

From: Hutchinson, Peter
To: ["Iain Morrow"](#); [McCutcheon, Joanne](#)
Cc: ["Mahmoud Abu-ebid"](#); ["Oliver Edberg"](#); ["Paget Fulcher"](#)
Subject: RE: Our meeting on Friday morning
Date: 22 May 2013 16:10:00

Iain,

Just looking through the report again and something struck me that I hadn't previously considered.

Regarding biomass direct air if the "wide" tariffs are used then all applications under 1000kWh would be eligible for 2.4p, however the existing tariff for biomass boilers between 100kWh-1000kWh is 1.5p therefore we are incentivising direct air heaters at a higher level despite them being a cheaper technology? Any comments on this?

Might need to consider reverting to the "narrow" tariffs for biomass direct air to prevent this being the case – even then the difference will only be 0.2p. The only other option would be to review the 1.5p biomass tariff.

Thanks,

Peter

From: Hutchinson, Peter
Sent: 21 May 2013 17:29
To: 'Iain Morrow'; McCutcheon, Joanne
Cc: Mahmoud Abu-ebid; Oliver Edberg; Paget Fulcher
Subject: RE: Our meeting on Friday morning

Iain,

Thanks for this, very helpful and this reflects my understanding of action points following Friday's meeting – however I think we also discussed running the model with the 'narrow' tariffs for bioliquids 5.0 / 2.1? Or it might just have been to include some narrative on why the 'narrow' tariffs might be appropriate in this circumstance?

There are a couple of other actions that I would be grateful if you could consider;

- Add a footnote on page 40 to explain why the word "or" is included the paragraph at 5.3.5 "same subsidy as bioliquids *or* biomass" i.e. in what circumstance would the fuel be classed as bioliquids and when would it be classed as solid biomass.
- Would you be able to provide slightly more detail at the CHP Annex regarding what we class as a conversion i.e. what elements of the plant would need to be replaced?
- Tariffs on page 13 should reflect the 12/13 RPI increase
<http://www.detini.gov.uk/rhi.pdf>
- For the previous work you provided a breakdown of how the tariff was calculated based on assumptions re reference installation (Annex A of the follow up work) we would require this again for all new tariffs as it forms some of the evidence for State Aid consideration.

As discussed on Friday, I have attached a very simple spreadsheet to demonstrate how our thoughts on domestic RHI and how it would interact with RHPP and those who installed between 1 September 2010 and 24 May 2012 (who are eligible but have not received RHPP).

I have attached an email from the NIHE providing some information on their housing stock and their views on community heating – NIHE advise that there are 9000 NIHE homes on Economy 7 (elec) heating and 32 blocks of flats. Consideration has been given in the past to moving to renewables however the infrastructure have been too high. If you need anything further from NIHE let me know.

Finally regarding the bioliquids point I agree it needs to be capped – my preference would be for the existing figures / calculations to be used and that we continue to determine this tariff on a basis of the pence per kWh rather than the pence per renewable quantity. Happy for the alternative (16.7p) to be presented but I think it is appropriate to keep the existing calculation for the sake of consistency with other tariffs. The assumption has always been that bioliquids take up would be low and the view from Oftec has been that a tariff between 2-4p was appropriate so anything as high as 16p would cause concern – in addition there might be other bioliquids deployed other than B30k (tallow or B50K) that would require a much lower tariff – therefore I think we should keep the calculations as they stand but refer to the fact that the B30k blend is only 30% renewable and this has an impact on tariff design and the potential for this fuel to deliver against targets. Happy to speak further on this if needed.

Thanks for the meeting on Friday, think it was useful to discuss the key issues and finalise the report.

Regards,

Peter

From: Iain Morrow [mailto:Iain.Morrow@cepa.co.uk]
Sent: 20 May 2013 17:33
To: Hutchinson, Peter; McCutcheon, Joanne
Cc: Mahmoud Abu-ebid; Oliver Edberg; Paget Fulcher
Subject: Our meeting on Friday morning

Peter, Joanne

It was good to see you on Friday morning. Sorry it turned into such a long session, but I hope that that means we have covered all the issues needed to finalise the report. I noted down the following actions – please let me know if there are any others. I've grouped them a bit to clarify things.

Option of upfront payment at same level as RHPP, plus ongoing seven year tariffs

- CEPA to rerun model with this option. This should also take account of the 3.5p tariff for CHP (see below).
- CEPA to include in the report a discussion of the pros and cons of this option, recognising the benefits in terms of simplicity and the issues with giving 100% grants.

CHP tariffs

- Ricardo-AEA to amend the draft report as needed to make it clear why a 3.5p tariff for CHP was more appropriate than 4.3p (based on self financing versus third party financing).
- CEPA to adjust model outputs to take account of the reduced subsidy to large CHP (and so increased subsidy for other technologies).
- Ricardo-AEA to supply more information on Invista costs to DETI. This is also to consider whether raising the capital to build a new CHP plant at Invista would be more cost effective overall at 3.5p/kWh.

Other

- Ricardo-AEA to clarify the household energy efficiency assumption included in our assumption of domestic heat loads.
- DETI to speak to NI Housing Executive about district heating, specifically about the number of large blocks using electric heating. Ricardo-AEA to update district heating analysis in light of this.
- CEPA to update the report to remove the 10MW limit on large biomass.

We also discussed the question of bioliquids briefly in the meeting. Afterwards, CEPA/ Ricardo-AEA had a further discussion, and we think that it would make sense to do two things. First, we think that the tariff is misleading, as it is per kWh generated but not all of that is from renewable sources. For example, with a B30 blend, only 30% of the heat is coming from bioliquids. So, we think that it would make sense to also present the figure for kWh generated from the bioliquids part of the B30 blend. This works out to be 16.7p, which brings me to the second point – the cost. This is clearly very high, and for consistency with solar thermal, we should cap it. This is likely to mean no take-up of bioliquids, but it should mean more for other technologies so more renewable heat delivered. Please let me know if you are happy with this approach.

Please also let me know if you have any more detailed comments on the report. Happy to discuss at any time, or to get comments by email.

Regards

Iain

From: [Iain Morrow](#)
To: [Hutchinson, Peter](#)
Cc: [McCutcheon, Joanne](#); [Mahmoud Abu-ebid](#); [Oliver Edberg](#); [Paget Fulcher](#)
Subject: RE: Our meeting on Friday morning
Date: 23 May 2013 13:26:42

Peter

Sorry for delayed reply. Just to respond to your earlier email, we can certainly do the tariff tables. We will also include some text on bio liquids, picking up the two issues below, and address your other points such as CHP.

Finally, on the biomass point, the difference in tariffs seems to relate to the counterfactual. I am out of the office today but will investigate more tomorrow. As you say we can present the narrow tariffs if that seems more appropriate.

Regards

Iain

"Hutchinson, Peter" <Peter.Hutchinson@detini.gov.uk> wrote:

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