

From: [Morelli, Emer](#)
To: [Brennan, Mike](#)
Cc: [Scott, Michelle](#); [Downie, Jill](#)
Subject: RHI timeline
Date: 27 January 2016 12:47:09
Attachments: [Doc1 \(6\) \(2\).docx](#)

Mike

RHI timeline, covering note coming now.

Emer

Timeline – Non-Domestic RHI DFP – DETI engagement

3 June 2015	A potential RHI issue was raised by DETI in the margins of a stocktake – a meeting was arranged to discuss the issue
12 June 2015	DFP/DETI Meeting - DFP notified of issue with non-domestic scheme approval and AME cover Action Points from meeting – <ul style="list-style-type: none"> • DETI to write to DFP regarding approval issues • DETI to engage with DECC to establish basis of AME funding agreement. <p>Note – at this stage the scale of issue was unknown.</p>
July/August	Ongoing engagement on AME cover – DETI seeking clarification from DECC on the detail of the arrangement. Ongoing prompting from DFP to DETI regarding the business case addendum – discussions included approach, content and timing of submission
12 August 2015	RHI covered in budget structures pre-meeting between DFP and DETI. DFP against pressed for submission of business case and clarification on DECC funding arrangement. DETI officials had been engaging with DECC on AME cover, and it had been raised at senior level, however department were having difficulty getting clarity
30 September 2015	DFP-DETI one agenda item meeting – seeking update/action on RHI DETI prompted on business case submission. DFP asked DETI about need for consultation and any potential impact on legislative change. DFP also queried why there had been a delay in implementing recommendations from April 2013 consultation.
13 October 2015	Informal submission of draft addendum to DFP for early engagement
19 October 2015	DFP responded with informal comments in advance of casework
21 October 2015	DETI RHI Casework committee – DFP in attendance and challenged on a number of key issues including market intelligence, failure to implement the consultation recommendations and need for consultation

27 October 2015	Formal submission of approval request to DFP
29 October 2015	DFP approval for tariff reductions issued Approval was time bound to reflect the funding uncertainty beyond 2015-16
25 November 2015	DFP/DETI Engagement on RHI references within SR document – DETI alerted to a cap however, at this stage, level unknown.
3 December 2015	Request from DFP to DETI to <ul style="list-style-type: none"> • provide cost projections taking into account recently highlighted spike in demand and • consider how quickly the scheme could be closed.
4 December 2015	Initial notification from DETI that the costs could rise to £42m in 2016-17
7 December 2015	DETI formally notify DFP revised cost projections, which includes considerable spike in demand in October 2015 DETI informed (informally as numbers not yet confirmed) of AME profile proposed by HMT
8 December 2015	DFP meeting with Treasury on AME funding DETI kept fully informed of discussions and implications for NI Block
21 December 2015	DFP decline approval for retrospective element and seek urgent update on the actions DETI are taking Highlights considerable affordability gap
Early January	DFP advised DETI of outcome of CST letter. DFP informed DETI has put paper to the Enterprise Minister recommending closure of scheme.
26 January 2016	DFP – DETI meeting on update on actions DFP issue letter to DETI confirming AME allocation as set out within the settlement letter and seeking an urgent update on actions DETI are taking.



Head of the Civil Service

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HCS/018/16

FROM: MALCOLM MCKIBBIN
DATE: 27 JANUARY 2016
TO: ANDREW McCORMICK

RENEWABLE HEAT INCENTIVE

I am writing to you on foot of our conversation last night and your subsequent email to DETI officials on the RHI issue. I am extremely concerned over the escalating costs of this scheme and its potential to materially impact on the 2016/17 budget and, indeed the budgets of subsequent years.

I understand that this has been the subject of ongoing engagement between DFP and DETI for some time. The most recent DFP correspondence is a letter to DETI from Emer Morelli yesterday referring to the Chief Secretary's letter of 13 January to the Finance Minister setting out the level of AME cover from 2016/17 to 2019/20. Emer emphasised DFP's real concerns about the rising costs and their implications. I also understand the unfunded pressure for 2016/17 could be as high as £33 million and that you have been communicating with David Sterling on this issue.

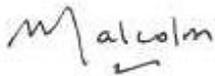
I note that you are looking at options to close the scheme as soon as possible. Given the seriousness of the situation, I would ask you to let me know what actions you are taking to expedite this matter so that I can keep the First Minister and deputy First Minister informed.

I understand the Northern Ireland Audit Office has been advised of DFP's decision not to grant approval for the retrospective element of the RHI addendum which DETI

submitted to Supply in October 2015. It would therefore be prudent to investigate how this 'unfunded' budgetary pressure arose.

A further matter I believe requires your attention relates to correspondence (copy attached) which I was given by the First Minister who received it from a constituent concerning perceived abuse of the scheme. I believe that DETI or its 'managing agent' needs to consider this issue.

Finally in your email last night, into which I was copied, you advised that you had a clear message from your Minister and his Special Adviser that the RHI issue was now a matter for the First Minister and me. I have spoken to the First Minister who has made it quite clear that it is the responsibility of DETI to mitigate costs and to urgently cease accruing further liabilities from this scheme for the NI Block in 2016/17 and beyond.

A handwritten signature in black ink that reads "Malcolm" with a small arrow pointing to the right below the name.

MALCOLM MCKIBBIN

DETI KEY ISSUES

RENEWABLE HEAT INITIATIVE

1. Supply's first engagement on this issue was in June 2015, see attached timeline. Since then Supply has had ongoing engagement with DETI Finance colleagues and through the casework process, Energy Branch officials.
2. Supply's initial concerns were in relation to VFM and DETI's response to an increase in applications to the Non-Domestic Scheme. This was in the context of advice from DECC that the Spending Review could bring changes to the English scheme.
3. In order to allow DETI to take forward the required legislation to reduce the prospective reductions to the Tariff, DFP awarded prospective approval to the scheme in October 2015 until end March 2016. This was in advance of the Spending review announcement and based on DETI's affordability assessment at that time.
4. In the event the Spending Review announcement maintained the scheme, however further guidance was received from Treasury as to NI's AME cover for the scheme going forward. There then followed an intensive engagement with Treasury on this scheme. DETI officials also provided an update of costs at this time with a significant spike shown in advance of the Tariff reduction in November 2015. This spike increased the cost significantly and has led to the increased pressure facing the scheme.
5. In response to this position DFP advised that the retrospective was irregular and notified the Audit Office accordingly. In addition DETI was asked to detail the measures to be taken to reduce costs going forward.
6. This message was further conveyed to DETI by email, telephone calls across the Christmas period. DFP was advised at that time that DETI officials had recommended to their Minister that the scheme be closed.
7. At a follow up meeting on 26 January 2016, DETI officials advised that the submission recommending closure had only been submitted on 19 January 2016 and that a decision had yet to be made. A decision was required to allow the required legislation to proceed and close the scheme within the current mandate.