

Action

Moy Park to give bulls  
on requirements of  
audit.

2011 Consultation?

# Moy Park

# AGENDA

- 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 *competitors have access to CB scheme*
- Advocates of responsible use – underpinned by benchmarked data
- Budget Compliance
- Partnership approach.

# Understanding the forecast budget deficit

- Total Forecast £1.2bn with deficit £0.5bn?
- Poultry Industry Usage assumptions unclear
- CHP plants 2018/19

⇒ Worth challenging NIAO figures

↳ 24/7 use not recognised for Poultry.  
 \* usage - houses need lower temps - close growing birds - lifecycle 32/33°C.  
 40 days - today 20/21°C but bring it down as feathers.  
 cycle crop 50 days - Cleaning etc  
 inter-crop 10 days - No birds  
 start again - heating 2 days before birds  
 7-8 days without heat  
 if over-heat birds don't grow.

# 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 <i>has rest</i>	324	0.6	185 <sup>4</sup> <i>max</i>
<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

pre-approved.  
examine wood pellet plant  
⇒ planning permission 25 days after 23 March / scene.

# 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

— clarify what figures DFE using → announced list.

→ assumes no fall out → numbers like to get behind.

# Poultry Farming Benchmarking

- ✓ CAFRE July 2015 evidence based paper published *→ paper looks about right. Good approach.*
- Consistent with Moy Park GB & NI Data set
- c1,800 - 2,000kWh per thousand standard birds per crop PA *← Average*
- Audit Summary *400,000 kWh.. 30,000 birds typical*
  - Processor Payments – thousand bird produced
  - Audited Accounts
  - Fuel Purchase summary invoices *← audited papers*
  - Bank Statements – purchase of fuel
  - Maintenance Records and Certification
- Auditor General stated possible for Poultry Boiler to run 24/7 – 800,000kWh experience and CAFRE paper shows more like 400,000kWh

*Boiler - do about 800kw - 24/7.  
50% seems reasonable*

*crop statement  
MB - what info does Moy Park.  
Moy Park knows bird numbers  
Farmers buying fuel - Moy Park*

Need for robust auditing

⇒ engineering

⇒ meters - built in protection - tamper evidence.

⇒ different sectors hotels / homes /

⇒ <sup>can</sup> stop payments

## 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

Audit - Independent & rapid.  
 Burden of proof.

New venture  
 ⇒ continuity



Drying Wood?

- Evidence of buying & selling wet & dry wood.
- Audit Economic Use of Heat.

preventable measures  
→ maintenance costs.

## 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

What fossil fuel did you use before scheme?

Gas used in Poultry Houses?

Might use other background heat - will still have gas as back up

Nursing home. etc.

How are you using heat.

running @ 400,000 .  
high usage.

Fuel purchase will link up concerns.

MB- How long will boiler last?

Not sustainable.

Boiler will collapse

→ Heat Cattle shed - not insulated.

~~the~~ Check regulations

True example

→ Showroom Bathroom. hot → open ~~the~~ windows.

→ inefficient usages.

RHI scheme - good scheme if merged properly.  
 ⇒ reviewed basis - linked to cost of fuel.

## 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                                   | -£ 180,000,000 |
| • Potential disqualified boilers (PWC 4.5%)   | -£ 100,000,000 |
| • Inappropriate usage/over estimated  |                |
| – efficiency based est20%   | -£ 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 |                |

Test these  
with DfE.

Big moving pictures

Risk Assessment Auditing  
=> Publish 400,000  
wood pellets £200/ton

£1.1p/kwh - cost of pellets  
more reasonable

# Potential Adjustments to the NI Scheme

## Original Intent

reasonable  
space to  
explore

- 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

RHI all across EU.  
Less competitive model NI than GB.  
don't throw baby out with bathwater

## Spotlight

9p/kwh. GB. => £28,000 GB  
£24,000 NI

400 => 800 is the issue in NI.  
we missed out on tiering.  
(up to tier).

Go to AFBI } exports need to  
CAFRE } use.

## Summary

Environment - Health.  
- Welfare Birds.  
- ammonia emissions. - hidden benefit of shere  
NIEA air quality.

- 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.

examples of naive auditing  
⇒ consortium approach.

AMCC meeting - RHC has limits.  
need range of skills

Ofgem

Everyone Needs to be audited

→ Evidence in software

→ technical competences essential.

# Meeting with Andrew.

- ⇒ Usage in Poultry not the issue.
- ⇒ Early adapters. Not driver
- ⇒ DFE provided data.
- ⇒ figures don't make sense.
  - ⇒ reasonable vs.
  - ⇒ business case.