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**Subject:** RHI - Rates of Return engagement  
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Eoin

As discussed, there has been further engagement between DoF and DfE officials on the rate of return query.

In essence, the query arose on back of the 14 December Executive Paper which stated the maximum rate of return for a heating system installed after 18 November 2015 is 19%. DoF officials queried how this rate compared to the 11.6% - 12.8% outlined within the October 2015 addendum. Both the 11.6% - 12.8% and the 19% had been compared to the 12% rate of return (as notified to the Commission) in the relevant document.

Our engagement with DfE to date has highlighted that the addendum used a different comparator for the 12% rate of return notified to the Commission.

The rates of return for the tiered tariff has now been calculated on the same basis as the 12% by DfE. This analysis demonstrates that the rates of return achievable under three scenarios range from 11% to 19%, with 19% being the maximum return achievable. It must be acknowledged when quoting any rates of return that these can only be estimates, as the movement in any of the underpinning cost assumptions (boiler costs, boiler efficiency and fuel prices) will change the rate of return achievable.

In response to the clarification provided by DfE, DoF has asked DfE to confirm that their October 2015 conclusion on value for money has not been undermined.

I am happy to discuss in the meantime

Michelle