

# Moy Park

# AGENDA

700 farmers  
1/2 of which use RHI bundles.

- Moy Park Perspective
- Understanding Forecast 20 year NI RHI Budget Deficit
- Poultry Farming Benchmarking
- Existing Conditions of Scheme
- Robust Auditing
- Budget Implications
- Potential Adjustments
- Summary

# Moy Park Perspective

- Long Term commitment to Hot Water Heating in Poultry Farming
- GB & NI RHI Schemes
- Advocates of responsible use – underpinned by benchmarked data
- Budget Compliance
- Partnership approach.

# challenge NIAO audit assumption.

# Understanding the forecast budget deficit

- Total Forecast £1.2bn with deficit £0.5bn?
- Poultry Industry Usage assumptions unclear
  - 24/7 use 'not recognized' hours empty certain weeks
  - need less heat as birds get older.
  - CHP approve / pre-approved
  - DfE need to ensure that the inspections have necessary expertise
  - audit of business case level  $\rightarrow$  boiler usage rate.
  - pellet cost 1.1 p/kWh
- CHP plants 2018/19

# CHP Plants – included - £180,000,000!

**Table 7: RHI Applications and associated costs 2012 to 2016**

Period	Application Numbers	Annual Cost £m	Total 20 Year cost <sup>3</sup> £m
<b>Non-domestic schemes</b>			
Nov 2012 – March 2015	564	13.2	285
April to September 2015 *	359	6.4	195
October 2015 *	429	5.5	250
November 2015	452	4.8	235
December 2015 – March 2016	324	0.6	185 <sup>4</sup>
<b>Total non-domestic</b>	<b>2,128</b>	<b>30.5</b>	<b>1,150</b>
Domestic schemes	2,721	4.6	30
<b>Total commitment to 31 March 2016</b>	<b>4,849</b>	<b>35.1</b>	<b>1,180</b>

Contestable business case – Wood Pellet production away from source

Hidden in this number – not explicit (0.6M \* 20 + inflation = £6M from £185m = £180M)



<sup>4</sup> Assumes that 2 large CHP (combined heat and power) plants with preliminary accreditation will proceed in 2018-19

# Understanding the forecast budget deficit

- Total Forecast £1.2bn with projected deficit £0.5bn?
- Poultry Industry Usage assumptions?
- CHP plants 2018/19?
- Applicants versus Boilers?
- 12 month Payments – order of cost per boiler
- Forecast assumes no fall-out over 20 years

# Poultry Farming Benchmarking

- CAFRE July 2015 evidence based paper published
  - Consistent with Moy Park GB & NI Data set
  - c1,800 - 2,000kWh per thousand standard birds per crop PA
  - Audit Summary
    - Processor Payments – thousand bird produced
    - Audited Accounts
    - Fuel Purchase summary invoices
    - Bank Statements – purchase of fuel
    - Maintenance Records and Certification
- 350 forms  
but don't see all  
the audit info.*
- 
- Auditor General stated possible for Poultry Boiler to run 24/7 – 800,000kWh experience and CAFRE paper shows more like 400,000kWh

# Existing Conditions of the Scheme

- **Annual declarations** 2.24 All participants

“Confirm they are not generating heat for the predominant purpose of increasing their periodic support payments”

- **Evidence of criminal activity**

“may refer the case to the relevant authorities for investigation.”

Source: Department of Economy NI **Guidance for non-domestic RHI applicants**



# Immediate need for Robust Auditing

- Resourced and informed – across sector and disciplines
- Examples – EU Single Payment
- Audit Specification
  - Independent and rapid
  - Technical – installation, meter integrity & fuel purchase
  - **New Approach Business Case** – evidence of appropriate business activity ... Production v Usage  
BENCHMARKING across sectors ... proof required
- Inappropriate usage
  - Fraud – trigger point e.g. greater than 50% Hours running PA
  - Inefficient Use
    - Unnecessary Use – business case outside normal commercial heating requirement
    - Over usage – benchmarking across sectors
    - Inefficient Buildings/Process – inefficiency inadvertently rewarded

# 20 Year Budget Implications

• Total Predicted Spend (20 years) worst case £1,200,000,000  
- (Predicted over spend £480,000,000)

- CHP Plants – included but not RHI as we know it
- Potential disqualified boilers (PWC 4.5%)
- Inappropriate usage/over estimated  
– efficiency based est20%

-£ 180,000,000 ?

-£ 100,000,000 } inspection process

-£ 170,000,000 }

Invalidated assumptions and drop out

-£ 50,000,000

- Net potential less savings £ 700,000,000
- Estimated Westminster Funding £720,000,000

• Assumptions very general both in spend and savings – needs more detailed analysis

# Potential Adjustments to the NI Scheme

## Original Intent

- Replace Fossil Fuel with Renewable
- Support capital investment in renewable systems
- Mitigate fuel cost increases renewable v fossil

## Adjustments

- Maintain a level playing field across NI & GB
- Retrospective Tiering
- Separate investment costs in infrastructure from fuel
- Index link fuel costs to a basket of fuels

# Summary

- Long Term commitment to Hot Water Heating in Poultry Production
- GB & NI RHI Scheme
- Advocates of responsible use – underpinned by benchmarked data
- Budget
  - Forecast needs to be validated
  - Auditing can drive Budget compliance
- GB & NI RHI Scheme
- Partnership approach.