

3

Frazer, Helen

From: Sterling, David
Sent: 06 January 2017 14:44
To: Murphy, Shane
Cc: Montgomery, Paul
Subject: RE: Biomass cost

Shane

Points noted and understood. I agree we need to find time to get this right whether that's in one or more stages.

David

From: Murphy, Shane
Sent: 06 January 2017 09:39
To: Montgomery, Paul; Sterling, David
Subject: RE: Biomass cost

David,

Also need to bear in mind that this is the input cost of Pellets and the Payments are based upon heat output (and there is a heat loss in the conversion process of circa 15%) so the equivalent cost vrs the RHI tariff is more like 3.8kWh/0.85, or 4.01kWh/0.85 using the NIAO figures (so more this 4.5p to 4.7p after the efficiency of the boiler is taken account of).

This is exactly the sort of reason why we would not want to just slap on the Nov 15 Tariff in perpetuity without a dam good think as to how we might redesign the tariff to more protect returns to genuine users and squeeze return to those who had no heat load reason to install a boiler. There are thoughts in my head about how we might completely redesign the tariff structure to better do this but this takes time and effort which we don't really have at the minute (Paul, I can explain my ideas in more detail when I get a chance – you may well have been having similar thoughts).

Shane

Shane Murphy
 Analytical Services
 Department for the Economy
 Adelaide House
 39-49 Adelaide Street
 Belfast, BT2 8FD
 Tel: 028 9041 6951 (ext: 26951)
 Mob: Personal information redacted by the RHI Inquiry
 TextRelay: 18001 028 9041 6951
 Web: www.economy-ni.gov.uk

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From: Montgomery, Paul
Sent: 06 January 2017 09:16
To: Sterling, David; Murphy, Shane
Subject: RE: Biomass cost

David,

Many thanks for this.

Received from DoF on 03.10.2017
 Annotated by RHI Inquiry

We would intend to review all the assumptions as part of the next stage of the process. For this stage we have assumed a running cost for Biomass Boilers of 4.01p per kwh, which is in line with the NIAO report.

Paul

From: Sterling, David
Sent: 06 January 2017 08:13
To: Montgomery, Paul; Murphy, Shane
Subject: Biomass cost

Paul/Shane

The reference to biomass cost I mentioned yesterday was in the attached Slugger article from someone called Mark Anderson who I don't know but seems to be a lecturer on biomass at UU. He says:

"From speaking to a few who purchase pellets regularly, the cost to produce heat, including conversion efficiency, is now as low as 3.8p/kWh. At this rate, it is now a lucrative "business" to burn fuel regardless of the need for heat."

I have no idea about the veracity of this but, if true, it would surely raise a question about the need for inflationary uplifts in the tariff and indeed the level of the tariff itself (recognising that the tariff is designed to do several things).

David

<http://sluggerotoole.com/2016/12/19/a-reliable-guide-to-the-rhi-issue-without-the-hot-air/>

David Sterling

Permanent Secretary
Department of Finance
Clare House
303 Airport Road
Belfast, BT3 9ED

Tel: 028 90 816590 (ext 76590)

Mob: Personal information redacted by
the RHI Inquiry

TextRelay: 18001 028 90816590

Email: david.sterling@finance-ni.gov.uk

Web: www.finance-ni.gov.uk

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Follow Up Flag: Follow up
Flag Status: Completed

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Permanent Secretary
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303 Airport Road
Belfast, BT3 9ED

Tel: 028 90 816590 (ext 76590)

Mob: Personal information redacted by the RHI Inquiry

TextRelay: 18001 028 90816590

Email: david.sterling@finance-ni.gov.uk

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