

**From:** [Scott, Michelle](#)  
**To:** [McNally, Noel](#)  
**Cc:** [Millar, Angela \(DFP\)](#); [Benton, Sarah](#); [Houston, Michael](#); [Finlay, Christine](#)  
**Subject:** FW: Business Case Addendum - Non Domestic RHI Scheme Extension  
**Date:** 20 October 2015 12:28:38  
**Attachments:** [RHI Business Case Addendum \(Version 3\) \(091015\).docx](#)  
[RHI Business Case - Annex A - CEPA and AEA RHI Report 2011.pdf](#)  
[RHI Business Case - Annex B Original 2012 Business Case.docx](#)  
[RHI Business Case - Annex C - CEPA Phase 2 Report 2013.pdf](#)  
[RHI Business Case - Annex D Phase 2 Consultation Document \(2013\).pdf](#)  
[RHI Business Case - Annexe E - DSO Advice on scheme suspension.docx](#)  
[RHI Business Case - Annex F Non Dom RHI VFM Analysis.xlsx](#)  
[RHI Business Case - Annex G Domestic RHI VFM Analysis.xlsx](#)  
[RHI Business Case - Annexe H DARD paper on poultry shed heating requirem....docx](#)  
[RHI Business Case - Annex I Non Domestic Expenditure Forecast \(Version 2....xlsx](#)

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Noel

I mentioned the RHI addendum briefly to you a few weeks ago. This came in informally to me last week – but I was off for a few days so only got to it yesterday (or early this morning!).

Emer and I have been invited to attend the casework committee tomorrow (11am – but I need to double check as they haven't sent any email notification) – you are welcome to come along but I appreciate it is very short notice.

We understand from HMT that a decision on the future of the GB RHI scheme will be announced as part of next month's spending review, therefore the key decision for DFP will be how to handle an approval request beyond the current financial year.

Happy to speak

Michelle

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**From:** Scott, Michelle  
**Sent:** 20 October 2015 00:34  
**To:** Cooper, Trevor  
**Cc:** McFarlane, Iain; Brankin, Bernie; Morelli, Emer; Millar, Angela (DFP); McNally, Noel  
**Subject:** RE: Business Case Addendum - Non Domestic RHI Scheme Extension

Trevor

I agreed to come back with some initial comments before Wednesday's casework committee on this. I have only had the opportunity to have a quick first review of the documentation and will wish to seek the views of my economist and supply colleagues before responding more comprehensively. But in the meantime please see below a couple of quick reactions/queries – apologies for their rushed nature

In terms of the retrospective approval, it is clear that the reviews as set out within the non-domestic RHI OBC did not take place as regularly as intended – while the 2013 review is a plus, unfortunately it does not appear to have been implemented. The inclusion of the counterfactual within the document is particularly helpful in understanding what implications this has had on the value for money delivered by the scheme. To assist my understanding, it would be helpful if you could clarify -

The 2013 review (Phase 2 Review) concluded, amongst other things that annual cost control measures should be introduced. If I am reading para 2.9 correctly, it was then decided to focus on introducing the domestic RHI scheme and therefore the annual cost control

measures were not introduced. Looking at the 2013 consultation document a key issue consulted on was 'A method of cost control is to be introduced that will ensure budgets are not overspent and will hopefully remove the need for emergency reviews'.

I can't get a clear picture of why this 2013 recommendation was not implemented – apart from the references to the focus on the domestic scheme. However given the trigger points set out within the consultation document, had this recommendation been implemented then the trigger points would all have been hit and the scheme closed to new applicants until the next financial year (the annual budget for this year was £12m, forecast spend is now £24m), This would surely have triggered an earlier review of the tariffs than has been the case – particularly in light of the automatic tariff digression introduced in GB . Indeed the 2013 consultation document, on the face of it, appears to contradict para 4.11 of this addendum.

You are also seeking DFP approval to continue using Ofgem to administer the non-domestic scheme. While it does appear this provide is offering a vfm service, I am not clear on the procurement issues in terms of extending this contract to 2021. Are ofgem considered an internal service provider, was this contract tendered in 2012?

I am out at meetings most of tomorrow – however we will have an opportunity to discuss on Wednesday

Michelle

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**From:** Cooper, Trevor  
**Sent:** 13 October 2015 16:22  
**To:** Scott, Michelle  
**Cc:** Wightman, Stuart; McFarlane, Iain; Brankin, Bernie  
**Subject:** FW: Business Case Addendum - Non Domestic RHI Scheme Extension

Sorry michelle  
Word attached.  
Trevor