

From: [Scott, Michelle](#)
To: [Scott, Michelle](#)
Subject: FW: BUSINESS CASE ADDENDUM FOR THE NORTHERN IRELAND NON-DOMESTIC RENEWABLE HEAT INCENTIVE
Date: 23 February 2017 22:01:05
Attachments: [image001.gif](#)

From: Morelli, Emer
Sent: 07 December 2015 13:57
To: Scott, Michelle
Cc: Brennan, Mike; Millar, Angela (DFP); McBurney, Joanne; McGuinness, Jeff; Galloway, Pamela
Subject: RE: BUSINESS CASE ADDENDUM FOR THE NORTHERN IRELAND NON-DOMESTIC RENEWABLE HEAT INCENTIVE

Michelle

Many thanks and happy to discuss. I remain concerned at the spike in application numbers in October 2015 given DETI's view on this matter at our casework engagement in October.

Emer

From: Scott, Michelle
Sent: 07 December 2015 13:40
To: Morelli, Emer
Cc: Brennan, Mike; Millar, Angela (DFP); McBurney, Joanne; McGuinness, Jeff; Galloway, Pamela
Subject: FW: BUSINESS CASE ADDENDUM FOR THE NORTHERN IRELAND NON-DOMESTIC RENEWABLE HEAT INCENTIVE

Emer

Please see attached correspondence from Trevor Cooper on the RHI take-up since April 2015. As you will note, the cost implications of applications since October are considerable and have resulted in a £42m per annum spend of RHI from 2016-17, significantly above the cap indicated by HMT.

In considering how we take this forward with HMT, I do think we need to argue quite strongly that NI has made a more than proportionate contribution to the UK wide renewable targets, and the GB scheme wasn't replicated in NI in recognition of our very different energy market. Therefore, in a demand led scheme, it is difficult to ensure an exact population share of expenditure.

Furthermore, the funding arrangements for this scheme were not clearly communicated by DECC at the outset. The emails we have seen refer to a risk sharing arrangement for expenditure over the profile. The penalties suggested in this email were that the DECC would have to repay any overspend through cost savings announced in future SRs – it also stated that a small proportion of overspend would be funded by DEL (this amount had not been finalised but was likely to be in the order of 5% of overspend). We can argue that the changes to recoup the overspend are the reduction in tariff - and possibly the suspension of the scheme (should that policy decision be taken). Our penalty should then be 5% of the overspend.

If the scheme were suspended now, then in twenty years time our tariff payments would stop, while still continuing in GB at a rate of c £1bn per annum. We would not require the £29m population consequential which would, over a number of years, significantly erode the over spend.

There are clearly policy decisions which need to be taken in terms of controlling further spend – the recent tariff reductions have reduced the attractiveness of the scheme to new applicants, however if the scheme remains open there can still be new applicants with associated spend.

I will consider the funding issue further – however I do think that given the potential DEL funding implications it is worth rehearsing some of these arguments.

Perhaps we could discuss further this afternoon

Michelle

From: McCoy, Laura **On Behalf Of** Cooper, Trevor
Sent: 07 December 2015 13:05
To: Scott, Michelle
Cc: Rooney, Eugene; Stewart, Chris (DETI); Mills, John (DETI); Brankin, Bernie; McFarlane, Iain; Wightman, Stuart
Subject: BUSINESS CASE ADDENDUM FOR THE NORTHERN IRELAND NON-DOMESTIC RENEWABLE HEAT INCENTIVE

Michelle

Please see attached letter from Trevor Cooper for your attention.

Thanks.

Laura McCoy

Personal Secretary
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9200 (ext: 29200)
TextRelay: 18001 028 9052 9200
Web: www.detini.gov.uk



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From: [Scott, Michelle](#)
To: [Brankin, Bernie](#)
Cc: [Cooper, Trevor](#); [Morelli, Emer](#); [Millar, Angela \(DFP\)](#)
Subject: RE: RHI - 2015/16 Budgets
Date: 07 December 2015 11:09:24

Trevor/Bernie

Thank you for the figures below. When we met to discuss the RHI case in late October, the anticipated spike prior to the tariff reduction was estimated to be significantly more modest than these figures now suggest. Have these very recent new applications been verified and approved?

DETI had indicated that the driver of demand for the scheme was primarily the poultry industry, with some other agricultural industries and hotels. Has an assessment been undertaken of this spike in demand to determine the source – given the level of uptake to date from the poultry industry surely it was already close to saturation point?

Clearly, a £42m cost next year is significantly higher than the cost previously discussed – I would be grateful if you could advise how form the £42m figure is - have Ofgem produced this estimate?

Michelle

From: Brankin, Bernie
Sent: 04 December 2015 16:25
To: Scott, Michelle
Cc: Cooper, Trevor; Partridge, Jeff; Wightman, Stuart; Millar, Angela (DFP)
Subject: FW: RHI - 2015/16 Budgets

Michelle

Further to your telephone query, the RHI 2015/16 AME budget position is as follows:

2015/16 Opening £10,500k Resource & £1,140k Capital
2015/16 June Position - £21,801k Resource & £1,377k Capital
2015/16 November Position - £21,801k Resource & £1,377k Capital

Energy Division's latest forecast 2015/16 AME requirements for the RHI are as follows:

Capital Domestic = £1,377k

Resource Domestic = £1,787m
Resource Non Domestic = £27,183k
Total Resource = £28,970k

Notes:

- (1) It is worth highlighting that even with no new commitments in 2016/17 (i.e. if both schemes were to close on 31/3/16), annual AME commitments from 2016/17 onwards are forecast to be £42m.
- (2) If we are able to secure additional annual AME budget from 2016/16 onwards (over and above the £42m needed for existing commitments), it would be much easier to manage and tie into the scheme legislation if this was a total sum for

the budget period rather than a fixed annual profile.

Bernie

Bernie Brankin

Finance Branch

Department of Enterprise, Trade & Investment

Netherleigh

Massey Avenue

Belfast, BT4 2JP

Tel: 028 9052 9417 (ext: 29417)

TextRelay: 18001 028 9052 9417

Web: www.detini.gov.uk



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