

Morelli, Emer

From: McCormick, Andrew (DFE)
 Sent: 18 December 2016 07:38
 To: Simon Hamilton
 Cc: John Robinson; DfE SpAd; Tweedie, Siobhan; McCoy, Laura; McCann, Brendan; Cousins, Heather; Sterling, David; Morelli, Emer; Scott, Michelle
 Subject: Fw: Immediate RHI Cost Control Options

Sorry, in my tiredness and confusion I had forgotten why I liked Option C so much when it was first suggested by Emma Pengelly on 3 November.

Option C and only option C kills all the abuse of the scheme instantly. In the other options, the reduced tariff would be delayed and abuse would only be picked up when inspections happen, which will take time.

I could not finalise my view on this as Accounting Officer before confirmation that (a) the EU Commission would agree; and (b) that the idea stood up based on legal advice. Now that these confirmations are in place, as Accounting Officer my formal advice is that it is essential that we proceed to close the scheme as soon as we possibly can, using Option C – which means as soon as we have a viable compensation scheme settled and have secured HMT agreement to the budgetary consequences. We should be able to have these in place for 16 January 2017.

Hope this helps.

Site visits → £2.0m site visits.
 PWC: not responsible for final judgments
 premi do the things we are going to
 eligibility & final conditions.

degenerate
 expected.
 better yr after
 post November
 tariff.

Option C: - Anticipation in UK law →
 Option A → B New scheme need to be
 updated and

take its responsibility
 EU state aid.

Option C Variant: Premium for new scheme.

Compensation payment: - on new scheme effective on new
 tariff.

- ① stream → no one
- ② stream 2 → no negligence.

Help find closure - business spent.
 → take down line of argument
 and premium for it.

high. EU clear. 6 mths.
 system. ✓

Optica
 inspection ✓

computer scheme → how long system would take.

min of legal challenge.

start system a exit process.
 dir consultation period.

+ type of challenge.

min / structured approach.

- ① migrate regime across
 [closure date + payment date]

all recalculate to date of
 expenditure: - in the system.
 200 in cost basis } worst case scenario

- ① 1st July 2002
- ② know of of post
 out of cycle

A regime a new inspection under
 of non-downside future.
 14 suspended

- ② OFGEM: process
 from 100% inspection
- ③ police team by now
- ④ OFGEM watchdog.

- ① Inspection firm
- ② OFGEM list
- ③ hours for 100% inspection on
 with a car

From: [Morelli, Emer](#)
To: [Scott, Michelle](#); [Morelli, Emer](#); [Brennan, Mike](#)
Cc: [Scott, Michelle](#)
Subject: Re: Immediate RHI Cost Control Options
Date: 18 December 2016 13:11:27

Thanks Michelle

Agree with points below. I am due to speak with Minister at 6.00 and will reflect this and David's advice of last night.

Many thanks

Emer

Sent from my BlackBerry 10 smartphone.

From: Scott, Michelle
Sent: Sunday, 18 December 2016 12:16
To: Morelli, Emer; Brennan, Mike
Cc: Scott, Michelle
Subject: Re: Immediate RHI Cost Control Options

Emer/Mike

Any course of action will require our approval - and will need to be supported by a commensurate business case which sets out the costs, benefits and risks of the options open to DfE.

Andrew makes a very good point about the time lag involved in driving abuse out of the scheme. And of course we must be guided by the legal advice.

However, we need to fully understand the risks attached to the DfE preferred option. Robust inspections will still be required to ensure those abusing the scheme are not compensated.

There also needs to be clarity that the compensation payments have been appropriately calculated, and that the return is based on evidence of the purchase price of the boiler. The estimated rates of return on this scheme have changed dramatically over the year - starting at 33% in October 2015 and now estimated as high as 900%. Therefore the departments understanding of how this scheme operates is still evolving.

I want to avoid being in the position as we were in in October 2015 - with limited time to approve a very complex case.

I will bring the Economist team up to speed on this on Monday - there may be merit in pulling Tony into this now to ensure we can move quickly once required.

Michelle

Sent from my BlackBerry 10 smartphone.

From: Morelli, Emer
Sent: Sunday, 18 December 2016 09:03
To: Brennan, Mike
Cc: Scott, Michelle
Subject: Fw: Immediate RHI Cost Control Options

Mike

For info

Emer

Sent from my BlackBerry 10 smartphone.

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