

From: [Scott, Michelle](#)
To: [Scott, Michelle](#)
Subject: FW: TRIM:
Date: 23 February 2017 20:33:54
Attachments: [rhi lines to take.docx](#)

From: Cooper, Trevor
Sent: 08 December 2015 11:38
To: Scott, Michelle
Cc: McCormick, Andrew (DETI); Stewart, Chris (DETI); Rooney, Eugene; Mills, John (DETI); Wightman, Stuart; Brankin, Bernie
Subject: TRIM:

Michelle

Attached suggested lttts for your meeting today – happy to discuss.

Trevor

DEFENSIVE LINES ON NI RHI BUDGET**(1) NI NON DOMESTIC RHI SCHEME IS OUTPERFORMING GB SCHEME ON HEAT GENERATION AND A SIMPLE BARNETT TYPE COSEQUENTIAL SHOULD NOT APPLY**

- Low levels of uptake with NI Non Domestic RHI scheme initially led to £15m of under spend during the four year 2011-2015 period.
- During 2014, DETI introduced the full Domestic RHI scheme in December 2014 and actively promoted both schemes to try and increase uptake.
- A high level of uptake during the last 12 months now sees the NI Non Domestic scheme outperform the GB scheme from a heat generation perspective.
- The latest Ofgem figures at 30 September 2015 show that to date, 167 MW of renewable heating has been incentivised under the NI Non Domestic RHI scheme. This equates to 6.7% - 8.3% of GB capacity¹, yet the proposed NI allocations are still being based on 2.98% of DECC's allocations.
- So the operation of the Scheme confirms that a Barnett approach is inappropriate for this demand led scheme, and even more so when the issue we are seeking to address is renewables where the structure of heat generation is so very different and proportionate allocation should not apply from the perspective of best delivering our National policy aims.
- NI and GB RHI schemes are different schemes targeting different heat markets, although both schemes are collectively contributing to UK renewable energy target of 15% renewable energy by 2020.
- NI heating market is 70% reliant on oil whereas GB is almost 70% reliant on gas. Despite the current drop in oil prices, there should be much more scope in NI to switch households and businesses to renewable heating technologies. Oil is also a dirtier fuel than gas and generates much higher emissions. NI scheme should

¹ Range given based comparing current NI figures with latest GB figures (higher end) and (estimated up to date GB figures (lower end).

DEFENSIVE LINES ON NI RHI BUDGET

therefore deliver higher benefits in terms of CO2 savings and resources should be applied to secure these higher benefits.

- To date 167MW of renewable heating has been incentivised under the NI Non Domestic RHI scheme. This equates to 8.3% of GB non domestic capacity yet the proposed AME allocations are still based on 2.98% of DECC's allocations. Even allowing for a 25% increase in installed capacity on the GB scheme over the last 2 months, installed capacity on the NI is still 6.7% of GB.
- If future NI RHI AME allocations were based on 6.7% of GB allocations, this would funding existing commitments going forward. It would still likely mean closing or suspending both schemes during 2016/17 but would enable restricted support for new installations to start being made available again in 2017/18. An 8.3% allocation would provide more options for earlier support for further new installations.

	Proposed AME Allocations in £Ms					
	15/16	16/17	17/18	18/19	19/20	20/21
Estimated reduced DECC AME allocation²	430	640	780	900	1010	1150
Proposed HMT NI allocation	?	18.3	22.3	25.7	28.9	?
NI Allocation at 6.7% of DECC	28.8	42.9	52.26	60.3	67.67	77.1

- Secretary of State for DECC has previously said that GB renewable heat scheme is under-performing. From a National perspective resources should be at least targeted in line with delivery.

² Reduced DECC budget provided by Ofgem.

DEFENSIVE LINES ON NI RHI BUDGET

(2) LACK OF COMMUNICATION OR CONSULTATION ON PROPOSED AME CAP / CUTS

- At no time were either DFP or DETI made aware of planned caps / cuts on future NI RHI AME allocations [and nothing in Conservative Manifesto to indicate this].
- If we had known, the Domestic RHI scheme would not have been introduced and no scheme marketing and promotion would have been carried out.
- Commitments entered into prior to SR Announcement on 25 November 2015 should therefore be honoured in NI AME allocations.

DEFENSIVE LINES ON NI RHI BUDGET**(3) Existing Annual Commitments Must Be Met**

- Increase in uptake has seen Non Domestic installations increase from 522 to 1,802 from April to November 2015. Committed annual Non Domestic RHI commitments have increased from £12.3m to £40m over the same period.
- All these new commitments have occurred before the SR announcement and DETI/DFP being made aware of HMT's proposed AME caps/cuts.
- With committed Domestic RHI payments (£2.2m/year) and forecast new Non Domestic RHI applications until 31/3/16 (£2m/year), committed annual expenditure is expected to be £44m from 2016/17 onwards. 2015/16 expenditure is forecast to be £30m.
- New commitments from April 2016 onwards will increase annual commitments further. Therefore with the funding proposed, the only likely option available to DETI is to try and close both RHI schemes by 31 March 2016 to avoid the additional costs of further new commitments.
- Closing the schemes however will not impact on the existing £44m of annual commitments which DETI is legally bound to pay for the next 20 years. Closing the schemes is likely to trigger a spike in demand and increase annual future annual expenditure further.
- Retrospectively changing existing annual payments for accredited installations would entail very significant legal risks so DETI has no way of reducing the costs of existing commitments.
- We therefore request that future NI AME allocations are provided to at least meet the existing annual commitments of £30m in 2015/16 and £44m from 2016/17 onwards.
- If no additional AME funding can be allocated for new RHI commitments from 2016/17 onwards, it is at least in the DETI Minister's control to close or suspend both RHI schemes (though it would be a shame to close the domestic).

DEFENSIVE LINES ON NI RHI BUDGET