

McNaught, Jonathan

From: Cairns, Timothy
Sent: 30 July 2015 23:24
To: Crawford, Andrew
Subject: FW: Renewable Heat Incentive

Latest.

It's an introduction of tariff controls to stop misuse rather than full reform from 1st Oct

Any thoughts

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----- Original Message -----

From: Mills, John (DETI)
Date: 30 July 2015 17:23 BST
To: Cairns, Timothy
CC: Hughes, Seamus , McCoy, Laura , Stewart, Chris (DETI)
Subject: Renewable Heat Incentive

Timothy

We discussed the need to introduce measures to manage expenditure on the Renewable Heat Incentive (RHI) which are set out in our submission of 8 July. You asked for a short note on arrangements which need to be brought in from 1 October 2015 (as opposed to those which might be introduced). There is an urgent need to put appropriate measures in place to ensure proper control of budgets and comply with approvals. Part of this means introducing measures set out in the submission.

You made the point that there was virtue in making sure NI was able to make best use of the AME funding available to achieve the Executive's Renewable Heat targets. While noting that the scheme had taken off you rightly said that we would not want to over-react by introducing restrictions too suddenly which took us back to previous under-performance.

However, both Chris and I emphasised that we had to demonstrate that measures were being taken to ensure proper controls and Chris pointed out that the AME arrangements may have additional caveats.

While we need to take action urgently we do not necessarily need to try to do everything at once. There is a sound case for giving longer consideration to more complex tariff digression arrangements or a basis for making tariff reductions. These arrangements could be assessed over the following six months.

This would leave us to proceed with alterations to tariff tiers for non domestic RHI biomass tiered tariff arrangements.

The introduction of a tiered tariff structure for the medium size biomass technology is required to manage NI RHI spending and bring us more into line with the tier and banding arrangements in place under the GB scheme.

The first 1314 peak hours will be paid at the standard tariff of 6.4 pence per kWh, thereafter reducing to the lower tariff of 1.5 pence per kWh. These arrangements will apply to biomass boilers in the 20kW to 199kW range which is the most popular installation range. In addition the final policy will include a tariff cap of 400,000kWh as a

maximum annual heat payment. This cap limit is based on an assessment provided by DARD on the poultry industry which is considered to be the sector with the highest heat requirement.

The arrangements will not reduce the current tariff but are an important safeguard against over-use. We would not expect this to be any surprise to the industry as they apply in GB. It would be very difficult to justify inaction in relation to this particular measure.

McNaught, Jonathan

From: Howard Hastings [hhastings@hastingshotels.com]
Sent: 03 August 2015 15:02
To: Crawford, Andrew
Subject: FW: stormont 10273 16.6.15

Dear Andrew....not on your watch, surely?
H

Dr. Howard Hastings OBE, LI.B, ACA, M.Sc,
Managing Director,
Hastings Hotels,
1066 House,
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Northern Ireland

From: "Brian BSH" <Brian@bsh-limited.com>
To: "Austen Lennon" <[Personal information redacted by the RHI Inquiry]>
Subject: RE: stormont 10273 16.6.15
Date: 03/08/2015 14:51

Austen, just a heads up to let you know that talk in the industry is that the DETNI are making moves towards impeding the abuse that has been taking place within the RHI poultry sector where they are being blamed for running their system night and day even without poultry present. The abuse centres on the common no limit RHI tariff in NI, they are proposing to change it for a two tier tariff similar to UK. This will of course lessen those who apply after October's ability on the RHI income they can achieve. If Hastings Group was intent on doing something it may be better to get it underway and get it labelled as working even it is 60% their onsite.



McNaught, Jonathan

From: Cairns, Timothy
Sent: 12 August 2015 09:59
To: Crawford, Andrew
Subject: FW: RHI

Seems we have no choice but to proceed on the previous sub from early July

Ie follow GB policy from 1st Oct

Give me a shout when you're free

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----- Original Message -----

From: Stewart, Chris (DETI)
Date: 11 August 2015 18:09 BST
To: Cairns, Timothy , McCormick, Andrew (DETI)
CC: McIlwrath, Linda
Subject: FW: RHI

Tim

To see the advice on a 3000 hour approach. This would be very difficult, and would raise an Accounting Officer issue for Andrew.

Chris

From: Mills, John (DETI)
Sent: 11 August 2015 17:16
To: Stewart, Chris (DETI)
Cc: McIlwrath, Linda; Wightman, Stuart; Hughes, Seamus; McCoy, Laura; McIlwrath, Linda
Subject: RE: RHI

Chris,

- The proposed 1314 peak hours is taken from DECC and supports parity with the GB scheme. This ensures acceptance (and, conversely, what's the justification for NI being different?).
- It equates to 15% of the maximum possible annual running hours for a boiler (8760 hours). Given our understanding of the poultry sector where heat demand runs in 3 x 5 week cycles (the first with a high heat requirement, second with less and third none as the shed is empty awaiting the next crop of chickens) this can be defended in VFM terms. Obviously, suggestions of heating empty sheds cannot.
- We would have no basis for a 3000 hours, (or indeed any other figure).
- DARD has provided a report which shows the upper limit of the annual heat requirement to be 388,000kWh's. In our proposed tiered tariff structure using this and a 99kW boiler running at 90% efficiency as the measure the total annual payment would be £11,557. Assuming an initial capital cost of £50,000 this would see payback, (£5,737 per yr capital element), in around 8.7 years or 11.5% rate of return, and bring us into line with the 12% rate of return envelope included in the EU State Aid Approval.
- If we were to apply a 3000 hour figure the corresponding total annual payment would be £20,823. This would see payback, (£19,013 per yr capital element), in around 2.6 years or 38.46% rate of return and well outside of State Aid Approval.
- In addition the total annual costs on the 3000 hour scenario would not address our requirement to bring spending back under control and within budget.

Seamus, many thanks.

From: Stewart, Chris (DETI)

Sent: 11 August 2015 15:33

To: Mills, John (DETI)

Cc: McIlwrath, Linda; Wightman, Stuart; Hughes, Seamus; McCoy, Laura; McIlwrath, Linda

Subject: RE: RHI

John

Thank you.

I spoke to Tim on the submission: he accepts the need for early control measures, but has asked whether a 3000 hour limit would be more appropriate than 1000 hours. Can we (without doubling the work on the business case) provide some quick advice on the VFM of that?

C

From: Mills, John (DETI)

Sent: 11 August 2015 15:03

To: Stewart, Chris (DETI)

Cc: McIlwrath, Linda; Wightman, Stuart; Hughes, Seamus; McCoy, Laura

Subject: RE: RHI

Chris,

Stuart's off:

1. The additional AME funding we require has appeared in our baseline;
2. The lack of clearance of the submission prevents us from going out to public notification on the essential tariff tier change to be made from 1 October (but documents prepared). Following meeting with SPAD on 28 July I sent the requested update note on RHI financial management measures to him on 30 July. No response. I understand you issued a reminder on 7 August.
3. Reply received from DECC on budget issues. Basically says no spare UK funding and arrangements need to be made with HMT.
4. Preparation of "business case" to justify continued spend and assure VFM is ongoing but close to finalising (awaiting August figures available from next week). Positive NPV can be shown on spend but response to DFP, again, hampered by not being able to give assurance on introduction of further control measures.

Seamus, add anything else you can think of.

From: Stewart, Chris (DETI)

Sent: 11 August 2015 14:06

To: Wightman, Stuart

Cc: Mills, John (DETI); McIlwrath, Linda

Subject: RHI

Stuart

Grateful if you would let me know the latest position on RHI (Andrew has asked for a progress report), and it would be useful if I could relay to you the content of a further conversation with Tim Cairns on the subject.

C