situation in Northern Ireland where refined oil products account for around 77% of the overall heat demand, with natural gas accounting for 17% and the remaining heat demand met by electricity (1.2%), coal (3.2%) and renewables (1.7%).
7. It was therefore considered appropriate to separately assess how the NI renewable heat market could best be developed and the ¹Minister announced this publicly in September 2010 indicating that a NI RHI, that would support renewable heat installations commissioned from 1 September 2010, would be introduced if, after a full economic appraisal, it was considered to be viable and economic to do so.
8. Further to this, in October 2010, DETI was advised through a letter from the Chief Secretary to Treasury to the First and deputy First Minister that £25m of funding would be available to Northern Ireland should a NI RHI be introduced. This funding was incremental over the budget period (£2m/£4m/£7m/£12m).
9. DETI commissioned an economic appraisal to consider the available options and the final report – ²A Renewable Heat Incentive for Northern Ireland – was completed by the consultants, Cambridge Economic Policy Associates (CEPA) and AEA Technologies, in June 2011.

¹ <http://www.northernireland.gov.uk/index/media-centre/news-departments/news-deti/news-deti-september-2010/news-deti-200910-foster-recognises-importance.htm>

² http://www.deti.gov.uk/economic_appraisal_into_the_northern_ireland_rhi_-_june_2011.pdf

10. The report provided the basis for a ³public consultation on the proposals for a Renewable Heat Incentive for Northern Ireland (RHI). The majority of respondents were supportive of the introduction of a RHI and acknowledged the importance of a specific NI approach. However, there were a number of areas where consultees were not in agreement with the proposals, in particular the proposed tariff structure and levels. DETI therefore asked CEPA/AEA to undertake some additional analysis in light of the information provided by respondents, in order to assess the additional evidence provided and to update the economic model where appropriate. This work was completed in February 2012 and informed the final policy position.

Developing the Northern Ireland Renewable Heat Market

11. The primary objective of the NI RHI is to increase the uptake of renewable heat to 10% by 2020 (baseline position 1.7% in 2010). The AECOM study showed the current heat demand in Northern Ireland to be 17.4 TWh per year. Looking forward to 2020, Northern Ireland's overall heat demand is predicted to drop to 16.7 TWh per year, with rises in demand from new development being outweighed by reductions in demand with efficiency improvements in the existing sector. The 10% for renewable heat therefore equates to 1.6TWh (or an additional 1.3 TWh when considering existing levels).
12. Renewable heat technologies are currently unable to compete with existing fossil fuel alternatives given the often higher capital costs and also the lack of understanding and awareness amongst consumers of what are often seen as innovative technologies. In order to help develop this market, DETI needs to consider the implementation of both policy instruments and financial incentives. Without these measures being put in place there is a risk of market failure and Northern Ireland will not achieve the targets set.
13. Financial incentives have already been successful within the Northern Ireland Renewable Electricity market. Since the introduction of the Northern Ireland Renewables Obligation (NIRO) in 2005, the level of electricity generated from renewable sources has increased from 3% to over 12%.
14. A Renewable Heat Strategy Group (a sub group of the Sustainable Energy Inter Departmental working Group (SEIDWG) has been set up with representatives from all the Departments with a role to play in the development of the renewable heat market. This group will develop a Renewable Heat Strategy road map and will consider issues such as maximising local biomass resource, identifying linkages with Green New

³ http://www.detini.gov.uk/the_development_of_the_northern_ireland_renewable_heat_incentive.pdf

Deal, skills development, renewable heat deployment in new housing schemes and within the public sector. This work will be undertaken alongside the introduction of the RHI.

The Northern Ireland Renewable Heat Incentive

15. Following the economic appraisal into the incentivisation of renewable heat, the following design of the Northern Ireland RHI has been developed. The scheme represents a long term approach to developing the renewable heat market by providing consistent, secure, long term payments for renewable heat generation. The incentivisation involves payments to installers of renewable heat technologies, with tariffs dependent on the type and size of technology installed, and in the form of pence per kilo watt hour (p/kWh) for heat generated. Payments will be made quarterly over a 20 year period for all installations following accreditation and the scheme will be open to new installations until 31 March 2020; this is in line with the GB RHI.
16. The RHI tariffs have been calculated to cover the cost difference between traditional fossil fuel heating systems and a renewable heat alternative. The tariffs account for the variances in capital costs, in operating costs, as well as seeking to address non-financial 'hassle' costs. The tariff is generated against a counterfactual position of heating oil; this is due to the fact that Northern Ireland is primarily dependent on oil and most of those switching to renewable heat will be oil consumers.
17. Tariffs vary depending on the type and size of technology to ensure that financial support is targeted for the specific installation and so over-compensation is avoided. Tariffs are paid for 20 years (the lifetime of the technology) and are '*grandfathered*⁴', however they will be amended on a yearly basis, for existing installers and new schemes, to reflect the rate of inflation.
18. The tariff setting methodology has three general principles:
 - Renewable installations are divided depending on the type of technology and size of installation;
 - Within each banding a reference technology⁵ is chosen to develop a consistent tariff across technologies and scales; and

⁴ Provides certainty for an investor by setting a guaranteed support level for projects for their lifetime in a scheme, regardless of future reviews.

⁵ In order to set a fixed incentive rate for each band a '*reference installation*' is chosen and the tariff set relates to this installation and provides appropriate subsidy to make it viable. In line with DECC's methodology, the reference installation is chosen as the installation requiring a subsidy that would incentivise half of the total potential output from the technology that could be taken up across the period 2011-20 if that rate was offered to that band in every year. Total potential output is calculated as heat output that could be achieved if all technically viable segments within the band installed the technology.

- The net costs (difference between capital and operating costs of fossil fuel counterfactual and renewable alternative) are calculated and a tariff determined.

19. The proposed tariffs are outlined below.

Technology	Size	tariff
Biomass	Less than 20kWth	6.2
	Between 20kWth and 100kWth	5.9
	⁶ Between 100kWth and 1000kWth	1.5
Biomethane	Biomethane all scales, biogas combustion less than 200kWth	3.0
Ground source heat pumps	Less than 20kWth	⁷ 8.4
	Between 20kWth and 100kWth	4.3
	Between 100kWth and above	1.3
Solar thermal	Below 200kWth	8.5

20. RHI payments will be made on a quarterly basis and are determined by multiplying the applicant's actual (metered) heat output with the relevant tariff level. Under the RHI only 'useful heat' is deemed eligible; this is defined as heat that would otherwise be met by fossil fuels, this excludes deliberately wasting or dumping heat with the sole purpose of claiming incentive payments.

Purpose of this assignment

21. Given the complexities and the need to introduce incentive measures in a timely manner DETI has taken a phased approach in introducing the RHI.

This approach is as follows;

- a. Phase 1 – Introduction of long term incentives for non-domestic market (eligible technologies to include the most established technologies) and a short term grant scheme for domestic customers.
- b. Phase 2 – Opening the scheme to domestic consumers and assessing appropriate support levels for additional technologies (Air Source Heat Pumps, Deep Geothermal and Bioliquids etc).

⁶ The GB RHI has an open band above 1000kWth of 1p/kWh. Given the oil counterfactual it is deemed that Northern Ireland installations over 1000kWth are already cost-effective to 2020 and therefore do not require an incentive. If evidence to the contrary is provided by stakeholders this upper limit will be reviewed under Phase 2 of the RHI.

⁷ This tariff reflects a deeming approaching for the domestic sector. If a metered approach was introduced a tiered tariff would be more appropriate. This would be 9.3p/kWh for the first 1314 hours and then 4.9p/kWh after that.

22. This approach is similar to GB where *Premium Payments* were launched in July 2011 with the mainstream RHI beginning in November 2011. DECC is currently considering expanding the non domestic RHI and introducing a domestic incentive (details available on the DECC website).
23. DETI now wishes to appoint a consultant to consider and advise on issues relating to the launch of phase 2 of the Northern Ireland RHI. This assignment will relate to the assessment of appropriate levels of support for additional technologies; the treatment of large biomass installations; the extension of the scheme to the domestic market and the consideration of an incentive uplift for district or community heating schemes.

Contract Requirements

24. The appointed service provider will be expected to build upon;
- a. Research already carried out by the Department;
 - b. The details of the first phase of the NI RHI; this includes using consistent methodology and considering budgetary constraints, and;
 - c. Consider potential linkages with the GB RHI.
25. The key objectives of this assignment will include but should not be limited to the following;
- **Advise on the introduction of tariffs for additional technologies, to include direct air biomass heating, biogas above 200kw, biomass CHP, air source heat pumps (air to air and air to water), solar thermal above 200kw, deep geothermal energy, bioliquids (including microgeneration and bioliquid CHP) and landfill gas.**
 - Gather data/evidence on each of the considered technologies.
 - Determine appropriate tariff levels for each of the considered technologies.
 - Consider appropriate tariff banding and lifetimes for these technologies.
 - In addition to considering RHI tariffs for deep geothermal, consideration should be given to the appropriateness of alternative support such as a Challenge Fund scheme.
 - Provide technical information on each of the assessed technologies.
 - Advise on eligibility standards or requirements for each of these technologies.
 - **Advise on the extension of the RHI scheme to the domestic sector.**
 - Advise on appropriate bands, tariff levels and tariff lifetime for technologies suitable for microgeneration.

- Assess the costs of enforcing the installation of heat meters in this sector (to include the capex and opex regarding administration.)
 - Advise on an appropriate methodology that could be used to 'deem' payments to the domestic sector i.e. an annual payment made on expected, rather than actual, heat demand.
 - Consider the cost / benefits of metering heat and deeming heat in this sector. Consider also the risks associated with either option.
 - Recommend the appropriate method for extending the RHI scheme to the domestic sector.
- **Assess the need for financial support for large biomass installations (over 1MW) (including Combined Heat and Power systems).**
 - Gather evidence on the current costs of biomass in Northern Ireland.
 - Assess the appropriateness of a RHI tariff for biomass over 1MW in size.
 - Assess the need for a specific tariff for biomass CHP.
 - Consider the need for capital support for large biomass installations (if a RHI tariff is deemed inappropriate).
- **Consider the need for an additional 'uplift' for renewable heating applications that service more than one building or dwelling i.e. community or district heating.**
 - Assess costs involved in community / district heating schemes additional to similar sized applications that service one building or dwelling only.
 - Determine an appropriate level of incentive to be available to district heating schemes in addition to existing tariffs.
 - Advise on eligibility and standards for community / district heating scheme.
- **Provide a detailed analysis of the expected costs of each of the additional measures under phase 2 and the expected benefits in terms of renewable heat delivered and wider impacts.**
 - Costs should be provided for the extension of the scheme to domestics, the inclusion of additional technologies and the development of an uplift for district heating.
 - Costs should be for the whole-life of the RHI.
 - Assess the additional renewable heat delivered through each measure.
 - Assess wider benefits of each of the proposed actions under Phase 2, both monetary and non-monetary.
 - Consider displacement that the growth of the renewable heat market may have on existing energy sectors.

- **Make recommendations on the implementation of phase 2 of the Northern Ireland RHI based on analysis carried out, the expected costs of additional measures and the monetary and non-monetary benefits.**

Project Management and Timetable

26. The Project will be managed by DETI Sustainable Energy Branch in conjunction with DETI Economics Branch and the consultant will be asked to liaise closely and submit regular reports (frequency of written reports and meetings to be agreed) to enable the review of progress.
27. It is anticipated that the appointed consultant will be available to commence work w/c 10 December 2012 and provide a draft report by 31 January 2013, with a final report available by 14 February 2013.

Project Output

28. Draft and final reports to be available electronically and in hard copy (4 hard copies of the final report required).

Monitoring and Evaluation

29. The project will be monitored by Renewable Heat Branch in conjunction with DETI economics branch.

Project Funding and Payment

30. The economic appraisal will be funded from the EU Competitiveness Programme and as such the final report will have to meet the publicity requirements of the programme.
31. Payment will be made in full, on satisfactory completion, production and acceptance by DETI, of the work undertaken.

Key Personnel Experience:

32. Tenderers must clearly demonstrate that the key personnel who will be involved in delivering this contract i.e. Project Manager/leader of the team, principal/senior engineering staff and principal/senior economists have relevant experience within the last 3 years in providing technical, environmental and economic consultancy advice in relation to renewable energy.

33. Tenderers must be able to demonstrate that key personnel have experience of cost benefit analysis / economic appraisal of major energy infrastructure projects on 2 relevant projects within the renewable energy field, within the last 3 years. This should include evidence of the collation and assessment of complex data in relation to renewable energy. CV's must also be provided for each nominated individual.
34. Each example must include the project title, year and value, the individual's role and responsibility within that project and details to explain how that example is relevant to the current work required.

Terms of Reference

35. In submitting an application tenderers must address the following:
- (i) Detail the proposed consultant / team to carry out this project and detail their previous relevant experience.
 - (ii) Provide details of the proposed methodology to be employed in undertaking this project.
 - (iii) Provide an estimate of cost and time required to complete the outlined project.

Format of Response

36. Details must be provided of the individuals who will be assigned to carry out the assignment to include:
- Consultant's name;
 - Consultant's grade. This should be limited to director / partner, lead consultant, senior consultant, consultant, junior consultant, trainee, researcher, research assistant, and analyst;
 - Number of days each consultant will spend on this assessment;
 - Daily rate;
 - Experience – relevant experience should be attached on no more than one A4 sheet per consultant.

Methodology:

37. Tenderers must provide full details of the proposed approach to deliver each of the contract requirements as detailed in paragraphs 24 and 25 of the terms of reference.

Resource Allocation:

38. Tenderers must provide details of how resources will be utilised to deliver service and how these will be allocated to the project requirements. This includes providing a timeline and schedule detailing the names and responsibilities of the staff involved in each key activity in the assignment.

Contract Management Arrangements:

39. Tenderers must provide details of:

- How they proposed to manage and supervise this contract
- contingency plans should any proposed member of the team for reasons of illness or otherwise be unable to complete the assignment

Evaluation Criteria

40. The evaluation criteria that will be used in the award of this contact will have a weighting as follows:

- Methodology (50%)
- Cost (30%)
- Resource Allocation (10%)
- Contract Management (10%)

Award of Contract

41. The contract will be awarded to the consultancy that meets the terms of reference offering the best value for money along with appropriate relevant experience in respect of the evaluation criteria.

Intellectual property

42. Any tender received by the Department shall remain the intellectual property of the tenderer. Once commissioned, however, all documents/results will become the property of the Department to be used as the Department see fit.

Equality considerations

43. DETI is committed to achieving a successful economy in Northern Ireland which will provide equal opportunities for all. To this end, Section 75 of the Northern Ireland Act 1998 sets out a number of obligations relating to the nine 'Section 75' categories as follows:-

- Religious belief;
- Political opinion;
- Racial group;
- Gender;
- Marital status;
- Age;
- Persons with disability
- Persons with dependents; and
- Sexual orientation.

44. DETI as a recognised public authority has an obligation under Section 75 as detailed in its Equality Scheme which can be accessed on the Department's website at [www.detini.gov.uk/Equality scheme](http://www.detini.gov.uk/Equality%20scheme) .

45. The study must therefore consider equality aspects relating to the nine 'Section 75' categories by considering available data, identifying any adverse impacts that may be present and proposing alternative measures/policies which might better achieve the promotion of equality of opportunity.

46. The evaluation must also consider the accessibility of the Strategy for all in line with the Disability Discrimination Act 1995.

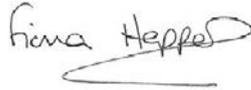
BUSINESS CASE TEMPLATE FOR PROPOSAL TO ENGAGE AN EXTERNAL RESOURCE

Project Title: PHASE 2 OF THE NORTHERN IRELAND RENEWABLE HEAT INCENTIVE

Prepared By: PETER HUTCHINSON **Date:**

Approved By: FIONA HEPPER

(Director of DETI Energy Division)



Signed: **Date:** 30 October 2012

Section 1: NEED FOR THE ASSIGNMENT

Background –Purpose of the assignment

- 1.1 This paper is prepared in line with the DFP Guidance for the use of external consultants (April 2012).
- 1.2 The purpose of this assignment is to appoint external consultants to carry out an assessment of a range of issues relating to a second phase of the Northern Ireland Renewable Heat Incentive ¹(RHI). This is a specialist / technical task that requires the advice of specialist heat economists – these skills are not available within DETI. Consideration also be given to the appropriate levels of support for emerging and innovative renewable heating technologies and issues involved in extending the current RHI scheme to the domestic sector. This work will ensure that the heat market is encouraged in the most cost-effective way possible.
- 1.3 Analysis produced will include research into the technical standards of a range of renewable heat technologies; assessment of the capital/operating/fuel costs of each of the technologies; methodology for extending the scheme to the domestic market; and a detailed list of recommendations, all of which will be costed and have a clear objective (i.e. expected heat delivery). The recommendations included in this report are expected to remain within the overall funding envelope of £25m to 2015. DFP have already approved the introduction of the RHI and spend up to the £25m budget therefore no further approvals will be required. An addendum to the existing business case approved by DFP can be developed in order to keep DFP fully apprised on amendments to the scheme.

Strategic / policy context

- 1.4 In December 2010, DETI appointed Cambridge Economic Policy Associates (CEPA) and AEA Technologies to carry out an economic appraisal on a RHI for Northern Ireland. This work focused on how DETI could appropriately incentivize renewable heat technologies in Northern Ireland within a set funding envelope of £25m to 2015 (provided by Treasury). The RHI would be a key policy lever in reaching targets set by the EU, the Executive and DETI.
- 1.5 This work followed the Department of Energy and Climate Change (DECC) announcement in July 2009 that it intended to introduce a RHI to support the deployment of renewable heat technologies. Details on the design, implementation, tariff levels and eligibility were later

¹ The 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.

consulted on in February 2010 and confirmed in March 2011. The GB RHI scheme (applying to England, Scotland and Wales) was launched in November 2011.

- 1.6 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.
- 1.7 As the RHI, only applied to England, Scotland and Wales and not Northern Ireland, the previous assignment considered the introduction of a similar scheme in NI. This was appropriate given the significant differences between the heat markets here and Great Britain.
- 1.8 The economic appraisal carried out by CEPA / AEA provided DETI with evidence to consult on a NI RHI scheme, this consultation was carried out in July 2011. Following the consultation the policy was finalized and approvals sought from the EU Commission, DFP and the DETI Minister. All approvals for the scheme are now in place and the first phase of the NI RHI is scheduled to launch in November 2012..

What is the need for the assignment?

- 1.9 The NI RHI follows, in many ways, the approach taken by DECC in regards to the GB RHI. The NI RHI, in the first instance, seeks to incentivize the most well established technologies (biomass, heat pumps, solar thermal etc) in the most cost effective scenarios (i.e. non-domestic). This has been described as phase 1 of the scheme and will be used as a primer for the wider market.
- 1.10 DETI now needs to engage with consultants to assess options for phase 2 of the RHI scheme. It is expected that this work will assess the need and benefit of extending the scheme to the domestic sector, the development of tariffs for additional technologies and consideration of a number of other technical issues. A full terms of reference for the proposed project is attached at Appendix I. The appointed consultants will be expected to advise on the methodology, costs and benefits of extending the scheme to domestic customers; the need for additional tariff levels and appropriate levels; and the overall cost and benefits of the measures proposed under phase 2.
- 1.11 The work carried out under phase 2 will ensure that NI will remain in line with measures proposed by DECC for the GB scheme and will support the achievement of targets. The second phase of the scheme will further assist in the development of the renewable heat market in Northern Ireland and will provide opportunities for the exploitation of innovative renewable heating methods.
- 1.12 Phase 1 of the RHI focuses on the most well established renewable heating technologies in the most cost-effective scenarios (i.e. non-domestic). The introduction of the scheme followed detailed research into the economics of renewable heating and options for incentivisation. Given the range of renewable heat technologies this initial research did not consider more innovative and emerging renewable heat solutions. In addition, research previously carried out was in line with emerging policy in GB however DECC have subsequently carried out further research and have considered additional policy areas. This research proposed will ensure NI remains in line with GB.

What is the scope of the assignment, i.e. tasks anticipated to provide desired outcomes?

- 1.13 This assignment will determine the measures required under the second phase of the NI RHI, will outline how these measures should be introduced, advise and assess the cost/benefit.

Timing of assignment – when is the information required and is there any possibility of deferring the assignment?

- 1.14 There is no possibility in deferring this assignment. DECC intend to roll-out phase 2 of the GB RHI from June 2013 and will be shortly consulting of their proposals. By deferring this project there would be a significant delay in rolling out similar policy in Northern Ireland and therefore disadvantaging the renewable heat market here. Further to this, delay of the project would have an impact on expected levels of spend against budget and could lead to the overall renewable heat target being missed.
- 1.15 Following the completion of this assignment there will be a need for public consultation, development of legislation, EU commission clearance and financial approvals through DETI and DFP. Therefore, this analysis work must be completed as soon as possible. This will allow the Minister to make a final decision on the second phase of the NI RHI and allow a roll out as soon as possible.

Description of previous similar consultancy assignments, including an analysis of past expenditures (corresponding evaluations must be appended)

- 1.16 As previously mentioned, an economic appraisal of the NI RHI have previously been undertaken. A post project evaluation (PPE) of the appraisal carried out by CEPA and AEA is attached at **Appendix II**.

Section 2: BENEFITS AND THEIR TIMING

What are the projected outputs from the assignment?

- 2.1 The immediate output of the external consultancy exercise is that the analysis is completed with the necessary level of independence and within the required short timescale.

What are the expected benefits to be delivered from the assignment and give an indication of when they are likely to accrue?

- 2.2 The immediate benefits of the consultancy appointment are the independent assessment of appropriate measures to be introduced under the second phase of the NI RHI. The work will also provide important technical advice on innovative technologies and extending the current scheme to the domestic sector. In addition, the work will assess the cost/benefit of each of the considered issues and advise on the most appropriate policy for phase 2. This approach will ensure that policy decisions in respect of supporting the renewable heat market will be based on firm evidence with the expected costs and benefits known in advance. The immediate benefits will accrue initially from 2013 onwards as the number of installations begin to increase and new technologies are supported.
- 2.3 The long term benefit of undertaking this piece of work will be the development of a complete incentive scheme for renewable heat applications in Northern Ireland. By increasing the uptake of renewable heat in Northern Ireland there are opportunities to reduce Northern Ireland's dependence on fossil fuels and therefore increasing fuel security and cutting carbon emissions. The development of the renewable heat industry also presents significant opportunities for 'green jobs'.

What are the implications of the assignment not going ahead?

- 2.4 If this work did not go ahead then decisions on the development and extension on the NI RHI would either be taken without a firm evidence base or not taken at all.
- 2.5 The RHI, as it stands, is only available in the non-domestic sector and for well established technologies, without the extension of the scheme the domestic market will not be supported and innovative technologies not given the opportunity to compete with others. The extension of the scheme through phase 2 provides the opportunity for renewable heat applications to become more commonplace and will further support the achievement of set targets.

- 2.6 If the scheme is not extended or developed as proposed there would be significant criticism on the Department for renegeing on previous statements. Further to this, the Northern Ireland industry is likely to be disadvantaged in comparison to GB counterparts.

Section 3: ASSESSMENT OF ALTERNATIVE OPTIONS

- 3.1 A number of alternative options to external consultancy have been considered;

Option 1 – Do nothing

Doing nothing would result in the Department making a non-evidence based decision in regards to phase 2 of the NI RHI. . This could result in ineffective and costly options being employed or no decision being taken at all and therefore would have a detrimental impact on the Northern Ireland renewable heat market.

Option 2 - Complete assignment using in-house resources

The necessary resources and technical expertise do not currently exist in-house in Energy Division as specialist heat economist input is required.

Option 3 – Partial completion of assignment using in-house resources. While it may be accepted that resource constraints/skills shortages will not allow the full assignment to be completed in-house, the option of using in-house resources to produce an interim output supplemented by consultancy input should be assessed. In addition, the option to relax the time constraint to allow more of the outputs to be achieved by in-house resources albeit over a longer timescale should be assessed.

The necessary resources and technical expertise do not currently exist in-house in Energy Division as specialist heat economist input is required.

Option 4 – Use of internal Consultancy, for example, BCS, departmental economists, statisticians, etc.

The necessary resources and technical expertise to develop appropriate support mechanisms for renewable heat and to advise on the potential cost / benefit do not currently exist in-house. In-house economists will be utilised in the quality assuring of the work by consultants, however they do not have the necessary technical experience in renewable heat to undertake this task.

Option 5 – Staff substitution, for example, short-term/medium term secondment of industry expert(s).

Whilst the secondment of industry experts would provide the necessary technical expertise the resources do not exist within energy division to either manage this secondment on a day-to-day basis or to house the seconded experts.

Option 6 – Use of External consultants – What is the rationale behind using external consultants as opposed to the alternatives considered?

This is our preferred approach. This will ensure the appropriate level of expertise is available for this project and that it can be completed in a timely and cost-effective manner. This approach would also ensure that the assessment is independent and the conclusions based on economic analysis and evidence.

Section 4: EXPECTED DELIVERABLES

- 4.1 Please provide details on the deliverables expected from consultancy. If available, a copy of the draft terms of reference for the proposed consultancy should be attached.
- 4.2 The successful consultant will be expected to undertake an independent assessment of issues that require consideration for phase 2 of the NI RHI. These include
- Advise on the introduction of tariffs for additional technologies, to include air source heat pumps, deep geothermal energy, bioliquids and landfill gas.
 - Advise on the extension of the RHI scheme to the domestic sector.
 - Assess the need for financial support for large biomass installations (over 1MW).
 - Consider the need for an additional 'uplift' for renewable heating applications that service more than one building or dwelling i.e. community or district heating.
 - Provide a detailed analysis of the expected costs of each of the additional measures under phase 2 and the expected benefits in terms of renewable heat delivered and wider impacts.
 - Make recommendations on the implementation of phase 2 of the Northern Ireland RHI based on analysis carried out, the expected costs of additional measures and the monetary and non-monetary benefits.
- 4.3 A copy of the terms of reference for the proposed consultancy is attached at **Appendix I**.
-

Section 5: SKILLS TRANSFER

Outline the potential for skills transfer

- 5.1 This piece of work requires a combination of both economic and energy, specifically renewable heat, expertise to understand the current heat market in terms of supply and demand, to consider issues relating to innovative technologies and to assess the effectiveness and costs of the recommended approach. This expertise will be required to analyse the market, consider previous research carried out in this area, understand potential linkages with GB policy and provide the evidence base for a way forward.

What arrangements have been put into place to facilitate the transfer of skills from the consultants to departmental staff to the extent that this is a benefit of the consultancy?

- 5.2 Throughout the project there will be some opportunity for skills transfer to Departmental staff, specifically in relation to energy economics and the cost/benefit of the various options considered. This knowledge and understanding will increase through close contact with the appointed consultants and can be maintained following the successful completion of the project.

When is it anticipated that knowledge and skills delivered by the consultancy will be transferred to internal staff?

- 5.3 Knowledge and skills delivered by the consultancy will be transferred to internal staff throughout the project through meetings and discussions about the elements of the project. This will be increased further on delivery of the draft report through the process of quality assurance. The final report will assist in in-house knowledge and support the development of a cross-departmental renewable heat strategy.

What are the implications of skills transfer for future consultancy support?

- 5.4 Due to the highly technical nature of renewable heat, specifically the economics surrounding innovative technologies, the skills transfer involved in the project will not mean that future consultancy won't be required. However, the transfer of skills, knowledge and understanding

during this assignment will ensure that this work can be developed further in-house and that any future consultancy will be monitored and quality assured by more knowledgeable and experienced staff.

Section 6: PROPOSED DIVISION OF WORK

What in-house support will be given to the consultants e.g. technical/specialist inputs, accommodation, photocopying and typing services etc?

- 6.1 The external consultants will be required to provide the delivery of specific objectives as described in the terms of reference within the tender documentation.
- 6.2 In-house staff will be used to manage the delivery of the project, assisting consultants with minor queries if appropriate and providing the consultants with full and supporting background documentation to give contextual awareness of renewable heat in Northern Ireland. It is estimated that 2-3 meetings will be held with G7/DP throughout the project.

Provide indicative estimates of the number of consultancy days by consultancy grade.

- 6.3 The assignment is estimated to take up to 85 consultancy days as follows:-
- Project Manager – 15 to 20
 - Senior Consultant – 10 to 15
 - Principal Economist – 15 to 20
 - Technical Consultant – 15 to 20
 - Economist / Researcher – up to 10

Provide indicative estimates of the expected number of in-house staff days by staff grade.

- 6.4 The assignment is estimated to take up to 20 in-house staff days, estimated at 10 days at DP, 5 days at G7 and 5 days at Deputy Economist.
-

Section 7: EXPECTED COSTS OF THE ASSIGNMENT

External Consultancy Costs

- 7.1 It is expected that the external consultancy costs for this project will be in the region of £80,000 - £120,000. This assessment is based on previous experience of similar analytical projects.
- 7.2 Budget is available from the Energy Division Budget and the ERDF Competitiveness Programme.

In-House Costs

- 7.3 The in-house cost of 3 meetings, reading time and project management (detailed at para 6.4) for a G7, DP and Deputy Economist is in the region of £4000.
-

Section 8: PROJECT MANAGEMENT / PERFORMANCE REVIEW ARRANGEMENTS

What are the proposed project management arrangements, including details of monitoring officers, draft reports, Steering Groups etc?

- 8.1 The project will be managed by Sustainable Energy Branch with the successful consultants expected to liaise closely with the Head of Branch and Deputy Principal on a regular basis. A Deputy Economist will also provide support throughout the project, specifically quality assuring the work of the consultants.

Proposed arrangements for on-going monitoring of consultancy performance and expected deliverables. The project managers should ensure that appropriate mechanisms are in place for influencing performance at interim stages.

- 8.2 Regular meetings will take place throughout the project with the consultants obliged to submit regular update reports (at agreed intervals) to enable the review of progress. A draft report will be required by 31 January 2013 with a final report due by 14 February 2013.

Identify person/persons responsible for managing/delivering skills transfer.

- 8.3 The progress of the assignment will be monitored closely by the Deputy Principal to ensure that the project is completed on time and within budget.

What are the performance review arrangements for the assignment, e.g. the quality assurance employed from Departmental specialists?

- 8.4 Payment will only be on completion of the report, which has been approved by G5 Energy Division.

Skills transfer should be pro-actively managed and monitored like any other consultancy benefit.

- 8.5 The appointed consultants will be expected to attend project management meetings, provide regular update reports and be contactable throughout the contract. Consultants will be expected to explain the analysis carried out and the evidence gathered so skills and knowledge will be transferred.

Section 9: IMPLEMENTATION AND EVALUATION PLAN

How will the results of the consultancy be implemented?

- 9.1 The results of this consultancy will be to provide an evidence base for measures to be introduced as part of phase 2 of the NI RHI. This information will be used to advise the Minister in advance of final policy decisions, public consultation and policy implementation.

Proposed arrangements for evaluating the outputs delivered by the consultancy assignment. This should include information on who is the responsible officer for ensuring the evaluation takes place and also information on when it is proposed to carry out the evaluation. Whilst ideally the evaluation should be independent of the project promoters, in most instances, evaluations should be carried out by internal resources, i.e. in-house staff or internal consultancy.

- 9.2 Following the completion of this assignment a Post Project Evaluation on the work of the consultants will be carried out by Energy Division, to be completed within 6 months of the satisfactory conclusion of the project.

CONSULTANCY BUSINESS CASE CHECKLIST

Consultancy Business Case Checklist				
Title Phase 2 of the Northern Ireland Renewable Heat Incentive		Name of SRO Fiona Hepper		
Requirement <i>[a brief summary including purpose; terms of reference; context of work; expected benefits and deliverables.]</i>		DETI wish to appoint a consultant to consider and advise on issues relating to the launch of phase 2 of the Northern Ireland RHI. This assignment will relate to the assessment of appropriate levels of support for additional technologies; the treatment of large biomass installations; the extension of the scheme to the domestic market and the consideration of an incentive uplift for district or community heating schemes.		
Is this a contract extension?		no		
Duration		6-8 weeks		
Value (£) per year, and total value <i>(years are illustrative only – additional years may be required for some projects)</i>		Year 1 £80- 120k	Year 2 n/a	Year 3 n/a Total £80- 120k
		Confirmed? <i>[insert tick/ cross]</i>		Para. no/ page? <i>[insert from Business Case]</i>
Is the strategic case clear and strong?		yes		
Is VFM being optimised including consideration of existing framework agreements?		yes		
Is there a robust cost/ benefit analysis?		yes		
Has the procurement strategy and sourcing option been signed off by the Head of Procurement of the relevant CoPE as being compliant with NI procurement policy, as well as providing the most appropriate VFM solution?		<i>[yes or no]yes – this assignment will be procured through CPD.</i>		
Have other possible sources of expertise been checked and ruled out ie in-house, secondment, etc?		<i>yes- given the complexities of renewable heat external consultants are required.</i>		
For assignments which could be carried out by BCS does the business case reflect discussions with BCS and the rational for choosing to use external resources instead?		<i>[yes or no]</i>		
Is the budget identified and secured / approved by Finance Director?		<i>yes- budget is available within DETI Energy Division</i>		
Is the deliverability confirmed?		yes		
Is the level of risk acceptable?		yes		
Skills transfer considered / included in contract?		yes		
IPR assignment considered / included in contract?		<i>[yes or no]</i>		
Is exit strategy clear?		<i>yes- contract will finish on finalisation of report</i>		

Departmental AO Approval (if applicable)	Date
Ministerial Approval (if applicable)	Date
DFP Approval (if applicable)	Date

minutes: for your consideration and if
cost approval please.



Department of
Enterprise, Trade
and Investment
www.deti.gov.uk

From: Fiona Hepper
Head of Energy Division

Elaine Doyle
31/10/12

Date: 30 October 2012

- To: 1. David Sterling [Approved 30/10/12]
- 2. Andrew Crawford
- 3. Arlene Foster, MLA

*Agree that work needs to be carried out -
Can we reduce the cost of this work? DL 6/11
copy distribution list below.*

DETI SUB 516/2012

** A 9/11 content re spread comments*

BUSINESS CASE FOR PROPOSAL TO ENGAGE CONSULTANTS TO ASSIST IN DEVELOPMENT OF PHASE 2 OF THE NORTHERN IRELAND RENEWABLE HEAT INCENTIVE

** Response to query attached on left hand side. 12/11/12*

Issue:

AA
19/11
nm

This submission seeks the mandatory internal approvals, ahead of an approach to DFP Supply, to appoint external consultants to undertake work in relation to the development of Phase 2 of the Northern Ireland Renewable Heat Incentive (RHI).

Elaine Doyle
12/11/12
DL

Timing:

URGENT – work on phase 2 of the NI RHI must begin as soon as possible in order to align as closely as possible with the GB scheme.

Need for Referral To the Executive:

The second phase of the RHI scheme will be a DETI initiative and therefore will not require referral to the Executive. However the Executive will need to be consulted on the second phase of the Renewable Heat Strategy, which will be cross-cutting in nature. Issues regarding legislation may also require Executive approval.

Presentational Issues:

Not at this stage, however there is likely to be increased interest from MLAs, industry and media as this work progresses.

FOI Implications:

Exempted under Section 35 of the Freedom of Information Act.

Programme for Govt/ PSA Implications:

None at present, but it is likely that new PSA targets in relation to renewable heat will have to be developed.

Financial Implications:

The assignment is estimated at between £80,000 and £120,000.

- Legislation Implications:** Not at this stage, but it is likely that subordinate legislation will have to be implemented to introduce the measures proposed by the second phase of the Renewable Heat Strategy.
- Statutory Equality Obligations:** An equality screening exercise will be undertaken when implementing legislation for the second phase of the Renewable Heat Strategy.
- Recommendation:** That the Departmental Accounting Officer and Minister consider and approve the business case for the appointment of consultants, at an estimated cost of between £80,000 and £120,000 to assist in the development of Phase 2 of the renewable heat strategy for Northern Ireland. Once approval has been obtained, DFP Supply approval to incur the expenditure will be sought.

Background

You will be aware through previous submissions that the Northern Ireland Renewable Heat Incentive will shortly be implemented following the passage of subordinate legislation in the NI Assembly. The RHI will initially only be open to non-domestic consumers and will incentivise the most well established renewable heating technologies.

2. This first phase of the scheme will act as a primer for the market in advance of the scheme being extended to the domestic sector and additional technologies being supported. For phase 2 to be implemented economic analysis and technical research is required to assess issues pertaining to the domestic sector and additional innovative technologies. I am therefore seeking your approval to commence this work.

Renewable Heat - Drivers

3. The key driver for developing the renewable heat market in Northern Ireland is the EU Renewable Energy Directive (RED), which sets challenging renewable energy targets for all EU Members States. The UK renewable energy target is 15% consumption from renewable sources by 2020, in order to support this target the Department of Energy and Climate Change (DECC) has adopted a target of 12% renewable heat by 2020. In addition to the set targets, the development of the renewable heat market will support increased energy security, assist in reducing emissions and provide opportunities for 'green jobs'.
4. You will be aware that in order to achieve this target, DECC introduced a RHI in GB from November 2011 that will reward new renewable heat installations by a tariff depending on the size and type of technology installed. DECC is currently consulting on proposals for introducing the GB RHI to the domestic sector and extending the non-domestic scheme to include additional technologies.

Need for Consultants

5. Energy Division now wishes to appoint external consultants to carry out an assessment of a range of issues relating to a second phase of the Northern Ireland RHI scheme. This is a specialist task that requires the advice of specialist heat economists as well as technical advice from energy consultants.
6. Consideration must also be given to the appropriate levels of support for emerging and innovative renewable heating technologies and issues involved in extending the current RHI scheme to the domestic sector. This work will ensure that the heat market is encouraged in the most cost-effective way possible.

Objectives of the Assignment

7. The work carried out under phase 2 will ensure that Northern Ireland will remain in line with measures proposed by DECC for the GB scheme and will support the achievement of targets. The second phase of the scheme will further assist in the development of the renewable heat market in Northern Ireland and will provide opportunities for the exploitation of innovative renewable heating methods.
8. The key objectives for phase 2 of the NI RHI are:
 - consideration on the introduction of tariffs for additional technologies, to include air source heat pumps, deep geothermal energy, bioliquids and landfill gas;
 - consideration on the extension of the RHI scheme to the domestic sector;
 - assessment of evidence of need for financial support for large biomass installations (over 1MW);
 - consideration of the need for an additional 'uplift' for renewable heating applications that service more than one building or dwelling i.e. community or district heating;
 - provision of a detailed analysis of the expected costs of each of the additional measures under phase 2 and the expected benefits in terms of renewable heat delivered and wider impacts;
 - recommendations on the implementation of phase 2 of the Northern Ireland RHI based on analysis carried out, the expected costs of additional measures and the monetary and non-monetary benefits.
9. The terms of reference, drafted with input from DETI Economics Branch, is at **Appendix I** and is included within the Business Case attached at **Annex A**.

Cost and Timing

10. The cost of engaging external consultants to undertake this work is estimated to be in the region of £80,000 - £120,000. It is proposed to utilise Divisional funding from EU ERDF, on the basis that renewable heat supports sustainable development in Northern Ireland and has the potential to contribute to Priority 3 of the EU Competitiveness Programme – "Improving accessibility and Protecting and Enhancing the Environment".

The tendering process with Central Procurement Directorate, DFP, will commence once final approvals are secured from DFP Supply. Energy Division will work closely with CPD to ensure that all established protocols are followed.

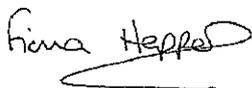
12. The introduction of Phase 2 is planned for summer / autumn 2013. However, this is a very tight schedule as we essentially need to repeat the Phase 1 process – develop proposals, conduct a public consultation, review proposals and develop a final policy position prior to obtaining approvals including State Aid clearance so it is possible that there may be some slippage. Therefore it is essential that this project goes ahead as soon as possible. This work will advise on the appropriate next steps and inform a consultation process on the design and implementation of Phase 2 of the NI RHI scheme. HMT allocated £25million of funding for a Northern Ireland RHI from 2011 to 2015. To ensure this money is fully utilised, the development work for Phase 2 must go ahead.

Recommendation

13. The Department does not have the relevant technical expertise to carry out an assessment of a range of issues relating to a second phase of the Northern Ireland RHI scheme. Whilst this project will be managed by Sustainable Energy Branch, with input from Economics Branch, it is necessary to appoint an external consultant to take this work forward and advise on the most appropriate way to develop Phase 2 of the RHI for Northern Ireland.

14. I therefore recommend that the Departmental Accounting Officer and Minister:

- i. approve the attached business case for the appointment of consultants estimated at between £80k - £120k; and
- ii. note that approval will subsequently be sought from DFP Supply to incur the expenditure.



FIONA HEPPER
ENERGY DIVISION
(Ext 29215)

McLaughlin, Christine (DETI)

From: Hepper, Fiona
Sent: 12 November 2012 10:51
To: Private Office DETI
Cc: Dolaghan, Paul; Neth_Energy; Sterling, David; Lewis, Colin; Thomson, David; Aiken, Glynis; Stevenson, Valerie (DETI Private Office); Baxter, Clare; DG_DETI Press Office; Hegarty, Damien; McLaughlin, Christine (DETI)
Subject: RE: Submission: SUB/516/2012 BUSINESS CASE - TO ENGAGE CONSULTANTS TO ASSIST IN DEVELOPMENT OF PHASE 2 OF THE NI RHI

Christine

We will do our best to keep the work at the lower end of the range. However, this work covers the technologies which are more complex than those in phase one and the issues associated with how to deal with them will be more difficult to resolve. Likewise, the domestic market is not straightforward. We will proceed on the basis of pressing down on the costs as best possible.

Fiona

Fiona Hepper

Head of Energy Division
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The new website for the European Sustainable Competitiveness Programme for NI is now available - visit www.eucompni.gov.uk



www.ni2012.com

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

From: Christine.McLaughlin@detini.gov.uk [mailto:Christine.McLaughlin@detini.gov.uk]
Sent: 12 November 2012 09:17
To: Hepper, Fiona
Cc: Dolaghan, Paul; Neth_Energy; Sterling, David; Lewis, Colin; Thomson, David; Aiken, Glynis; Stevenson, Valerie (DETI Private Office); Baxter, Clare; DG_DETI Press Office; Hegarty, Damien; McLaughlin, Christine (DETI)
Subject: Submission: SUB/516/2012 BUSINESS CASE - TO ENGAGE CONSULTANTS TO ASSIST IN DEVELOPMENT OF PHASE 2 OF THE NI RHI

DEPARTMENT OF ENTERPRISE, TRADE AND INVESTMENT

Unclassified

From: Christine McLaughlin

PRIORITY 3: IMPROVING ACCESSIBILITY AND PROTECTING AND ENHANCING THE ENVIRONMENT

Name of implementing body: DETI Renewable Heat Branch

Name of scheme / operation: Development of Phase 2 of the Northern Ireland Renewable Heat Incentive

Description of scheme / operation: DETI wish to appoint a consultant to consider and advise on issues relating to the launch of phase 2 of the Northern Ireland RHI. This assignment will relate to the assessment of appropriate levels of support for additional technologies; the treatment of large biomass installations; the extension of the scheme to the domestic market and the consideration of an incentive uplift for district or community heating schemes.

Selection Criteria	Assessment / Comment
<p>Potential to promote sustainable development and create sustainable communities (accessibility) (max score 60)</p>	<p>Currently Northern Ireland is overly reliant on fossil fuels to satisfy heating demand with over 98% of heating demand being met through oil, gas, coal and electricity, only 1.7% comes from renewable sources. The EU Renewable Energy Directive (2009/28/EC), published in the Official Journal of the European Union on 5 June 2009, requires that member states ensure that 15% of their energy consumption comes from renewable sources by 2020. This requirement extends beyond electricity to heating and cooling and to transport. In line with this, DETI has committed in the recently published Strategic Energy Framework 2010, to achieving a renewable heat target of 10% by 2020.</p> <p>In order to support this target DETI has introduced an incentive mechanism for renewable heat. The Northern Ireland Renewable Heat Incentive (RHI) was launched</p>

Selection Criteria	Assessment / Comment
	<p>on 1 November and provides long term financial support for generators of renewable heating. This policy is in line with GB, where the Department of Energy and Climate Change (DECC) launched the GB RHI in November 2011. The differences between the heat market here and in GB meant that it was more appropriate for a separate NI-specific scheme was introduced here.</p> <p>The NI RHI promotes greater use of sustainable heating such as biomass, heat pumps and solar thermal panels. It is expected that the RHI will support the uptake of renewable heat to a level of 10.9% by 2020 and nearly 20,000 installations. By increasing the level of renewable heat there is significant potential to decrease the level of carbon emissions in Northern Ireland. The expected carbon savings over the lifetime of the policy is in the order of 5 million tonnes of CO₂. The value of this carbon, using the DECC carbon saving methodology (central carbon prices), is in the order of £250m.</p> <p>The RHI, as it stands, is only for the non-domestic sector. The proposed project will consider the extension of the scheme to domestic customer and a number of other issues to widen the scope of the commercial scheme. The domestic sector is the largest heat using sector in Northern Ireland at over 60%. The extension of the RHI will widen the potential marketplace for renewable heat and assist consumers with limited energy choice in regards heating. In addition, this project will consider additional issues for the commercial RHI, including the potential support for community or district heating schemes. Phase 2 of the RHI therefore has potential to make a major impact how households and businesses are heated and will promote sustainable, low carbon heating solutions.</p> <p>Further information on the existing scheme can be found at www.nidirect.gov.uk/energywise.</p>

Selection Criteria	Assessment / Comment
<p>Viability and additional benefits of application (max score 30)</p>	<p>By carrying out this work an independent assessment will be made on the key issues relating to phase 2 of the RHI. This will ensure that measures introduced in phase 2 represent the most cost-effective and appropriate method of supporting the renewable heat industry, in particular the most appropriate method of incentivising the domestic sector. The main elements of the terms of reference are as follows;</p> <ul style="list-style-type: none"> • <i>Advise on the introduction of tariffs for additional technologies, to include direct air biomass heating, biogas above 200kw, biomass CHP, air source heat pumps (air to air and air to water), solar thermal above 200kw, deep geothermal energy, bioliquids (including microgeneration and bioliquid CHP) and landfill gas.</i> • <i>Advise on the extension of the RHI scheme to the domestic sector.</i> • <i>Assess the need for financial support for large biomass installations (over 1MW) (including Combined Heat and Power systems).</i> • <i>Consider the need for an additional 'uplift' for renewable heating applications that service more than one building or dwelling i.e. community or district heating.</i> • <i>Provide a detailed analysis of the expected costs of each of the additional measures under phase 2 and the expected benefits in terms of renewable heat delivered and wider impacts.</i> • <i>Make recommendations on the implementation of phase 2 of the Northern Ireland RHI based on analysis carried out, the expected costs of additional measures and the monetary and non-monetary benefits.</i> <p>A service provider to carry out this work will be appointed following a competitive tender process.</p> <p>Once the above issues are assessed and consider a full public consultation will be</p>

Selection Criteria	Assessment / Comment
	<p>carried out to gather stakeholder views.</p> <p>Funding for this scheme has already been secured via Her Majesty's Treasury (HMT). HMT has indicated that should Northern Ireland implement a RHI then funding of £25m will be available for the period 2011-2015.</p> <p>The development of the renewable heat industry in Northern Ireland has the significant potential to increase fuel security in Northern Ireland, decrease carbon emissions and provide opportunities for new 'green jobs'. The positive impact of the NI Renewables Obligation Certificates on renewable electricity generation is an example of how incentivisation of renewable technologies can result in widespread uptake.</p>
<p>Competence of promoter (max score 20)</p>	<p>Energy Division has a proven track record in managing this type of project through the appointment of external consultants who will undertake and deliver this programme of work within the proposed timeframe. The work will be tendered by CPD which will enable the selection of a competent firm of consultants to undertake the necessary research and delivery of associated recommendations and actions.</p> <p>Renewable Heat Branch will act as the promoter for this project. Staff in this branch have experience in EU funding through both the BSP and the Interreg IIIa programme as well as the previous elements of the renewable heat policy work including the study into the potential development of renewable heat in Northern Ireland, AECOM / Poyry 2010 and the economic appraisal of a RHI, CEPA / AEA 2011. Both of those projects were funded through the Competitiveness Programme.</p> <p>In addition, the findings of this report will be subject to public consultation and will be considered by a cross-departmental group focussed on renewable heat.</p>

Selection Criteria	Assessment / Comment
<p>Demonstration of value for money and wider economic benefits of application (max score 20)</p>	<p>This work will further develop the local renewable heat market, promote new innovative heating technologies and support the achievement of 10% renewable heat by 2020. In addition, this work will support increased fuel security; reduced carbon emissions and opportunities within the ‘green economy’</p> <p>Currently Northern Ireland is overly reliant on foreign fossil fuels for its heating demand with only 1.7% of heating demand being met by renewable sources. In particular, the dominance of oil within the domestic market leads to higher carbon emissions and leaves domestic customers vulnerable to fluctuating prices based on global markets. Within the Executive endorsed Strategic Energy Framework fuel security is highlighted as a priority for Northern Ireland and increasing the levels of renewable heat is a key part of this.</p> <p>As already detailed, it is expected that the RHI will support the uptake of renewable heat to a level of 10.9% by 2020 and nearly 20,000 installations. By increasing the level of renewable heat there is significant potential to decrease the level of carbon emissions in Northern Ireland. The expected carbon savings over the lifetime of the policy is in the order of 5 million tonnes of CO₂. The value of this carbon, using the DECC carbon saving methodology (central carbon prices), is in the order of £250m</p> <p>The introduction of phase 2 of the RHI and development of renewable heat also presents opportunities for the ‘green economy’ and new ‘green jobs’. In particular, the extension of the RHI to the domestic sector will ensure that the growing renewable heat market is encouraged with opportunities for growers of energy crops, manufacturers of technologies, suppliers and installers and many others.</p>

Selection Criteria	Assessment / Comment
<p>Ability to deliver priority objectives as specified in Operational Programme (max score 40)</p>	<p>Activities that develop support mechanism to encourage / pilot renewable energy and energy efficiency programmes.</p> <p>Phase 2 of the Northern Ireland RHI will encourage the wider uptake of more innovative renewable heat technologies in the public, commercial and industrial sectors, as well as opening the scheme for domestic customers. The RHI will reward those who install renewable heat technologies via a set tariff, determined by the size and type of technology, to be paid either quarterly or annually. Just as the NIRO has encouraged the uptake of renewable electricity in Northern Ireland the RHI will encourage the uptake of renewable heat. Phase 2 of the scheme will bring it in line with GB and ensure that all consumers can avail of renewable heat technologies.</p> <p>Support actions to increase the more efficient and effective use of energy.</p> <p>Within the domestic sector home heating oil is the most prevalent heat source and whilst DETI is seeking to extend the natural gas network many homes in Northern Ireland have limited choice when it comes to heating their homes. Phase 2 of the RHI will help develop consumer choice and create a more competitive heat market. Within the domestic RHI there will be in-built energy efficiency measures so support is focussed on households that are already energy efficient and therefore there will be greater incentive for consumers to begin heating their homes and businesses in more efficient ways.</p> <p>Activities that raise awareness and knowledge of both renewable energy and energy efficiency.</p>

Selection Criteria	Assessment / Comment
	<p>This project will assist in the development of the renewable heat market in Northern Ireland. The roll-out of phase 2 of the RHI across Northern Ireland will raise awareness of alternative heating methods and support the uptake of renewable technologies. The RHI will also encourage energy efficient behaviours through the eligibility and standards within the scheme. The RHI has the potential to increase the level of renewable heat from its current standing of 1.7% to 10% by 2020. This increase would be part of a massive change in energy using behaviours in relation to how we heat our homes and our businesses.</p>
<p>Equality and good relations (max score 15)</p>	<p>This project has been equality screened and is considered that there are no differential equality impacts of this proposal on the different Section 75 groups. It will not present a risk to DETI's statutory obligation to have due regard to the need to promote equality of opportunity or good relations.</p>
<p>Promoting sustainable development and the creation of sustainable communities (max score 15)</p>	<p>The NI Sustainable Development Strategy defines sustainable development as "development which meets the needs of the present without compromising the ability of future generations to meet their own needs." The current mix of heating fuels in Northern Ireland is clearly unsustainable. Northern Ireland cannot continue to rely on foreign fossil fuels as these resources become scarcer and it cannot ignore the indigenous heating sources that currently exist.</p> <p>Heat demand in Northern Ireland is around 17.4 Twh in comparison to 8Twh of electricity. It is essential that renewable technologies in heating are incentivised in the same way that electricity technologies have been encouraged. The introduction of a RHI has been identified as the appropriate method to support these technologies by providing long-term stable support for domestic customers, businesses and investors</p>

Selection Criteria	Assessment / Comment
	the confidence to invest. Whilst the scheme is in place it is only for non-domestic consumers and well-established technologies. Expanding the scheme to domestic customers and new technologies will further increase the impact and the potential to promote sustainable energy and sustainable communities.

DETI EQUALITY SCREENING FORM

Part 1. Policy scoping

The first stage of the screening process involves scoping the policy under consideration. The purpose of policy scoping is to help prepare the background and context and set out the aims and objectives for the policy, being screened. At this stage, scoping the policy will help identify potential constraints as well as opportunities and will help the policy maker work through the screening process on a step by step basis.

Public authorities should remember that the Section 75 statutory duties apply to internal policies (relating to people who work for the authority), as well as external policies (relating to those who are, or could be, served by the authority).

Information about the policy

Name of the policy

Development of Phase 2 of the Northern Ireland Renewable Heat Incentive

Is this an existing, revised or a new policy?

This will act as an extension to the existing Renewable Heat Incentive

What is it trying to achieve? (intended aims/outcomes)

This piece of work will inform the design and implementation of issues relating to phase 2 of the RHI for Northern Ireland. The RHI was launched on 1 November 2012 with the aim to significantly increase the level of renewable heat in Northern Ireland, currently only 1.7% of Northern Ireland's heat demand is met by renewable sources with the rest met from foreign fossil fuels. By increasing the level of renewable heat there is significant potential to reduce carbon emissions, increase fuel security and develop opportunities within the 'green economy'.

This policy will support the achievement of the Executive endorsed target of 10% renewable heat by 2020 (as part of the Strategic Energy Framework). This, in turn, will feed into the United Kingdom's binding commitment of 15% renewable energy (electricity, **heating and cooling** and transport) by 2020 as part of the EU Renewable Energy Directive.

The first phase of the RHI is limited to non-domestic sector and well established renewable heat technologies; this was designed as a primer for the second phase of the scheme. The key issues for phase 2 include extension of the scheme to the domestic sector and the addition of new tariffs for more innovative technologies. This project will inform policy decisions in this area and support the development of the RHI and the renewable heat market in Northern Ireland.

Are there any Section 75 categories which might be expected to benefit from the intended policy?
If so, explain how.

The policy will be open to, and for the benefit of, the entire population of Northern Ireland. None of the Section 75 categories will specifically benefit from the policy however there may be scope for the policy to help those currently in 'fuel poverty'.

Who initiated or wrote the policy?

The Renewable Heat Incentive (RHI) policy was first developed by the Department of Energy and Climate Change (DECC) as the preferred method of supporting the uptake of renewable heat technologies in Great Britain. However, as Energy is a transferred matter DETI is responsible for developing the renewable heat market in Northern Ireland. Research carried out that demonstrated that a RHI specifically tailored for Northern Ireland was the most appropriate method of supporting the local heat market.

DETI, therefore, introduced such a scheme in November 2012. This was the first phase of the scheme and a second phase that addresses outstanding and emerging issues within the renewable heat sector must be considered. DETI will be responsible for this policy in Northern Ireland.

Who owns and who implements the policy?

The policy will be owned and implemented in Northern Ireland by DETI Energy Division.

Implementation factors

Are there any factors which could contribute to/detract from the intended aim/outcome of the policy/decision?

Yes

If yes, are they

financial

*Funding for this scheme has been secured through HMT, funding for the period 2011-15 is available in the order of £25m.

legislative

*The Renewable Heat Incentive Scheme (Northern Ireland) Regulations 2012 came into effect on 1 November 2012 and underpin phase 1 of the scheme. Phase 2 will require amendments to this legislation.

other, please specify _____

Main stakeholders affected

Who are the internal and external stakeholders (actual or potential) that the policy will impact upon?

staff

service users

- X other public sector organisations
- X voluntary/community/trade unions
- X other, please specify _____

*This policy will be open to individuals, groups and businesses within the domestic, public, commercial and industrial sectors (a major element of phase 2 will relate specifically to the domestic market). There will be opportunities within each sector to avail of a NI RHI. There will be a full public consultation in advance of the implementation of the final policy.

Other policies with a bearing on this policy

n/a

- what are they?

- who owns them?

Available evidence

Evidence to help inform the screening process may take many forms. Public authorities should ensure that their screening decision is informed by relevant data.

What evidence/information (both qualitative and quantitative) have you gathered to inform this policy? Specify details for each of the Section 75 categories.

Section 75 category	Details of evidence/information
Religious belief	Research to date has not indicated any specific impact on this category. This further piece of proposed research will assist in determining the impact of the policy on this S75 category.
Political opinion	As above
Racial group	As above
Age	As above
Marital status	As above
Sexual orientation	As above
Men and women generally	As above
Disability	As above
Dependants	As above

Needs, experiences and priorities

Taking into account the information referred to above, what are the different needs, experiences and priorities of each of the following categories, in relation to the particular policy/decision? Specify details for each of the Section 75 categories

Section 75 category	Details of needs/experiences/priorities
Religious belief	The development of phase 2 of RHI does not impact on this S75 category. Phase 2 of RHI will ensure that the scheme is open to the entire population.
Political opinion	As above
Racial group	As above
Age	As above
Marital status	As above
Sexual orientation	As above
Men and women generally	As above
Disability	As above
Dependants	As above

Part 2. Screening questions

Introduction

In making a decision as to whether or not there is a need to carry out an equality impact assessment, the public authority should consider its answers to the questions 1-4 detailed below.

If the public authority's conclusion is **none** in respect of all of the Section 75 equality of opportunity and/or good relations categories, then the public authority may decide to screen the policy out. If a policy is 'screened out' as having no relevance to equality of opportunity or good relations, a public authority should give details of the reasons for the decision taken.

If the public authority's conclusion is **major** in respect of one or more of the Section 75 equality of opportunity and/or good relations categories, then consideration should be given to subjecting the policy to the equality impact assessment procedure.

If the public authority's conclusion is **minor** in respect of one or more of the Section 75 equality categories and/or good relations categories, then consideration should still be given to proceeding with an equality impact assessment, or to:

- measures to mitigate the adverse impact; or
- the introduction of an alternative policy to better promote equality of opportunity and/or good relations.

In favour of a 'major' impact

- a) The policy is significant in terms of its strategic importance;
- b) Potential equality impacts are unknown, because, for example, there is insufficient data upon which to make an assessment or because they are complex, and it would be appropriate to conduct an equality impact assessment in order to better assess them;
- c) Potential equality and/or good relations impacts are likely to be adverse or are likely to be experienced disproportionately by groups of people including those who are marginalised or disadvantaged;

- d) Further assessment offers a valuable way to examine the evidence and develop recommendations in respect of a policy about which there are concerns amongst affected individuals and representative groups, for example in respect of multiple identities;
- e) The policy is likely to be challenged by way of judicial review;
- f) The policy is significant in terms of expenditure.

In favour of 'minor' impact

- a) The policy is not unlawfully discriminatory and any residual potential impacts on people are judged to be negligible;
- b) The policy, or certain proposals within it, are potentially unlawfully discriminatory, but this possibility can readily and easily be eliminated by making appropriate changes to the policy or by adopting appropriate mitigating measures;
- c) Any asymmetrical equality impacts caused by the policy are intentional because they are specifically designed to promote equality of opportunity for particular groups of disadvantaged people;
- d) By amending the policy there are better opportunities to better promote equality of opportunity and/or good relations.

In favour of none

- a) The policy has no relevance to equality of opportunity or good relations.
- b) The policy is purely technical in nature and will have no bearing in terms of its likely impact on equality of opportunity or good relations for people within the equality and good relations categories.

Taking into account the evidence presented above, consider and comment on the likely impact on equality of opportunity and good relations for those affected by this policy, in any way, for each of the equality and good relations categories, by applying the screening questions detailed below and indicate the level of impact on the group i.e. minor, major or none.

Screening questions

1 What is the likely impact on equality of opportunity for those affected by this policy, for each of the Section 75 equality categories? minor/major/none		
Section 75 category	Details of policy impact	Level of impact? minor/major/none
Religious belief	The implementation of phase 2 of the RHI will widen the current measures and will incentivise people, groups and businesses to switch from existing heat technologies to renewable heating technologies. This policy will be open to all and will be the choice of the individual, group or business in question whether they move to renewable heating.	None
Political opinion	The implementation of phase 2 of the RHI will widen the current measures and will incentivise people, groups and businesses to switch from existing heat technologies to renewable heating technologies. This policy will be open to all and will be the choice of the individual, group or business in question whether they move to renewable heating.	None
Racial group	The implementation of phase 2 of the RHI will widen the current measures and will incentivise people, groups and businesses to switch from existing heat technologies to renewable heating technologies. This policy will be open to all and will be the choice of the individual, group or business in question whether they move to renewable heating.	None
Age	The implementation of phase 2 of the RHI will widen the current measures and will incentivise people, groups and businesses to switch from existing heat technologies to renewable heating technologies. This policy will be open to all and will be the choice of the	None

	individual, group or business in question whether they move to renewable heating.	
Marital status	The implementation of phase 2 of the RHI will widen the current measures and will incentivise people, groups and businesses to switch from existing heat technologies to renewable heating technologies. This policy will be open to all and will be the choice of the individual, group or business in question whether they move to renewable heating.	None
Sexual orientation	The implementation of phase 2 of the RHI will widen the current measures and will incentivise people, groups and businesses to switch from existing heat technologies to renewable heating technologies. This policy will be open to all and will be the choice of the individual, group or business in question whether they move to renewable heating.	None
Men and women generally	The implementation of phase 2 of the RHI will widen the current measures and will incentivise people, groups and businesses to switch from existing heat technologies to renewable heating technologies. This policy will be open to all and will be the choice of the individual, group or business in question whether they move to renewable heating.	None
Disability	The implementation of phase 2 of the RHI will widen the current measures and will incentivise people, groups and businesses to switch from existing heat technologies to renewable heating technologies. This policy will be open to all and will be the choice of the individual, group or business in question whether they move to renewable heating.	None
Dependants	The implementation of phase 2 of the RHI will widen the current measures and will incentivise people, groups and	None

	businesses to switch from existing heat technologies to renewable heating technologies. This policy will be open to all and will be the choice of the individual, group or business in question whether they move to renewable heating.	
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2 Are there opportunities to better promote equality of opportunity for people within the Section 75 equalities categories?		
Section 75 category	If Yes , provide details	If No , provide reasons
Religious belief		Tariffs will be set by technology size and type. It will be up to the individual, group or business in question as to whether they wish to avail of the incentive by switching to renewable heating.
Political opinion		Tariffs will be set by technology size and type. It will be up to the individual, group or business in question as to whether they wish to avail of the incentive by switching to renewable heating.
Racial group		Tariffs will be set by technology size and type. It will be up to the individual, group or business in question as to whether they wish to avail of the incentive by switching to renewable heating.
Age		Tariffs will be set by technology size and type. It will be up to the individual, group or business in question as to whether they wish to avail of the incentive by switching to renewable heating.
Marital status		Tariffs will be set by technology size and type. It will be up to the individual, group or business in question as to whether they wish to avail of the incentive by switching to renewable heating.
Sexual orientation		Tariffs will be set by technology size and type. It will be up to the individual, group or business in question as to whether they wish to avail of the incentive by switching to renewable heating.
Men and women		Tariffs will be set by technology size and type. It will be up to the

generally		individual, group or business in question as to whether they wish to avail of the incentive by switching to renewable heating.
Disability		Tariffs will be set by technology size and type. It will be up to the individual, group or business in question as to whether they wish to avail of the incentive by switching to renewable heating.
Dependants		Tariffs will be set by technology size and type. It will be up to the individual, group or business in question as to whether they wish to avail of the incentive by switching to renewable heating.

3 To what extent is the policy likely to impact on good relations between people of different religious belief, political opinion or racial group?		
Section 75 category	Details of policy impact	Level of impact minor/major/none
Religious belief	This policy is unlikely to have any impact on good relations between the various S75 categories.	None
Political opinion	This policy is unlikely to have any impact on good relations between the various S75 categories.	None
Racial group	This policy is unlikely to have any impact on good relations between the various S75 categories.	None

4 Are there opportunities to better promote good relations between people of different religious belief, political opinion or racial group?		
Good relations category	If Yes, provide details	If No, provide reasons
Religious belief		This policy is unlikely to have any impact on good relations between the various S75 categories.
Political opinion		This policy is unlikely to have any impact on good relations between the various S75 categories.
Racial group		This policy is unlikely to have any impact on good relations between the various S75 categories.

Additional considerations

Multiple identity

Generally speaking, people can fall into more than one Section 75 category. Taking this into consideration, are there any potential impacts of the policy/decision on people with multiple identities? (*For example; disabled minority ethnic people; disabled women; young Protestant men; and young lesbians, gay and bisexual people*).

NO

Provide details of data on the impact of the policy on people with multiple identities. Specify relevant Section 75 categories concerned.

N/A

Part 3. Screening decision

If the decision is not to conduct an equality impact assessment, please provide details of the reasons.

This current piece of work is solely for an assessment on measures relating to the development of phase 2 of the RHI, this includes technology and cost assumptions for renewable heat technologies and advice on administration processes. No equality impact assessment is therefore required.

If the decision is not to conduct an equality impact assessment the public authority should consider if the policy should be mitigated or an alternative policy be introduced.

This research will advise on the future policy to be introduced.

If the decision is to subject the policy to an equality impact assessment, please provide details of the reasons.

All public authorities' equality schemes must state the authority's arrangements for assessing and consulting on the likely impact of policies adopted or proposed to be adopted by the authority on the promotion of equality of opportunity. The Commission recommends screening and equality impact assessment as the tools to be utilised for such assessments. Further advice on equality impact assessment may be found in a separate Commission publication: Practical Guidance on Equality Impact Assessment.

Mitigation

When the public authority concludes that the likely impact is 'minor' and an equality impact assessment is not to be conducted, the public authority may consider mitigation to lessen the severity of any equality impact, or the introduction of an alternative policy to better promote equality of opportunity or good relations.

Can the policy/decision be amended or changed or an alternative policy introduced to better promote equality of opportunity and/or good relations?

If so, give the **reasons** to support your decision, together with the proposed changes/amendments or alternative policy.

The proposed research will advise on the future shape of the Northern Ireland RHI. When considering the future design and implementation of phase 2 of the scheme the issue of promoting equality of opportunity and/or good relations could be considered, however it is likely that a scheme open to all and consistent to all will be introduced.

Timetabling and prioritising

Factors to be considered in timetabling and prioritising policies for equality impact assessment.

If the policy has been '**screened in**' for equality impact assessment, then please answer the following questions to determine its priority for timetabling the equality impact assessment.

On a scale of 1-3, with 1 being the lowest priority and 3 being the highest, assess the policy in terms of its priority for equality impact assessment.

Priority criterion	Rating (1-3)
Effect on equality of opportunity and good relations	1
Social need	2
Effect on people's daily lives	2
Relevance to a public authority's functions	1

Note: The Total Rating Score should be used to prioritise the policy in rank order with other policies screened in for equality impact assessment. This list of priorities will assist the public authority in timetabling. Details of the Public Authority's Equality Impact Assessment Timetable should be included in the quarterly Screening Report.

Is the policy affected by timetables established by other relevant public authorities?

No

If yes, please provide details

Part 4. Monitoring

Public authorities should consider the guidance contained in the Commission's Monitoring Guidance for Use by Public Authorities (July 2007).

The Commission recommends that where the policy has been amended or an alternative policy introduced, the public authority should monitor more broadly than for adverse impact (See Benefits, P.9-10, paras 2.13 – 2.20 of the Monitoring Guidance).

Effective monitoring will help the public authority identify any future adverse impact arising from the policy which may lead the public authority to conduct an equality impact assessment, as well as help with future planning and policy development.

Part 5. Disability Duties

Under the Disability Discrimination Act 1995 (as amended by the Disability Discrimination (Northern Ireland) Order 2006), public authorities, when exercising their functions, are required to have due regard to the need:

- **to promote positive attitudes towards disabled people; and**
- **to encourage participation by disabled people in public life.**

5. Does this policy/legislation have any potential to contribute towards promoting positive attitudes towards disabled people or towards encouraging participation by disabled people in public life? If yes, please give brief details.

No

Signed: _____
Head of Division

Division: _____

Date: _____

PLEASE FORWARD A COPY OF THIS COMPLETED FORM TO:

**DETI EQUALITY & DIVERSITY UNIT
NETHERLEIGH
MASSEY AVENUE
BELFAST BT4 2JP**

**ANY QUERIES: STEPHEN WILSON EXT 29373
stephen.wilson@detini.gov.uk
STEPHEN SHOOTER EXT 29644
stephen.shooter@detini.gov.uk**

Development Path Analysis – project categorisation form

Project applicant Name: **DEVELOPMENT OF PHASE 2 OF THE
NORTHERN IRELAND RENEWABLE HEAT
INCENTIVE**

.....

Project applicant Number:

Using the project details supplied during the application process, please assess the likely impact of the project on the environment and assign the project according to the development path to which it most closely corresponds.

- | | | | | | |
|----|---|----|---|----|-----|
| A. | ' | B. | ' | C. | ' |
| D. | ' | E. | ' | F. | ' X |

Reason for decision:

The Northern Ireland Renewable Heat Incentive (RHI) was launched on 1 November 2012. The scheme represents a long term approach to developing the renewable heat market by providing consistent, secure, long term payments for renewable heat generation. The incentivisation involves payments to installers of renewable heat technologies, with tariffs dependent on the type and size of technology installed, and in the form of pence per kilo watt hour (p/kWh) for heat generated. Payments are made quarterly over a 20 year period for all installations following accreditation.

The primary objective of the NI RHI is to increase the uptake of renewable heat to 10% by 2020 (baseline position 1.7% in 2010). Looking forward to 2020, Northern Ireland's overall heat demand is predicted to be 16.7 TWh per year. The 10% for renewable heat therefore equates to 1.6TWh (or an additional 1.3 TWh when considering existing levels).

Renewable heat technologies are currently unable to compete with existing fossil fuel alternatives given the often higher capital costs and also the lack of understanding and awareness amongst consumers of what are often seen as innovative technologies.

Financial incentives have already been successful within the Northern Ireland Renewable Electricity market. Since the introduction of the Northern Ireland Renewables Obligation (NIRO) in 2005, the level of electricity generated from renewable sources has increased from 3% to over 12%.

Given the complexities and the need to introduce incentive measures in a timely manner DETI has taken a phased approach in introducing the RHI. This approach is as follows;

- a. **Phase 1** – Introduction of long term incentives for non-domestic market (eligible technologies to include the most established technologies) and a short term grant scheme for domestic customers.
- b. **Phase 2** – Opening the scheme to domestic consumers and assessing appropriate support levels for additional technologies (Air Source Heat Pumps, Deep Geothermal and Bioliquids etc).

This approach is similar to GB where *Premium Payments* were launched in July 2011 with the mainstream RHI beginning in November 2011. A second phase of the GB RHI is currently being considered.

DETI now proposes to appoint a consultant to consider and advise on issues relating to the launch of phase 2 of the Northern Ireland RHI. This

assignment will relate to the assessment of appropriate levels of support for additional technologies; the treatment of large biomass installations; the extension of the scheme to the domestic market and the consideration of an incentive uplift for district or community heating schemes.

This project is a key part of the continued development of the renewable heat market in Northern Ireland. Phase 2 will assist in introducing long term support for innovative renewable heat technologies and the extension of the scheme to the domestic market. This will increase the scope of the RHI considerably. Currently Northern Ireland is overly dependent on foreign fossil fuels, by incentivising consumers to take up new clean technologies there is the potential to support positive behaviour change which will have a positive effect on the environment. This project will ultimately result in increased uptake of renewable heating technologies and a greater understanding amongst energy consumers of the alternative cleaner heating technologies.