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Frazer, Helen

From: Sterling, David
Sent: 15 December 2016 17:53
To: Brennan, Mike
Subject: RE: DfE EXEC-1048-2016: Version 1: Version 1 Executive Paper Renewable Heat Incentive

Mike

Noted thanks. We'll need to make sure that any scheme to reduce the future liability doesn't result in customers reverting to fossil fuels thereby giving Treasury an excuse to reduce future budget provision.

Davis

From: Brennan, Mike
Sent: 15 December 2016 17:17
To: Sterling, David
Subject: FW: DfE EXEC-1048-2016: Version 1: Version 1 Executive Paper Renewable Heat Incentive

David – for info.

I asked Supply to send this as we need to pre-empt HMT asking if the AME allocation to non-domestic schemes is still being used for original purposes. Worryingly HMT indicate that they are now getting PQs asking such questions. If HMT withdraw access to some or all of the AME allocation then we have a larger DEL pressure.

M

From: Scott, Michelle
Sent: 15 December 2016 17:04
To: McMurray, Stephen
Cc: Brennan, Mike; Morelli, Emer
Subject: DfE EXEC-1048-2016: Version 1: Version 1 Executive Paper Renewable Heat Incentive

Stephen

I note the reference in the attached Executive paper to recent analysis by the department which demonstrates the pre 18 November tariff could generate returns in excess of 100% for 99kw biomass installations. The addendum submitted to DFP in October 2015 stated that the rate of return for a typical 99kw boiler was around 33% under the original tariff regime - and this rate of return was driving the need to reform the tariff by introducing a tier and cap. Clearly at that time the potential rates of return for the scheme were significantly underestimated.

HMT provided funding to Northern Ireland to support the uptake of renewable heat technologies, and to contribute to the UK target of increasing the share of renewable energy to 15% by 2020.

I would be grateful if you could consider what defensive lines could be deployed to justify NI's continued access to this funding. While significant shortcomings have been identified in the scheme, has DfE undertaken any assessment of what proportion of the annual RHI bill is within the original parameters envisaged at scheme launch and is therefore delivering value for money?

For example, I assume there is ongoing monitoring and review of the domestic scheme and DfE is content this proportion of the overall RHI budget is delivering VFM? What proportion of non-domestic installations have successfully replaced heat with an economic

use which would otherwise be generated by fossil fuels in exchange for a rate of return which is within the original parameters?

I note the PPE for the non-domestic RHI scheme was originally due in August 2015 - this was based on the scheme completing in March 2015. DfE has asked for the PPE date to be put back to March 2018. Given the very significant lessons to be learned from the operation of this scheme I would be grateful if you could advise if the PPE could be completed any earlier than this date - particularly in light of the detailed analysis and review which is currently being undertaken by the department.

Many thanks

Michelle