

**From:** [Iain Morrow](#)  
**To:** [Hutchinson, Peter](#)  
**Subject:** Emerging conclusions of the report  
**Date:** 26 April 2013 11:13:16

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Peter

We are still finalising the detail for a couple of the technologies, so I am afraid that the report is not yet ready. I'm sorry, I know this is later than expected. But I thought it would be worth showing you where we are likely to end up, to speed up the process of clearing the draft final report once it is ready.

1. First of all, we cannot see a way to get to 10% (the best options get to 7.75%). Our approach has therefore been to recommend the options that deliver the most renewable heat by 2020, within the budget available. Is this OK?
2. For domestic tariffs, it looks like some form of grant + payments over a number of years is best. The number of years you choose actually doesn't make much difference to uptake. So we will recommend grant + 7 year tariffs because of their benefits in terms of administration costs, consistency with GB and so on. This all assumes that households have a limit on the amount they are willing to spend on renewable heat – which I think is reasonable. The tariffs we will recommend are within the ranges proposed by DECC.
3. For new non-domestic tariffs, actually the DECC tariffs do best (although not by much). But that seems to be because they don't give a tariff for (relatively expensive) non-domestic bioliquids, and the tariff for air-to-air ASHPs is very low. Is recommending no tariff for non-domestic bioliquids likely to be a problem?
4. We recommend 4.0p for deep geothermal. Because of the uncertainties about cost, we have to say that DETI should seriously consider a Challenge Fund, although we recognise the issues this has.
5. We recommend 2.2p for large CHP (except for conversions like Invista where we recommend 1.8p).
6. We don't see any potential for heat-only biogas so recommend no tariff.
7. District heating is hard to justify. We think (although Ricardo-AEA are double checking this figure) that the uplift would be 16p/kWh. This is so far above the other tariffs (and it does not actually deliver additional renewable heat) that it is hard for us to recommend support for DH.

I will try and call you now to discuss.

Regards

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**From:** [Hutchinson, Peter](#)  
**To:** [Iain Morrow](#)  
**Cc:** [McCutcheon, Joanne](#)  
**Subject:** RE: Emerging conclusions of the report  
**Date:** 26 April 2013 12:00:31

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Iain,

Some comments on the emerging conclusions below.

Thanks,

Peter

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**From:** Iain Morrow [mailto:[Iain.Morrow@cepa.co.uk](mailto:Iain.Morrow@cepa.co.uk)]  
**Sent:** 26 April 2013 11:13  
**To:** Hutchinson, Peter  
**Subject:** Emerging conclusions of the report

Peter

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1. First of all, we cannot see a way to get to 10% (the best options get to 7.75%). Our approach has therefore been to recommend the options that deliver the most renewable heat by 2020, within the budget available. Is this OK? **Content with this approach.**
2. For domestic tariffs, it looks like some form of grant + payments over a number of years is best. The number of years you choose actually doesn't make much difference to uptake. So we will recommend grant + 7 year tariffs because of their benefits in terms of administration costs, consistency with GB and so on. This all assumes that households have a limit on the amount they are willing to spend on renewable heat – which I think is reasonable. The tariffs we will recommend are within the ranges proposed by DECC. **Agree.**
3. For new non-domestic tariffs, actually the DECC tariffs do best (although not by much). But that seems to be because they don't give a tariff for (relatively expensive) non-domestic bioliquids, and the tariff for air-to-air ASHPs is very low. Is recommending no tariff for non-domestic bioliquids likely to be a problem? **Don't think this is a huge problem – provide an indicative tariff for non-domestic bioliquids but explain that the cost of incentivisation is likely to outweigh benefits and DETI should pursue more cost-effective options. If we provide support for domestic bioliquids we can argue that this is to test the market and a primer for potential non-domestic support in the future – uptake likely to be low in either sector however. In terms of ASHPs you should provide the NI tariff rather than suggesting using GB tariff – preference always is to use NI specific tariffs.**
4. We recommend 4.0p for deep geothermal. Because of the uncertainties about cost, we have to say that DETI should seriously consider a Challenge Fund, although we recognise

the issues this has. Happy for you to suggest Challenge Fund option as an alternative to tariff option – we are likely to present both options in consultation (4p v Challenge Fund) and get stakeholders to comment.

5. We recommend 2.2p for large CHP (except for conversions like Invista where we recommend 1.8p). Content – will probably need indicative costs of the Invista scenario although this doesn't need to be in report because of commercial sensitivities – just provide to me separately.
6. We don't see any potential for heat-only biogas so recommend no tariff. Content – just need rationale in report for no tariff.
7. District heating is hard to justify. We think (although Ricardo-AEA are double checking this figure) that the uplift would be 16p/kWh. This is so far above the other tariffs (and it does not actually deliver additional renewable heat) that it is hard for us to recommend support for DH. Agree that 16p seems very high, especially considering if a deep geothermal project became eligible for 4p tariff + 16p uplift! Would have to limit in some way, maybe only to biomass at a certain size or only for social housing projects (to support alleviating fuel poverty) but still seems excessive and will require further thought from ourselves on how it is presented in consultation.

I will try and call you now to discuss.

Regards

Iain