

**From:** [Scott, Michelle](#)  
**To:** [Brennan, Mike](#); [Morelli, Emer](#)  
**Subject:** DfE Meeting on RHI  
**Date:** 14 October 2016 14:11:37  
**Attachments:** [Doc1.docx](#)

---

Mike/Emer

Please see attached suggested questions for Monday's meeting with DfE

Michelle

---

**From:** Scott, Michelle  
**Sent:** 12 October 2016 13:45  
**To:** McMurray, Stephen  
**Cc:** Brennan, Mike; Cousins, Heather; Morelli, Emer  
**Subject:** RE: RHI note to DfE

Stephen

Following on from our conversation earlier in the week, and in light of recent developments in respect of the ongoing audit work, I think it would be helpful to now schedule a meeting regarding progress to date on the points highlighted below.

If you are agreeable, I will arrange for Mike's office to liaise with you and Heather to find suitable date.

Many thanks

Michelle

---

**From:** Scott, Michelle  
**Sent:** 01 June 2016 09:56  
**To:** McMurray, Stephen  
**Cc:** Brennan, Mike; Cousins, Heather; Morelli, Emer  
**Subject:** FW: RHI note to DfE

Stephen

We had a useful meeting on Friday on RHI

In response to DoF queries, it was confirmed that DfE has sought legal advice (DSO) on options available to reduce the ongoing RHI financial pressure. These options include the introduction of a cap for all installations. DoF welcomed this approach - and asked whether DfE had also sought legal advice on other cost control measures including the introduction of a tiered tariff to be applied on a prospective basis to installations established under original tariff conditions. In addition, DoF questioned the legal position regarding the large installations which have been granted preliminary accreditation. DfE agreed to follow up on these points with DSO - DoF would be kept informed of progress.

DoF also asked for an update on the ongoing audits, and stressed the need for a timely field audit given the concerns raised. DfE representatives set out the inspection schedule which had been agreed between Ofgem and Deloitte, and reported that Michael Woods, the DfC internal auditor, has reviewed and agreed the audit approach.

The funding requirement at June monitoring was also discussed. It was confirmed at the recent DoF/DfE stocktake that the £32.4m RHI bid was based on a worst case scenario, and it was agreed that the DfE bid should be based on a more realistic scenario to reflect inevitable drop outs, along with the outworkings of the ongoing assessment and audit process. It was confirmed that any tariff adjustments which can be introduced would not impact on the 2016-17 funding requirement.

Turning to the recent NIAO report, I have added some comments in the attached document and I am happy to discuss. The figures in relation to applications and annual costs are different to the latest position notified to DoF – in particular Trevor Cooper's letter of 7 December outlined 828 applications during the retrospective period with an annual cost of £17.74m – which is the figure notified by DoF to NIAO. We have no way of checking the figures, but have assumed DfE are content.

I am happy to discuss

Michelle

## Questions for RHI Meeting

### Update on points raised at 27 May meeting

At our May meeting DfE reported that DSO advice had been sought on options available to reduce the ongoing RHI financial pressure -

What action has been taken as a result of this advice?

What is the timing?

What are the legal risks?

Are there any precedents on adjusting tariffs or introducing Caps

Has there been any engagement with DECC?

DoF asked what the legal position is in regard to the large installations which have been granted preliminary accreditation. What is the latest position on this point – has DSO advice now been sought?

### Ongoing Audits

What action has been taken in relation to the Category 2, 3 and 4 cases which were identified by the PwC audit?

What is the DSO view on the DfE proposals?

### Affordability

Is the total cost of the scheme per annum still as outlined at Table 8 of the NIAO report?

	<b>16-17</b>	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>Total</b>
Total cost	50,700	51,700	54,800	55,700	56,600	269,500
AME allocation	18,300	22,300	25,700	28,900	34,300	129,500
<b>Deficit</b>	<b>(32,400)</b>	<b>(29,400)</b>	<b>(29,100)</b>	<b>(26,800)</b>	<b>(22,300)</b>	<b>(140,000)</b>

It is noted that DfE has managed £5.6m of the RHI pressure from within the departmental budget. Is there any further scope to manage this more of this pressure in-year?

We have not yet received your input to the Budget exercise (which was due on 10 October). How do you propose to manage the RHI pressure in future years?

### State Aid

Has DfE satisfied itself that the scheme remains state aid compliant?

## Questions for RHI Meeting

### Update on points raised at 27 May meeting

At our May meeting DfE reported that DSO advice had been sought on options available to reduce the ongoing RHI financial pressure -

What action has been taken as a result of this advice?

What is the timing?

What are the legal risks?

Are there any precedents on adjusting tariffs or introducing Caps

Has there been any engagement with DECC?

DoF asked what the legal position is in regard to the large installations which have been granted preliminary accreditation. What is the latest position on this point – has DSO advice now been sought?

### Ongoing Audits

What action has been taken in relation to the Category 2, 3 and 4 cases which were identified by the PwC audit?

What is the DSO view on the DfE proposals?

### Affordability

Is the total cost of the scheme per annum still as outlined at Table 8 of the NIAO report?

	<b>16-17</b>	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>Total</b>
Total cost	50,700	51,700	54,800	55,700	56,600	269,500
AME allocation	18,300	22,300	25,700	28,900	34,300	129,500
<b>Deficit</b>	<b>(32,400)</b>	<b>(29,400)</b>	<b>(29,100)</b>	<b>(26,800)</b>	<b>(22,300)</b>	<b>(140,000)</b>

It is noted that DfE has managed £5.6m of the RHI pressure from within the departmental budget. Is there any further scope to manage this more of this pressure in-year?

We have not yet received your input to the Budget exercise (which was due on 10 October). How do you propose to manage the RHI pressure in future years?

**From:** [Scott, Michelle](#)  
**To:** [Brennan, Mike](#); [Morelli, Emer](#)  
**Subject:** RHI Meeting  
**Date:** 14 October 2016 15:19:20  
**Attachments:** [Doc1 \(3\).docx](#)

---

Mike/Emer

I have revised slightly to add a prompt on state aid compliance

Michelle

**From:** [Brennan, Mike](#)  
**To:** [Scott, Michelle](#)  
**Cc:** [Morelli, Emer](#)  
**Subject:** RE: DfE Meeting on RHI  
**Date:** 14 October 2016 14:17:02

---

Michelle – thanks.

These questions are fine – serving as the starting point for the meeting. I suspect that the answers provided will take us into other areas. The key issue is that we are formally recorded as asking these questions. This is something we will have to demonstrate to others in the coming months / years

M

---

**From:** Scott, Michelle  
**Sent:** 14 October 2016 14:12  
**To:** Brennan, Mike; Morelli, Emer  
**Subject:** DfE Meeting on RHI

Mike/Emer

Please see attached suggested questions for Monday's meeting with DfE

Michelle

---

**From:** Scott, Michelle  
**Sent:** 12 October 2016 13:45  
**To:** McMurray, Stephen  
**Cc:** Brennan, Mike; Cousins, Heather; Morelli, Emer  
**Subject:** RE: RHI note to DfE

Stephen

Following on from our conversation earlier in the week, and in light of recent developments in respect of the ongoing audit work, I think it would be helpful to now schedule a meeting regarding progress to date on the points highlighted below.

If you are agreeable, I will arrange for Mike's office to liaise with you and Heather to find suitable date.

Many thanks

Michelle

---

**From:** Scott, Michelle  
**Sent:** 01 June 2016 09:56  
**To:** McMurray, Stephen  
**Cc:** Brennan, Mike; Cousins, Heather; Morelli, Emer  
**Subject:** FW: RHI note to DfE

Stephen

We had a useful meeting on Friday on RHI

In response to DoF queries, it was confirmed that DfE has sought legal advice (DSO) on options available to reduce the ongoing RHI financial pressure. These options include the introduction of a cap for all installations. DoF welcomed this approach - and asked whether DfE had also sought legal advice on other cost control measures including the introduction of a tiered tariff to be applied on a prospective basis to installations established under original tariff conditions. In addition, DoF questioned the legal position regarding the large installations which have been granted preliminary accreditation. DfE agreed to follow up on these points with DSO - DoF would be kept informed of progress.

DoF also asked for an update on the ongoing audits, and stressed the need for a timely field audit given the concerns raised. DfE representatives set out the inspection schedule which had been agreed between Ofgem and Deloitte, and reported that Michael Woods, the DfC internal auditor, has reviewed and agreed the audit approach.

The funding requirement at June monitoring was also discussed. It was confirmed at the recent DoF/DfE stocktake that the £32.4m RHI bid was based on a worst case scenario, and it was agreed that the DfE bid should be based on a more realistic scenario to reflect inevitable drop outs, along with the outworkings of the ongoing assessment and audit process. It was confirmed that any tariff adjustments which can be introduced would not impact on the 2016-17 funding requirement.

Turning to the recent NIAO report, I have added some comments in the attached document and I am happy to discuss. The figures in relation to applications and annual costs are different to the latest position notified to DoF – in particular Trevor Cooper's letter of 7 December outlined 828 applications during the retrospective period with an annual cost of £17.74m – which is the figure notified by DoF to NIAO. We have no way of checking the figures, but have assumed DfE are content.

I am happy to discuss

Michelle