maybe more discussed at risk. I don’t recall it being discussed then along that basis of, “Yes, an RHI delivers faster but maybe it won’t if you don’t have the suppliers there”. I think, certainly, if it had been discussed, we’d have said, “Well, yes”. I think that’s why, at that stage, we were keen to do the domestic grant to try and prime the market almost so the mark—the premium payment grant started in, er, in the May time, May 2012, almost as a sort of forerunner to say to people, “Well, listen, it’s started now”, and certainly trying to get installers accredited under MCS so then they were ready to install small and medium commercial operations. Er—

Mr Lunny: That was a reason for starting the RHPP before the RHI, but can you recall it being discussed in the context of this issue of ability to meet targets over timescales and CEPA’s note of caution?

Mr Hutchinson: [Short pause.] Er, I couldn’t categorically say or with any confidence say it was. No.

Dr MacLean: So, can I just clarify? The scheme that you’ve just mentioned: the premium payment. Was that a grant or was it an incentive pa—

Mr Hutchinson: That was a grant for the domestic market at that stage of a flat level in advance of a domestic RHI being established for the domestic market, similar to, I think, what the approach that DECC had taken; that they’d said, “Look, we’ll do non-domestic first and, in the interim, we’ll support the domestic market with grants in advance of a longer-term mechanism being brought in. Yes.

Dr MacLean: So the grant scheme was priming the market

Mr Hutchinson: Yes

Dr MacLean: — early.

Mr Hutchinson: Yes.

Dr MacLean: Right.
Mr Hutchinson: If it —. Well, it was one of the reasons and also because we had to something for domestic consumers and we didn’t have a domestic RHI designed at that stage. But, yes. That was a first come, first served flat level “If you install this, this is what you get” type of grant.

Dr MacLean: OK. So all the argumentation against the grant schemes that had gone previously didn’t apply to that part of it.

Mr Hutchinson: No, I suppose that was with the view that you’d then be moving on to a domestic — a longer-term incentive scheme, and it was seen as relatively straightforward in terms of it was, er, first come, first served rather than [inaudible] worded.

Dr MacLean: That was what the Reconnect had been —

Mr Hutchinson: Yes, it was similar to that.

Dr MacLean: — that was seen as a bad example.

Mr Hutchinson: Yes. Well, it was seen as a —. Yes, but I think with the intention was the premium payment would only be an interim gap — stopgap. I think that was the view at that stage, and I think it was — I think it ended up — It must have finished in 2014 sometime in advance of the domestic scheme coming into effect in November 2014. Probably around that time.

Dr MacLean: OK. Thank you.

Mr Lunny: And moving beyond that point about the ability to meet targets over set timescales, the fourth reason that was identified, in the minutes at least, for preferring the RHI scheme over a challenge fund was identified as:

“Risk”.

And what’s recorded there is that:

“It has been considered that the RHI presents a lower level of risk than the potential Challenge Fund. This is largely due to the fact that incentives will be paid on actual heat output. RHI payments will only be made on
The Northern Ireland Renewable Heat Incentive was introduced on 1 November 2012 following the passage of the Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012. The scheme provides long term incentive payments for new generators of eligible renewable heating.

DETI is now working with external consultants to consider the introduction of a second phase of the RHI with two broad elements:

- The expansion of the non-domestic RHI to include new tariffs for more innovative technologies including deep geothermal, Air Source Heat Pumps, biomass and bioliquid CHP, landfill gas etc. This work will also consider the potential introduction of an ‘uplift’ tariff for community / district heating schemes where one heat source provides heating for a number of buildings, and;

- The development of a second phase of the RHI is consistent with GB proposals with DECC already having carried out public consultations on the expansion of the GB RHI and the development of a domestic RHI.

A third element that DECC has also considered, and DETI will do likewise, is the introduction of ‘cost control’ measures to ensure the financing and budget of the scheme.

DETI requires legal advice on the legislative ramifications of phase 2 of the RHI, this includes:

- Advice and guidance on recent or future legislative changes in GB regarding renewable heat.
- Consideration of the legislative changes that will be necessitated by policy changes to the RHI through Phase 2 of the scheme (i.e. expansion of the commercial scheme to include new tariffs).
- Preparation of a first draft of Regulations to be included within the policy consultation document.

This will be an iterative process from the drafting of initial regulations based...
information on in relation to what DECC was doing. So, the commission to us was, “Tell us
what DECC are doing in relation to the RHI generally, both domestic and non-domestic”.
And, when we’d done our review of what was available all that we could find out about what
DECC was likely to be doing was the response in relation to the cost controls.

Mr Scoffield QC: Just picking up on what you said there in your last question, you’ve
described that really what you were being asked to do was tell DETI what DECC were doing.

Mr Bissett: Yes.

Mr Scoffield QC: Why on earth were lawyers being paid to do that?

Mr Bissett: That did seem odd. And I didn’t raise the point but I had assumed that
relationships between DECC and DETI were not good and we were being asked to do that. I
would have thought that DETI would have been in a better position to tell me what DECC
was doing cos I had no communication —. And I think we made contact with DECC and they
wouldn’t speak to us. One of my colleagues made — contacted DECC to try and find out
timelines and what was happening and they wouldn’t speak to us. So, I would only be — it
would only be speculation.

Mr Scoffield QC: You mention there that you thought that relationships might be —

Mr Bissett: Only on the basis that DETI were now asking me to tell them what DECC was
now doing.

Mr Scoffield QC: And have you any other basis for that observation?

Mr Bissett: No, no.

Mr Scoffield QC: OK.

Dr MacLean: Sorry, just on that. Some of what you do or were asked to do in this
connection didn’t really seem to have anything to do with your expertise as energy lawyers.

It was, sort of, a handle-churning —

Mr Bissett: Work request 5 —. I agree. No, work request 4 —
Dr MacLean: — people resource.

Mr Bissett: Work request 4 and work request 5 were more along the lines of the work that I’d be accustomed to doing. In work request 5 we reviewed an agreement, a contract, and we gave comments on that document. And in work request — sorry, that was work request 4. In work request 5 we then carried out, and this was along the lines that we have been asked to do work which would maybe inform a consultation document. So, this was the sort of work that we would be doing for DETI. The work request forms 1 to 3 was not the type of work that we would normally be doing for DETI or really for any other client really. It was copying something else.

Dr MacLean: The reason for drawing the comparison between this and that was that this sounds like they just needed some extra —. You know, well, one interpretation could be that they just didn’t have the manpower and they were able to get some money to pay you to do it and augmenting what they were doing rather than necessarily because they were having a tiff with DECC.

Mr Bissett: I don’t, I don’t, I don’t, I don’t know. You would, you would have thought they could have called DECC and asked them what they’d asked us and DECC would’ve been in a better position. We had to do a lot of research to try and find out what DECC were doing.

Dr MacLean: Hmm. Thank you.

Mr Scoffield QC: Mr White. In the exchange that you mentioned earlier, Mr White, I think, told you in an internal email that he had rung DECC to speak to them and, in his words, they weren’t overly helpful. And I’m just wondering, did anyone then, in Arthur Cox, think, “Well, let’s go back to DETI and get them to contact DECC to get a bit more visibility about what DECC are doing”?

Mr Bissett: No, we didn’t. We then were able to find sufficient information in relation to the consultation that we made. But, no, we didn’t do that.
Day 22 | Tuesday 9 January 2018

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1 “- Advice and guidance on recent or future legislative changes in GB regarding renewable heat.
2 - Consideration of the legislative changes that will be necessitated by policy changes to the RHI through Phase 2”.

And then:

3 “- Preparation of a first draft of Regulations”.

And, again, we see familiar wording:

4 “This will be an iterative process ... There may also be input required from DSO and Ofgem.”

I just want you to describe what happened with each of those three sub-points.

Mr Bissett: Well, we only did one. We only did the first one. So they commissioned us to write a report, which was reviewing the consultations that had been carried out by DECC in relation to renewable heat, so quite a broad — including non-domestic and domestic. Two and three were never actioned. I never heard — I didn’t hear anything further from the issue of our report in the end of March.

Mr Scoffield QC: OK —

Mr Bissett: That was our — and that was our last involvement in the RHI scheme.

Mr Scoffield QC: And what happened before that report was that there was a meeting set up, we know, to discuss that work request 3. That was on the 7th of March, and we see the notes of that at DFE-20447. And, again, some parts of this note not relating to the non-domestic scheme have been removed, but I wonder if you could just talk us through, reasonably quickly, what you were told about what was required in this work request.

Mr Bissett: So, um, we — the first reference, then, is to the November 2012 — the non-domestic regulations that were being implemented, and then we were moving to phase 2. The first element of that is number 1, which is the expansion of the non-domestic RHI, then 2 would’ve been the domestic RHI. Then it says:

“DECC has consulted on the aspects above”.
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Our Ref: Project 11182
Date: 4th February 2013

Fiona Kayes
Cambridge Economic Policy Associates
Queens House
55-56 Lincoln’s Inn Fields
London
WC2A 3LJ

Dear Ms Kayes

PROJECT 11182 – DETI DEVELOPMENT OF PHASE 2 OF THE NI RENEWABLE HEAT INCENTIVE

Central Procurement Directorate (CPD) the Department of Enterprise, Trade & Investment (DETI) is pleased to confirm that your tender for the above project is hereby accepted. The cost of the competition will be as specified within your tender response.

The client would expect to commence the competition on the 4th February 2013 and will run until acceptance of the final report which is expected to be achieved two – three months from the award of contract. Please contact Joanne McCutcheon (DETI) on 02890 529425 to facilitate commencement of the contract.

As indicated in the tender documents, the evaluation of tenders was conducted against the criteria and weightings detailed in the attached document entitled Consensus Comments. This document also details your weighted score against
each of the criteria and includes the comments of the evaluation panel. Your tender received a score of [ redacted] out of a maximum score of 500.

As your tender has been accepted on the basis of the electronic Form of Tender, CPD now require a signed copy for our records. I would therefore be grateful if you could complete and sign the enclosed Form of Tender and return it within 10 days.

In order to ensure prompt payment, please follow the process for invoicing outlined in the Schedule 2 of the Conditions of Contract. Information on Invoice processing through AccountNI can be found at [http://www.accontni.dfpni.gov.uk/index.htm](http://www.accontni.dfpni.gov.uk/index.htm).

On behalf of CPD, may I take this opportunity to wish you every success during the lifetime of this contract.

Should you require any further information please contact me.

Yours sincerely,

K. Hegarty
Kate Hegarty
Purchasing Manager
DEPARTMENT OF FINANCE AND PERSONNEL

CENTRAL PROCUREMENT DIRECTORATE

SUPPLIES AND SERVICES DIVISION

A. **FORM OF TENDER**

**CONTRACT FOR: - DETI – Development of Phase 2 of the NI Renewable Heat Incentive**

1. I/We the undersigned hereby tender for the above contract in accordance with the Conditions of Contract and Specification at the prices quoted in the Schedule forming part of my/our tender response.

2. I/We agree that the Tender together with your written acceptance thereof shall constitute a binding contract between us and the Department in relation to the whole or such part of the Tender as may be specified in your written acceptance.

3. I/We have read, accept and agree to abide by the agreed Conditions of Contract which take precedence over any terms, conditions, stipulations or provisos which may appear on or be annexed to any correspondence submitted by me/us in connection with this Contract.

4. I/We understand that Central Procurement Directorate, Supplies and Services Division, does not bind itself to accept the lowest or any tender submitted in response to this enquiry and may accept the whole or part of any tender.
5. I/We understand Central Procurement Directorate Supplies and Services Division reserves the right to discontinue the award procedure in the event of irregular tenders or in the absence of appropriate tenders and in such circumstances may use the negotiated procedure without a further call for competition.

6. I/We warrant that I/we have all the requisite corporate authority to sign this tender.

Dated this 7th day of FEBRUARY 2013

Signed by or on behalf of the Tenderer:

Printed MARK COCKBURN

*Name of Tenderer: CAMBRIDGE ECONOMIC POLICY ASSOCIATES (Block Capitals)

Registered Address: 55-56 LINCOLN'S INN FIELDS LONDON WC2A 3LJ

* Please insert here the FULL NAME of the Tenderer, or in the case of a partnership the FULL NAMES of ALL the partners.
This reduction in oil imports would reduce NI’s exposure to the price of oil and to the risk of disruptions in oil supplies. However, there would be a countervailing increase in the exposure to the global price of biomass and the biomass supply chain. On balance, though, the increased diversity of fuel supply should be beneficial for energy security.

### 7.3.4. Displacement effects in other sectors

Leaving aside the impact on oil imports, which we considered above, the other significant displacement impacts are likely to be focused on the oil sector. As we noted in our 2011 report, these are largely an inevitable consequence of a move away from the current level of oil use for heating; we would expect these to be proportional to the level of reduction in oil imports. The impacts could include a reduction in the need for the oil network, as a result of falling oil demand. This could be offset by the need for biofuel transport, although as we noted earlier, the scope for bioliquids sourced from NI is limited.

### 7.3.5. Air quality

There could be air quality impacts from widespread take-up of biomass heating, particularly if this is in urban areas. However, displacement of oil heating can lead to positive air quality impacts\(^\text{59}\), so these impacts are not necessarily negative.

### 7.3.6. Biomass sustainability

We note that there have been concerns raised about the sustainability and environmental impact of some sources of biomass. We recommend that DETI, and other relevant departments, keep this under review.

### 7.4. Risks

The key risks to our analysis are around the actual behaviour of households and businesses when faced with a renewable heat incentive. While our uptake analysis has been carefully constructed to use a reasonable approach and reasonable assumptions, it cannot capture all factors that influence the decisions of individual homes and businesses. It may be, for example, that renewable heat is still seen as relatively novel, and therefore risky, and so uptake may be lower than expected. The uncertainties about the GB domestic scheme may also lead to a “wait and see” attitude among developers and households, again depressing uptake.

### 7.5. Conclusions

The overall conclusion here is that achieving the 10% renewable heat target is likely to be extremely difficult. Based on our modelling, none of the options considered will deliver the full 10%. Partly, this is because of our revised view on industrial biomass, but it also reflects the reality that there are only a few years between now and 2020, and the supply chain will take time to develop.

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\(^{59}\) DECC, 2011, *Renewable Heat Incentive Impact Assessment*
There is also the issue of budget. DETI’s annual budget in 2020 is assumed in our analysis to be £42 million. The 10% renewable heat target is 1,670GWh per year, and we assume that around 673 GWh will be delivered without subsidy. This leaves around 1,000GWh per year to be delivered by a budget of £42 million. Dividing one by the other gives an average of 4.2p per kWh.

In short, if DETI is spending more than 4.2p/kWh, it is not going to be able to afford the 10% target with its assumed budget. In that regard, we note that many of the tariffs in this report are above 4.2p.

It may be that this budgetary barrier can be overcome as technologies reduce in price over time. However, at present the target looks extremely challenging from a budgetary perspective.

There are also likely to be non-financial barriers to uptake, which we consider below.

*Wider issues*

While it is not within our terms of reference, it should also be said that the analysis presented here indicates other concerns.

First, as noted earlier, there has been essentially no uptake of the NI RHI to date (although there have been some grants under the RHPP scheme). Our 2011 report looked at the factors that might lead to low uptake. In addition to the capital cost barrier, we noted risks around planning restrictions, a lack of awareness, and negative perceptions of the reliability and/or cost of renewable heat\(^{60}\). Whilst our proposal here includes upfront financial payments for the domestic sector (so overcoming the capital cost barrier), the other barriers may remain (as well as possibly others that we have not identified). Greater understanding of these barriers, perhaps through consumer surveys, is likely to be helpful; additional policies may be needed as a result.

On the other hand, we note that there has been some 2.6GWh/year of renewable heat deployed as a result of the RHPP, so the barriers around planning, awareness and negative perceptions do not prevent renewable heat uptake. As discussed elsewhere, the fact that the RHPP is a grant scheme (even if it does not cover the full technology cost) is likely to be helpful in overcoming the upfront capital barriers.

However, whilst such profiling – through an upfront payment which addresses the additional cost of renewable heating appliances - may help address the capital constraint barrier, if there are other significant “demand” or “supply” side barriers, they may not necessarily be directly amenable to just increasing the level of subsidy and require additional interventions, which may or may not be financial in nature. Indeed, just increasing the level of subsidy, where the constraint is not financial in nature, can lead to over-subsidization, in which it is only the returns to beneficiaries that increase and not the level of uptake.

Second, while our terms of reference are focused on the form of an RHI that delivers the most renewable heat within the available budget, we note that the costs appear to outweigh the benefits for all options (similarly to the options in our original report). As for our previous analysis, we have calculated the cost-effectiveness of the options. This is shown in Table 7.8 below.

\(^{60}\) CEPA/AEA, 2011, op.cit. section 8.2.4
EXECUTIVE SUMMARY

This section provides a brief overview of the key proposals included within this consultation document. There are a wide range of topics discussed in this paper, including the introduction of long term support for renewable heat in the domestic sector, the expansion of the non-domestic RHI and arrangements for the ongoing efficiency, administration and maintenance of the schemes.

The key proposals are as follows;

- **The introduction of the domestic RHI**
  - The domestic RHI will support homeowners who wish to install technologies such as biomass, ground source heat pumps (including water source), air to water heat pumps and solar thermal. DETI is also considering supporting air to air heat pumps and bioliquids.
  - Support for new installations will include an upfront payment as well as ongoing payments for 7 years.
  - Eligible technologies installed and commissioned since 1 September 2010, which were ineligible for grant support under the RHPP, will receive a different level of support to account for the lack of an upfront grant. The overall level of support for those that have, or will have, received grant support and those that haven’t has been levelised to ensure no one is disadvantaged.
  - Tariffs are set to cover for the added costs of installing and operating renewable heat technologies compared to fossil fuel systems, with a rate of return of 7.5% also included. The tariffs are designed to cover the additional costs incurred over the lifetime of the installation with these payments compressed over a 7 year period.
  - In most cases the levels of payment will be at a ‘deemed’ level, determined by a standard assessment of the expected heat demand of the property and multiplying this figure with the appropriate tariff.
  - In certain circumstances (where a fossil fuel heat source remains, for systems outside of MCS standards, or if the house is privately/socially rented) a heat meter will be required.
  - All installations must be commissioned by suitably accredited installers and the technologies must be appropriately certified.
  - Energy efficiency is a key element for the domestic RHI and DETI is keen to ensure that energy efficiency improvements are rewarded. Therefore, the awarded RHI tariff has been designed based on more efficient homes. This reflects the position that homes should have considered energy efficiency improvements before installing renewables.

- **The expansion of the non-domestic RHI**
  - New tariffs are proposed for large biomass (above 1MW); biomass and bioliquid CHP systems; biomass direct air heating; heat only bioliquids; deep geothermal; and air source heat pumps.
  - The potential introduction of an uplift tariff for district heating schemes where one boiler is providing heat to a number of premises.
  - Eligible technologies installed and commissioned from 1 September 2010 will be eligible to apply.

- **Setting standards, managing costs and improving performance**
  - Introduction of biomass sustainability standards for the largest biomass installations.
  - Consideration of the need to implement appropriate emissions standards as to protect air quality, in line with EU standards.
  - A method of cost control is to be introduced that will ensure budgets are not overspent and will hopefully remove the need for emergency reviews.
  - Metering arrangements under the non-domestic RHI are to be revised to ensure more systems are defined as ‘simple’ and therefore require a single meter only. There will also be increased flexibility on ‘complex’ systems to avoid the need for redundant meters.
  - A number of minor regulatory revisions are proposed that involve the definition of an installation, the relocation of equipment, the eligibility of process heating, the methodology for inflationary adjustments and the use of ground water for GSHPs.
CONSULTATION QUESTION 4.4

Do you foresee any issues with the implementation of the proposed revisions to existing heat metering regulations?

COST CONTROL

4.12 Given the introduction of tariffs for larger systems and the need to maintain confidence and consistency in the scheme DETI is proposing to introduce cost control measures that would ensure budgetary levels wouldn’t be breached and to remove the need for emergency reviews or reductions in tariffs at short notice. DECC are in the process of introducing a system of tariff degression in GB whereby tariffs will automatically reduce when deployment levels reach set trigger points. DETI expect to introduce similar measures in the future but in the interim it is proposed that a simpler system is put in place.

4.13 The RHI is different in nature to the NIRO in that there is a finite budget for new installations and these budget limits cannot be breached. Whilst tariffs are designed to ensure that the budget is adhered to there is always a risk that renewable heat technologies might be deployed in greater numbers than what is forecast and payments exceed expectations. The risk of this increases as tariffs become available for larger technologies such as biomass over 1MW, biomass/bioliquids CHP and deep geothermal. Therefore DETI must retain the right to suspend the scheme if budget limits could be breached; however this will only happen at a last resort and, at this stage, is not envisioned to happen.

4.14 In order to ensure confidence in the scheme continues DETI proposes to introduce a number of trigger points that will provide forewarning to potential applicants that the committed budget is nearing the set limit. The trigger points are set out in table below.

<table>
<thead>
<tr>
<th>TRIGGER</th>
<th>BUDGET LEVELS</th>
<th>ACTION</th>
<th>RATIONALE / FURTHER INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRIGGER 1</td>
<td>50% of annual budget is committed</td>
<td>DETI will make a public notification of the committed budget.</td>
<td>So all applicants are aware of budget levels and potential DETI actions.</td>
</tr>
<tr>
<td>TRIGGER 2</td>
<td>60% of annual budget is committed</td>
<td>DETI will make a public notification of the committed budget and warn that the domestic RHI may need to close if the next budget trigger point is reached.</td>
<td>If the budget levels could be breached the domestic RHI will close first. The domestic sector contributes less overall renewable heat to the target and in general terms is less cost-effective than the non-domestic scheme.</td>
</tr>
<tr>
<td>TRIGGER 3</td>
<td>70% of annual budget is committed</td>
<td>DETI will make a public notification of the committed budget and will begin procedures to close the domestic RHI for the financial year. The domestic scheme will remain open for new applications for 4 weeks after which no further applications will be accepted until the new financial year. Incomplete applications will be rejected. Applications will re-open for the domestic scheme on 1 April.</td>
<td>The closure of the domestic RHI will be only until the new financial year and will not affect accredited applications.</td>
</tr>
<tr>
<td>BUDGET LEVELS</td>
<td>ACTION</td>
<td>RATIONALE / FURTHER INFORMATION</td>
<td></td>
</tr>
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<td>---------------</td>
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</tr>
<tr>
<td><strong>TRIGGER 4</strong></td>
<td>80% of annual budget is committed</td>
<td>DETI will make a public notification of the committed budget levels and warn that the non-domestic RHI may need to close if the next budget trigger is reached. DETI will formally advise the administrator to prepare for closure.</td>
<td>When this level is reached DETI will begin processes to stop the non-domestic RHI however formal closure will not begin until the next trigger point.</td>
</tr>
<tr>
<td><strong>TRIGGER 5</strong></td>
<td>90% of annual budget is committed</td>
<td>DETI will make a public notification of the committed budget and will begin procedures to close the domestic RHI for the financial year. The scheme will remain open for 4 weeks, with only schemes receiving full accreditation within this timescale being supported.</td>
<td>All applicants will be given 4 weeks to attain full accreditation with the administrator; this means having the system in place and ensuring the administrator has all relevant information to accredit. Applications that fall outside of the time period will continue to be considered by the administrator however accreditation will not be awarded until 1 April.</td>
</tr>
</tbody>
</table>

4.15 This proposal will provide DETI with the ability to control the uptake of the scheme and ensure that budgets are not overcommitted; however it will also provide potential applicants with adequate information on the progress of the scheme and the potential for closure.

4.16 DETI welcomes views on this proposal and specifically on the proposed trigger points, actions and rationale.

**CONSULTATION QUESTION 4.5**

Do you foresee any difficulty or issues with the implementation and administration of the outlined cost control measures?

**ENHANCED PRELIMINARY ACCREDITATION**

4.17 DETI also wish to seek views on the need for enhanced preliminary accreditation whereby applicants could have a tariff level guaranteed before embarking on the development and installation of the technology. DECC has previously considered introducing enhanced preliminary accreditation given the fact the tariffs in GB are potentially subject to depression and therefore can reduce once pre-assigned trigger points are achieved. DETI does not propose to introduce depression until 2014/15 at the earliest and therefore the need for enhance preliminary accreditation is much less, however DETI welcomes views on the matter.

4.18 It is likely that if such a measure were to be introduced in the future it would be for the largest installations where there is greatest risk attached. Currently preliminary accreditation (whereby applicants can submit plans before installation to get a formal view on eligibility) is restricted to biomass over 200kW, biogas and deep geothermal, it could be expected that enhanced preliminary accreditation would apply to these systems and large GSHPs over 200kW. Whilst enhanced preliminary accreditation would provide greater certainty for investors and reduce risk it could also lead to speculative applications being made and budget being set aside for projects that do not come to fruition. It would therefore be
Mr Lunny: Yes.

Dame Una O’Brien: Mr Hutchinson, can you show us where this idea came from?

Mr Hutchinson: The trigger points?

Dame Una O’Brien: Yes, well, I mean, it’s different from what we’re seeing in, you know, what’s happening in GB, as I understand it. So, where —? Who crafted this? Who came up with this idea and —?

Mr Hutchinson: I need to put my hand up again, now, but —. No, it’s just —. Um, I think what we —. So I would’ve prepared that as, “Look, this is a mechanism at this stage that we could introduce which is maybe one step beyond the DECC standby mechanism but is one step before the degression model”.

Dame Una O’Brien: So, am I right? You thought it up yourself.

Mr Hutchinson: Yes, yes.

Mr Lunny: In fairness to you, Mr Hutchinson —

Mr Hutchinson: I think so, yes.

Dame Una O’Brien: Yes.

Mr Lunny: — it is based very much upon the DECC standby mechanism.

Mr Hutchinson: Yes, I think the DECC standby mechanism had a trigger at maybe 80% and then one at 99%.

Dame Una O’Brien: OK.

Mr Hutchinson: So that was their standby mechanism. And then they closed the scheme at 99%.

Mr Lunny: And their — sorry to interrupt you — but their, just to be clear as well, their mechanism only ever applied to their non-domestic scheme —

Mr Hutchinson: Yes.

Mr Lunny: — because by the time they introduced a domestic scheme, they had
degression in place.

**Mr Hutchinson**: Yes. So we didn’t have —.

**Mr Lunny**: So, you had a difference there in that if you were going to apply it to both schemes, it had necessarily to be, in some respects, different from the DECC one.

**Mr Hutchinson**: Yes, the same pot of money. And it had to be slightly different, and I think we’ve probably looked at theirs and thought 80%, or maybe it wasn’t, and then 99 seemed — 99 seemed a bit of a last-minute, “Right, you’re not giving anyone a chance to, sort of —.” So, trying to think, “Well, what’s a managed process in this?”. And that’s why we said, “Well, let’s be open with people about the budget levels firstly”. That’s the first principle in terms of, “Right, well let’s tell people when the budget’s being committed so if people have got plans to install that, they can still go ahead and install in good time”. And then the second principle is, “Well, let’s close the domestic scheme first because there’s more installations there and the cost — the heat we’ve seen is less cost-effective because just the domestic market we’ve seen was less cost effective; you’re getting less heat for your money”. And then, “Let’s close the non-domestic last”, giving ourselves that breathing space of 10% budget in case you get a swathe of applications at the end, was the general thinking behind it, but, yes, it would’ve just been, at that stage, “What’s — can we do anything which is slightly one step or better in, you know, than — the standby mechanism might work better for us before we look at a degression model if that’s required”.

**Dame Una O’Brien**: OK.

**Dr MacLean**: But what had changed, ultimately, in the thinking? Because, in the early days, before the scheme was introduced, you’d had both Ofgem and Arthur Cox saying, “Do what DECC’s done” —

**Mr Hutchinson**: Yes.

**Dr MacLean**: — and basically were saying, “Well, let’s just wait and see what DECC’s
done, and, once they’ve finished with degression, we’ll just do that”. Why — without doing any sort of interim steps. Why was that no longer the appropriate way to do it?

Mr Hutchinson: I think it just — I think we wanted to be — you know, I think there’s that final, “Right, it’s closed and now it’s gone”, you know; I don’t think — personally, I didn’t like that approach, you know; just, I was thinking if you had opened the domestic and non-domestic, then you get into, “Oh, it’s 99% and now it’s gone. Where was my notification?” Look, I’ve made an installation here on the duty that it would be accredited and now I’ve to wait for”, so I think we just preferred an approach that was slightly more — with a bigger lead-in time to give people that warning.

Dr MacLean: Would that not have been degression, then?

Mr Hutchinson: Yes, but, at that stage, we just hadn’t been able to develop degression model or that hadn’t been part of the CEPA work for one reason or another, um —.

Dr MacLean: It was sort of pragmatism; having got there, your ideal —

Mr Hutchinson: Yes, “Let’s” —

Dr MacLean: — route was no longer an option.

Mr Hutchinson: Yes, I suppose the option coulda been, “Let’s just copy across the DECC methodology straightaway” — the standby mechanism — or, “Let’s go back to CEPA or our economists or someone and get them to do a full degression model now in 2013”. I think, you know, yes, the pragmatic or the approach that seemed to be one that we could deliver ourselves was what was proposed.

Dr MacLean: Thanks.

Mr Lunny: And you hadn’t closed your mind to degression —

Mr Hutchinson: No.

Mr Lunny: — potentially replacing this at some point.
Mr Hutchinson: No, I think this was seen as a first step.

Mr Lunny: Yes.

Mr Hutchinson: I think we talk about, or we gave ourselves — in the consultation say, “Look, this is a first step”, or, “This is an interim measure. We’ll look at degression in due course”. You know, again, it probably played in to — whilst we were drafting that, there’s 15 applications in, so this seemed like a proportionate kind of approach at that stage.

Mr Lunny: So, in terms, it wasn’t so much that your approach had changed completely; it was a — degression was still a potential, but this was going to come in first.

Mr Hutchinson: Yes, I think we were just trying to — look, well, DECC had launched their scheme, and, two years late — or, a year later, they brought in the standby mechanism, and, two years later, they brought in degression, so we were thinking, “Well, let’s try and get on a similar path. Let’s get this”, and then degression.

Mr Lunny: Well, I mentioned obviously then that you had the consultation seminars about it. We’ve looked at some of the responses on other issues. That’s the start of the document in front of you that you attached —

Mr Hutchinson: Yes.

Mr Lunny: — to your witness statement, which is the analysis of those responses. That was either prepared by you or by Mr —.

Mr Hutchinson: No, I think that was me.

Mr Lunny: This was you.

Mr Hutchinson: Yes.

Mr Lunny: Right. Not Mr Briggs. And if we scroll down within it to 7520. And this is just on the cost control part of the public consultation. We should, hopefully, see that this is the last aspect of the consultation, so — domestic RHI, the non-domestic, which we’ve looked at and which covered a lot of comments —
Mr Hutchinson: Yes.

Mr Lunny: — about the existing scheme rather than the extension. This is a summary of the third limb: cost controls and other issues. And cost control, it doesn’t feature significantly in the analysis document, but there in the fourth bullet point, we’ll see your summary of:

“Cost control, some confusion around the proposals but generally people content.”

Mr Hutchinson: Yes, and then I think, beyond that, there’s individual comments attributed —

Mr Lunny: Some individual comments. Yes.

Mr Hutchinson: — to certain stakeholders. Yes.

3:00 pm

Mr Lunny: But, at a general level, the cost control that you were proposing, it wasn’t proving to be controversial.

Mr Hutchinson: No.

Mr Lunny: There wasn’t a huge degree of resistance to it. Could it be contrasted in that way to the response you got back in 2011, when you consulted and you had quite a lot of feedback saying, “Well, your assumptions about fuel costs are too low. Your tariffs are too low”? You got quite a lot of resistance on that occasion.

Mr Hutchinson: Oh, aye. Yes.

Mr Lunny: This was very much in contrast to that.

Mr Hutchinson: Yes. I think people asked some questions about how it would work, and some people had concerns about the triggers and things like that. But I think most people either didn’t comment or were generally content.

Mr Lunny: Yes. It wasn’t controversial.

Mr Hutchinson: No. No.
RESTRICTED – POLICY

Private Office

Please see attached submission from Fiona Hepper for the attention of the Minister.

Regards,

Laura McCoy
Personal Secretary
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9200 (ext: 29200)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?
From: Fiona Hepper
Date: 26 June 2013
To: 1. Andrew Crawford
   2. Arlene Foster MLA

Copy Distribution List below

THE NORTHERN IRELAND RENEWABLE HEAT INCENTIVE – PHASE 2 - PROPOSED
CONSULTATION DOCUMENT

Issue: Public consultation on the introduction of Phase 2 of
the Renewable Heat Incentive for Northern Ireland.

Timing: Desk Immediate – the consultation paper should
issue as early in July as possible to allow work
on designing and implementing the final scheme
to begin in September. The letter to the ETI
Committee would need to be with the Clerk in
time for the 4 July meeting.

Need for referral to the Executive: Not at this time.

Presentational Issues: Likely to be significant interest from key stakeholders
and the media. A draft press release has been
prepared and will be submitted directly by Press
Office.

Freedom of Information: This submission may not be discloseable at present
on grounds of policy development.

Programme for Government: The PSA targets for renewable heat are 4% by
2015 and 10% by 2020

Financial Implications: HMT has advised that £25m of AME is available over
the spending period for a Northern Ireland RHI.

Statutory Equality Obligation: An equality screening form has been completed for
this policy.

Legislation Implications: None.

Recommendation: It is recommended that you note this submission and:

a) Note that an economic appraisal on the feasibility
of Phase 2 of the Northern Ireland Renewable
Heat Incentive has been completed. At 132
pages, it has not been appended but is available
should you wish to see it. It is recommended that
it should be published on the DETI website in
conjunction with the consultation paper;
b) Approve the draft consultation document for issue, *(attached separately at Annex A)* and particularly the Ministerial foreword which requires your signature;

c) Agree the draft letter to the Chair of the ETI Committee providing an overview of the proposed consultation *(Annex B).*

**Background**

I have written to you previously regarding the proposal to introduce Phase 2 of the Renewable Heat Incentive (RHI) for Northern Ireland (SUB 516/12). The analysis work on Phase 2 of the scheme has now been completed by independent consultants and we now wish to seek the views of the energy industry, domestic consumers and the wider community on the development of a Phase 2 RHI in Northern Ireland.

2. The consultation paper has been informed by the economic appraisal which was undertaken by Cambridge Economic Policy Associates (CEPA), in conjunction with AEA Technologies. This report is lengthy and has not been attached, but can be made available should you wish to see it.

**Consultation Document**

3. This consultation paper builds on the conclusions of the economic appraisal and will be structured as follows:

   (a) Outline of the progress on Phase 1 of the N Ireland RHI and the Department’s contribution to meet EU targets in respect of energy consumption from renewable sources by 2020.

   (b) Proposals for:

      i. The Northern Ireland Domestic RHI;
      ii. Expansion of the Non Domestic RHI;
      iii. Setting standards, improving performance and cost control;
      iv. Timescales and next steps.

**Design of the Domestic NI RHI**

4. It has always been our intention to put in place a long term mechanism to support domestic renewable heating installations, nevertheless the experience gained from the interim premium payment (RHPP) scheme has been very valuable to the process. The economic appraisal considered the most appropriate way in which consumers might be incentivised, the possible introduction of additional technologies, and the best way to ensure that existing installations made since September 2010 (whether or not they have availed of the RHPP) and new installations are equally incentivised.

5. The consultation is proposing the introduction of support in the form of an upfront payment as well as ongoing payments for seven years based on deemed heat output. The upfront payment is to help potential installations with the up-front costs of renewable technologies and will be equivalent to the existing RHPP payments; this will ensure an easy transition between schemes. Where existing installations have not availed of the RHPP, they will receive a higher tariff over the seven years.
6. We are also consulting on the possible introduction into the domestic RHI of two new technologies, which are not included in the current RHPP scheme, namely air to air heat pumps and bioliquids. Air to air heat pumps circulate the space heating within a dwelling using fans and ducting and could provide a lower capital cost system for some households. Bioliquid conversions will offer the opportunity to easily convert existing oil fired boilers or to install new oil fired boilers (all are now bioliquid compatible). The bioliquid installation could also require a change to the oil storage tank.

7. The technologies and tariffs proposed for the Domestic NI RHI are detailed in the table below and full details are in the consultation document.

<table>
<thead>
<tr>
<th>Technology</th>
<th>Tariff for 7 yrs (pence per kWh)</th>
<th>Up front support (£)</th>
<th>Tariff for 7 years (pence per kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air to Water Heat Pumps</td>
<td>8.1</td>
<td>1700</td>
<td>3.4</td>
</tr>
<tr>
<td>Biomass</td>
<td>7.9</td>
<td>2500</td>
<td>5.5</td>
</tr>
<tr>
<td>Ground Source Heat Pumps</td>
<td>13</td>
<td>3500</td>
<td>8</td>
</tr>
<tr>
<td>Solar Thermal</td>
<td>16.4</td>
<td>320</td>
<td>13.1</td>
</tr>
<tr>
<td>Air to Air Heat Pumps</td>
<td>5.5</td>
<td>1000²</td>
<td>3.5</td>
</tr>
<tr>
<td>Bioliquids</td>
<td>3.3</td>
<td>500²</td>
<td>2.7</td>
</tr>
</tbody>
</table>

8. DECC consulted on proposals to introduce a domestic RHI scheme in September 2012, to date they have not confirmed their final policy position. However, DECC officials have shared, in confidence, an early draft of their final proposals. Similarly to our proposals, DECC intend to introduce support for the domestic market via tariffs for 7 years, with payments based on deeming (with metering only required in certain circumstances).

9. DECC do not intend to offer any up front grant support nor do they intend to support air to air heat pumps or bioliquids boilers. It is also worth noting that in GB the domestic RHI will only be targeted in off-gas areas, with natural gas customers ineligible for support. The tariffs offered by DECC are higher than those proposed in Northern Ireland, the actual difference varies across technologies. The RHPP scheme has been useful to gather data on actual installation costs in the domestic sector and the evidence gathered has demonstrated that, generally, costs are lower than might have been previously assumed and are lower than the assumption used by DECC for their scheme. The consultation process will be used to test these assumptions and get stakeholders views on the proposed tariffs.

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² For technologies installed under the RHPP this support has already been received.
² No support has previously been available for air to air heat pumps or bioliquids.
Expansion of the Non-Domestic NI RHI

10. We are proposing to introduce a range of new, less common place, technologies, to the non-domestic RHI. We are also consulting on the possible introduction of tariffs for biomass over 1MW, biomass direct air, deep geothermal and bioliquid. You will wish to note that under Phase 1 of the scheme large biomass (over 1MW) installations were not eligible for support because evidence at that time demonstrated that these types of installations were already cost effective over 20 years. Following further engagement with stakeholders, the consultants have revised the original assumptions hence we are now consulting on a tariff of 0.6p/kWhr over 20 years.

11. The consultation also proposes a potential ‘uplift’ tariff for schemes that are defined as district or community heating (i.e. where one boiler supplies heat to a number of buildings through a heating network). There are a number of perceived advantages to district heating as a means of providing renewable space heating to communities not least being the larger scale of the heating plant. However there are higher costs associated with district heating such as the need for high quality pipe work to transmit the heat and therefore an uplift tariff of 7 pence has been calculated. This is a new proposal and is not mirrored by DECC. The consultation also considers uplift in the District Heating tariff over Phase 1.

12. The technologies and tariffs proposed for Phase 2 of the non-domestic NI RHI are detailed in the table below. These tariffs are subject to public consultation.

<table>
<thead>
<tr>
<th>Tariff name</th>
<th>Size</th>
<th>Tariff duration (years)</th>
<th>Northern Ireland levels (pence per kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air to Air Air Source Heat Pumps</td>
<td>Less than 100kWth</td>
<td>20</td>
<td>5.2</td>
</tr>
<tr>
<td>Air to Water Air Source Heat Pumps</td>
<td>Less than 100kWth</td>
<td>20</td>
<td>2.5</td>
</tr>
<tr>
<td>Bioliquids</td>
<td>Less than 100kWth</td>
<td>15</td>
<td>2.6</td>
</tr>
<tr>
<td></td>
<td>100kWth and above but less than 1000kWth</td>
<td></td>
<td>2.1</td>
</tr>
<tr>
<td>Biomass (heat only)</td>
<td>1000kWth and above</td>
<td>20</td>
<td>0.6</td>
</tr>
<tr>
<td>Biomass or Bioliquid Combined Heat and Power (new sites)</td>
<td>All sizes</td>
<td>20</td>
<td>3.5</td>
</tr>
<tr>
<td>Biomass or Bioliquid Combined Heat and Power (conversion from fossil fuel)</td>
<td>All sizes</td>
<td>20</td>
<td>1.7</td>
</tr>
<tr>
<td>Biomass Direct Air</td>
<td>Less than 100kWth</td>
<td>20</td>
<td>5.1</td>
</tr>
<tr>
<td></td>
<td>100kWth and above but less than 1000kWth</td>
<td></td>
<td>1.4</td>
</tr>
<tr>
<td>Deep Geothermal</td>
<td>All scales</td>
<td>20</td>
<td>3.7</td>
</tr>
</tbody>
</table>
13. Tariffs were considered for biogas over 200kW, landfill gas and solar thermal over 200kW. However, analysis demonstrated that these technologies are likely to have little impact on the overall renewable heating target and therefore we proposing not to include these technologies.

**Timescale**

14. The consultation document is attached for consideration at Annex A. It is intended that the consultation process will last for 12 weeks and we hope to issue the document as early as possible to allow the work on designing and implementing the final scheme to begin in September. This, in turn, will allow the Department more time to utilise the allotted funding for this financial year.

15. The RHPP will continue until the domestic RHI is in place and the non-domestic RHI will remain open to new applicants. If the new tariffs are introduced it is proposed that eligible installations that were commissioned since 1 September 2010 will be able to apply – this in line with the existing eligibility standards.

**Recommendation**

16. It is recommended that you:

   i. note that an economic appraisal on the feasibility of Phase 2 of the Northern Ireland Renewable Heat Incentive has been completed and agree that it should be published on the DETI website in conjunction with the consultation paper;

   ii. approve the consultation document (attached separately at Annex A), and particularly the Ministerial foreword which requires your signature (this has already been approved by Press Office); and

   iii. agree the draft letter to the Chair of the ETI Committee which provides a general overview on the proposals and notifies him of the intention to consult (Annex B).

17. There may be some minor drafting issues that need to be resolved in the consultation in advance of publication. We will do that while you consider the attached material. A press release to highlight the consultation is currently with Press Office and will be issued to Private Office separately.

FIONA HEPPER
Ext 29215

cc: David Thomson
    Joanne McCutcheon
    David McCune
    Peter Hutchinson
    Dan Sinton
    Karen Fullerton
Draft Consultation Document (attached separately).

Note, the Ministerial Foreword has been approved by Press Office.
DRAFT LETTER TO THE CHAIRMAN OF THE ETI COMMITTEE

Patsy McGlone
ETI Committee Chair
Northern Ireland Assembly
Parliament Buildings
Belfast
BT4 3XX

Dear

THE NORTHERN IRELAND RENEWABLE HEAT INCENTIVE (RHI)

You are already aware of the work that my Department has been carrying out on extending and developing the existing Renewable Heat Incentive (RHI). The Northern Ireland RHI was launched on 1 November 2012 for those, in the non-domestic sector, installing and utilising renewable heating technologies. DETI now proposes to introduce a second phase of the scheme that will have two chief purposes, firstly to extend the RHI to domestic customers and secondly to expand the list of technologies supported to include more innovative schemes.

Domestic RHI

Over the past 13 months my Department has been active in supporting the developing renewable heat market. As you will be aware, in advance of the launch of the RHI, DETI introduced the Renewable Heat Premium Payment (RHPP) which provides grant support for domestic customers installing a renewable heat technology to heat their home. This scheme has been very successful with close to 1000 applications received since May 2012. To date, my Department has committed £1.5m of funding for these installations, this corresponds to a total investment in the sector of £4.8m.
The RHPP was seen as an interim measure for the domestic sector and it was always my Department’s intention to expand the RHI to this sector. However, given the differences in the domestic market, consideration had to be given to the appropriate type of support, eligibility standards and administrative issues. My Department has considered these issues and now proposes to introduce a scheme that will provide long term support for the domestic sector, similar to how the RHI operates in the non-domestic sector. The key elements of the proposals are;

- **Domestic installations will receive an annual payment for 7 years;** this shorter payment profile does not mean less overall support for domestic customers. Instead, DETI has calculated what these installers could expect to receive over 20 years and compressed that figure to produce a 7 year tariff. In essence, the 20 year payment is paid out over a shorter period of time for domestics. Tariffs are set in the same way as non-domestic tariffs by accounting for all the additional costs incurred, however a lower rate of return (7.5%) has been applied in line with GB proposals.

- **Installations will receive an upfront grant;** to support the capital costs involved in renewable heat technologies DETI will continue to provide an upfront grant. This grant payment is factored into the tariff calculations also. The levels of grant are in line with those provided under RHPP and therefore those who have already availed of RHPP will receive an ongoing payment only.

- **Payments will be determined by a deemed heat load;** DETI has assessed whether heat meters should be required in the domestic sector and has determined that this could be a significant barrier to deployment. Instead payments will be ‘deemed’ depending on the expected heat demand in the house. Heat meters will only be required in circumstances where a second heating systems (oil or gas) remains or if the home is a ‘second home’.

The forthcoming consultation will seek stakeholder’s views on the proposed technologies, tariffs, eligibility standards and other issues relating to the administration of the domestic RHI. It is intended that by providing up front support plus a compressed RHI payment that the scheme will be accessible and sufficiently attractive to create interest in renewable heating technologies.
Expansion of the non-domestic RHI

In terms of expanding the non-domestic RHI, my Department intends to introduce incentives for more innovative technologies that are less commonplace. The first phase of the RHI focussed support for the most well established technologies to act as a ‘primer’ for the rest of the market. I now believe the time is right to increase the number of technologies supported and by incentivising emerging technologies there is greater scope for this sector to develop. The key proposed elements in the expansion of the non-domestic RHI are as follows;

- **Support for large biomass installations over 1MWth**: previously research had demonstrated that larger biomass installations were largely already cost effective given the fuel savings enjoyed when switching from oil to wood chip. DETI has engaged with stakeholders in this sector and re-assessed some of the assumptions previously made resulting in the development of a tariff for large biomass.

- **Incentives for new technologies**: my Department proposes to support a range of new technologies including deep geothermal, bioliquids and air source heat pumps. In addition, my Department will be introducing a tariff for renewable heat generated from biomass or bioliquids combined heat and power (CHP). Currently CHP is support under the Northern Ireland Renewables Obligation (NIRO) for renewable electricity; however DETI is proposing that CHP installers will have an element of choice between the NIRO and the RHI.

- **Consideration of an ‘uplift’ for district heating**: systems whereby one boiler heats a number of different properties are eligible under the RHI through the normal tariffs. However, these district heating schemes often have additional costs given the pipework required to distribute heating. DETI has sought to assess these costs and is considering introducing an ‘uplift’ to the existing tariffs that community heating schemes could avail of.

To date there have been 25 of applications for support under the RHI and 8 of those have received full accreditation, the other applications currently in the process of attaining accreditation. All the applications, to date, have been for solid biomass boilers with the average size of application being in the order of 200 kWth and the total combined capacity of the applications is over 5000 kW. These proposals will widen the scope of the scheme and create new opportunities for investment.
As well as expanding the non-domestic scheme the consultation will also gather views on some minor administrative amendments to the existing scheme. These issues include implementing biomass sustainability standards; simplifying metering arrangements and introducing a cost control mechanism.

**Next steps**

The consultation will last 12 weeks and will be a very useful opportunity to engage with stakeholders and gather views on the proposals. My officials will provide the Committee with a report following the consultation outlining the responses and the next steps in taking this process forward. As part of the consultation process my officials will, if interest dictates, hold stakeholder events to directly engage with interested parties. The Committee Clerk will be kept informed of these arrangements. This engagement will help in finalising the policy proposals that are ultimately put in place.

I should, at this stage, highlight that the new non-domestic proposals will be subject to consideration by the EU Commission regarding state aid rules. The implementation of the second phase of the RHI will also require new administrative procedures to be put into place and existing Regulations to be revised and amended.

My officials are happy to provide a fuller briefing to the Committee after the summer recess if that would be helpful. They will also, of course, be engaging on the legislative issues in due course.

I trust that you find this letter useful and look forward to hearing the Committee’s comments on the second phase of the RHI scheme in due course.

ARLENE FOSTER MLA
MINISTER OF ENTERPRISE, TRADE AND INVESTMENT
Phase 2 of the Northern Ireland Renewable Heat Incentive
Contents

Ministerial Foreword
Page 3

Executive Summary
Page 5

1
Progress on Phase 1 of the RHI
Page 6

Glossary
Page 40

Annex A
Equality screening
Page 41

2
The Domestic RHI
Page 9

3
Expansion of the non domestic RHI
Page 21

4
Setting standards, improving performance and cost control
Page 31

5
How to respond
Page 37

6
Consultation questions
Page 40
MINISTERIAL FOREWORD

My Department is committed to the continued development and expansion of the renewable heat market in Northern Ireland. Heat energy accounts for more than half of the energy we use in our homes and businesses and it is therefore not surprising that more and more people are considering how they can reduce costs by becoming more efficient or switching to different heating types. I am pleased with the progress that my Department has made in promoting a more diverse, secure and sustainable heating market through the development and extension of the natural gas network and the introduction of incentive measures for renewable heating.

Specifically regarding renewable heating, it is vital that this new sector is supported and grown further and Northern Ireland becomes more self-sufficient in terms of heating energy. I am therefore pleased to present proposals on how my Department intends to expand the incentives already available and provide long term support for the domestic market.

Securing a level of 10% renewable heat by 2020 is a very challenging and ambitious target. The renewable heat market is still in its infancy in Northern Ireland and the supply chain is developing however support available under the Renewable Heat Premium Payment (RHPP) has helped to create a momentum that Phase 2 of the Renewable Heat Incentive (RHI) will build upon. In addition, further work is required to improve public attitudes, perceptions and understanding of renewable heat. My Department has already carried out targeted media activity under the EnergyWise branding to increase public awareness on renewable heat – I am keen that this work is continued.

The second phase of the RHI, as outlined in this consultation document, will also be vital in the ongoing development of this market as new technologies are supported and the scheme is extended to the domestic sector. By supporting new technologies, the RHI provides opportunities for innovative heating schemes to be developed in Northern Ireland. Expanding the scheme to domestic users will hopefully create a greater market for potential suppliers, distributors and suppliers. I am conscious that whilst this is a sector that requires significant support, budgets levels are finite and cannot be breached. Therefore in designing tariffs and determining support levels my Department must consider the costs of renewables in comparison to fossil fuels; the need for support and the potential deployment of each technology.

This consultation sets out proposals to provide grant support plus ongoing payments for domestic installations. I believe this proposal will ensure renewable heat technologies become more accessible for all domestic consumers and become a real option for those considering changing their current heating supply. In addition, my Department intends to provide incentive support for new technologies in the non-domestic sector, including deep geothermal, air source heat pumps and bioliquids. These proposals, and consideration of additional support for
district heating, will widen the scope of the non-domestic RHI and provide greater choice for those availing of support. Finally, some amendments are proposed in the administrative arrangements to ensure the scheme is fit for purpose and simpler for applicants.

I would encourage all those with an interest in the renewable heat market to carefully consider the proposals outlined and respond accordingly. The consultation process is a vital piece of the policy-making process and ensures that the final proposals are appropriate, both in terms of supporting the market but also relating to value for money.

ARLENE FOSTER MLA
Minister of Enterprise, Trade and Investment
EXECUTIVE SUMMARY

This section provides a brief overview of the key proposals included within this consultation document. There are a wide range of topics discussed in this paper involving the introduction of long term support for renewable heat in the domestic sector, the expansion of the non-domestic RHI and arrangements for the ongoing efficiency, administration and maintenance of the schemes.

The key proposals are as follows;

- **The introduction of the domestic RHI**
  - The domestic RHI will support homeowners who wish to install technologies such as biomass, ground source heat pumps (including water source), air to water air source heat pumps and solar thermal. DETI is also considering supporting air to air source heat pumps and bioliquids.
  - Support for new installations will include an upfront payment as well as ongoing payments for 7 years.
  - Eligible installations commissioned since 1 September 2010, which were ineligible for grant support under the RHPP, will receive a different level of support to account for the lack of an upfront grant. The overall level of support for those that have, or will have, received grant support and those that haven’t has been levelised to ensure no one is disadvantaged.
  - Tariffs are set to account for the additional costs incurred when installing and operating renewable heat technologies with a rate of return of 7.5% also included.
  - In most cases the levels of payment will be at a ‘deemed’ level, determined by a standard assessment of the expected heat demand of the property and multiplying this figure with the appropriate tariff.
  - In certain circumstances (where a fossil fuel heat source remains, for systems outside of MCS standards, or if the house is privately/socially rented) a heat meter will be required.
  - All installations must be made by a MCS accredited installers and the technologies must be MCS certified. The only exception to this rule will be for systems above 45kw and bioliquid installations – in these circumstances separate eligibility criteria will apply.
  - Energy efficiency is a key element for the domestic RHI and DETI is keen to ensure that energy efficiency improvements are rewarded. Therefore, the awarded RHI tariff has been designed based on more efficient homes. This reflects the position that homes should have considered energy efficiency improvements before installing renewables.

- **The expansion of the non-domestic RHI**
  - New tariffs are proposed for large biomass (above 1MW); biomass and bioliquid CHP systems; biomass direct air heating; heat only bioliquids; deep geothermal; and air source heat pumps.
  - The potential introduction of an uplift tariff for district heating schemes where one boiler is providing heat to a number of premises.
  - Installations commissioned from 1 September 2010 will be eligible to apply.

- **Setting standards, managing costs and improving performance**
  - Introduction of biomass sustainability standards for the largest biomass installations.
  - Consideration of the need to implement appropriate emissions standards as to protect air quality, in line with EU standards.
  - A method of cost control is to be introduced that will ensure budgets are not overspent and will hopefully remove the need for emergency removes.
  - Metering arrangements under the non-domestic RHI are to be revised to ensure more systems are defined as ‘simple’ and therefore require a single meter only. There will also be increased flexibility on ‘complex’ systems to avoid the need for redundant meters.
  - A number of minor regulatory revisions are proposed that involve the definition of an installation, the relocation of equipment, the eligibility of process heating and the methodology for inflationary increases.
BACKGROUND

1.1 In September 2010, the DETI Minister, Arlene Foster, adopted a target to seek to secure a level of 10% renewable heat in Northern Ireland by 2020. Additionally, the Minister advised that an incentive mechanism would be designed, developed and introduced providing appropriate budget could be secured. The target and the proposed incentive mechanism were in line with obligations under the EU Renewable Energy Directive that each Member State had to secure certain levels of renewable energy by 2020. In July 2011, DETI consulted on proposals for a Northern Ireland Renewable Heat Incentive (RHI) for non-domestic consumers and the Renewable Heat Premium Payment Scheme (RHPP) for domestic consumers. Following the consultation process further analysis was carried out and a final policy position agreed. DETI then sought approval from the EU Commission for the scheme, drafted and passed the appropriate Regulations and put into place necessary administrative arrangements. The RHPP was launched on 24 May 2012 and the RHI followed on 1 November 2012.

OBJECTIVES

1.2 The overarching objective of the RHI and the RHPP is the achievement of the target set for 2020, there is also an interim target of 4% by 2015. A baseline position was taken in 2010 that demonstrated that the existing level of renewable heat was 1.7% or 300 GWh. The overall heat demand in Northern Ireland in 2010 was assessed at 17.4 TWh. It is anticipated that the level of heat demand will drop to 16.7 TWh by 2020 as increases in energy efficiency outweighs new developments. Therefore, an additional 1.3 TWh of renewable heat is required by 2020.

1.3 An assumed profile that demonstrates the overall reduction in heat demand and increase in renewable is detailed below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Level of Renewable Heat (GWh)</th>
<th>Overall Heat Demand (GWh)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>300</td>
<td>17400</td>
<td>1.7</td>
</tr>
<tr>
<td>2011</td>
<td>347</td>
<td>17390</td>
<td>2</td>
</tr>
<tr>
<td>2012</td>
<td>415.2</td>
<td>17300</td>
<td>2.4</td>
</tr>
<tr>
<td>2013</td>
<td>500</td>
<td>17240</td>
<td>2.9</td>
</tr>
<tr>
<td>2014</td>
<td>601</td>
<td>17180</td>
<td>3.5</td>
</tr>
<tr>
<td>2015</td>
<td>719</td>
<td>17120</td>
<td>4.2</td>
</tr>
<tr>
<td>2016</td>
<td>853</td>
<td>17050</td>
<td>5</td>
</tr>
<tr>
<td>2017</td>
<td>1019</td>
<td>16980</td>
<td>6</td>
</tr>
<tr>
<td>2018</td>
<td>1217</td>
<td>16900</td>
<td>7.2</td>
</tr>
<tr>
<td>2019</td>
<td>1428</td>
<td>16800</td>
<td>8.5</td>
</tr>
<tr>
<td>2020</td>
<td>1670</td>
<td>16700</td>
<td>10</td>
</tr>
</tbody>
</table>
1.4 There is no doubt that the renewable heat target is very challenging and requires significant Government intervention as well as a major change in consumer attitudes and behaviours.

**BENEFITS**

1.5 In addition to the realisation of the renewable heat target it is expected that the development of this sector will yield wider benefits in terms of fuel security, lower emissions and ‘green jobs’. Currently Northern Ireland is overly dependent on imported fuel, leaving consumers vulnerable to price fluctuations beyond our control; this is especially true within the heat market. Increased renewable heat will support the promotion of a more diverse, secure, sustainable and competitive heating market – providing greater energy choice for consumers limited by infrastructure issues.

1.6 The expected carbon savings over the lifetime of the policy is in the order of 5 million tonnes of CO₂. The value of this carbon, using the DECC carbon saving methodology (central carbon prices), is in the order of £250m.

**PERFORMANCE OF THE DOMESTIC RHPP**

1.7 The RHPP scheme was launched on 24th May 2012 as a support measure for domestic customers wishing to utilise renewable heat funding. This was an interim measure that was put in place in advance of the design and implementation of the domestic RHI. The scheme has proved very popular and to date DETI has received 972 applications and issued 920 vouchers of which 332 installations have already been completed and given financial support.

1.8 The total combined capacity of the installed technologies is 6,500kW. The total committed spend is currently in the region of £1.5m, this funding represents a total investment in the sector of £5.5m.

1.9 The breakdown across the different technologies is shown in the table below:

<table>
<thead>
<tr>
<th>Technology</th>
<th>Voucher value (£)</th>
<th>Total Vouchers Issued</th>
<th>Total vouchers returned for payment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>% share of technologies</td>
<td>Number</td>
</tr>
<tr>
<td><strong>Air Source Heat Pumps</strong></td>
<td>1700</td>
<td>93</td>
<td>10</td>
</tr>
<tr>
<td><strong>Biomass boilers</strong></td>
<td>2500</td>
<td>451</td>
<td>49</td>
</tr>
<tr>
<td><strong>Ground Source Heat Pumps</strong></td>
<td>3500</td>
<td>98</td>
<td>10</td>
</tr>
</tbody>
</table>
1.10 Biomass boilers are clearly the most popular technology with almost half the applications received being for either wood pellet or wood log fired boilers. Currently the largest number of installations is for solar thermal panels which are made up equally of flat plate and evacuated tube collectors. The solar installation process tends to be simpler however DETI would expect that biomass boilers will top the installed category in the near future.

1.11 In terms of the displacement of other heating fuels the vast majority of applicants have notified that they are intending to displace heating oil (89%). Less than 2% have displaced natural gas and less than 3% have replaced coal, electricity or LPG. There have been a number of applicants that have used the RHPP to replace or upgrade existing renewable heating technologies (4%), this is allowed under the scheme providing the applicant has adhered to rules and conditions of previous grant schemes if the existing boiler had been grant aided. These figures include installations whereby the primary heat source of the home may not have changed and the displacement has been minor.

1.12 There have been a high number of applications from those carrying out self builds (38%). Less than 3% of applicants opt to install two renewable heat technologies in their home. These applicants comply with DETI’s ruling that where two technologies are installed one must be a solar thermal panel.

1.13 Domestic renewable heat installations are taking place in all local authority areas but the main concentrations are in rural areas that are not served by the natural gas grid.

**PERFORMANCE OF THE NI RHI**

1.14 The NI scheme has been in place since 1 November 2012. As the RHI requires installations to be in place before the accreditation process can begin (unless the technology is of sufficient size to warrant pre-accreditation) there is a longer lead in time for projects and for applications to be made. To date there have been 25 of applications for support under the RHI and 8 of those have received full accreditation, the other applications currently in the process of attaining accreditation.

1.15 All the applications, to date, have been for solid biomass boilers with the average size of application being in the order of 200 kWth and the total combined capacity of the applications is nearly 5,000 kW.
BACKGROUND

2.1 DETI has always intended to introduce a long term mechanism to provide support for domestic renewable heating installations however additional time was required to consider the design of the scheme, the appropriate levels of support and the methodology for making payments. Therefore in May 2012 the Renewable Heat Premium Payment (RHPP) scheme was launched as a forerunner to the prospective domestic RHI.

2.2 This chapter outlines DETI’s preferred approach in terms of incentive mechanism, support levels, eligibility standards and methodology for making payments. The chapter also includes discussion on other potential design options and the role that energy efficiency has within the domestic RHI. The nature of the scheme means that some of the detailed information presented is complex, DETI therefore welcome all comments on the proposed scheme as part of this consultation process.

ELIGIBILITY

Eligible and ineligible properties

2.3 Firstly, the domestic RHI will be open to domestic properties only and applicants will be expected to present a copy of an appropriate rates bill to demonstrate that the dwelling is ‘domestic’ in nature. The domestic RHI also only covers one boiler heating one domestic property, therefore in circumstances where a technology is heating two or more separate properties that will be treated under the non-domestic RHI.

2.4 Similarly to the non-domestic RHI, eligible installations commissioned on or after the 1 September 2010 will be able to apply for accreditation and incentive payments will be made to the owner of the accredited equipment. We expect that in most cases the owner of the equipment will be the owner and occupant of the property being heated by the installation; however private landlords and Energy Service Companies (ESCos) will also be able to avail of the scheme. If the property is sold it is presumed that the heating installation will be part of the sale agreement and that the RHI payments would transfer to the new owner, in these circumstances the administrator of the scheme must be notified.

2.5 DETI has considered the treatment of second homes, such as holiday homes or privately rented homes, under the domestic RHI. The primary concern is that these homes may be un-occupied for long periods throughout the year and therefore have a lower heat demand. DETI proposes to include them in the scheme on the basis that these installations are metered and payments are based on the metered output (capped at the deemed level). A process of self-declaration will establish whether a property is a primary residence or a second home. Self build properties will be eligible providing they are occupied. Social landlords will also be avail of the domestic RHI tariff, providing they are classed as the “owner” of the equipment.

2.6 One other type of property that has caused much feedback from stakeholders since the launch of the RHPP and RHI schemes has been farmhouses. Given that farmhouses are, by nature, domestic
properties used for dwelling but also for running the farm business, there has been ambiguity as to their treatment. Current guidance is that farmhouses can qualify for the non-domestic RHI providing the administrator is content that the dwelling is used for ‘wholly or mainly’ non-domestic purposes following a space assessment. DETI is aware that this still leaves ambiguity. For the sake of consistency, DETI proposes to treat farmhouses (installing systems under 45kw in size) like all other domestic dwellings and therefore eligible for the domestic RHI. This is also in keeping with the likely use of the heat in question and the fact that farmhouses tend to be primary residences. Any farmhouses accredited under the non-domestic RHI will continue to do so but new installations going into premises that are rated as “House (Agricultural)” will be supported by the domestic RHI. DETI welcomes views from the agricultural sector on this issue.

2.7 Finally, for clarification, non-domestic installations where the dwelling is used for commercial purposes and has been significantly adapted for these purposes will not be eligible for the domestic RHI. The rating classification of the dwelling will be used as a guide in determining eligibility. As before, where one technology is heating a number of domestic properties the installation will be eligible for the non-domestic RHI.

CONSULTATION QUESTION 2.1

Do you have any comments on DETI’s proposals regarding the eligibility of second homes, holiday homes, privately / social rented homes or farmhouses?

Installations above 45kw

2.8 DETI is aware that in some circumstances domestic dwellings require an installation with a capacity greater than 45kw and therefore breaching the limits set by MCS. DETI has had to consider whether special arrangements should be made to allow domestic installations above 45kw to avail of support or, as is currently proposed in GB, should no special allowances be made these systems thereby excluding domestics installing systems larger than 45kw from incentives. On the basis of equity and accessibility, it is DETI’s preference for these systems to be supported however there is a significant risk that by opening up the non-domestic RHI to larger installations that technologies could be intentionally over-sized – this is especially the risk in scenarios where the provision of grant support is not a driving factor for switching to renewable heating.

2.9 To ensure equity, whilst avoiding over-incentivisation, DETI proposes the following:
- All installations that are 100kw and above are classed as non-domestic. Therefore if a domestic dwelling requires a heating system above this threshold they would be eligible for a 20 year RHI payment.
- Installations above 45kw but below 100kw will be eligible for the domestic RHI (as outlined in this chapter) however the payments for these systems may also need to be capped to prevent against the over-sizing of systems.

2.10 DETI welcomes views on the treatment of domestic installations over 45kw and the proposal outlined above.

CONSULTATION QUESTION 2.2

Do you have any views on how domestic installations over 45kw should be treated?

CONSULTATION QUESTION 2.3

Do you foresee any difficulty with the implementation of DETI’s proposal regarding domestic installations larger the 45kw and those in excess of 100kw?

ELIGIBLE TECHNOLOGIES

2.11 In determining what technologies should be eligible under the domestic RHI the three general criteria were used:
- The technology is well understood, well established and well proven and therefore can be expected to achieve a significant contribution to the deployment of renewable heat in the
domestic sector. DETI is more reluctant to support ‘emerging’ or ‘innovative’ technologies in this sector at this stage in order to build confidence in the market at domestic level. More innovative systems are supported under the non-domestic RHI.
  - The technology must be considered and defined as renewable by the European Commission under the Renewable Energy Directive (RED).
  - For the purposes of consumer protection and administration, the technology must be accredited under a suitable scheme that is based on international and European standards. Permitting technologies that do not meet MCS or Solar Keymark standards would undermine the scheme and place an undue burden on the administrator to carry out checks and certify technologies and installers.

2.12 Therefore the primary technologies that will be supported under the domestic RHI are:
  - Air to Water Heat Pumps
  - Ground Source or Water Source Heat Pumps
  - Biomass boiler systems
  - Solar Thermal

2.13 In addition to these standard technologies DETI is also considering providing support for air to air heat pumps and bioliquids.

2.14 An air to air heat pump is less efficient than other heat pumps as they often require electric immersion heaters to provide hot water. This lower efficiency can lead to higher operational costs. In addition, they are also often reversible and so able to provide air conditioning which would not contribute to the renewable heat target (although this function can be disabled by the installer and in any case the requirement for domestic cooling is very small in Northern Ireland). On the other hand, they have lower upfront capex and so will be more attractive for lower income households.

2.15 DETI acknowledges that whilst bioliquids or the B30k fuel is not fully renewable nor well established it does have some, albeit limited, potential in Northern Ireland given the current prevalence of oil. Many homes in Northern Ireland may be unsuitable for renewable technologies for issues such as space or access; these could also be the same homes without access to natural gas. Therefore bioliquids could be the only alternative to oil. DETI is uncertain about the potential level of uptake or resource of bioliquids for domestic heating however wishes to provide support as not to limit the market potential.

2.16 Indicative support levels are provided for air to air heat pumps and bioliquids however their inclusion under the domestic RHI is subject to this consultation.

CONSULTATION QUESTION 2.4
Do you have any comments on the proposed list of eligible technologies?

CONSULTATION QUESTION 2.5
Regarding the less well established technologies of air to air heat pumps and bioliquids, do you think these technologies could provide a significant contribution to the renewable heat sector and should therefore be incentivised?

Microgeneration Certification Scheme standard and OFTEC

2.17 DETI requires that the technologies installed and those installing them are appropriately certified, this will help protect consumers, provide standards and ensure confidence in the scheme. DETI propose to recognise certification schemes that meet standards such as European standard EN 45011, which sets out the standards for those bodies operating third party certification schemes, or EN ISO/IEC 17065 (that has replaced EN 45011). The Microgeneration Certification Scheme\(^2\) (MCS) meets these requirements.

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\(^1\) For heat pumps to be eligible for support they must run on electricity. DETI will also introduce standards relating to the co-efficient of performance and the seasonal performance factor.

\(^2\) www.microgenerationcertification.org
2.18 MCS is an independent, industry-led certification scheme accredited by the United Kingdom Accreditation Service (UKAS). MCS certification bodies assess microgeneration products and installation businesses against consistent, robust standards. By providing assurances as to the quality, durability and energy generation performance of microgeneration products and guarantees to consumers on the quality of their microgeneration installations, MCS aims to protect consumers in this emerging market. Members of the MCS are also expected to comply with the standards set out by the Renewable Energy Consumer Code (RECC).

2.19 To be eligible for the domestic RHI it is proposed that your technology must be accredited and commissioned by a suitably accredited installer. In the vast majority of cases DETI would recommend and expect the installation and commissioning to be carried out by the same installer however it is proposed that in circumstances where a non-certified installer carries out the installation the consumer could still apply for support providing that a certified installer commissions the system after the non-certified installer has finished the installation. In this case, the certified installer provide relevant documentation including the commissioning certificate and the applicant must provide a suitable chain of invoices showing all of the costs of the installation. Technologies and installers must be suitably accredited at the time of installation.

2.20 Consumers installing bioliquid boilers must use an Oftec registered installer.

**CONSULTATION QUESTION 2.6**

Do you have any comments on the proposed standards relating to MCS and Oftec?

**Multiple technologies**

2.21 DETI proposes to limit the eligibility of multiple installations to scenarios where solar panels and one other renewable heat technology is installed. The reason for restricting combination installations to solar plus one is that when the heat demand of homes are deemed it will be assumed that there will be one primary heat source that will service the entire space heating requirements of the home, solar thermal is the exception as it will only provide hot water requirements. To allow two primary renewable heat sources (biomass and heat pump) a separate assessment would be required and there would be significant risk of incorrect subsidy, in addition it is expected that these types of installations would be very rare. Support under the domestic RHI will therefore be limited to one renewable heat technology per dwelling (excluding solar thermal).

**SUPPORTED TECHNOLOGIES**

2.22 The following technologies will be supported via the Domestic RHI

**ASHPs (Air to Air and Air to Water)**

2.23 An air source heat pump works by absorbing heat from the air and transferring this heat through a unit which in turn increases the temperature of the heat and circulates it around a building. There are two general types of air source heat pump, an air to water system will distribute the heat through a standard liquid based central heating system, so the heat from the air is transferred to a liquid and used to heat radiators. The other system is an air to air heat pump, where the absorbed heat is used to produce warm air that is circulated by fans to heat a building – it is unlikely that an air to air heat pump will provide hot water as well.

**Biomass**

2.24 Biomass is the collective term for all plant and animal material and a number of different forms can be burned to produce heat, either directly for heating, or to produce hot water or steam. The most common fuel used in biomass boilers is wood, usually in the form of wood chip or pellets. Energy crops such as willow or poplar, grown on short rotation coppice, and miscanthus, together with straw and other organic residues can also be used.

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2.25 Biomass boilers using wood chip or pellets can be automatically fed from fuel hoppers. Large systems within the industrial, commercial and public sectors tend to have large storage systems to allow fuel to be bought in bulk. In the domestic context smaller hoppers are the norm and require regular refilling, similar to oil boilers.

GSHPs

2.26 Ground source heat pumps (GSHPs) are electrically powered reverse refrigeration cycles which extract heat from the ground and transfer the heat to building. There are two types of GHSPs; in one method a network of horizontal piping is laid under the surface outside an adjacent building; this method tends to require a large amount of space. A second type, often used where space is restricted, involves installing in vertically bored holes, typically to around 100 metres. In both cases the piping installed contains a fluid which extracts heat from the earth, passes it through the heat pump and then transfers it via a heat exchanger to a traditional central heating system.

2.27 All heat pumps have a ‘coefficient of performance’ (CoP); this refers to the amount of thermal energy that is produced per unit of electricity consumed or required. For example if 1 unit of electricity is required to create 3 units of heat, then the CoP of the heat pump is 3.

Solar thermal

2.28 Solar thermal systems consist of a roof mounted collector and an insulated thermal store. Heat is collected from the sun by the collector and transferred to a working liquid (normally water) to be stored for use. In the summer months, it could be expected that all hot water demand could be met by the solar thermal installation and potentially up to 50% of the annual demand.

Bioliquids

2.29 Bioliquids are liquid fuels produced from biomass materials, including waste such as cooking oil and tallow. Examples include bio-ethanol or biodiesel. In the domestic sector it is expected that the B30K bioliquid could be most widely used. B30K is a blend of waste oil and kerosene, comprising of 30% bioliquid Fatty Acid Methyl Ester (FAME) blended with 70% kerosene. The incentivisation of this fuel will, however, be dependent on whether this fuel is determined to be ‘renewable’ under EU standards. Those installing bioliquids boilers would be expected to make annual declarations to the administrator to demonstrate that the boiler had solely used bioliquids and not normal heating oil. The administrator would therefore ask to see detailed invoices for fuel purchases and any other relevant documentation as appropriate.

INELIGIBLE TECHNOLOGIES

2.30 It is difficult to provide a definitive list of the eligibility requirements given the range of technologies, different types of technologies and specific installations; each application will be considered on a case by case basis.

2.31 As previously outlined, in general terms the domestic RHI will support biomass, solar thermal, ASHP and GSHP installations in permanent primary residence domestic properties (including self build and privately rented) that are occupied for the majority of the year.

2.32 The RHI is compatible with the RHPP but not with any other publically funded support. Payments will be made to the owner of the equipment and it is the responsibility of the owner to ensure that all necessary planning permissions (e.g., planning approval and building control) are received for the installation.

2.33 There are of course some technologies and scenarios that DETI can definitely set out as ineligible. Firstly, the following technologies are not deemed eligible.

- Room heater stoves
- Condensing biomass boilers or stoves
- Cooling from heat pumps
- Exhaust air heat pumps
- Transpired solar thermal panels
2.34 The reasons these technologies are not eligible largely relate to their status with MCS (i.e. not certified), the risk of fossil fuel substitution, the fact they are not deemed renewable under the RED or the fact that there is limited market potential.

2.35 DETI will review the list on ineligible technologies throughout the scheme.

**CONSULTATION QUESTION 2.7**

Are there any technologies that are not currently being proposed for support that you feel could have a significant contribution in the development of the local renewable heat market? Please fully explain your answer.

**PROPOSED APPROACH**

2.36 In developing a permanent support mechanism for domestic renewable heating installations a number of options were considered.

- **No support**, instead focus support on the non-domestic sector where greater levels of renewable heat could be delivered.
- **A normal term RHI payment**, where tariffs would be set for the lifetime of the asset (to a maximum of 20 years).
- **A compressed RHI**, where tariffs are set for a reduced time period such as 5/7/10 years with payments compressed to cover the total payments expected over asset’s lifetime.
- **A grant based system**, where capital support is provided similar to the RHPP.
- **A two phased RHI**, where upfront support is available along with ongoing support over an agreed period of time.

2.37 Consideration also had to be given to the appropriateness of each scheme for the three types of applicants that will be eligible to apply for support, these are;

- **Those who installed between 1 September 2010 and 23 May 2012** and are therefore eligible to apply but have not received RHPP support. DETI would not be able to provide capital grant support for these installations so ongoing support needs to be provided.
- **Those who availed of the RHPP**. As support has already been provided this must be factored in to any future ongoing payment to ensure that these customers are not over-incentivised, DETI also wish to ensure that these customers are in no way disadvantaged.
- **New applicants** seeking support for installations commissioned following the launch of the new permanent measure.

2.38 The benefits of the various policy options were assessed on the basis of how they could support the deployment of renewable heat; appropriateness for the domestic sector; ensuring renewable heat technologies were accessible to all; and development of the renewable heat market. DETI’s preferred option is therefore a compressed RHI is introduced for tariffs of 7 years with an element of up front support to assist with the capital costs.

**Compressed RHI plus grant**

2.39 The 7 year tariff structure is appropriate insofar it reduces the concerns of homeowners who wish to install technologies but may also be planning to move home within the next 5-10 years. It also ensures that technologies supported under the scheme will still be supported by 2020 and therefore guaranteed to be in place and contribute to the renewable heat target. By setting a shorter tariff term there would be risk that once the support ended consumers may choose to revert to fossil fuels if fuel prices meant this would be a favourable option. This is of particular concern in Northern Ireland where large numbers of domestic customers will have access to new energy source, natural gas, by 2020 that do not currently have so. On the other hand tariffs longer than 7 yrs creates the risk that consumers are put off by the seemingly long pay back and unsure whether to invest in a home that they may subsequently sell. Therefore the 7 year tariff is proposed.

2.40 It should be noted that a compressed RHI is in no way less lucrative than an asset life (20 year) tariff system. In designing tariffs DETI has assessed the level of support payable over the life span of the technology and has then compressed this payment over 7 years to provide the tariffs outlined. If an asset life scheme was introduced the tariff payment would be lower and the amount payable over the 20 years would be in the same amount of the compressed tariff option.
2.41 DETI also propose to provide up front support for new installations. The experience of the RHPP has demonstrated that up front capital support is important for technologies that remain expensive to purchase and install. DETI is conscious that the capital outlay involved in renewable heat installations could remain to be significant barrier to deployment, as the table below sourced from the 2010/11 NI Family resources survey\(^5\) demonstrates.

<table>
<thead>
<tr>
<th>Amount of Savings and Investments</th>
<th>Total</th>
<th>No Savings</th>
<th>Less than £1,500</th>
<th>£1,500 but less than £3,000</th>
<th>£3,000 but less than £8,000</th>
<th>£8,000 but less than £10,000</th>
<th>£10,000 but less than £16,000</th>
<th>£16,000 but less than £20,000</th>
<th>£20,000 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Households</td>
<td></td>
<td>52</td>
<td>10</td>
<td>9</td>
<td>13</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>8</td>
</tr>
</tbody>
</table>

2.42 The capital element of the proposed support mechanism will increase the accessibility and reduce the costs of any financing required. The set figure of support has remained in line with the grant already available under the RHPP - this level of support has proven to be attractive for investors and has created a high level of interest. Using these figures also simplifies the administration arrangements for those who have already received the grant. For air to air heat pumps and bioliquids, where no RHPP support has previously been offered, upfront grant support of £1000 and £500 is proposed respectively.

2.43 Eligible installations commissioned since 1 September 2010 but did not receive RHPP support can apply for a domestic RHI tariff, these tariffs are set at a higher level to account for the fact that no grant has been, nor will be, offered. DETI has assessed these tariff levels and has ensured that the total lifetime support under both measures (tariff only and grant plus tariff) is equal. The proposed support systems and levels are detailed in the table below.

<table>
<thead>
<tr>
<th>Installed after 1 September 2010 and without assistance under the RHPP</th>
<th>New Installations and those supported under RHPP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tariff for 7 yrs (pence per kWh)</strong></td>
<td><strong>Up front support</strong> (£)</td>
</tr>
<tr>
<td><strong>Tariff for 7 years (pence per kWh)</strong></td>
<td><strong>Clean Heat Pumps</strong></td>
</tr>
<tr>
<td>Air to Water Heat Pumps</td>
<td>8.1</td>
</tr>
<tr>
<td>Biomass</td>
<td>7.9</td>
</tr>
<tr>
<td>Ground Source Heat Pumps</td>
<td>13</td>
</tr>
<tr>
<td>Solar Thermal</td>
<td>16.4</td>
</tr>
<tr>
<td>Air to Air Heat Pumps</td>
<td>5.5</td>
</tr>
</tbody>
</table>

2.44 As outlined by the table above, there are varying levels of support depending on the date on which the eligible installation has been commissioned and whether previous grants have been received. For systems commissioned since 1 September 2010 that were not provided with assistance under the RHPP a 7 year tariff will be available. Customers that have benefited from a RHPP grant will also receive a 7 year tariff; this tariff is the same level of for new installations as the grant provided under the domestic

\(^6\) For technologies installed under the RHPP this support has already been received.
\(^7\) No support has previously been available for air to air heat pumps or bioliquids.
RHI is set at the same level as the RHPP. The proposed support levels for air to air heat pumps and bioliquids are included in this table but are subject to the inclusion/exclusion of these technologies based on this consultation process.

2.45 It is expected that the RHPP will continue until the domestic RHI is in place – further information on the process for introducing the domestic RHI will be made available once the final proposals are confirmed following this consultation process, there is of course the potential that proposals could be revised following this process.

CONSULTATION QUESTION 2.8
Are you supportive of DETI’s proposal to offer up front grant plus a compressed RHI payment for domestic installations?

CONSULTATION QUESTION 2.9
Do you think the proposed support levels and tariffs are appropriate for this sector? If not please explain with evidence.

Other options

2.46 There are of course, as already mentioned, other potential options that DETI wish to gather views, these are;
- No support for the domestic market
- Lifetime RHI
- Compressed RHI only for 5/7/10 years
- Grant only (max 50% of invoiced costs)

2.47 DETI is keen to hear views on whether a different approach to the proposed ‘Compressed RHI plus grant’ should be taken. It is worth noting that DETI requires a level of certainty that installations supported under the domestic scheme remain in place to 2020 and beyond. The 7 yr tariff, or longer, provides that level certainty. To reduce the tariff term below 7 yrs would require strict administrative arrangements that would allow clawback of funding if the system was made redundant before 2020.

CONSULTATION QUESTION 2.10
If you do not think the grant plus compressed RHI option is appropriate, what is your preference for the design of the domestic RHI? Please explain fully.

TARIFF SETTING METHODOLOGY

2.48 The tariff setting methodology for the domestic RHI is largely similar to that used in setting rates for the non-domestic scheme in that the tariffs are designed to compensate the consumer for the financial costs of the additional capital cost of the renewable heat installation compared with a conventional fossil fuel system and the difference in operating costs over the lifetime of the installation. In addition, the tariffs are expected to compensate for the additional non-financial barriers associated with installing renewable heat.

2.49 The only difference in methodology relates to the implied rate of return or discount rate is lower for households than it is for commercial applications. Previously a discount rate between 12-16% had been used for smaller commercial systems that would be a similar scale to domestic installations, this was based on the standard methodology used by DECC in developing the GB RHI levels. However, more recently DECC have used a discount rate of 7.5% for households, DETI has followed this approach – this is the only significant difference in the design of the domestic and non-domestic RHI tariffs.

MEASURING HEAT

2.50 A key issue for the domestic RHI is how the level of renewable heat produced and used by each domestic property is measured and, therefore, how payments will be made. The two options considered by DETI were ‘metering’ and ‘deeming’.
In the metering scenario, each installation would require a class 2 heat meter to be included with specific guidance on the placement of meters issued by the administrator. The meter would record the heat output of the technology and payments made accordingly. This is how the commercial currently RHI operates. Metering would ensure that systems remain in place and DETI can accurately monitor levels of renewable heat, however, there is a risk that metering could lead to systems being over-used to receive additional payments and their installation could act as a further barrier for domestic customers interested in renewable heat.

Under a deeming system, each applicant's property is assessed and an expected annual heat demand is calculated – this will factor in the type of heating system, the size of property, the expected use of property and the fabric of the property. This assumed heat demand is then multiplied by the appropriate tariff to give the payment under the domestic RHI. This approach would have an in-built energy efficiency given that it would be in householders interest to use as little heat as possible, it is also a simple system and is broadly in-line with proposals in GB.

CONSULTATION QUESTION 2.1
Do agree with DETI’s proposal to 'deem' heat loads in domestic properties rather than require individual heat meters?

CONSULTATION QUESTION 2.12
Do you have any comments on how heat loads in homes could be most accurately and cost effectively assessed as part of the deeming system?

Circumstances where metering is required

In the vast majority of cases the payments will be made by the deeming methodology, detail previously. However, in the following cases heat meters8 will be required:

- **Where the system is not standalone** – DETI understand that in certain circumstances consumers may wish to keep a conventional fossil fuel heating system in place as well as installing the new renewable heat system. This may be due to a desire or need to have a ‘back-up’ or for efficiency purposes such as heating water in summer months. DETI would anticipate/prefer for bivalent systems to be the exception rather than the norm, indeed as ASHPs are problematic to meter accurately these installations will not be able to have a secondary heat source included. In circumstances where a biomass/bioliquid boiler or ground source heat pump is installed and an oil or gas boiler remains, a heat meter will need to be installed at the cost to the consumer.

- **For systems above 45kw in size** – If it determined that domestic systems above 45kWth (and below 100kWth) should be treated under the domestic RHI rather than the non-domestic RHI or not provided support at all, these systems would need to be metered. Given that these installations fall outside of MCS, DETI will require heat meters to be installed so performance, usage and efficiency can be measured. Again, the cost of the heat meter will be borne by the consumer.

- **For second homes or social landlords** – Second homes (eg holiday homes or privately rented homes) and social landlord homes will be eligible under the domestic RHI. Firstly, for holiday homes there are legitimate concerns about the level of occupancy of these properties therefore a heat meter will be required to monitor heat usage. For privately or socially rented homes, in the vast majority of cases the decision to install the renewable heat equipment will be taken by the landlord rather than the inhabitant. Therefore, the tenant may not have made the conscious decision to have renewable heating and may decide not to use it as a primary heat source. In addition, rented homes, whilst occupied for the majority of the year may be unoccupied for large period of times also (i.e. student accommodation), therefore the deeming methodology may not be appropriate. For these reasons, all second homes (anything that is not your own primary place of residence) will be required to be metered. Applicants will be expected to declare second homes during the application process. Again, the cost of the heat meter will be borne by the owner of the installation.

- **Where DETI decides to install a meter for data collection purposes.** In order to gather data, assess performance and monitor progress against renewable heat targets, DETI may choose to

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8 Heat meter must be a certain standard as per commercial scheme.
2.54 Other circumstances may arise during the running of the scheme that requires meters to be installed. Where meters are installed for bivalent systems; over 45kw systems; and in second homes, the payments will be made on the metered heat output but capped at the deemed level of payment. Where DETI chooses to install a heat meter the payment will be paid through the deeming methodology.

ENERGY EFFICIENCY

2.55 The installation of energy efficiency measures is the most cost-effective method to reduce energy consumption. For renewable heating installations, it is vital that thermal efficiencies are made so smaller, cheaper and more efficient technologies can be installed. Indeed, it is DETI’s assumption that those installing renewable heating technologies will have already made their homes as efficient as possible and the installation of the renewable system is the last step in their “low-carbon journey”.

2.56 Whilst the deeming methodology has an ‘in-built’ energy efficiency insofar it is in the interest of the consumer to use as little heat as required there remains a risk that it is advantageous for householders to have inefficient homes with a high heat demand requirement as this could result in higher deemed payments. In the same way, a home with a much lower heat demand because of improvements in energy efficiency could end up receiving lower payments. It is vital that thermal efficiency improvements are encouraged and rewarded. However it is also important that no house or property is excluded because efficiency improvements have not or cannot be made, i.e. energy efficiency requirements should not be a barrier for uptake.

2.57 Based on this assumption, DETI has designed the tariffs to be most appropriate for the most efficient homes and when deeming expected heat loads DETI will assume that applicants have a C-rated home with standard energy efficiency measures in place. DETI will seek information on the dwelling including the size and type of building, from this information a standard assessment will be made on the required heat demand of the household. This assessment will inform the deemed payment.

2.58 For biomass/bioliquids boilers and heat pumps the deemed payment will be based on the expected heat demand (kwh) of the home, based on the assumption that the home is C-rated. DETI views this as a realistic standard that all homeowners can aspire to – in practice the tariff will work best for those in more efficient homes and therefore those wishing to install renewable heat are being incentivised to make their homes as efficient as possible. For solar panels, the deemed payment will be based on the expected contribution of the panel towards the domestic hot water requirements.

APPLICATION PROCESS

2.59 The scheme’s administration system is still to be determined, however it is expected that the application and accreditation process will have 4 key processes.

| Application | For the most part, applications will be made in advance of the technology being installed (this will not be the case of installations in place since 1 September 2010 or those that benefited from RHPP), and whilst retrospective applications will be considered there is significant risk associated to this practice as accreditation and award of support are not guaranteed. Details required for the application form will be largely similar to the RHPP eg. details of the applicant, the proposed installation and the installer, as well as |

| |

Received from DFE on 02.05.2017
Annotated by RHI Inquiry
For technologies already installed the process will be similar, however when applying it must be clear that the system is in place and details provided as to the installer, technology, date of installation etc. Some of this information may already be held by DETI via the RHPP application process. These installations will be accredited for the annual payment once all relevant information is provided.

CONSULTATION QUESTION 2.15
Do you have comments on the administration arrangements for the domestic RHI?

ONGOING OBLIGATIONS

2.61 There will be ongoing obligations for both the Department and the applicant. Firstly, the Department will be obliged to make ongoing payments for the heat output of the accredited installations. In terms of making payments DETI could either make payments quarterly or annually, in advance or in arrears. It is DETI’s proposal that payments are made annually in arrears with the first incentive payment made 12 months after accreditation. Paying in arrears reflects the position that installers are being supported for the actual renewable heat used; payment in advance would have significant risk and is not required given the capital element of the support. Annual payments are proposed as they are administratively simpler.

2.62 The owner of the equipment must also ensure the technology remains in place, is used appropriately and is maintained to the manufacturer’s standards. To ensure these obligations are met DETI will withhold the right to carry out site audits, with installations audited both as part of random sampling or where DETI
suspects the rules of the scheme have been broken. In addition, each applicant will be asked to complete an annual declaration of compliance, payments will only be processed when this declaration

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<td>Do you have any views on the timings or frequency of payments?</td>
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3

BACKGROUND –

3.1 The non-domestic RHI launched in November 2012 focussed primarily on the better established and well known technologies. This was to act as a primer for the market, to build confidence and understanding of the RHI and to prepare the market for the expansion of the scheme and the introduction of more innovative technologies. The technologies supported under the first phase of the scheme also are likely to the technologies that contribute greatest to the achievement of the targets of 4% renewable heat by 2015 and 10% by 2020.

3.2 However, it was always DETI’s intention to, not only, extend the scheme to domestic customers but also to expand the commercial RHI to include more innovative technologies. This will assist in developing the market and provide further choice for commercial operators wishing to utilise renewable heating. This chapter outlines the new technologies or tariff bands that will be introduced under phase 2 of the RHI, the rationale behind the tariffs developed and the relevant eligibility requirements.

PROPOSALS FOR NEW SUPPORT

3.3 DETI proposes that new support is introduced for a range of new technologies. These technologies tend to be less commonplace and more innovative and therefore additional time has been required to assess the need for support, the appropriate levels and any other associated issues involved in providing support. The introduction of new tariffs for these technologies will support the further development of the renewable heat sector in Northern Ireland and contribute to the achievement of the targets set.

Tariff setting methodology

3.4 In developing each of the new tariffs the standard tariff setting methodology was applied. This has four elements:

- Firstly, we identify the required subsidy level, in pence per kWhth, to cover the difference between a renewable technology and a conventional boiler at each representative site in Northern Ireland. This value is calculated over the lifetime of the technology including variables such as projected fuel costs and non-financial barriers.

- Then, in order to calculate the average lifetime cost, we calculate the annual operating and fuel cost, and add this to the annuitized cost of the upfront capital, installation and barrier costs. We then divide this cost per year by the average annual heat produced to obtain a figure for cost per unit of heat.

- The installations are grouped by technology/kWhth capacity bands to create “supply curves” that represent the renewable heat that would be delivered for a given subsidy level in the absence of any installation or fuel supply barriers.
Finally, the installation providing the median kWhth on that supply curve is selected as the “reference installation” and the minimum pence/kWhth subsidy required to install the renewable technology to that installation is selected as the RHI rate for the tariff band.

3.5 In the majority of cases the counterfactual fuel position oil, this reflects the fact that the Northern Ireland heat market remains largely dependent on oil for heating demand and that the vast majority of renewable heat installations will be displacing oil. However in some instances a natural gas counterfactual has been selected, this occurs in circumstances where the mid-point of deployment curve for a particular scale of technology demonstrates that natural gas will be displaced.

Large Biomass (over 1MW)

3.6 Biomass installations over 1MW were not eligible for support under the first phase of the Northern Ireland RHI. The reason for this was that evidence available at the time demonstrated that these types of installations, for the most part, were already cost-effective over the 20 year time period. Whilst it was accepted that a biomass installation over 1MW size was considerably more expensive than the corresponding oil system in terms of capital outlay, the differential in assumed fuel price outweighed the capital costs, given the fuel intensity of these systems, therefore rendering a tariff unnecessary. In fact, when calculating a tariff for this band a negative tariff was generated.

3.7 DETI did undertake to reassess this issue and engaged with sector stakeholders to explore and test the previously held assumptions. Following this re-assessment and number of assumptions were revised;
  - The price of wood chip in Northern Ireland was assessed to be higher than in Great Britain.
  - Security of supply of biomass fuel was a major concern and the supply of wood chip much more restricted that in Great Britain. This market constraint meant it was likely that wood pellets would be more frequently used as supply of wood chip was limited. A market constraint of 20,000 dry tonnes per annum (this is above the existing wood chip use) of chips was imposed to 2020 representing 85 GWh per annum. This leads to the new assumption that wood pellets will be used more frequently.
  - A new sub-sector of ‘small industrial’ was identified that would encompass potential heat installations between 1MW-10MW. The new Small Industrial category is characterised by food & drink sector, hospitals and universities. Such applications typically have steam as the heat transfer medium. As a result a further change to the assumptions has been to revise the renewable and counterfactual CAPEX figures to be based upon high temperature steam boilers. Steam boilers are more expensive than hot water boilers in particular for biomass systems. The resulting CAPEX increase is from £316/kW to £487/kW.

3.8 The revised assumptions has led to a tariff being set for large biomass installations above 1MW size against a counterfactual position of wood pellets replacing oil. The proposed tariff is 0.6p/kWhr for 20 years. This proposed tariff is linked to RPI, similar to all other tariffs.

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<tr>
<th>PROPOSED NEW TARIFF</th>
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<tr>
<td>Biomass heat only (exc CHP)</td>
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**CONSULTATION QUESTION 3.1**

Do you have any comments on the assumptions used to develop the large biomass tariff?

Biomass and Bioliquid Combined Heat and Power

3.9 Biomass and bioliquid CHP is currently incentivised under the NIRO, with good quality CHP that is accredited under CHPQA in receipt of an additional 0.5 ROC uplift. DETI has indicated that from October 2015 the 0.5 ROC uplift will be withdrawn – good quality CHP projects accredited after this date would be eligible for the relevant electricity only ROC level together with the appropriate RHI tariff. This position is largely consistent with GB however given the fact that DETI has not previously indicated a potential CHP RHI tariff an additional grace period for installations has been allowed rather than adopting the GB timescales of April 2015.

3.10 In developing an appropriate CHP tariff under the RHI DETI has assumed an investment lifetime of 10 years and a plant lifetime of 20 years. In addition, a discount rate of 12% has been used and the revenue
from ROCs for electricity is included and factored into the analysis. Finally, a counterfactual position of natural gas has been used based on analysis demonstrating that the new CHP sites in 2020 are likely to have access to natural gas as a fuel. Therefore, DETI is proposing a tariff of 3.5 p/kWh for new biomass and bioliquids CHP systems.

3.11 In addition to the tariff for new CHP systems, DETI proposes to introduce a second tariff for existing fossil fuel CHP systems that wish to convert to renewable CHP. The capital costs incurred for converting to renewable CHP from fossil fuel CHP is quite different from the capital costs involved in the development and build of a new renewable CHP station. The tariff for conversion sites has been developed in the same way as the new build CHP tariff however with different assumptions on capex. For existing fossil fuel CHP sites converting to renewable fuelled CHP the proposed tariff is 1.7 p/kWh.

3.12 To receive the RHI the accredited station must be certified under CHPQA. This means before the removal of the existing ROC uplift there could be two different incentive mechanisms for CHPQA systems.

3.13 If the RHI tariff for dedicated Biomass or Bioliquid CHP is approved and introduced in Phase Two of the RHI:

- Before 1st October 2015, generators will have a one-off choice as to which scheme they accredit under (either NIRO uplift or reduced ROC level + RHI);
  - 2 ROCs per MWh; or
  - 1.5 ROCs plus RHI tariff
- After 1st October 2015 and before 31st March 2016, DETI proposes to allow any generating station that has received pre-accreditation with Ofgem under the NIRO and is a “qualifying CHP generating station” (this means that they have been issued with a “ROC Eligibility Certificate” in addition to a “Regular CHP” certificate from CHPQA) in advance of 1st October 2015, with a one-off choice of which incentive mechanism to avail of;
  - 1.9 ROCs per MWh; or
  - 1.5 ROCs plus RHI tariff

3.14 Systems that are eligible to choose between the two incentive mechanisms will be asked to make their choice during the accreditation phase. This is a one-off choice and once accredited cannot be revisited.

3.15 DETI expects heat from renewable CHP sites to provide a significant contribution towards the development of the renewable heat market and the achievement of the renewable heat target. It is estimated that 554 GWh of per annum will be in place through CHP by 2020, over a third of the renewable heat target.

### PROPOSED NEW TARIFF

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<thead>
<tr>
<th>Description</th>
<th>Size</th>
<th>Duration</th>
<th>Tariff</th>
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<tbody>
<tr>
<td>Biomass or Bioliquid CHP (new system)</td>
<td>1MW and above</td>
<td>20 years</td>
<td>3.5 p/kWh</td>
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<tr>
<td>Biomass or Bioliquid CHP (conversion)</td>
<td>1MW and above</td>
<td>20 years</td>
<td>1.7 p/kWh</td>
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### CONSULTATION QUESTION 3.2

Do you agree with the proposal to introduce separate tariffs for new build CHP systems and for the conversion of existing fossil fuel CHP?

**Biomass Direct Air Heating**

3.16 Currently the RHI only supports biomass heating whereby the boiler produces heat that is transferred via a delivery liquid or steam to provide central heating, hot water heating or process heating. DETI is now proposing to introduce support for technologies where there is no heat delivery liquid and air is warmed directly through the combustion of biomass – examples of this type of heat use could be found in agriculture through grain drying or in commercial factories or warehouses.

3.17 The issue remains with direct air heating however regarding how the level of heat output is assessed as metering is not appropriate. Therefore a methodology will need to be developed as to how payments can be accurately made against the heat output of these technologies. There are three broad options;

- **Measurement of the biomass** input to determine the expected heat output.
- **A simple deeming approach** similar to the domestic RHI whereby the size of boiler and the size, type and use of property are used to estimate expected heat output.
o Meter the flow and temperature of gas – existing metering requirements measure the flow and temperature of the liquid however in the case of biomass direct air a meter may be able to measure flue gases.

3.18 DETI welcomes views on the potential options to assess heat output of biomass direct air heaters. Further guidance on this issue will be provided if a biomass direct air tariff is implemented.

3.19 Two separate tariffs for this technology are proposed, the first of which will cover smaller installations less than 100kWth in size and is proposed to be 2.4 pence per kWhr. The second tariff will cover larger technologies over 100kWth but less than 1000kWth, this is proposed to be 1.3 pence per kWhr. No tariff is offered over 1000kWth in size at this stage.

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<th>PROPOSED NEW TARIFF</th>
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<tr>
<td>Biomass direct air</td>
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<td>Less than 100kWth</td>
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<td>100kWth and above but less than 1000kWth</td>
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<th>CONSULTATION QUESTION 3.4</th>
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<tr>
<td>Do you have any comments on the proposal to incentivise biomass direct air heating or the methodology for calculating payments?</td>
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ASHPs (Air to Air and Air to Water)

3.20 Air source heat pumps were excluded from phase 1 of the RHI due to a lack of detailed evidence on the costs and performance of the technology and issues surrounding the accurate measurement of heat output. DETI has re-assessed these issues and now proposes to introduce support for both air to air heat pumps (AAHP) and air to water heat pumps (AWHP).

3.21 For AAHP, where heat from air outdoors is transferred through a heat exchanger via a liquid and used to produce warm air that is circulated within a building to provide space heating, a tariff of 5.2 pence per kWhr is proposed for systems less that 100kWth in size. DETI wishes to limit support for these technologies, at this stage, to smaller systems so the market can be tested and this technology can be rolled out in a staged manner.

3.22 AAHP’s are often reversible and can be used to for cooling as well heating, however, guidance from the European Commission states that the cooling element of heat pumps cannot be classed as renewable and therefore is not attributable towards renewable heating targets. This being the case, DETI will limit support for AAHP’s for heating only systems, those that are not reversible. Heat only AAHP’s are an emerging technology and can be useful to heat building with high space heating requirements but no cooling requirements. The unintended impact on reversible AAHP’s must also be considered however.

3.23 AWHPs have the potential to displace existing fossil fuel heating systems by providing buildings with space heating and hot water heating via utilizing heat from the outside air transferring this directly to a liquid. These systems are often used alongside under-floor heating but can also integrate with conventional radiator systems. DETI has assessed the costs of these systems and developed a proposed tariff of 2.5 pence per kWhr that would be available for systems less than 100kWth in size. Similarly to AAHP, a larger banding for this technology may be considered in due course dependent on evidence gathered during this consultation and through actual deployment of technologies under the RHI.

3.24 Currently, all technologies supported under the RHI must have installed a class 2 heat meter however AAHPs will not be able to meet this criteria and therefore another methodology for determining payment levels is required, as with biomass direct air heating. The preference for DETI would be utilizing a deeming methodology, similar to the domestic scheme, whereby the size, type and use of the building is assessed to determined an expected heat demand that is used to base payments, however this could be more difficult in the non-domestic sector given the wide range of building types and uses. The alternative would be to require a different type of metering based. For AWHPs heat metering will be required as normal.

3.25 Currently, GSHPs supported under the RHI must have a COP of 2.9 or greater. This standard will remain for ASHPs but, in addition, DETI will require that all heat pumps demonstrate that they can attain a
seasonal performance factor of greater than 2.5. This will also apply to GSHPs. Guidance on the measurement of SPF will be issued should these proposals be adopted.

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<td>Air to Air Heat Pump</td>
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<td>Air to Water Heat Pump</td>
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Deep Geothermal

3.26 Under Phase 1 of the RHI deep geothermal installations were eligible through the tariffs set for large ground source heat pumps. At the time of the July 2011 consultation, DETI sought evidence on the potential deployment of deep geothermal energy in Northern Ireland and the existing barriers both financial and non-financial. Early analysis work demonstrated that a tariff range between 1.6p-4.6p could be appropriate depending on the assumptions on the heat being displaced. It was agreed however that further analysis was required and specific support for deep geothermal would be included as part of Phase 2.

3.27 In developing support or incentive measures for deep geothermal, DETI considered two potential options. The first of which was the introduction of a specific tariff for deep geothermal energy. To design the tariff the counterfactual position was re-assessed in line with evidence from stakeholders and experience of recent geothermal developments, this involved new assumptions relating to the likelihood of a geothermal energy developer selling heat to a third party or Energy Service Company (ESCO) rather than taking the heat to individual consumers. This proposed tariff for deep geothermal heating is 3.7 pence per kWh for a maximum of 20 years.

3.28 The second option is to provide support on a competitive basis, whereby potential developers would submit proposals to DETI on a case-by-case basis and DETI would award support, either on the basis of capital grant or a set incentive level, depending on the financial need of the project.

3.29 DETI’s preferred approach is the proposed RHI tariff however views are welcomed on the second option of a Challenge Fund scheme. For systems to be classed as deep geothermal the energy must be located and extracted from at least 500 metres beneath the surface of solid earth.

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<td>Deep Geothermal</td>
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Bioliquids (heat only)

3.30 As well as considering supporting bioliquids boilers in the domestic sector and bioliquids CHP in the non-domestic sector, DETI also proposes to introduce support for bioliquids boilers (heat only) under the non-domestic RHI. Bioliquids have been incentivised under the NIRO for renewable electricity generation for sometime and DETI is aware that such bioliquids could also have the potential to contribute to renewable heating targets.

3.31 Two tariffs are proposed depending on the scale of the boiler in place, under 100kWth the proposed tariff is 2.6 pence kWhr and above 100kWth a tariff of 2.1 pence per kWh is proposed. No tariff above 1MWth is offered as it is assumed that projects of this scale would be CHP systems and could therefore avail of

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<th>CONSULTATION QUESTION 3.6</th>
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<td>Do you have any comments on the proposed level of support for deep geothermal energy?</td>
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those relevant tariffs. The tariff offered for bioliquid CHP is higher than the heat only tariff; this reflects
the lower capital costs involved in heat only systems.

3.32 The Renewable Energy Directive sets out criteria for bioliquids, these are already enforced under the NIRO
and the same standards would apply under the RHI. Fuels that are supported under the bioliquids RHI
tariff would need to comply with these standards.

3.33 DETI understands that there is some interest in tallow in Northern Ireland. Currently much of the UK’s
tallow resource is refined into bio-diesel. We propose that the use of tallow oils and meat and bone meal
(MBM) are allowed in the non-domestic sector under the RHI, providing they meet the aforementioned
eligibility standards, and they are eligible to apply for the tariffs outlined below. Where a solid combustion
boiler is installed, rather than a boiler capable of burning liquids, the appropriate tariff would be the
biomass tariff and not the bioliquids tariff. As with all the proposed tariffs, the bioliquids tariff will be
subject to public consultation and approval from the EU Commission.

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<th>PROPOSED NEW TARIFF</th>
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<td>Bioliquids</td>
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<td>100kWth and above but less than 1000kWth</td>
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**CONSULTATION QUESTION 3.7**
Do you think DETI should incentivise the use of heat only bioliquids boilers in the non domestic sector
and do you foresee any problems with the approach proposed by DETI?

**Large biogas over 200kWth and Landfill Gas**

3.34 DETI has assessed the need for and potential of support for renewable heat generation from large biogas
over 200kWth and from heat recovery from landfill gas.

3.35 Firstly, biogas combustion is currently supported under the RHI under 200kWth but only in circumstances
where the plant is not accredited under the NIRO and in receipt of ROC support. This is due to the fact
that ROC levels for anaerobic digestion are already sufficient to support deployment of this technology
and the award of a RHI would not be supporting additional renewable heat. DETI has considered support
for larger systems but is of the view that no ‘heat-only’ AD systems will be deployed whilst ROC levels
remain at the current level, therefore the RHI would not be supporting additional renewable heat.

3.36 If DETI were to consider providing RHI support for heat recovery from AD CHP this would, most likely, have
an impact on the existing ROC level. As the ROC support is providing sufficient support for AD currently,
DETI has no plans to either review this support or introduce RHI. Heat only AD systems under 200kWth
remain eligible for support.

3.37 Secondly, landfill gas is currently incentivised under the NIRO for the generation of renewable electricity
and it could be assumed that heat recovery from landfill gas would only take place where electricity is
currently being generated. Of the 6 accredited landfill gas sites under the NIRO there is only one site that is
in close proximity to a potential heat load – this is not surprising given the nature of landfill sites results
in them often to be far from commercial or domestic buildings. Therefore any heat recovery from landfill
would most likely require lengthy pipework or the creation of new and potentially artificial heat loads. In
addition, as landfill gas is diminishing the likelihood of significant deployment and contribution to the
2020 target is minimal.

3.38 Given the very limited potential to contribute to targets, the risk that artificial heat loads could be created
to claim RHI and the diminishing nature of landfill meaning that it would need to be replaced within a
short period of time, DETI does not propose to incentivise heat recovery from landfill.

**Large Solar**

3.39 DETI also considered the need for incentive support for solar thermal installations over 200kw in size.
The experience in the existing UK market is that solar thermal installations over 200kWth are not being
considered. This is demonstrated insofar that the current average capacity from the GB RHI, from the
Ofgem public report\(^9\), is, to date (14/06/13), there is 626kWth installed in England across 49 separate installations representing an average capacity of 12.8kWth. A formal definition of what is large scale solar thermal does not exist but one training course\(^{10}\) defines it broadly as 40m\(^2\), this represents less than 40kWth.

3.40 Installations above 200kWth are likely to require a connection to a district heat network, this reflects the variable heat outputs and examples from Europe in particular Germany and Denmark. Solar thermal with district heating would require a community type scheme. This would most likely be Local Authority led, very few of such schemes exist and we believe a public sector community scheme in NI is highly unlikely by 2020. This illustrates that 200kWth solar thermal is a truly large installation requiring at least 250m\(^2\) for the collectors. In addition to the above market constraints there is no available evidence of UK solar thermal costs above 200kW.

3.41 DETI has therefore concluded that a tariff for this category is not appropriate until further examples in the 50-200kWth category arise.

**TABLE OF PROPOSED TARIFFS**

3.42 A full list of the proposed tariffs, including existing tariffs, are detailed below

<table>
<thead>
<tr>
<th>Tariff name</th>
<th>Size</th>
<th>Tariff duration (years)</th>
<th>Northern Ireland levels (pence per kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air to Air Air Source Heat Pumps</td>
<td>Less than 100kWth</td>
<td>20</td>
<td>5.2</td>
</tr>
<tr>
<td>Air to Water Air Source Heat Pumps</td>
<td>Less than 100kWth</td>
<td>20</td>
<td>2.5</td>
</tr>
<tr>
<td>Bioliquids</td>
<td>Less than 100kWth</td>
<td>15</td>
<td>2.6</td>
</tr>
<tr>
<td></td>
<td>100kWth and above but less than 1000kWth</td>
<td></td>
<td>2.1</td>
</tr>
<tr>
<td>Biomass (heat only)</td>
<td>Less than 20kWth</td>
<td>20</td>
<td>6.3</td>
</tr>
<tr>
<td></td>
<td>20kWth and above but less than 100kWth</td>
<td></td>
<td>6.1</td>
</tr>
<tr>
<td></td>
<td>100kWth and above but less than 1000kWth</td>
<td></td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>1000kWth and above</td>
<td></td>
<td>0.6</td>
</tr>
<tr>
<td>Biomass or Bioliquid Combined Heat and Power (new sites)</td>
<td>All sizes</td>
<td>20</td>
<td>3.5</td>
</tr>
<tr>
<td>Biomass or Bioliquid Combined Heat and Power (conversion from fossil fuel)</td>
<td>All sizes</td>
<td>20</td>
<td>1.7</td>
</tr>
</tbody>
</table>


\(^{10}\) [http://wagner-academy.com/events/solar-thermal-large-scale-training-16082012/](http://wagner-academy.com/events/solar-thermal-large-scale-training-16082012/)
<table>
<thead>
<tr>
<th>Tariff name</th>
<th>Size</th>
<th>Tariff duration (years)</th>
<th>Northern Ireland levels (pence per kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biomass Direct Air</td>
<td>Less than 100kWth</td>
<td>20</td>
<td>5.1</td>
</tr>
<tr>
<td></td>
<td>100kWth and above but less than 1000kWth</td>
<td></td>
<td>1.4</td>
</tr>
<tr>
<td>Biomethane</td>
<td>Biomethane all scales, biogas combustion less than 200kWth</td>
<td>20</td>
<td>3.1</td>
</tr>
<tr>
<td>Deep Geothermal</td>
<td>All scales</td>
<td>20</td>
<td>3.7</td>
</tr>
<tr>
<td>Ground Source Heat Pumps</td>
<td>Less than 20kWth</td>
<td>20</td>
<td>8.8</td>
</tr>
<tr>
<td></td>
<td>20kWth and above but less than 100kWth</td>
<td></td>
<td>4.8</td>
</tr>
<tr>
<td></td>
<td>100kWth and above</td>
<td></td>
<td>1.3</td>
</tr>
<tr>
<td>Solar Thermal</td>
<td>Less than 200kWth</td>
<td>20</td>
<td>8.8</td>
</tr>
</tbody>
</table>

**DISTRICT HEATING**

3.43 A 2010 study in the development of the Northern Ireland renewable heat market demonstrated that 31 per cent of Northern Ireland’s heat demand lies in areas that could be suitable for district or community heating schemes, where one heat source supplies heating for a number of different buildings. These projects often have additional capital costs implied because of the need for pipework to transport heat from the heat source to the buildings connected to the network.

3.44 As part of this second phase of the RHI, DETI has considered whether renewable district heating required a specific “uplift” tariff under the RHI to account for the additional costs incurred. This is a complex task as community or district heating schemes are all very different nature and their costs are very specific to the scale and type of project and the type of heating being displaced. To consider how a tariff could be designed DETI considered a range of district heating scenarios from small schemes linking existing domestic homes to larger schemes that serviced a range of premises including hard-to-treat buildings. This allowed DETI to assess the additional costs of deploying a centralised renewable heat system rather than individual boilers.

3.45 A tariff range for the uplift of 4p/kWhr to 14p/kWhr was developed, highlighting the differences in the scenarios and the variables within each potential district heating. At this stage, DETI are considering introducing an uplift tariff of 7p/kWhr for community heating or district heating schemes. There will of course be stringent eligibility requirements to prevent potential applicants putting in place very small district heating schemes, at little additional cost, to secure a higher tariff.

3.46 Therefore DETI proposes a number of key eligibility criteria;
- The uplift will only be available for biomass heat only systems above 200kw in size.
- All applications must be made in advance of installation via the pre-accreditation route with the administrator.
- The centralised boiler must be a new technology and newly installed, pre-existing boilers cannot be used to heat new district heating schemes.
- Pipework must be new to the installation and represent a new heat linking opportunity, and not for the refurbishment of an existing district heating network.
It must be demonstrated that individual boilers will be displaced by one or more centralised plant.

3.47 For this tariff to be implemented DETI will also be required to introduce a definition of district heating. The definition will focus on larger schemes with larger heat loads and connections to a number of buildings. It would not be DETI’s intention to allow this ‘uplift’ to be available to smaller schemes that only connect to a small number of buildings, as they schemes do not incur the same costs or difficulties as large district heating projects.

3.48 As this is a complex area, DETI welcomes views on the proposals, the suggested uplift tariff and the eligibility criteria and how the definition of district heating could be crafted.

<table>
<thead>
<tr>
<th>PROPOSED UPLIFT FOR DISTRICT HEATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biomass District Heating</td>
</tr>
<tr>
<td>200kWth and above</td>
</tr>
<tr>
<td>20 years</td>
</tr>
<tr>
<td>7 pence / kWhr</td>
</tr>
</tbody>
</table>

**CONSULTATION QUESTION 3.8**
Do you agree that district or community heating systems require an additional tariff uplift under the RHI scheme?

**CONSULTATION QUESTION 3.9**
Have you any comments on the level, design or eligibility requirements of the district heating uplift?

**CONSULTATION QUESTION 3.10**
Do you foresee any difficulties in the introduction of the proposed uplift?

**CONSULTATION QUESTION 3.11**
Do you have any views on the potential legal definition of district heating?

**CHALLENGE FUND ALTERNATIVE**

3.49 There are a number of technologies where DETI has proposed introducing a RHI tariff whilst also suggesting the possible of an alternative method of support via a competitively awarded challenge fund. Technologies were a challenge fund could be considered, instead of a RHI tariff, would be large biomass (over 1MWth), deep geothermal or district heating schemes. The reason why a challenge fund scheme could be considered in place of a RHI tariff is because the numbers of potential schemes are small and the capital costs may be barrier to deployment.

3.50 For the sake of clarity DETI wish to outline how a challenge fund scheme could work. Under a challenge fund scheme applicants would be invited on an annual basis to ‘bid’ for capital funding for their scheme, whether it be a large biomass system, a deep geothermal project or a district heating scheme. Applicants would be asked to submit detailed information on their proposals including the costs, the scale and the expected level of renewable heat delivered. From this information DETI would assess which projects offered the best value for money in terms of £ per kWhr and offer funding accordingly. Projects would be ranked based on this evaluation metric (other evaluation criteria might also be considered) and the funding would be distributed based on the rankings until either the budget was exhausted or the proposed projects did not offer value for money. There would be rules regarding the maximum level of grant that could be awarded and when the money had to be drawn down.

3.51 The purpose of the challenge fund would be to deliver a small number of exemplar projects and to reduce the barrier that projects face in terms of up front capital. It would, however, be in place of a RHI tariff and therefore the ongoing operating costs would be borne solely by the owner of the technology. This type of mechanism could be considered for less common systems with higher upfront costs such as large biomass, deep geothermal or district heating; however DETI recognises that the RHI tariff may provide...
greater certainty for investors. DETI welcomes views on whether the challenge fund option should be considered for any specific technologies or schemes.

**CONSULTATION QUESTION 3.12**

Do you think a challenge fund option might be more appropriate for any specific technologies or projects? Please provide a full explanation.
This chapter deals with administration changes to the RHI. These include the implementation of standards for biomass sustainability and a new mechanism for controlling costs. DETI also proposes to make some minor changes on heat metering to make the metering requirements simpler, there also some minor legislative changes proposed. DETI also wishes to seek views on the issue of introducing air quality standards and enhanced preliminary accreditation. DETI has no immediate plans to introduce either of these measures however wishes to gather the views of stakeholders in advance of further consideration.

BIOMASS SUSTAINABILITY

As DETI is now proposing to introduce tariff support for biomass over 1MW in size, both in terms of heat-only and CHP systems, it will be necessary to also introduce biomass sustainability and reporting standards. This is important to ensure the biomass is being sourced in a sustainable way; similar practices are commonplace under the NIRO and will shortly come into effect for the GB RHI.

The focus of the biomass sustainability standards will be larger installations that are consuming the most fuel. Systems over 1MW in size (both in terms of heat only and CHP) will be expected to comply with proposed standards and provide regular reports to the scheme’s administrator to demonstrate compliance. The proposed standards are in line with GB and have two criteria:

i) A green house gas (GHG) lifecycle emissions target whereby solid biomass or biogas/biomethane will have to achieve GHG savings of 60% compared to the GHG emissions of the EU fossil heat average. This equates to lifecycle emissions of less than or equal to 125.28kg CO₂ equivalent per MWh of biomass heat generated. This assumes a boiler efficiency of 70%.

ii) For land criteria DETI propose to use the same criteria set for the GB RHI and determine that solid biomass sourced from a Forest Law Enforcement, Governance and Trade (FLEGT) partner to be considered as satisfying the land criteria. Further consideration is required on how biomass not sourced from a FLEGT partner might be treated. For other biomass, biogas/biomethane feedstocks and bioliquids the set land criteria will correspond with standards set under the EU Renewable Energy Directive for biofuels and bioliquids.

Systems over 1MWth will be expected to comply with these standards and retain records that demonstrate compliance. In addition, RHI recipients would be expected to provide reports to Ofgem on the sustainability of the fuel used, in the first year these reports would be provided to Ofgem on a quarterly basis and in subsequent years on an annual basis. The report would need to clearly show that both the CHG lifecycle emissions target and the land criteria had been met.

DETI is also considering adopting GB proposals to extend biomass sustainability requirements to technologies less than 1MWth, however with less stringent reporting given that these RHI recipients are unlikely to be energy professionals. Instead, accredited installations under 1MWth would be expected to source their biomass fuel from an approved list of suppliers, these suppliers, in turn, would have to demonstrate how their fuel source adhered to the set standards. Those purchasing from approved

Received from DFE on 02.05.2017
Annotated by RHI Inquiry
suppliers would be required to retain receipts detailing their supplier and the information on the fuel (calorific value, weight, moisture content etc) as well as making an annual declaration of compliance. Those RHI recipients that supply the fuel themselves, from the state estate as to where the boiler is located, would be able to register as an approved supplier via a simpler process as a “self-supplier”.

4.6 These biomass sustainability standards would apply to all relevant accredited installations, including existing accreditations and new applications. If the criteria change in the future the new criteria would only apply to new accreditations.

4.7 DETI welcomes comments on the proposed biomass sustainability standards, specially on the criteria for systems over 1MWth and the potential to introduce an approved suppliers list for smaller installations.

**CONSULTATION QUESTION 4.1**

Do you foresee any difficulties for biomass systems over 1MWth adhering to the proposed biomass sustainability standards?

**CONSULTATION QUESTION 4.2**

Do you have any comments on the potential extension of these standards to all relevant installations and the introduction of an approved supplier list?

**AIR QUALITY STANDARDS**

4.8 DECC have recently proposed to introduce air quality standards for the RHI in England, Scotland and Wales and propose to introduce Regulations in due course to underpin these new standards. The intention of these new standards is to limit the pollutants associated with biomass heating and will apply to biomass installations smaller than 20 MWth. The maximum permitted emission limits will be 30 grams per gigajoule (g/GJ) net thermal input for particulate matter (PM) and 150 g/gj for NOx. These standards will apply to all new installations commissioned after the date the Regulations come into effect with applicants having to provide a certificate demonstrating that their installation has been tested and met these standards. Once installations are accredited they will not be expected to comply with any further changes to emissions limits.

4.9 DETI is not in a position, at this stage, to introduce similar air quality standards and, before considering this issue further, wishes to gather views from stakeholders on this matter. It is obviously imperative that both air quality standards are maintained or improved and that the standards set by the EU are adhered to. However, the difference in the heat markets in GB and NI and the fact that biomass is likely to be displacing oil or coal in Northern Ireland rather than natural gas may mean the different standards should be introduced.

4.10 This is not a matter solely for DETI and will require consideration with colleagues in the Department of the Environment and the Department of Agriculture and Rural Development. In addition, research is currently being carried out by AFBI on the impact of biomass on air quality; this research will inform decisions on air quality standards. A separate consultation will be held in advance of the implementation of air quality standards.

**CONSULTATION QUESTION 4.3**

Do you have any comments on the potential future introduction of air quality standards?

**METERING ARRANGEMENTS**

4.11 DETI is conscious that whilst heat metering is intrinsic to the RHI and is essential to make payments to installers, it is a relatively new area for many of those involved in installing renewable heat technologies, be it applicants or installers. To ensure that heat metering doesn’t become a barrier to deployment it is proposed that metering arrangements for the non-domestic RHI are revised to make the requirements simpler and more flexible. The proposed changes are as follows;
Redefining what constitutes a ‘simple’ or ‘complex’ system – It was DETI’s expectation that most installations accredited under the RHI will be ‘simple’ rather than ‘complex’ systems, however the existing definitions have meant that this hasn’t necessarily been the case. These definitions will be revised to allow ‘simple’ systems to encompass the majority of cases where only one technology has been installed or where multiple technologies have been installed but can be metered by a single shared meter. The current definition will, therefore, be revised to remove the need for the installation(s) to be in the same building as where the heat load is required. This should remove the need for multiple meters for systems where a boiler house is separate to the heat load – however external piping will need to be insulated and limited to 10 metres. The ‘complex’ definition will be amended to provide the administrator with more powers to require meters to be installed to ensure accurate heat calculations. The requirement that a meter be present both at the point of generation and of use will be removed and the scheme’s administration will be able to take a more flexible approach.

Allowing heat losses from insulated external pipes – The existing need to measure and report heat losses through external pipework can be difficult for some applicants and could act as a barrier for larger schemes, including district heating projects. DETI therefore proposes to remove the requirement on such heat losses on scenarios where the external pipework is less than 10m in length and is insulated to set standards. Installations with pipework greater than 10m in length will also need to abide by these insulation standards and will be required to present appropriate heat loss calculations. Where the heat loss is calculated to be less than 3% it will be treated as zero.

Removing the need for unduly burdensome meters – Currently there is little flexibility within the Regulations regarding the installation of meters that create significant technical difficulty or are disproportionately costly. DETI will therefore provide greater flexibility in this area and provide the opportunity for heat loss calculations to be used instead of meters. Circumstances where heat loss calculations will be accepted rather than metering include:
- Where heat loss calculations could prove to be more accurate than meters.
- Where metering is technically impractical.
- Where the cost of meters would be a significant proportion of the total installation costs.
- Where the administrative costs of checking metering placement and processing information would be greater than the value of the losses.

The administrator will need to be satisfied with the information provided by applicants and will determine whether heat loss calculations can be accepted in place of additional metering. This regulation will not apply to simple metering systems.

Changing the approach to ineligible renewable heating – Currently all ineligible heating must be metered, this includes ineligible renewable heating. This could lead to scenarios where someone has installed a solar thermal panel pre-September 2010 (rendering the installation ineligible) but is required to install a meter. The metering of ineligible solar thermal panels could be at a disproportionate cost for the actual heat output of that technology. Therefore, it is proposed, that in scenarios where ineligible renewable heating accounts for less than 5% of the total heat generated across all installations or has a capacity less than 5kWth a meter will not be required.

Proxy measurements for gas and electric heat sources – The existing Regulations require that any all ineligible fossil fuel heating is metered so this figure can be assessed whilst making payments for the eligible renewable heating element. In some scenarios there are more cost-effective methods for assessing these fossil fuel levels, either by measuring the fuel input (for natural gas) or the electrical power (for immersion heaters). Therefore, DETI proposes to allow ‘proxy’ measurements for gas and electric heat sources. This revision will not apply to heating oil.

4.12 Further guidance on all these metering issues will be published in advance of the regulations coming into effect. DETI welcomes comments on existing metering requirements and the proposed revisions.

CONSULTATION QUESTION 4.4

Do you foresee any issues with the implementation of the proposed revisions to existing heat metering regulations?
COST CONTROL

4.13 Given the introduction of tariffs for larger systems and the need to maintain confidence and consistency in the scheme DETI is proposing to introduce cost control measures that would ensure budgetary levels wouldn’t be breached and to remove the need for emergency reviews or reductions in tariffs at short notice. DECC are in the process of introducing a system of tariff degression in GB whereby tariffs will automatically reduce when deployment levels reach set trigger points. DETI expect to introduce similar measures in the future but in the interim it is proposed that a simpler system is put in place.

4.14 The RHI is different in nature to the NIRO in that there is a finite budget for new installations and these budget limits cannot be breached. Whilst tariffs are designed to ensure that the budget is adhered to there is always a risk that renewable heat technologies might be deployed in greater numbers than what is forecast and payments exceed expectations. The risk of this increases as tariffs become available for larger technologies such as biomass over 1MW, biomass/bioliquids CHP and deep geothermal. Therefore DETI must retain the right to suspend the scheme if budget limits could be breached; however this will only happen at a last resort and, at this stage, is not envisioned to happen.

4.15 In order to ensure confidence in the scheme continues DETI proposes to introduce a number of trigger points that will provide forewarning to potential applicants that the committed budget is nearing the set limit. The trigger points are set out in table below

<table>
<thead>
<tr>
<th>TRIGGER</th>
<th>BUDGET LEVELS</th>
<th>ACTION</th>
<th>RATIONALE / FURTHER INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRIGGER 1</td>
<td>50% of annual budget is committed</td>
<td>DETI will make a public notification of the committed budget.</td>
<td>So all applicants are aware of budget levels and potential DETI actions.</td>
</tr>
<tr>
<td>TRIGGER 2</td>
<td>60% of annual budget is committed</td>
<td>DETI will make a public notification of the committed budget and warn that the domestic RHI may need to close if the next budget trigger point is reached.</td>
<td>If the budget levels could be breached the domestic RHI will close first. The domestic sector contributes less overall renewable heat to the target and in general terms is less cost-effective than the non-domestic scheme.</td>
</tr>
<tr>
<td>TRIGGER 3</td>
<td>70% of annual budget is committed</td>
<td>DETI will make a public notification of the committed budget and will begin procedures to close the domestic RHI for the financial year. DETI will remain open for new applications for 2 weeks after which no further applications will be accepted until the new financial year. All systems approved by DETI will have 8 weeks from the date of announcement to be in place and have all necessary documentation with DETI. This deadline will apply to all ‘live’ applications also. Any applicants that fail to meet this deadline but have been informed of their eligibility by DETI can continue with the installation but accreditation and award will not happen until after 1 April.</td>
<td>The closure of the domestic RHI will be only until the new financial year and will not affect accredited applications. Adequate timescales are allowed to ensure that simple installations can be supported. Those that fail to meet the timescales will be accredited in the new financial year.</td>
</tr>
<tr>
<td>TRIGGER 4</td>
<td>80% of annual budget is committed</td>
<td>DETI will make a public notification of the committed budget levels and warn that the non-domestic RHI</td>
<td>When this level is reached DETI will begin processes to stop the non-domestic RHI</td>
</tr>
<tr>
<td>TRIGGER 5</td>
<td>BUDGET LEVELS</td>
<td>ACTION</td>
<td>RATIONALE / FURTHER INFORMATION</td>
</tr>
<tr>
<td>-----------</td>
<td>---------------</td>
<td>--------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>90% of annual budget is committed</td>
<td>may need to close if the next budget trigger is reached. DETI will formally advise the administrator to prepare for closure.</td>
<td>however formal closure will not begin until the next trigger point.</td>
<td></td>
</tr>
<tr>
<td>DETI will make a public notification of the committed budget and will begin procedures to close the domestic RHI for the financial year. The scheme will remain open for 4 weeks, with only schemes receiving full accreditation within this timescale being supported.</td>
<td>All applicants will be given 4 weeks to attain full accreditation with the administrator; this means having the system in place and ensuring the administrator has all relevant information to accredit. Applications that fall outside of the time period will continue to be considered by the administrator however accreditation will not be awarded until 1 April.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.16 This proposal will provide DETI with the ability to control the uptake of the scheme and ensure that budgets are not overcommitted; however it will also provide potential applicants with adequate information on the progress of the scheme and the potential for closure.

4.17 DETI welcomes views on this proposal and specifically on the proposed trigger points, actions and rationale.

**CONSULTATION QUESTION 4.5**

Do you foresee any difficulty or issues with the implementation and administration of the outlined cost control measures?

**ENHANCED PRELIMINARY ACCREDITATION**

4.18 DETI also wish to seek views on the need for enhanced preliminary accreditation whereby applicants could have a tariff level guaranteed before embarking on the development and installation of the technology. DECC has previously considered introducing enhanced preliminary accreditation given the fact the tariffs in GB are potentially subject to degression and therefore can reduce once pre-assigned trigger points are achieved. DETI does not propose to introduce degression until 2014/15 at the earliest and therefore the need for enhanced preliminary accreditation is much less, however DETI welcomes views on the matter.

4.19 It is likely that if such a measure were to be introduced it would be for the largest installations where there is greatest risk attached. Currently preliminary accreditation (whereby applicants can submit plans before installation to get a formal view on eligibility) is restricted to biomass over 200kw, biogas and deep geothermal, it could be expected that enhanced preliminary accreditation would apply to these systems and large GSHPs over 200kw. Whilst enhanced preliminary accreditation would provide greater certainty for investors and reduce risk it could also lead to speculative applications being made and budget being set aside for projects that do not come to fruition. It would therefore be necessary to ensure that enhanced preliminary accreditation is time-restricted, i.e. the enhanced preliminary accreditation would lapse if the project was not in place within 12 months.

4.20 It is currently DETI’s view that in the absence of degression, enhanced preliminary accreditation is unnecessary and not in need of urgent consideration as tariffs will not reduce unless part of a formal review and consultation. However, DETI welcomes views on the need for enhanced preliminary accreditation in the future and the potential eligibility criteria.
CONSULTATION QUESTION 4.6

If DETI were to introduce enhanced preliminary accreditation in the future, what eligibility standards should apply in terms of size and type of technology and regarding the length of time where the tariff could be ‘held’ for the project?

OTHER ISSUES

4.21 There are other minor changes DETI proposes to make to the commercial RHI scheme to support improved performance and to remain in line with DECC in terms of administration.

- **Dealing with annual inflationary adjustments** – Each year the tariffs are adjusted in line with the Retail Price Index (RPI) with the revised tariffs applying to existing accreditations as well as new installations. This adjustment resulted in tariffs increasing by 3.1% in April 2013. The NI RHI Regulations currently specify that tariffs are rounded to the nearest tenth of a penny; this fact resulted in the smaller tariffs for larger technologies not being affected by the RPI adjustment. DETI consider that this could mean these tariffs are disadvantaged. To rectify this issue, DETI propose to amend Regulations so tariffs are rounded to the nearest twentieth of a penny. This proposal would have resulted in a large biomass tariff of 1.55 pence and a larger GSHP tariff of 1.34 pence. This proposal would take effect from 1 April 2014.

- **Defining an installation** – DETI proposes to revise the definition of an ‘installation’, in line with DECC, so a more pragmatic approach can be taken in the determination of what constitutes an installation. This is intended to remove the potential for owners replacing functioning auxiliary elements of technologies just in order to claim the RHI.

- **Process within a building** – The NI RHI Regulations state that the heat generated by a renewable source for heating a space; heating liquid; or for carrying out a process must be used within a building. The building must be permanent and fully enclosed. DETI recognise that this leads to difficulty in accrediting some processes that cannot be carried out within a fully enclosed building i.e. drying of crops. DETI is therefore considering revising the Regulations to state that heat for carrying out a process does not have to be used within a building; this requirement would remain in regards heating a space or liquid.

- **Allowing relocation of renewable heat plants** – Currently only ‘new’ installations are deemed eligible under the RHI, therefore second hand equipment is not allowed nor can a technology be accredited twice in two different locations. DETI has considered this issue and proposes to allow accredited systems to be relocated and remain eligible for support, providing it meets all other eligibility criteria at the new location. This should reduce the risk involved in projects by providing certainty that if a site can no longer use the accredited technology it can be resold or relocated and remain eligible for the ongoing support. The total length of time a single technology is incentivised will not exceed 20 years. Second hand technologies, which have not previously been accredited under the RHI, remain ineligible.

CONSULTATION QUESTION 4.7

Do you have any comments on DETI’s proposals relating to inflationary changes; the definition of an installation; the eligibility of processes within a building or the relocation of plants?
NEXT STEPS AND HOW TO RESPOND

5.1 This consultation sets out DETI’s proposals for the second phase of the RHI. These proposals are, of course, subject to change depending on the outcome of the public consultation. In addition, before the second phase of the RHI can be implemented and new tariffs introduced there must be engagement with the EU Commission regarding State Aid Rules. These proposals are therefore not only subject to consultation but also approval from the EU Commission.

5.2 Following this consultation DETI will seek to consider all views offered and finalise the policy position, a response to the consultation and information on the final policy design will be published. DETI will then seek to receive all necessary approvals, put in place appropriate administrative arrangements and pass relevant legislation.

HOW TO RESPOND

5.3 The consultation period will close on XX, XXXX 2013. Responses to this consultation should be forwarded to reach the Department on or before that date, and should be sent to by post to:

Peter Briggs
Department of Enterprise, Trade and Investment
Room 44
Netherleigh House, Massey Avenue,
Belfast
BT4 2JP.

Or by e-mail

NI.RHI@detini.gov.uk

CONFIDENTIALITY & DATA PROTECTION

5.4 Your response may be made public by DETI. If you do not want all or part of your response or name made public, please state this clearly in the response by marking your response as ‘CONFIDENTIAL’. Any confidentiality disclaimer that may be generated by your organisations IT system or included as a general statement in your fax cover sheet will be taken to apply only to information in your response for which confidentiality has been specifically requested.

5.5 Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 1998 (DPA)). If you want other
information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

5.6 In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

COPIES OF THE CONSULTATION

5.7 This consultation document is being produced primarily in electronic form and may be accessed on the DETI Energy website: www.energy.detini.gov.uk or may be obtained in hard copy from the address above or by telephoning 028 9052 9212. If you require access to this consultation document in a different format – e.g. Braille, disk, audio cassette – or in a minority ethnic language please contact Peter Briggs on 028 9052 9212 and appropriate arrangements will be made as soon as possible.
CONSULTATION QUESTIONS

6

TO BE ADDED
GLOSSARY

ASHP means air source heat pump
AD means anaerobic digestions
CHP means combined heat and power
CHPQA means CHP Quality Assurance Programme, which assesses good quality CHP capacity.
DECC means the Department of Energy and Climate Change
DEPARTMENT means the Department of Enterprise, Trade and Investment.
DETI means the Department of Enterprise, Trade and Investment.
DWH means domestic hot water
ESCo means Energy Service Company; this is an energy services provider that accepts some degree of financial risk in providing energy services, so that the payment for the services delivered is based wholly or in part on the achievement of energy efficiency improvements and on the meeting of the other agreed performance criteria
EU-ETS means the European Union Emissions Trading Scheme
GB means Great Britain
GWh means Gigawatt hours
GSHP means ground source heat pump
HMT means Her Majesty’s Treasury
kWh means Kilowatt hour (heat output)
MCS means the Microgeneration Certification Scheme
MWh means Megawatt hour (heat output)
NIRHI means Northern Ireland Renewable Heat Incentive
NIRO means the Northern Ireland Renewables Obligation
Ofgem means the Office of Gas and Electricity Markets
RED means the Renewable Energy Directive
RHI means Renewable Heat Incentive
ROC means Renewable Obligation Certificate
TWh means Terawatt hours (heat output)
Annex A – Equality Assessment

Under section 75 of the Northern Ireland Act 1998, the Department is required to have due regard to the need to promote equality of opportunity:

- between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- between men and women generally;
- between persons with a disability and persons without; and
- between persons with dependants and persons without.

In addition, without prejudice to its obligations above, the Department is also required, in carrying out its functions relating to Northern Ireland, to have regard to the desirability of promoting good relations between persons of different religious beliefs, political opinions or racial group.

We have carried out an equality screening exercise for policy proposed under the Phase 2 of the Northern Ireland Renewable Heat Incentive and found that it does not have any significant equality impact. A full Equality Impact Assessment, therefore, is not required. If you would like a copy of the screening form, please contact us.
THE NORTHERN IRELAND RENEWABLE HEAT INCENTIVE – PHASE 2 - PROPOSED CONSULTATION DOCUMENT

Issue: Public consultation on the introduction of Phase 2 of the Renewable Heat Incentive for Northern Ireland.

Timing: Desk Immediate – the consultation paper should issue as early in July as possible to allow work on designing and implementing the final scheme to begin in September. The letter to the ETI Committee would need to be with the Clerk in time for the 4 July meeting.

Need for referral to the Executive: Not at this time.

Presentational Issues: Likely to be significant interest from key stakeholders and the media. A draft press release has been prepared and will be submitted directly by Press Office.

Freedom of Information: This submission may not be discloseable at present on grounds of policy development.

Programme for Government: The PSA targets for renewable heat are 4% by 2015 and 10% by 2020

Financial Implications: HMT has advised that £25m of AME is available over the spending period for a Northern Ireland RHI.

Statutory Equality Obligation: An equality screening form has been completed for this policy.

Legislation Implications: None.

Recommendation: It is recommended that you note this submission and:

a) Note that an economic appraisal on the feasibility of Phase 2 of the Northern Ireland Renewable Heat Incentive has been completed. At 132 pages, it has not been appended but is available should you wish to see it. It is recommended that it should be published on the DETI website in conjunction with the consultation paper;
Joanne, Peter, Dan,

To note comments below.

Paul

---

From: Damien.Hegarty@detini.gov.uk [mailto:Damien.Hegarty@detini.gov.uk]
Sent: 02 July 2013 11:38
To: Hepper, Fiona
Cc: Dolaghan, Paul; Neth_Energy; Sterling, David; Thomson, David; Aiken, Glynis; Stevenson, Valerie (DETI Private Office); DG_DETI Press Office; McCune, David; Robson, Rod; Murray, John (DETI); Clarke, Rosie; Hegarty, Damien; McLaughlin, Christine (DETI)
Subject: Submission: SUB/322/2013 THE NORTHERN IRELAND RENEWABLE HEAT INCENTIVE - PROPOSED CONSULTATION - ETI COMMITTEE

DEPARTMENT OF ENTERPRISE, TRADE AND INVESTMENT

Unclassified

From: Damien Hegarty
Private Office
To: Hepper Fiona (Mrs)
Date: 02/07/2013

Action Copy: cc Energy
McCune David (Mr)
Robson Rod (Mr)
Murray John (Mr)
Clarke Rosie (Ms)
Hegarty Damien (Mr)
McLaughlin Christine (Mrs)

SUB/322/2013:THE NORTHERN IRELAND RENEWABLE HEAT INCENTIVE - PROPOSED CONSULTATION - ETI COMMITTEE

The Minister has seen and read your submission of 26/06/2013.

PLEASE NOTE : Minister & SpAd have only approved issue of letter to ETI Committee at this stage. Recommendations (a) & (b) will be considered on their return from annual leave.

A copy of letter to ETI Committee emailed today is attached.
Many thanks.

Damien Hegarty (Private Office)

Netherleigh House Tel: 29209

OffName
Please see attached correspondence from Arlene Foster MLA, Minister of Enterprise, Trade and Investment for the attention of Patsy McGlone MLA, ETI Committee Chair.

Regards

Damien Hegarty
Private Office
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9209 (ext: 29209)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?
From the Office of the Minister

Patsy McGlone
ETI Committee Chair
Northern Ireland Assembly
Room 375
Parliament Buildings
BELFAST
BT4 3XX

2 July 2013

Dear Patsy

THE NORTHERN IRELAND RENEWABLE HEAT INCENTIVE (RHI)

You are already aware of the work that my Department has been carrying out on extending and developing the existing Renewable Heat Incentive (RHI). The Northern Ireland RHI was launched on 1 November 2012 for those, in the non-domestic sector, installing and utilising renewable heating technologies. DETI now proposes to introduce a second phase of the scheme that will have two chief purposes, firstly to extend the RHI to domestic customers and secondly to expand the list of technologies supported to include more innovative schemes.

Domestic RHI

Over the past 13 months my Department has been active in supporting the developing renewable heat market. As you will be aware, in advance of the launch of the RHI, DETI introduced the Renewable Heat Premium Payment (RHPP) which provides grant support for domestic customers installing a renewable heat technology to heat their home. This scheme has been very successful with close to 1000 applications received since May 2012. To date, my Department has committed £1.5m of funding for these installations and this corresponds to a total investment in the sector of £4.8m.

The RHPP was seen as an interim measure for the domestic sector and it was always my Department’s intention to expand the RHI to this sector. However, given the differences in the domestic market, consideration had to be given to the appropriate type of support, eligibility standards and administrative issues. My Department has considered these issues and now proposes to introduce a scheme that will provide long term support for the domestic sector, similar to how the RHI operates in the non-domestic sector. The key elements of the proposals are:

- **Domestic installations will receive an annual payment for 7 years;** this shorter payment profile does not mean less overall support for domestic customers. Instead, DETI has calculated what these installers could expect to receive over 20 years and compressed that figure to produce a 7 year tariff. In essence, the 20 year payment is paid out over a shorter period of time for domestics. Tariffs are set in the same way as non-domestic tariffs by accounting
for all the additional costs incurred, however a lower rate of return (7.5%) has been applied in line with GB proposals.

- **Installations will receive an upfront grant;** to support the capital costs involved in renewable heat technologies DETI will continue to provide an upfront grant. This grant payment is factored into the tariff calculations also. The levels of grant are in line with those provided under RHP and therefore those who have already availed of RHP will receive an ongoing payment only.

- **Payments will be determined by a deemed heat load;** DETI has assessed whether heat meters should be required in the domestic sector and has determined that this could be a significant barrier to deployment. Instead payments will be ‘deemed’ depending on the expected heat demand in the house. Heat meters will only be required in circumstances where a second heating systems (oil or gas) remains or if the home is a ‘second home’.

The forthcoming consultation will seek stakeholder’s views on the proposed technologies, tariffs, eligibility standards and other issues relating to the administration of the domestic RHI. It is intended that by providing up front support plus a compressed RHI payment that the scheme will be accessible and sufficiently attractive to create interest in renewable heating technologies.

**Expansion of the non-domestic RHI**

In terms of expanding the non-domestic RHI, my Department intends to introduce incentives for more innovative technologies that are less commonplace. The first phase of the RHI focussed support for the most well established technologies to act as a ‘primer’ for the rest of the market. I now believe the time is right to increase the number of technologies supported and by incentivising emerging technologies there is greater scope for this sector to develop. The key proposed elements in the expansion of the non-domestic RHI are as follows:

- **Support for large biomass installations over 1MWth;** previously research had demonstrated that larger biomass installations were largely already cost effective given the fuel savings enjoyed when switching from oil to wood chip. DETI has engaged with stakeholders in this sector and re-assessed some of the assumptions previously made resulting in the development of a tariff for large biomass.

- **Incentives for new technologies;** my Department proposes to support a range of new technologies including deep geothermal, bioliquids and air source heat pumps. In addition, my Department will be introducing a tariff for renewable heat generated from biomass or bioliquids combined heat and power (CHP). Currently CHP is supported under the Northern Ireland Renewables Obligation (NIRO) for renewable electricity; however DETI is proposing that CHP installers will have an element of choice between the NIRO and the RHI.

- **Consideration of an ‘uplift’ for district heating;** systems whereby one boiler heats a number of different properties are eligible under the RHI through the normal tariffs. However, these district heating schemes often have additional costs given the pipework required to distribute heating. DETI has sought to assess these costs and is considering introducing an ‘uplift’ to the existing tariffs that community heating schemes could avail of.

To date there have been 25 of applications for support under the RHI and 8 of those have received full accreditation, the other applications currently in the process of attaining accreditation. All the applications, to date, have been for solid biomass boilers with the
average size of application being in the order of 200 kWth and the total combined capacity of the applications is over 5000 kW. These proposals will widen the scope of the scheme and create new opportunities for investment.

As well as expanding the non-domestic scheme the consultation will also gather views on some minor administrative amendments to the existing scheme. These issues include implementing biomass sustainability standards; simplifying metering arrangements and introducing a cost control mechanism.

**Next steps**

The consultation will last 12 weeks and will be a very useful opportunity to engage with stakeholders and gather views on the proposals. My officials will provide the Committee with a report following the consultation outlining the responses and the next steps in taking this process forward. As part of the consultation process my officials will, if interest dictates, hold stakeholder events to directly engage with interested parties. The Committee Clerk will be kept informed of these arrangements. This engagement will help in finalising the policy proposals that are ultimately put in place.

I should, at this stage, highlight that the new non-domestic proposals will be subject to consideration by the EU Commission regarding state aid rules. The implementation of the second phase of the RHI will also require new administrative procedures to be put into place and existing Regulations to be revised and amended.

My officials are happy to provide a fuller briefing to the Committee after the summer recess if that would be helpful. They will also, of course, be engaging on the legislative issues in due course.

I trust that you find this letter useful and look forward to hearing the Committee’s comments on the second phase of the RHI scheme in due course.

Yours sincerely


ARLENE FOSTER MLA
Minister of Enterprise, Trade and Investment
Andrew

Further to the discussion with Peter and myself yesterday afternoon, Peter has tracked in some points of clarification which are highlighted in yellow for ease of reference. I think these cover the points we discussed and I am content with them. Grateful if you could consider and let me know if you are also content – if so I would aim to have the consultation released on Monday.

Fiona

Bioliquids (heat only)

3.30 As well as considering supporting bioliquids boilers in the domestic sector and bioliquids CHP in the non-domestic sector, DETI also proposes to introduce support for bioliquids boilers (heat only) under the non-domestic RHI. Bioliquids have been incentivised under the NIRO for renewable electricity generation for sometime and DETI is aware that such bioliquids could also have the potential to contribute to renewable heating targets.

3.31 Two tariffs are proposed depending on the scale of the boiler in place, under 100kWth the proposed tariff is 2.6 pence kWh and above 100kWth a tariff of 2.1 pence per kWh is proposed. No tariff above 1MWth is offered as it is assumed that projects of this scale would be CHP systems and could therefore avail of those relevant tariffs. The tariff offered for bioliquid CHP is higher than the heat only tariff; this reflects the lower capital costs involved in heat only systems. DETI will, however, consider extending the cap on support for heat only bioliquids to beyond 1MWth if there is sufficient evidence that such projects could be developed in Northern Ireland.

3.32 The Renewable Energy Directive sets out sustainability criteria for bioliquids, these are already enforced under the Renewables Obligation\(^1\) and the same standards would apply under the RHI. Fuels that are supported under the bioliquids RHI tariff would need to comply with these standards.

3.33 DETI understands that there is some interest in tallow in Northern Ireland. Currently much of the UK’s tallow resource is refined into bio-diesel. We propose that the use of tallow oils and meat and bone meal (MBM) are allowed in the non-domestic sector under the RHI, providing they meet the aforementioned RED eligibility standards. Where a solid fuel combustion boiler is installed, rather than a liquid fuelled boiler, the appropriate tariff would be the biomass tariff and not the bioliquids tariff. As with all the proposed tariffs, the bioliquids tariff will be subject to public consultation and approval from the EU Commission.

<table>
<thead>
<tr>
<th>PROPOSED NEW TARIFF</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bioliquids</strong></td>
</tr>
<tr>
<td>Less than 100kWth</td>
</tr>
<tr>
<td>20 years</td>
</tr>
<tr>
<td>2.6 pence/kWh</td>
</tr>
<tr>
<td>100kWth and above but less than 1000kWth</td>
</tr>
<tr>
<td>2.1 pence/kWh</td>
</tr>
</tbody>
</table>

**CONSULTATION QUESTION 3.8**

Do you think DETI should incentivise the use of heat only bioliquids boilers in the non-domestic sector and do you foresee any problems with the approach proposed by DETI?

**CONSULTATION QUESTION 3.9**

Do you agree with the assumption that bioliquids systems above 1MWth will be CHP or is there potential for heat only systems above 1MWth?

---

Subject: Fw: The NI Renewable Heat Incentive - Phase 2 - Proposed Consultation Document
From: Crawford, Andrew (Andrew.Crawford@deltni.gov.uk)
To: crawfordrichard
Date: Saturday, 6 July 2013, 14:09

This was sent from my Blackberry Device.

From: Aiken, Glynis
Sent: Monday, July 01, 2013 09:27 AM
To: Crawford, Andrew
Subject: The NI Renewable Heat Incentive - Phase 2 - Proposed Consultation Document

Andrew

Word version of the consultation document.

g

<<Annex A - Draft RHI Phase 2 Consultation - Submission to Minister.docx>>

Attachments

- Annex A - Draft RHI Phase 2 Consultation - Submission to Minister.docx (1.03 MB)
Please find attached a letter regarding the public consultation in relation to Phase 2 of the Northern Ireland Renewable Heat Incentive.

Regards,

Peter Briggs
Sustainable Energy
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9581 (ext: 29581)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?
Phase 2 of the Northern Ireland Renewable Heat Incentive
Contents

Ministerial Foreword
Page 3

Executive Summary
Page 5

1
Progress on Phase 1 of the RHI
Page 6

Glossary
Page 43

2
The Domestic RHI
Page 9

Annex A

3
Expansion of the non domestic RHI
Page 22

Equality screening
Page 45

4
Setting standards, improving performance and cost control
Page 32

5
How to respond
Page 38

6
Consultation questions
Page 40

Received from DFE on 02.05.2017
Annotated by RHI Inquiry
MINISTERIAL FOREWORD

My Department is committed to the continued development and expansion of the renewable heat market in Northern Ireland. Heat energy accounts for more than half of the energy we use in our homes and businesses and it is therefore not surprising that more and more people are considering how they can reduce costs by becoming more efficient or switching to different heating types. I am pleased with the progress that my Department has made in promoting a more diverse, secure and sustainable heating market through the development and extension of the natural gas network and the introduction of incentive measures for renewable heating. Specifically regarding renewable heating, it is vital that this new sector is supported and grown further and Northern Ireland becomes more self-sufficient in terms of heating energy. I am therefore pleased to present proposals on how my Department intends to expand the incentives already available and provide long term support for the domestic market.

Securing a level of 10% renewable heat by 2020 is a very challenging and ambitious target. The renewable heat market is still in its infancy in Northern Ireland and the supply chain is developing however support available under the Renewable Heat Premium Payment (RHPP) scheme has helped to create a momentum that Phase 2 of the Renewable Heat Incentive (RHI) will build upon. In addition, further work is required to improve public attitudes, perceptions and understanding of renewable heat. My Department has already carried out targeted media activity under the EnergyWise branding to increase public awareness on renewable heat – I am keen that this work is continued.

The second phase of the RHI, as outlined in this consultation document, will also be vital in the ongoing development of this market as new technologies are supported and the scheme is extended to the domestic sector. By supporting new technologies, the RHI provides opportunities for innovative heating schemes to be developed in Northern Ireland. Expanding the scheme to domestic users will hopefully create a greater market for potential suppliers, distributors and installers. I am conscious that whilst this is a sector that requires significant support, budget levels are finite and cannot be breached. Therefore in designing tariffs and determining support levels my Department must consider the costs of renewables in comparison to fossil fuels; the need for support and the potential deployment of each technology.
This consultation sets out proposals to provide grant support plus ongoing payments for domestic installations. I believe this proposal will ensure renewable heat technologies become more accessible for all domestic consumers and become a real option for those considering changing their current heating supply. In addition, my Department intends to provide incentive support for new technologies in the non-domestic sector, including deep geothermal, air source heat pumps and bioliquids. These proposals, and consideration of additional support for district heating, will widen the scope of the non-domestic RHI and provide greater choice for those availing of support. Finally, some amendments are proposed in the administrative arrangements to ensure the scheme is fit for purpose and simpler for applicants.

I would encourage all those with an interest in the renewable heat market to carefully consider the proposals outlined and respond accordingly. The consultation process is a vital piece of the policy-making process and ensures that the final proposals are appropriate, both in terms of supporting the market and in providing value for money.

ARLENE FOSTER MLA
Minister of Enterprise, Trade and Investment
EXECUTIVE SUMMARY

This section provides a brief overview of the key proposals included within this consultation document. There are a wide range of topics discussed in this paper, including the introduction of long term support for renewable heat in the domestic sector, the expansion of the non-domestic RHI and arrangements for the ongoing efficiency, administration and maintenance of the schemes.

The key proposals are as follows;

- **The introduction of the domestic RHI**
  - The domestic RHI will support homeowners who wish to install technologies such as biomass, ground source heat pumps (including water source), air to water heat pumps and solar thermal. DETI is also considering supporting air to air heat pumps and bioliquids.
  - Support for new installations will include an upfront payment as well as ongoing payments for 7 years.
  - Eligible technologies installed and commissioned since 1 September 2010, which were ineligible for grant support under the RHPP, will receive a different level of support to account for the lack of an upfront grant. The overall level of support for those that have, or will have, received grant support and those that haven’t has been levelised to ensure no one is disadvantaged.
  - Tariffs are set to cover for the added costs of installing and operating renewable heat technologies compared to fossil fuel systems, with a rate of return of 7.5% also included. The tariffs are designed to cover the additional costs incurred over the lifetime of the installation with these payments compressed over a 7 year period.
  - In most cases the levels of payment will be at a ‘deemed’ level, determined by a standard assessment of the expected heat demand of the property and multiplying this figure with the appropriate tariff.
  - In certain circumstances (where a fossil fuel heat source remains, for systems outside of MCS standards, or if the house is privately/socially rented) a heat meter will be required.
  - All installations must be commissioned by suitably accredited installers and the technologies must be appropriately certified.
  - Energy efficiency is a key element for the domestic RHI and DETI is keen to ensure that energy efficiency improvements are rewarded. Therefore, the awarded RHI tariff has been designed based on more efficient homes. This reflects the position that homes should have considered energy efficiency improvements before installing renewables.

- **The expansion of the non-domestic RHI**
  - New tariffs are proposed for large biomass (above 1MW); biomass and bioliquid CHP systems; biomass direct air heating; heat only bioliquids; deep geothermal; and air source heat pumps.
  - The potential introduction of an uplift tariff for district heating schemes where one boiler is providing heat to a number of premises.
  - Eligible technologies installed and commissioned from 1 September 2010 will be eligible to apply.

- **Setting standards, managing costs and improving performance**
  - Introduction of biomass sustainability standards for the largest biomass installations.
  - Consideration of the need to implement appropriate emissions standards as to protect air quality, in line with EU standards.
  - A method of cost control is to be introduced that will ensure budgets are not overspent and will hopefully remove the need for emergency reviews.
  - Metering arrangements under the non-domestic RHI are to be revised to ensure more systems are defined as ‘simple’ and therefore require a single meter only. There will also be increased flexibility on ‘complex’ systems to avoid the need for redundant meters.
  - A number of minor regulatory revisions are proposed that involve the definition of an installation, the relocation of equipment, the eligibility of process heating, the methodology for inflationary adjustments and the use of ground water for GSHPs.
BACKGROUND

1.1 In September 2010, the DETI Minister, Arlene Foster, adopted a target to secure a level of 10% renewable heat in Northern Ireland by 2020. Additionally, the Minister advised that an incentive mechanism would be designed, developed and introduced providing appropriate budget could be secured. The target and the proposed incentive mechanism were in line with obligations under the EU Renewable Energy Directive (RED) that each Member State had to secure certain levels of renewable energy by 2020. In July 2011, DETI consulted on proposals for a Northern Ireland Renewable Heat Incentive (RHI) for non-domestic consumers and the Renewable Heat Premium Payment Scheme (RHPP) for domestic consumers. Following the consultation process further analysis was carried out and a final policy position agreed. DETI then sought approval from the EU Commission for the scheme, drafted and passed the appropriate Regulations and put into place necessary administrative arrangements. The RHPP was launched on 24 May 2012 and the RHI followed on 1 November 2012.

OBJECTIVES

1.2 The overarching objective of the RHI and the RHPP is the achievement of the target set for 2020, there is also an interim target of 4% by 2015. A baseline position was taken in 2010 that demonstrated that the existing level of renewable heat was 1.7% or 300 GWh. The overall heat demand in Northern Ireland in 2010 was assessed at 17.4 TWh. It is anticipated that the level of heat demand will drop to 16.7 TWh by 2020 as increases in energy efficiency outweigh new developments. Therefore, it is estimated that an additional 1.3 TWh of renewable heat is required by 2020.

1.3 An assumed profile that demonstrates the overall reduction in heat demand and increase in renewable heat is detailed below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Level of Renewable Heat (GWh)</th>
<th>Overall Heat Demand (GWh)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>300</td>
<td>17400</td>
<td>1.7</td>
</tr>
<tr>
<td>2011</td>
<td>347</td>
<td>17390</td>
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<td>2012</td>
<td>415.2</td>
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<td>16980</td>
<td>6</td>
</tr>
<tr>
<td>2018</td>
<td>1217</td>
<td>16900</td>
<td>7.2</td>
</tr>
<tr>
<td>2019</td>
<td>1428</td>
<td>16800</td>
<td>8.5</td>
</tr>
<tr>
<td>2020</td>
<td>1670</td>
<td>16700</td>
<td>10</td>
</tr>
</tbody>
</table>
1.4 There is no doubt that the renewable heat target is very challenging and requires significant Government intervention as well as a major change in consumer attitudes and behaviours.

**BENEFITS**

1.5 In addition to the realisation of the renewable heat target it is expected that the development of this sector will yield wider benefits in terms of fuel security, lower emissions and ‘green jobs’. Currently Northern Ireland is overly dependent on imported fuel, leaving consumers vulnerable to price fluctuations beyond our control; this is especially true within the heat market. Increased renewable heat will support the promotion of a more diverse, secure, sustainable and competitive heating market – providing greater energy choice for consumers limited by infrastructure issues.

1.6 The expected carbon savings over the lifetime of the policy is in the order of 5 million tonnes of CO₂. The value of this carbon, using the DECC carbon saving methodology (central carbon prices), is in the order of £250m.

**PERFORMANCE OF THE DOMESTIC RHPP**

1.7 The RHPP scheme was launched on 24 May 2012 as a support measure for domestic customers wishing to utilise renewable heating. This was an interim measure that was put in place in advance of the design and implementation of the domestic RHI. The scheme has proved very popular and as at 17 July 2013, DETI has received 1045 applications and issued 830 vouchers of which 510 have been returned for payment indicating the technology has been installed.

1.8 The total combined capacity of the installed technologies is 7,300kW. The total committed spend is currently in the region of £1.5m, this funding represents a total investment in the sector of £5.9m.
1.9 The breakdown across the different technologies is shown in the table below:

<table>
<thead>
<tr>
<th>Technology</th>
<th>Voucher value (£)</th>
<th>Total Vouchers Issued</th>
<th>Total vouchers returned for payment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>% share of technologies</td>
<td>Number</td>
</tr>
<tr>
<td><strong>Air Source Heat Pumps</strong></td>
<td>1700</td>
<td>84</td>
<td>10</td>
</tr>
<tr>
<td><strong>Biomass boilers</strong></td>
<td>2500</td>
<td>406</td>
<td>49</td>
</tr>
<tr>
<td><strong>Ground Source Heat Pumps</strong></td>
<td>3500</td>
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<td>10</td>
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<tr>
<td><strong>Solar Thermal</strong></td>
<td>320</td>
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<td>31</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>830</td>
<td>510</td>
<td>510</td>
</tr>
</tbody>
</table>

1.10 Biomass boilers are clearly the most popular technology with almost half the applications received being for either wood pellet or wood log fired boilers. Currently the largest number of actual installations is for solar thermal panels which are made up equally of flat plate and evacuated tube collectors. The solar installation process tends to be simpler and quicker however DETI would expect that biomass boilers will top the installed category in the near future.

1.11 In terms of the displacement of other heating fuels the vast majority of applicants have notified that they are intending to displace heating oil (89%). Less than 2% have displaced natural gas and less than 3% have replaced coal, electricity or LPG. There have been a number of applicants that have used the RHPP to replace or upgrade existing renewable heating technologies (4%); this is allowed under the scheme providing the applicant has adhered to rules and conditions of previous grant schemes if the existing technology had been grant aided. These figures include solar thermal installations where the primary heat source of the home will not have changed and the displacement would be minor.

1.12 There have been a high number of applications from those carrying out self builds (38%). Less than 3% of applicants opt to install two renewable heat technologies in their home. These applicants comply with DETI’s ruling that where two technologies are installed one must be a solar thermal panel.

1.13 Domestic renewable heat installations are taking place in all local authority areas but the main concentrations are in rural areas that are not served by the natural gas grid.

**PERFORMANCE OF THE NI RHI**

1.14 The NI scheme has been in place since 1 November 2012. As the RHI requires installations to be in place before the accreditation process can begin (unless the technology is of sufficient size to warrant pre-accreditation) there is a longer lead in time for projects and for applications to be made. As at 17 July 2013, there have been 31 of applications for support under the RHI and 16 of those have received full accreditation, the other applications are currently in the process of attaining accreditation.

1.15 All the applications, to date, have been for solid biomass boilers with the average size of application being in the order of 200 kW, and the total combined capacity of the applications is over 6,000 kW.
BACKGROUND

2.1 DETI has always intended to introduce a long term mechanism to provide support for domestic renewable heating installations however additional time was required to consider the design of the scheme, the appropriate levels of support and the methodology for making payments. Therefore in May 2012 the RHPP scheme was launched as a forerunner to the prospective domestic RHI.

2.2 This chapter outlines DETI’s preferred approach in terms of incentive mechanism, support levels, eligibility standards and methodology for making payments. The chapter also includes discussion on other potential design options and the role that energy efficiency has within the domestic RHI. The nature of the scheme means that some of the detailed information presented is complex; DETI therefore welcomes all comments on the proposed scheme as part of this consultation process.

ELIGIBILITY

Eligible and ineligible properties

2.3 Firstly, the domestic RHI will be open to domestic properties only and applicants will be expected to present a copy of an appropriate rates bill to demonstrate that the dwelling is ‘domestic’ in nature. The domestic RHI also only covers one boiler heating one domestic property, therefore in circumstances where a technology is heating two or more separate properties that will be treated under the non-domestic RHI.

2.4 Similarly to the non-domestic RHI, eligible technologies that have been installed and commissioned on or after the 1 September 2010¹ will be able to apply for accreditation and incentive payments will be made to the owner of the accredited equipment. We expect that in most cases the owner of the equipment will be the owner and occupant of the property being heated by the installation; however landlords and Energy Service Companies (ESCos) will also be able to avail of the scheme. If the property is sold it is presumed that the heating installation will be part of the sale agreement and that the RHI payments would transfer to the new owner, in these circumstances the administrator of the scheme must be notified.

2.5 DETI has considered the treatment of second homes, such as holiday homes or privately rented homes, under the domestic RHI. The primary concern is that these homes may be un-occupied for long periods throughout the year and therefore have a lower heat demand. DETI proposes to include them in the scheme on the basis that these installations are metered and payments are based on the metered output (capped at the deemed level). A process of self-declaration, which will be audited by the administrator,

¹ Compliance with this date must be demonstrated by the MCS certificate and relevant invoices. MCS certificates must be generated within 10 working days of the commissioning date, according to the rules governing the MCS database.
2.6 One other type of property that has caused much feedback from stakeholders since the launch of the RHPP and RHI schemes has been farmhouses. Given that farmhouses are, by nature, domestic properties used for dwelling but also for running the farm business, there has been ambiguity as to their treatment. Current guidance is that farmhouses can qualify for the non-domestic RHI providing the administrator is content that the dwelling is used for ‘wholly or mainly’ non-domestic purposes following a space assessment. DETI is aware that this still leaves ambiguity. For the sake of consistency, DETI proposes to treat farmhouses like all other domestic dwellings and therefore eligible for the domestic RHI. This is also in keeping with the likely use of the heat in question and the fact that farmhouses tend to be primary residences. It is proposed that any farmhouses accredited under the non-domestic RHI will continue on that basis but new installations going into premises that are rated as “House (Agricultural)” will be supported by the domestic RHI. DETI welcomes views from the agricultural sector on this issue.

2.7 Finally, for clarification, non-domestic installations where the dwelling is used for commercial purposes and has been significantly adapted for these purposes will not be eligible for the domestic RHI. The rating classification of the dwelling will be used as a guide in determining eligibility. As before, were one technology is heating a number of domestic properties the installation will be eligible for the non-domestic RHI.

CONSULTATION QUESTION 2.1

Do you have any comments on DETI’s proposals regarding the eligibility of second homes, holiday homes, privately/social rented homes or farmhouses?

Installations above 45kW

2.8 DETI is aware that in some circumstances domestic dwellings require an installation with a capacity greater than 45kW and therefore breaching the limits set by the Microgeneration Certification Scheme (MCS). DETI has had to consider whether special arrangements should be made to allow domestic installations above 45kW to avail of support or, as is currently proposed in GB, should not make special allowances thereby excluding domestics installing systems larger than 45kW from incentives. On the basis of equity and accessibility, it is DETI’s preference for these systems to be supported however there is a significant risk that by opening up the non-domestic RHI to larger installations that technologies could be intentionally over-sized – this is especially the risk in scenarios where the provision of grant support is not a driving factor for switching to renewable heating.

2.9 To ensure equity, whilst avoiding over-incentivisation, DETI proposes the following:

- All installations that are 100kW and above are classed as non-domestic. Therefore if a domestic dwelling requires a heating system above this threshold they would be eligible for a 20 year RHI payment providing they adhered to the rules and regulations of that scheme.
- Installations above 45kW but below 100kW will be eligible for the domestic RHI (as outlined in this chapter) however the payments for these systems may also need to be capped to prevent against the over-sizing of systems.

2.10 DETI welcomes views on the treatment of domestic installations over 45kW and the proposal outlined above.

CONSULTATION QUESTION 2.2

Do you have any views on how domestic installations over 45kW should be treated?

CONSULTATION QUESTION 2.3

Do you foresee any difficulty with the implementation of DETI’s proposal regarding domestic installations larger the 45kW and those in excess of 100kW?
2.11 In determining what technologies should be eligible under the domestic RHI the following general criteria were used:
- The technology is well understood, well established and well proven and therefore can be expected to achieve a significant contribution to the deployment of renewable heat in the domestic sector. DETI is more reluctant to support ‘emerging’ or ‘innovative’ technologies in this sector at this stage in order to build confidence in the market at domestic level. More innovative systems are supported under the non-domestic RHI.
- The technology must be considered and defined as renewable by the European Commission under the RED.
- For the purposes of consumer protection and administration, the technology must be accredited under a suitable scheme that is based on international and European standards. Permitting technologies that do not meet MCS or Solar Keymark standards would undermine the scheme and place an undue burden on the administrator to carry out checks and certify technologies and installers.

2.12 Therefore the primary technologies that will be supported under the domestic RHI are:
- Air to Water Heat Pumps
- Ground Source or Water Source Heat Pumps
- Biomass boiler systems
- Solar Thermal

2.13 In addition to these standard technologies DETI is also considering providing support for air to air heat pumps and bioliquids.

2.14 An air to air heat pump is less efficient than other heat pumps as they often require electric immersion heaters to provide hot water. This lower efficiency can lead to higher operational costs. In addition, they are also often reversible and so are able to provide air conditioning which would not contribute to the renewable heat target (although this function can be disabled by the installer and in any case the requirement for domestic cooling is very small in Northern Ireland). On the other hand, they have lower upfront capex and so will be more attractive for lower income households.

2.15 DETI acknowledges that whilst bioliquids or the B30k fuel is not fully renewable nor well established it does have some, albeit limited, potential in Northern Ireland given the current prevalence of oil. Many homes in Northern Ireland may be unsuitable for renewable technologies for issues such as space or access; these could also be the same homes without access to natural gas. Therefore bioliquids could be the only alternative to oil. DETI is uncertain about the potential level of uptake or resource of bioliquids for domestic heating however is considering providing support so as not to limit the market potential.

2.16 Indicative support levels are provided for air to air heat pumps and bioliquids however their inclusion under the domestic RHI is subject to this consultation.

**CONSULTATION QUESTION 2.4**
Do you have any comments on the proposed list of eligible technologies?

**CONSULTATION QUESTION 2.5**
Regarding the less well established technologies of air to air heat pumps and bioliquids, do you think these technologies could provide a significant contribution to the renewable heat sector and should therefore be incentivised?

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2 For heat pumps to be eligible for support they must run on electricity. DETI will also introduce standards relating to the co-efficient of performance and the seasonal performance factor.
Microgeneration Certification Scheme standard and OFTEC

2.17 DETI requires that the technologies installed and those installing them are appropriately certified, this will help protect consumers, set standards and ensure confidence in the scheme. DETI propose to recognise certification schemes that meet standards such as European standard EN 45011, which sets out the standards for those bodies operating third party certification schemes, or EN ISO/IEC 17065 (that has replaced EN 45011) MCS³ meets these requirements.

2.18 MCS is an independent, industry-led certification scheme accredited by the United Kingdom Accreditation Service (UKAS). MCS certification bodies assess microgeneration products and installation businesses against consistent, robust standards. By providing assurances as to the quality, durability and energy generation performance of microgeneration products and guarantees to consumers on the quality of their microgeneration installations, MCS aims to protect consumers in this emerging market. Members of the MCS are also expected to comply with the standards set out by the Renewable Energy Consumer Code⁴ (RECC).

2.19 To be eligible for the domestic RHI it is proposed that your technology must be accredited and commissioned by a suitably accredited installer. In the vast majority of cases DETI would recommend and expect the installation and commissioning to be carried out by the same installer. However it is proposed that in circumstances where a non-certified installer carries out the installation the consumer could still apply for support providing that a certified installer commissions the system after the non-certified installer has finished the installation. In this case, the certified installer must provide relevant documentation including the commissioning certificate and the applicant must provide a suitable chain of invoices showing all of the costs of the installation. Technologies and installers must be suitably accredited at the time of installation and commissioning.

2.20 Consumers installing bioliquid boilers would be required to use an Oftec⁵ registered installer.

CONSULTATION QUESTION 2.6

Do you have any comments on the proposed standards relating to MCS and Oftec?

Multiple technologies

2.21 DETI proposes to limit the eligibility of multiple technologies to scenarios where solar panels and one other renewable heat technology is installed. The reason for restricting combination installations to solar plus one is that when the heat demand of homes are deemed it will be assumed that there will be one primary heat source that will service the entire space heating requirements of the home, solar thermal is the exception as it will only provide hot water requirements. To allow two primary renewable heat sources (biomass and heat pump) a separate assessment would be required and there would be significant risk of incorrect subsidy, in addition it is expected that these types of installations would be very rare. Support under the domestic RHI will therefore be limited to one renewable heat technology per dwelling (excluding solar thermal).

SUPPORTED TECHNOLOGIES

2.22 Some information on the technologies that will be supported via the domestic RHI, including air to air heat pumps and bioliquids is provided below.

ASHPs (Air to Air and Air to Water)

2.23 An ASHP works by absorbing heat from the air and transferring this heat through a unit which in turn increases the temperature of the heat and circulates it around a building. There are two general types of ASHP, an air to water heat pump (AWHP) will distribute the heat through a standard liquid based central heating system, so the heat from the air is transferred to a liquid and used to heat radiators. The other system is an air to air heat pump (AAHP), where the absorbed heat is used to produce warm air that is circulated to heat a building – it is unlikely that an AAHP will provide hot water as well.

³ www.microgenerationcertification.org
⁴ http://www.recc.org.uk/
⁵ http://www.oftec.org/
Bioliquids

2.24 Bioliquids are liquid fuels produced from biomass materials, including waste such as cooking oil and tallow. Examples include bio-ethanol or biodiesel. In the domestic sector it is expected that the B30K bioliquid could be most widely used. B30K is a blend of waste oil and kerosene, comprising of 30% bioliquid Fatty Acid Methyl Ester (FAME) blended with 70% kerosene. The incentivisation of this fuel will, however, be dependent on whether this fuel is determined to be ‘renewable’ under EU standards. Those installing bioliquids boilers would be expected to make annual declarations and provide suitable evidence to the administrator to demonstrate that the boiler had solely used bioliquids and not normal heating oil. The administrator would therefore ask to see detailed invoices for fuel purchases and any other relevant documentation as appropriate.

Biomass

2.25 Biomass is the collective term for all plant and animal material and a number of different forms can be burned to produce heat, either directly for heating, or to produce hot water or steam. The most common fuel used in biomass boilers is wood, usually in the form of wood chip or pellets. Energy crops such as willow or poplar, grown on short rotation coppice, and miscanthus, together with straw and other organic residues can also be used.

2.26 Biomass boilers using wood chip or pellets can be automatically fed from fuel hoppers. Large systems within the industrial, commercial and public sectors tend to have large storage systems to allow fuel to be bought in bulk. In the domestic context smaller hoppers are the norm and require regular refilling, similar to oil boilers.

GSHPs

2.27 Ground source heat pumps (GSHPs) are electrically powered reverse refrigeration cycles which extract heat from the ground and transfer the heat to building. There are two types of GSHPs; in one method a network of horizontal piping is laid under the surface outside an adjacent building; this method tends to require a large amount of space. A second type, often used where space is restricted, involves installing in vertically bored holes, typically to around 100 metres. In both cases the piping installed contains a fluid which extracts heat from the earth, passes it through the heat pump and then transfers it via a heat exchanger to a traditional central heating system.

2.28 All heat pumps have a ‘coefficient of performance’ (CoP); this refers to the amount of thermal energy that is produced per unit of electricity consumed or required. For example if 1 unit of electricity is required to create 3 units of heat, then the CoP of the heat pump is 3.

Solar thermal

2.29 Solar thermal systems consist of a roof mounted collector and an insulated thermal store. Heat is collected from the sun by the collector and transferred to a working liquid (normally water) to be stored for use. In the summer months, it could be expected that all hot water demand could be met by the solar thermal installation and potentially up to 50% of the annual demand.

INELIGIBLE TECHNOLOGIES

2.30 It is difficult to provide a definitive list of the eligibility requirements given the range of technologies, different types of technologies and specific installations; each application will be considered on a case by case basis.

2.31 As previously outlined, in general terms the domestic RHI will support biomass, solar thermal, ASHP and GSHP installations in permanent domestic properties (including self build, privately rented and second homes).

2.32 The RHI is compatible with the RHPP but not with any other publically funded support. Payments will be made to the owner of the equipment and it is the responsibility of the owner to ensure that all necessary planning permissions (eg planning approval and building control) are received for the installation.
2.33 There are of course some technologies and scenarios that DETI can definitely set out as ineligible. Firstly, the following technologies are not deemed eligible.

- Room heater stoves
- Condensing biomass boilers or stoves
- Cooling from heat pumps
- Transpired solar thermal panels

2.34 The reasons these technologies are not eligible largely relate to their status with MCS (i.e. not certified), the risk of fossil fuel substitution, the fact they are not deemed renewable under the RED or the fact that there is limited market potential.

2.35 DETI will review the list on ineligible technologies throughout the scheme.

**CONSULTATION QUESTION 2.7**

Are there any technologies that are not currently being proposed for support that you feel could have a significant contribution in the development of the local renewable heat market? Please fully explain your answer.

**PROPOSED APPROACH**

2.36 In developing a permanent support mechanism for domestic renewable heating installations a number of options were considered.

- **No support**, instead focus support on the non-domestic sector where greater levels of renewable heat could be delivered.
- **A normal term RHI payment**, where tariffs would be set for the lifetime of the asset (to a maximum of 20 years).
- **A compressed RHI**, where tariffs are set for a reduced time period such as 5/7/10 years with payments compressed to cover the total payments expected over asset’s lifetime.
- **A grant based system**, where capital support is provided similar to the RHPP.
- **A two phased RHI**, where upfront support is available along with ongoing support over an agreed period of time.

2.37 Consideration also had to be given to the appropriateness of each scheme for the three types of applicants that will be eligible to apply for support, these are;

- **Those who installed since 1 September 2010 and have not availed of the RHPP**. Eligible installations commissioned on or after 1 September 2010 are able to apply for RHI support; the vast majority of these installations will have been unable to receive RHPP support as that scheme only supported new installations from 24 May 2012. There may also be scenarios where an installation has been made since 24 May 2012 but no application was made under the RHPP. DETI would not be able to provide retrospective capital grant support for these installations so ongoing support needs to be provided.
- **Those who availed of the RHPP**. As support has already been provided this must be factored in to any future ongoing payment to ensure that these customers are not over-incentivised, DETI also wish to ensure that these customers are in no way disadvantaged.
- **New applicants** seeking support for installations commissioned following the launch of the new permanent measure.

2.38 The benefits of the various policy options were assessed on the basis of how they could support the deployment of renewable heat; appropriateness for the domestic sector; ensuring renewable heat technologies were accessible to all; and development of the renewable heat market. DETI’s preferred option is a compressed RHI with tariffs paid over 7 years with an element of up front support to assist with the capital costs.
Compressed RHI plus grant

2.39 The 7 year tariff structure is appropriate insofar as it reduces the concerns of homeowners who wish to install technologies but may also be planning to move home within the next 5-10 years. It also ensures that technologies supported under the scheme will still be supported by 2020 and therefore guaranteed to be in place and contribute to the renewable heat target. By setting a shorter tariff term there would be a risk that once the support ended consumers may choose to revert to fossil fuels if fuel prices meant this would be a favourable option. This is of particular concern in Northern Ireland where significant numbers of domestic customers will have access to new energy source, natural gas, by 2020 that do not currently have so. On the other hand tariffs longer than 7 yrs creates the risk that consumers are put off by the seemingly long pay back and unsure whether to invest in a home that they may subsequently sell. Therefore the 7 year tariff is proposed.

2.40 It should be noted that a compressed RHI is in no way less lucrative than an asset life (20 year) tariff system. In designing tariffs DETI has assessed the level of support payable over the life span of the technology and has then compressed this payment over 7 years to provide the tariffs outlined. If an asset life scheme was introduced the tariff payment would be lower and the amount payable over the 20 years would be equivalent to the compressed tariff option.

2.41 DETI also proposes to provide up front support for new installations. The experience of the RHPP has demonstrated that up front capital support is important for technologies that remain expensive to purchase and install. DETI is conscious that the capital outlay involved in renewable heat installations could remain to be significant barrier to deployment, as the table below sourced from the 2010/11 NI Family resources survey\(^6\) demonstrates.

<table>
<thead>
<tr>
<th>Amount of savings and investments</th>
<th>% households</th>
</tr>
</thead>
<tbody>
<tr>
<td>No savings</td>
<td>52</td>
</tr>
<tr>
<td>Less than £1,500</td>
<td>10</td>
</tr>
<tr>
<td>£1,500 but less than £3,000</td>
<td>9</td>
</tr>
<tr>
<td>£3,000 but less than £8,000</td>
<td>13</td>
</tr>
<tr>
<td>£8,000 but less than £10,000</td>
<td>2</td>
</tr>
<tr>
<td>£10,000 but less than £16,000</td>
<td>4</td>
</tr>
<tr>
<td>£16,000 but less than £20,000</td>
<td>2</td>
</tr>
<tr>
<td>£20,000 or more</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

2.42 The capital element of the proposed support mechanism will increase the accessibility and reduce the costs of any financing required. The set figure of support has remained in line with the grant already available under the RHPP – this level of support has proven to be attractive for investors and has created a high level of interest. Using these figures also simplifies the administration arrangements for those who have already received the grant. For air to air heat pumps and bioliquids, where no RHPP support has previously been offered, upfront grant support of £1000 and £500 is proposed respectively.

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2.43 Eligible installations commissioned since 1 September 2010 but not receiving RHPP support can apply for a domestic RHI tariff, these tariffs are set at a higher level to account for the fact that no grant has been, nor will be, offered. DETI has assessed these tariff levels and has ensured that the total lifetime support under both measures (tariff only and grant plus tariff) is equal. The proposed support systems and levels are detailed in the table below.

<table>
<thead>
<tr>
<th>Installed after 1 September 2010 and without assistance under the RHPP</th>
<th>New installations and those supported under RHPP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tariff for 7 yrs (pence per kWh)</strong></td>
<td><strong>Up front support (£)</strong></td>
</tr>
<tr>
<td>---------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Air to Water Heat Pumps</td>
<td>8.1</td>
</tr>
<tr>
<td>Biomass</td>
<td>7.9</td>
</tr>
<tr>
<td>Ground Source Heat Pumps</td>
<td>13</td>
</tr>
<tr>
<td>Solar Thermal</td>
<td>16.4</td>
</tr>
<tr>
<td>Air to Air Heat Pumps</td>
<td>5.5</td>
</tr>
<tr>
<td>Bioliquids</td>
<td>3.3</td>
</tr>
</tbody>
</table>

2.44 As outlined by the table above, there are varying levels of support depending on the date on which the eligible installation has been commissioned and whether support under the RHPP has been received. The proposed support levels for air to air heat pumps and bioliquids are included in this table but are subject to the inclusion/exclusion of these technologies based on this consultation process. DETI does not propose to allow applicants to avail of the upfront support only, i.e. install an eligible technology, claim the upfront support but then fail to meet the ongoing obligations of the scheme and forfeit the ongoing payment. Failure to meet the ongoing eligibility standards or obligations will result in applicants having to repay all the support received in full.

2.45 It is expected that the RHPP will continue until the domestic RHI is in place – further information on the process for introducing the domestic RHI will be made available once the final proposals are confirmed following this consultation process, there is of course the potential that proposals could be revised following this process.

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**CONSULTATION QUESTION 2.8**

Are you supportive of DETI’s proposal to offer up front grant plus a compressed RHI payment for domestic installations?

**CONSULTATION QUESTION 2.9**

Do you think the proposed support levels and tariffs are appropriate for this sector? If not please explain with evidence.

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\(^*\) For technologies installed under the RHPP this support has already been received.

\(^*\) No support has previously been available for air to air heat pumps or bioliquids.
Other options

2.46 There are of course, as already mentioned, other potential options on which DETI wishes to gather views, these are;

- No support for the domestic market
- Lifetime RHI
- Compressed RHI only for 5/7/10 years
- Grant only (max 50% of invoiced costs)

2.47 DETI is keen to hear views on whether a different approach to the proposed ‘Compressed RHI plus grant’ should be taken. It is worth noting that DETI requires a level of certainty that installations supported under the domestic scheme remain in place to 2020 and beyond. The 7 yr tariff, or longer, provides that level certainty. To reduce the tariff term below 7 yrs would require strict administrative arrangements that would allow claw-back of funding if the technology was made redundant before 2020.

**CONSULTATION QUESTION 2.10**

If you do not think the grant plus compressed RHI option is appropriate, what is your preference for the design of the domestic RHI? Please explain fully.

**TARIFF SETTING METHODOLOGY**

2.48 The tariff setting methodology for the domestic RHI is largely similar to that used in setting rates for the non-domestic scheme in that the tariffs are designed to compensate the consumer for the financial costs of the additional capital cost of the renewable heat installation compared with a conventional fossil fuel system and the difference in operating costs over the lifetime of the installation. In addition, the tariffs are expected to compensate for the additional non-financial barriers associated with installing renewable heat.

2.49 The only difference in methodology is that the implied rate of return or discount rate is lower for households than it is for commercial applications. Previously a discount rate between 12-16% had been used for smaller commercial systems that would be a similar scale to domestic installations, this was based on the standard methodology used by DECC in developing the GB RHI levels. However, more recently DECC have used a discount rate of 7.5% for households, DETI has followed this approach – this is the only significant difference in the design of the domestic and non-domestic RHI tariffs.

**MEASURING HEAT**

2.50 A key issue for the domestic RHI is how the level of renewable heat produced and used by each domestic property is measured and, therefore, how payments will be made. The two options considered by DETI were ‘metering’ and ‘deeming’.

2.51 In the metering scenario, each installation would require a class 2 heat meter to be included with specific guidance on the placement of meters issued by the administrator. The meter would record the heat output of the technology and payments made accordingly. This is how the commercial RHI currently operates. Metering would ensure that systems remain in place and DETI can accurately monitor levels of renewable heat, however, there is a risk that metering could lead to systems being over-used to receive additional payments and their installation could act as a further barrier for domestic customers interested in renewable heat.

2.52 Under a deeming system, each applicant’s property is assessed and an expected annual heat demand is calculated – this will factor in the type of heating system, the size of property, the expected use of property, the fabric of the property and other key determining factors. This assumed heat demand is then multiplied by the appropriate tariff to give the payment under the domestic RHI. This approach would have a level of in-built energy efficiency given that it would be in householders interest to use as little heat as possible, it is also a simple system and is broadly in-line with proposals in GB.
2.53 There are, of course other options for assessing heat demand, including requiring each home to present an Energy Performance Certificate (EPC) that would demonstrate expected heat demand. Whilst EPCs have a cost attached they are required when selling homes and therefore would remain useful for the homeowner.

**CONSULTATION QUESTION 2.11**

Do agree with DETI's proposal to deem heat loads in domestic properties rather than require individual heat meters?

**CONSULTATION QUESTION 2.12**

Do you have any comments on how heat loads in homes could be most accurately and cost effectively assessed as part of the deeming system?

Circumstances where metering is required

2.54 In the vast majority of cases the payments will be made by the deeming methodology, detail previously. However, in the following cases heat meters\(^9\) will be required;

- **Where the system is not standalone** – DETI understand that in certain circumstances consumers may wish to keep a conventional fossil fuel heating system in place as well as installing the new renewable heat system. This may be due to a desire or need to have a 'back-up' or for efficiency purposes such as heating water in summer months. DETI would anticipate/prefer for bivalent systems to be the exception rather than the norm. In circumstances where a renewable heat technology is installed and an oil or gas boiler remains, a heat meter will need to be installed at the cost to the consumer. As AAHPs cannot be accurately metered these installations will not be able to have a secondary heat source included. This measure does not apply to solar thermal installations as a secondary heat source will always be required for space heating.

- **For systems above 45kW in size** – If it determined that domestic systems above 45 kW\(_{th}\) (and below 100kW\(_{th}\)) should be treated under the domestic RHI rather than the non-domestic RHI or not provided support at all, these systems would need to be metered. Given that these installations fall outside of MCS, DETI will require heat meters to be installed so performance, usage and efficiency can be measured. Again, the cost of the heat meter will be borne by the consumer.

- **For second homes or social landlords** – Second homes (eg holiday homes or privately rented homes) and social landlord homes will be eligible under the domestic RHI. Firstly, for holiday homes there are legitimate concerns about the level of occupancy of these properties therefore a heat meter will be required to monitor heat usage. For privately or social rented homes, in the vast majority of cases the decision to install the renewable heat equipment will be taken by the landlord rather than the inhabitant. Therefore, the tenant may not have made the conscious decision to have renewable heating and may decide not to use it as a primary heat source. In addition, rented homes, whilst occupied for the majority of the year may be unoccupied for large period of times also (i.e. student accommodation), therefore the deeming methodology may not be appropriate. For these reasons, all second homes (anything that is not a primary place of residence) will be required to be metered. Applicants will be expected to declare second homes during the application process. Again, the cost of the heat meter will be borne by the owner of the installation.

- **Where DETI decides to install a meter for data collection purposes.** In order to gather data, assess performance and monitor progress against renewable heat targets, DETI may choose to install meters in a random selection of installations. In these circumstances the cost of installation would be borne by DETI.

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\(^9\) Heat meter must be a certain standard as per commercial scheme.
2.55 Where meters are installed for bivalent systems; over 45kW systems; and in second homes, the payments will be made on the metered heat output but capped at the deemed level of payment. Where DETI chooses to install a heat meter the payment will be paid through the deeming methodology. Other circumstances may arise during the running of the scheme that requires meters to be installed.

CONSULTATION QUESTION 2.13

Do you have any comments on the proposals relating to the need for heat meters under certain circumstances?

ENERGY EFFICIENCY

2.56 The installation of energy efficiency measures is the most cost-effective method to reduce energy consumption. For renewable heating installations, it is vital that thermal efficiencies are made so smaller, cheaper and more efficient technologies can be installed. Indeed, it is DETI's assumption that those installing renewable heating technologies will have already made their homes as efficient as possible and the installation of the renewable system is the last step in their “low-carbon journey”.

2.57 Whilst the deeming methodology has an ‘in-built’ energy efficiency insofar it is in the interest of the consumer to use as little heat as required there remains a risk that it is advantageous for householders to have inefficient homes with a high heat demand requirement as this could result in higher deemed payments. In the same way, a home with a much lower heat demand because of improvements in energy efficiency could end up receiving lower payments. It is vital that thermal efficiency improvements are encouraged and rewarded. However it is also important that no house or property is excluded because efficiency improvements have not or cannot be made, i.e. energy efficiency requirements should not be a barrier for uptake.

2.58 Based on this assumption, DETI has designed the tariffs to be most appropriate for the most efficient homes and when deeming expected heat loads DETI will assume that applicants have a C-rated home with standard energy efficiency measures in place. DETI will seek information on the dwelling including the size and type of building, from this information a standard assessment will be made on the required heat demand of the household. This assessment will inform the deemed payment.

2.59 For biomass/biolliquids boilers and heat pumps the deemed payment will be based on the expected heat demand (kWh) of the home, based on the assumption that the home is C-rated. DETI views this as a realistic standard that all homeowners can aspire to – in practice the tariff will work best for those in more efficient homes and therefore those wishing to install renewable heat are being incentivised to make their homes as efficient as possible. For solar panels, the deemed payment will be based on the expected contribution of the panel towards the domestic hot water requirements.

CONSULTATION QUESTION 2.14

Do you have any comments on the proposal to assume homes have attained a certain level of energy efficiency when deeming heat loads?
2.60 Whilst the scheme’s administration system is still to be determined it is proposed that the application process would be similar to the existing process for the RHI. This would involve applicants installing the renewable heat technology and then seeking accreditation with the administrator. Once the administrator is content that the installation in question meets all the eligibility criteria the upfront support would be awarded and an ongoing payment would be provided on an annual basis on the date of accreditation. The proposed process is outlined below.

**Installation**

The potential applicant would check all the eligibility standards of the domestic RHI and, once they are content that their installation would be eligible for support, they go ahead with the installation.

Some of the key eligibility standards that would need to be considered are that:
- The technology must be MCS accredited (or equivalent) at the time of installation.
- The installation must be commissioned by a MCS accredited (or equivalent) installer.
- The property in question must be domestic.
- No public grant (other than RHPP) can have been received to support the installation.

**Application**

It is proposed that applications will be made via an online portal. Applicants will have to provide information largely similar to those requested when applying for the RHPP e.g. details of the applicant, the installed technology and the installer. Information on the property will also be required, including size, use, type etc.

To demonstrate eligibility the applicant will also need to provide information relating to the MCS commissioning certificate, the type of premises (rates bill) and demonstrate all necessary building controls/planning permissions have been secured.

**Assessment**

The application will be assessed and the details provided verified. Where all details have not been provided to DETI’s satisfaction the applicant will be contacted asking for further clarification.

For systems that require heat meters further information, checks or site visits may be required.

**Accreditation and Award**

Once all checks have been carried out and the administrator is satisfied the system meets all eligibility standards it will be accredited and the upfront payment will be transferred to the nominated bank account. The applicant will also be informed of their allocated tariff and the expected deemed payment.
CONSULTATION QUESTION 2.15
Do you have comments on the administration arrangements for the domestic RHI?

ONGOING OBLIGATIONS

2.61 There will be ongoing obligations for both the Department and the applicant. Firstly, the Department will be obliged to make ongoing payments for the heat output of the accredited installations. It is DETI’s proposal that payments are made annually in arrears with the first incentive payment made 12 months after accreditation. Paying in arrears reflects the position that installers are being supported for the actual renewable heat used; payment in advance would have significant risk and is not required given the capital element of the support. Annual payments are proposed as they are administratively simpler.

2.62 The owner of the equipment must also ensure the technology remains in place, is used appropriately and is maintained to the manufacturer’s standards. To ensure these obligations are met DETI will withhold the right to carry out site audits, with installations audited both as part of random sampling or where DETI suspects the rules of the scheme have been broken. In addition, each applicant will be asked to complete an annual declaration of compliance; payments will only be processed when this declaration is received by the administrator.

CONSULTATION QUESTION 2.16
Do you have any views on the timings or frequency of payments?
3

BACKGROUND

3.1 The non-domestic RHI, launched in November 2012, focussed primarily on the better established and well known technologies. This was to act as a primer for the market, to build confidence and understanding of the RHI and to prepare the market for the expansion of the scheme and the introduction of more innovative technologies. The technologies supported under the first phase of the scheme also are likely, for the most part, to be the technologies that contribute greatest to the achievement of the targets of 4% renewable heat by 2015 and 10% by 2020.

3.2 However, it was always DETI’s intention to, not only, extend the scheme to domestic customers but also to expand the commercial RHI to include more innovative technologies. This will assist in developing the market and provide further choice for commercial operators wishing to utilise renewable heating. This chapter outlines the new technologies or tariff bands that will be introduced under phase 2 of the RHI, the rationale behind the tariffs developed and the relevant eligibility requirements.

PROPOSALS FOR NEW SUPPORT

3.3 DETI proposes that new support is introduced for a range of new technologies. These technologies tend to be less commonplace and more innovative and therefore additional time has been required to assess the need for support, the appropriate level of support and any other associated issues involved in providing support. The introduction of new tariffs for these technologies will support the further development of the renewable heat sector in Northern Ireland and contribute to the achievement of the targets set.

Tariff setting methodology

3.4 In developing each of the new tariffs the same tariff setting methodology as used under Phase 1 of the scheme was applied. This has four elements;

- Firstly, we identify the required subsidy level, in pence per kWh, to cover the difference between a renewable technology and a conventional boiler. This value is calculated over the lifetime of the technology including variables such as projected fuel costs and non-financial barriers.

- Then, in order to calculate the average lifetime cost, we calculate the annual operating and fuel cost, and add this to the annuitized cost of the upfront capital, installation and barrier costs. We then divide this cost per year by the average annual heat produced to obtain a figure for cost per unit of heat.

- The installations are grouped by technology/kWh capacity bands to create “supply curves” that represent the renewable heat that would be delivered for a given subsidy level in the absence of any installation or fuel supply barriers.
Finally, the installation providing the median kWh on that supply curve is selected as the “reference installation” and the minimum pence/kWh subsidy required to install the renewable technology to that installation is selected as the RHI rate for the tariff band.

3.5 In the majority of cases the counterfactual fuel position is oil, this reflects the fact that the Northern Ireland heat market remains largely dependent on oil for heating demand and that the vast majority of renewable heat installations will be displacing oil. However in some instances a natural gas counterfactual has been selected, this occurs in circumstances where the mid-point of deployment curve for a particular scale of technology demonstrates that natural gas could be displaced.

**Large Biomass (over 1MW)**

3.6 Biomass installations over 1MW were not eligible for support under the first phase of the Northern Ireland RHI. The reason for this was that evidence available at the time demonstrated that these types of installations, for the most part, were already cost-effective over the 20 year time period. Whilst it was accepted that a biomass installation over 1MW size was considerably more expensive than the corresponding oil system in terms of capital outlay, the differential in assumed fuel price outweighed the capital costs, given the fuel intensity of these systems, therefore rendering a tariff unnecessary. In fact, when calculating a tariff for this band a negative tariff was generated.

3.7 DETI did undertake to reassess this issue and engaged with sector stakeholders to explore and test the previously held assumptions. Following this re-assessment a number of assumptions were revised:

- The price of wood chip in Northern Ireland was assessed to be higher than in Great Britain.
- Security of supply of biomass fuel was a major concern and the supply of wood chip much more restricted that in Great Britain. This market constraint meant it was likely that wood pellets would be more frequently used as supply of wood chip was limited. A market constraint of 20,000 dry tonnes per annum (this is above the existing wood chip use) of chips was imposed to 2020 representing 85 GWh per annum. This leads to the new assumption that wood pellets will be used more frequently.
- A new sub-sector of ‘small industrial’ was identified that would encompass potential heat installations between 1MW-10MW. The new Small Industrial category is characterised by food & drink sector, hospitals and universities. Such applications typically have steam as the heat transfer medium. As a result a further change to the assumptions has been to revise the renewable and counterfactual capex figures to be based upon high temperature steam boilers. Steam boilers are more expensive than hot water boilers in particular for biomass systems. The resulting capex increase is from £316/kW to £487/kW.

3.8 The revised assumptions has led to a tariff being set for large biomass installations above 1MW size against a counterfactual position of wood pellets replacing oil. The proposed tariff is 0.6p/kWh for 20 years. This proposed tariff is linked to RPI, similar to all other tariffs.

<table>
<thead>
<tr>
<th>PROPOSED NEW TARIFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biomass heat only (exc CHP)</td>
</tr>
</tbody>
</table>

**CONSULTATION QUESTION 3.1**

Do you have any comments on the assumptions used to develop the large biomass tariff?

**Biomass and Bioliquid Combined Heat and Power**

3.9 Biomass and bioliquid CHP is currently incentivised under the NIRO, with good quality CHP that is accredited under CHPQA in receipt of an additional 0.5 ROC uplift. DETI has indicated that from October 2015 the 0.5 ROC uplift will be withdrawn – good quality CHP projects accredited after this date would be eligible for the relevant electricity only ROC level together with the appropriate RHI tariff. This position is largely consistent with GB however given the fact that DETI has not previously indicated a potential CHP RHI tariff an additional grace period for installations has been allowed rather than adopting the GB timescales of April 2015.

3.10 In developing an appropriate CHP tariff under the RHI, DETI has assumed an investment lifetime of 10 years and a plant lifetime of 20 years. In addition, a discount rate of 12% has been used and the revenue
from ROCs for electricity is included and factored into the analysis. Finally, a counterfactual position of natural gas has been used based on analysis demonstrating that the new CHP sites in 2020 are likely to have access to natural gas as a fuel. Therefore, DETI is proposing a tariff of 3.5 p/kWh for new biomass and bioliquids CHP systems.

3.11 In addition to the tariff for new CHP systems, DETI proposes to introduce a second tariff for existing fossil fuel systems that wish to convert to renewable CHP. The capital costs incurred for converting to renewable CHP from fossil fuel CHP is quite different from the capital costs involved in the development and build of a new renewable CHP station. The tariff for conversion sites has been developed in the same way as the new build CHP tariff however with different assumptions on capex. For existing fossil fuel CHP sites converting to renewable fuelled CHP the proposed tariff is 1.7 p/kWh.

3.12 To receive the RHI the accredited station must be certified under CHPQA. This means before the removal of the existing ROC uplift there could be two different incentive mechanisms for CHPQA systems.

3.13 If the RHI tariff for dedicated Biomass or Bioliquid CHP is approved and introduced in Phase Two of the RHI:

- Before 1 October 2015, generators will have a one-off choice as to which scheme they accredit under (either NIRO uplift or reduced ROC level + RHI);
  - 2 ROCs per MWh; or
  - 1.5 ROCs plus RHI tariff

- From 1 October 2015 and before 31 March 2016, DETI proposes to allow any generating station that has received pre-accreditation with Ofgem under the NIRO and is a “qualifying CHP generating station” (this means that they have been issued with a “ROC Eligibility Certificate” in addition to a “Regular CHP” certificate from CHPQA) in advance of 1 October 2015, with a one-off choice of which incentive mechanism to avail of;
  - 1.9 ROCs per MWh; or
  - 1.5 ROCs plus RHI tariff

3.14 Systems that are eligible to choose between the two incentive mechanisms will be asked to make their choice during the accreditation phase. This is a one-off choice and once accredited cannot be revisited.

3.15 DETI expects heat from renewable CHP sites to provide a significant contribution towards the development of the renewable heat market and the achievement of the renewable heat target. It is estimated that over 500 GWh of per annum will be in place through CHP by 2020, over a third of the renewable heat target.

<table>
<thead>
<tr>
<th>PROPOSED NEW TARIFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biomass or Bioliquid CHP (new system) All sizes 20 years</td>
</tr>
<tr>
<td>Biomass or Bioliquid CHP (conversion) All sizes 20 years</td>
</tr>
</tbody>
</table>

**CONSULTATION QUESTION 3.2**

Do you have any comments on the proposed tariffs and arrangements for CHP systems, including the proposal to introduce separate tariffs for new build CHP systems and for the conversion of existing fossil fuel CHP?

**Biomass Direct Air Heating**

3.16 Currently the RHI only supports biomass heating whereby the boiler produces heat that is transferred via a delivery liquid or steam to provide central heating, hot water heating or process heating. DETI is now proposing to introduce support for technologies where there is no heat delivery liquid and air is warmed directly through the combustion of biomass – examples of this type of heat use could be found in agriculture in grain drying or in other industrial or commercial drying and curing processes.

3.17 The issue remains with direct air heating however regarding how the level of heat output is assessed as metering is not appropriate. Therefore a methodology will need to be developed as to how payments can be accurately made against the heat output of these technologies. There are three broad options;

- Measurement of the biomass input to determine the expected heat output.
3.18 DETI welcomes views on the potential options to assess heat output of biomass direct air heaters. Further guidance on this issue will be provided if a biomass direct air tariff is implemented.

3.19 Two separate tariffs for this technology are proposed, the first of which will cover smaller installations less than 100kWth in size and is proposed to be 5.1 pence per kWh. The second tariff will cover larger technologies over 100kWth but less than 1000kWth, this is proposed to be 1.4 pence per kWh. No tariff is offered over 1000kWth in size at this stage.

<table>
<thead>
<tr>
<th>Biomass direct air</th>
<th>PROPOSED NEW TARIFF</th>
<th>CONSULTATION QUESTION 3.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 100kWth</td>
<td>5.1 pence per kWh</td>
<td>Do you have any comments on the proposal to incentivise biomass direct air heating or the methodology for calculating payments?</td>
</tr>
<tr>
<td>100kWth and above but less than 1000kWth</td>
<td>1.4 pence per kWh</td>
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</table>

ASHPs (Air to Air and Air to Water)

3.20 Air source heat pumps were excluded from phase 1 of the RHI due to a lack of detailed evidence on the costs and performance of the technology and issues surrounding the accurate measurement of heat output. DETI has re-assessed these issues and now proposes to introduce support for both air to air heat pumps (AAHP) and air to water heat pumps (AWHP).

3.21 For AAHP, where heat from air outside is transferred through a heat pump via a liquid and used to produce warm air that is circulated within a building to provide space heating, a tariff of 5.2 pence per kWh is proposed for systems less that 100kWth in size. DETI wishes to limit support for these technologies, at this stage, to smaller systems so the market can be tested and this technology can be rolled out in a staged manner.

3.22 AAHP’s are often reversible and can be used to for cooling as well heating, however, guidance from the European Commission states that the cooling element of heat pumps cannot be classed as renewable and therefore is not attributable towards renewable heating targets. This being the case, DETI will limit support for AAHP’s for heating only systems, those that are not reversible. Heat only AAHP’s are an emerging technology and can be useful to heat building with high space heating requirements but no cooling requirements.

3.23 AWHPs have the potential to displace existing fossil fuel heating systems by providing buildings with space heating and hot water heating by utilizing heat from the outside air transferring this directly to a liquid. These systems are often used alongside under-floor heating but can also integrate with conventional radiator systems. DETI has assessed the costs of these systems and developed a proposed tariff of 2.5 pence per kWh that would be available for systems less than 100kWth in size. Similarly to AAHP, a larger banding for this technology may be considered in due course dependent on evidence gathered during this consultation and through actual deployment of technologies under the RHI.

3.24 Currently, all technologies supported under the RHI must have installed a class 2 heat meter however AAHPs will not be able to meet this criteria and therefore another methodology for determining payment levels is required, as with biomass direct air heating. The preference for DETI would be utilizing a deeming methodology, similar to the domestic scheme, whereby the size, type and use of the building is assessed to determine an expected heat demand that is used to base payments, however this could be more difficult in the non-domestic sector given the wide range of building types and uses. The alternative would be to require a different type of metering based. For AWHPs heat metering will be required as normal.
3.25 Currently, GSHPs supported under the RHI must have a COP of 2.9 or greater. This standard will remain for ASHPs but, in addition, DETI will require that all heat pumps demonstrate that they can attain a seasonal performance factor of greater than 2.5. This will also apply to GSHPs. Guidance on the measurement of SPF will be issued should these proposals be adopted.

<table>
<thead>
<tr>
<th>PROPOSED NEW TARIFF</th>
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<tbody>
<tr>
<td>Air to Air Heat Pump</td>
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<tr>
<td>Air to Water Heat Pump</td>
</tr>
</tbody>
</table>

**CONSULTATION QUESTION 3.5**

Do you have any comments on the proposed tariffs for AAHPs and AWHPs?

**CONSULTATION QUESTION 3.6**

Do you have a view on how the heat output of AAHPs could be determined in order to accurately calculate payment levels?

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**Deep Geothermal**

3.26 Under Phase 1 of the RHI deep geothermal installations were eligible through the tariffs set for large ground source heat pumps. At the time of the July 2011 consultation, DETI sought evidence on the potential deployment of deep geothermal energy in Northern Ireland and the existing barriers both financial and non-financial. Early analysis work demonstrated that a tariff range between 1.6p-4.6p could be appropriate depending on the assumptions on the heat being displaced. It was agreed however that further analysis was required and specific support for deep geothermal would be included as part of Phase 2.

3.27 In developing support or incentive measures for deep geothermal, DETI considered two potential options. The first of which was the introduction of a specific tariff for deep geothermal energy. To design the tariff the counterfactual position was re-assessed in line with evidence from stakeholders and experience of recent geothermal developments, this involved new assumptions relating to the likelihood of a geothermal energy developer selling heat to a third party or ESCO rather than taking the heat to individual consumers. This proposed tariff for deep geothermal heating is 3.7 pence per kWh for a maximum of 20 years.

3.28 The second option is to provide support on a competitive basis, whereby potential developers would submit proposals to DETI on a case-by-case basis and DETI would award support, either on the basis of capital grant or a set incentive level, depending on the financial need of the project.

3.29 DETI’s preferred approach is the proposed RHI tariff however views are welcomed on the second option of a Challenge Fund scheme. For systems to be classed as deep geothermal the energy must be located and extracted from at least 500 metres beneath the surface of solid earth.

<table>
<thead>
<tr>
<th>PROPOSED NEW TARIFF</th>
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<tbody>
<tr>
<td>Deep Geothermal</td>
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</table>

**CONSULTATION QUESTION 3.7**

Do you have any comments on the proposed level of support for deep geothermal energy?
Bioliquids (heat only)

3.30 As well as considering supporting bioliquids boilers in the domestic sector and bioliquids CHP in the non-domestic sector, DETI also proposes to introduce support for bioliquids boilers (heat only) under the non-domestic RHI. Bioliquids have been incentivised under the NIRO for renewable electricity generation for sometime and DETI is aware that such bioliquids could also have the potential to contribute to renewable heating targets.

3.31 Two tariffs are proposed depending on the scale of the boiler in place, under 100kWth the proposed tariff is 2.6 pence kWh and above 100kWth a tariff of 2.1 pence per kWh is proposed. No tariff above 1MWth is proposed as it is assumed that projects of this scale would be CHP systems and could therefore avail of those relevant tariffs. DETI will, however, consider extending the cap on support for heat only bioliquids to beyond 1MWth if there is sufficient evidence that such projects could be developed in Northern Ireland.

3.32 The RED sets out sustainability criteria for bioliquids, these are already enforced under the Renewables Obligation and the same standards would apply under the RHI. Fuels that are supported under the bioliquids RHI tariff would need to comply with these standards.

3.33 DETI understands that there is some interest in tallow in Northern Ireland. Currently much of the UK’s tallow resource is refined into bio-diesel. We propose that the use of tallow oils and meat and bone meal (MBM) are allowed in the non-domestic sector under the RHI, providing they meet the aforementioned RED eligibility standards. Where a solid fuel combustion boiler is installed, rather than a liquid fuelled boiler, the appropriate tariff would be the biomass tariff and not the bioliquids tariff. As with all the proposed tariffs, the bioliquids tariff will be subject to public consultation and approval from the EU Commission.

<table>
<thead>
<tr>
<th>PROPOSED NEW TARIFF</th>
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<tbody>
<tr>
<td><strong>Bioliquids</strong></td>
</tr>
<tr>
<td>Less than 100kWth</td>
</tr>
<tr>
<td>100kWth and above but less than 1000kWth</td>
</tr>
</tbody>
</table>

**CONSULTATION QUESTION 3.8**

Do you think DETI should incentivise the use of heat only bioliquids boilers in the non domestic sector and do you foresee any problems with the approach proposed by DETI?

**CONSULTATION QUESTION 3.9**

Do you agree with the assumption that bioliquids systems above 1MWth will be CHP or is there potential for heat only systems above 1MWth?

Large biogas over 200kWth and Landfill Gas

3.34 DETI has assessed the need for and potential of support for renewable heat generation from large biogas over 200kWth, and from heat recovery from landfill gas.

3.35 Firstly, biogas combustion is currently supported under the RHI under 200kWth but only in circumstances where the plant is not accredited under the NIRO and in receipt of ROC support. This is due to the fact that ROC levels for anaerobic digestion are already sufficient to support deployment of this technology and the award of a RHI would not be supporting additional renewable heat. DETI has considered support for larger systems but is of the view that no ‘heat-only’ AD systems will be deployed whilst ROC levels remain at the current level, therefore the RHI would not be supporting additional renewable heat.

10 The RO sustainability criteria are outlined on the Ofgem website: http://www.ofgem.gov.uk/Sustainability/Environment/RenewablesObl/FuelledStations/re-sustainability/Documents1/Sustainability%20Criteria%20for%20Bioliquids%2019%2012%202011.pdf
3.36 If DETI were to consider providing RHI support for heat recovery from AD CHP this would, most likely, have an impact on the existing ROC level. As the ROC support is providing sufficient support for AD currently, DETI has no plans to either review this support or introduce RHI. Heat only AD systems under 200kWth remain eligible for support.

3.37 Secondly, landfill gas is currently incentivised under the NIRO for the generation of renewable electricity and it could be assumed that heat recovery from landfill gas would only take place where electricity is currently being generated (ROC support for landfill gas ceases in April 2015; from 1 April 2015, 0.1 ROC will be available for heat recovery for new landfill gas sites). Of the 6 accredited landfill gas sites under the NIRO there is only one site that is in close proximity to a potential heat load – this is not surprising given the nature of landfill sites results in them often to be far from commercial or domestic buildings. Therefore any heat recovery from landfill would most likely require lengthy pipework or the creation of new and potentially artificial heat loads. In addition, as landfill gas is diminishing the likelihood of significant deployment and contribution to the 2020 target is minimal.

3.38 Given the very limited potential to contribute to targets, the risk that artificial heat loads could be created to claim RHI and the diminishing nature of landfill meaning that it would need to be replaced within a short period of time, DETI does not propose to incentivise heat recovery from landfill under the RHI.

Large Solar

3.39 DETI also considered the need for incentive support for solar thermal installations over 200kW in size. The experience in the existing UK market is that solar thermal installations over 200kWth are not being considered. This is demonstrated insofar that currently under the GB RHI, as demonstrated by the Ofgem public report¹¹, there is 662kWth installed in England across 52 separate installations representing an average capacity of 12.7kWth. A formal definition of what is large scale solar thermal does not exist but one training course¹² defines it broadly as 40m², this represents less than 40kWth. In addition, to date no solar thermal installations have been accredited under the Northern Ireland scheme.

3.40 Installations above 200kWth are likely to require a connection to a district heat network, this reflects the variable heat outputs and examples from Europe in particular Germany and Denmark. Solar thermal with district heating would require a community type scheme. This illustrates the fact that 200kWth solar thermal is a truly large installation requiring at least 250m² for the collectors. In addition to the above market constraints there is no available evidence of UK solar thermal costs above 200kW.

3.41 DETI has therefore concluded that a tariff for this category is not appropriate until examples in the 50-200kWth category arise.

¹² http://wagner-academy.com/events/solar-thermal-large-scale-training-16082012/
A full list of the proposed tariffs, including existing tariffs, are detailed below.

<table>
<thead>
<tr>
<th>Tariff name</th>
<th>Size</th>
<th>Tariff duration (years)</th>
<th>Northern Ireland levels (pence per kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Air to Air</strong></td>
<td>Less than 100(kW_{th})</td>
<td>20</td>
<td>5.2</td>
</tr>
<tr>
<td><strong>Air to Water</strong></td>
<td>Less than 100(kW_{th})</td>
<td>20</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Bioliquids</strong></td>
<td>Less than 100(kW_{th})</td>
<td>15</td>
<td>2.6</td>
</tr>
<tr>
<td></td>
<td>100(kW_{th}) and above but less than 1000(kW_{th})</td>
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</tr>
<tr>
<td><strong>Biomass (heat only)</strong></td>
<td>Less than 20(kW_{th})</td>
<td>20</td>
<td>6.3</td>
</tr>
<tr>
<td></td>
<td>20(kW_{th}) and above but less than 100(kW_{th})</td>
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<td>6.1</td>
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<td>100(kW_{th}) and above but less than 1000(kW_{th})</td>
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<td>1.5</td>
</tr>
<tr>
<td></td>
<td>1000(kW_{th}) and above</td>
<td></td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Biomass or Bioliquid Combined Heat and Power (new sites)</strong></td>
<td>All sizes</td>
<td>20</td>
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</tr>
<tr>
<td><strong>Biomass or Bioliquid Combined Heat and Power (conversion from fossil fuel)</strong></td>
<td>All sizes</td>
<td>20</td>
<td>1.7</td>
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<tr>
<td><strong>Biomass Direct Air</strong></td>
<td>Less than 100(kW_{th})</td>
<td>20</td>
<td>5.1</td>
</tr>
<tr>
<td></td>
<td>100(kW_{th}) and above but less than 1000(kW_{th})</td>
<td></td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Biomethane</strong></td>
<td>Biomethane all scales, biogas combustion less than 200(kW_{th})</td>
<td>20</td>
<td>3.1</td>
</tr>
<tr>
<td><strong>Deep Geothermal</strong></td>
<td>All scales</td>
<td>20</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Ground Source Heat Pumps (exc deep geothermal)</strong></td>
<td>Less than 20(kW_{th})</td>
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</tr>
<tr>
<td></td>
<td>100(kW_{th}) and above</td>
<td></td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Solar Thermal</strong></td>
<td>Less than 200(kW_{th})</td>
<td>20</td>
<td>8.8</td>
</tr>
</tbody>
</table>
DISTRICT HEATING

3.43 A 2010 study in the development of the Northern Ireland renewable heat market demonstrated that 31 per cent of Northern Ireland’s heat demand lies in areas that could be suitable for district or community heating schemes, where one heat source supplies heating for a number of different buildings. These projects often have additional capital costs because of the need for pipework to transport heat from the heat source to the buildings connected to the network.

3.44 As part of this second phase of the RHI, DETI has considered whether renewable district heating required a specific ‘uplift’ tariff under the RHI to account for the additional costs incurred. This is a complex task as community or district heating schemes are all very different nature and their costs are very specific to the scale and type of project and the type of heating being displaced. To consider how a tariff could be designed DETI considered a range of district heating scenarios from small schemes linking existing domestic homes to larger schemes that serviced a range of premises including hard-to-treat buildings. This allowed DETI to assess the additional costs of deploying a centralised renewable heat system rather than individual boilers.

3.45 A tariff range for the uplift of 4p/kWh to 14p/kWh was developed, highlighting the differences in the scenarios and the variables within each potential district heating. At this stage, DETI are considering introducing an uplift tariff of 7p/kWh for community heating or district heating schemes. There will of course be stringent eligibility requirements to prevent potential applicants putting in place very small district heating schemes, at little additional cost, to secure a higher tariff.

3.46 Therefore DETI proposes a number of key eligibility criteria;
- The uplift will only be available for biomass heating systems above 200kW in size.
- All applications must be made in advance of installation via the pre-accreditation route with the administrator.
- The centralised boiler must be a new technology and newly installed, pre-existing boilers cannot be used to heat new district heating schemes.
- Pipework must be new to the installation and represent a new heat linking opportunity, and not for the refurbishment of an existing district heating network.
- It must be demonstrated that individual boilers will be displaced by one or more centralised plant.

3.47 For this tariff to be implemented DETI will also be required to introduce a definition of district heating. The definition will focus on larger schemes with larger heat loads and connections to a number of buildings. It would not be DETI’s intention to allow this ‘uplift’ to be available to smaller schemes that only connect to a small number of buildings, as they schemes do not incur the same costs or difficulties as large district heating projects. In addition, DETI may impose a cap on payments to prevent over-incentivisation, e.g. the 7 pence uplift would only apply for the first 1314 peak load hours, after which point the tariff would revert to the standard biomass tariff, either 1.5 pence or 0.6 pence.

3.48 As this is a complex area, DETI welcomes views on the proposals, the suggested uplift tariff and the eligibility criteria and how the definition of district heating could be crafted.

<table>
<thead>
<tr>
<th>PROPOSED UPLIFT FOR DISTRICT HEATING</th>
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</thead>
<tbody>
<tr>
<td>Biomass District Heating</td>
</tr>
<tr>
<td>200kWh and above</td>
</tr>
<tr>
<td>20 years</td>
</tr>
<tr>
<td>7 pence / kWh</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CONSULTATION QUESTION 3.10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you agree that district or community heating systems require an additional tariff uplift under the RHI scheme?</td>
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</table>

<table>
<thead>
<tr>
<th>CONSULTATION QUESTION 3.11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you any comments on the level, design or eligibility requirements of the district heating uplift?</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>CONSULTATION QUESTION 3.12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you foresee any difficulties in the introduction of the proposed uplift?</td>
</tr>
</tbody>
</table>
CONSULTATION QUESTION 3.13
Do you have any views on the potential legal definition of district heating?

CHALLENGE FUND ALTERNATIVE

3.49 There are a number of technologies where DETI has proposed introducing a RHI tariff whilst also suggesting the possibility of an alternative method of support via a competitively awarded challenge fund. Technologies where a challenge fund could be considered, instead of a RHI tariff, would be large biomass (over 1MWth), deep geothermal or district heating schemes. The reason why a challenge fund scheme could be considered in place of a RHI tariff is because the numbers of potential schemes are small and the capital costs may be barrier to deployment.

3.50 For the sake of clarity DETI wish to outline how a challenge fund scheme could work. Under a challenge fund scheme applicants would be invited on an annual basis to ‘bid’ for capital funding for their scheme, whether it be a large biomass system, a deep geothermal project or a district heating scheme. Applicants would be asked to submit detailed information on their proposals including the costs, the scale and the expected level of renewable heat delivered. From this information DETI would assess which projects offered the best value for money in terms of £ per kWh and offer funding accordingly. Projects would be ranked based on this evaluation metric (other evaluation criteria might also be considered) and the funding would be distributed based on the rankings until either the budget was exhausted or the proposed projects did not offer value for money. There would be rules regarding the maximum level of grant that could be awarded and when the money had to be drawn down.

3.51 The purpose of the challenge fund would be to deliver a small number of exemplar projects and to reduce the barrier that projects face in terms of upfront capital. It would, however, be in place of a RHI tariff and therefore the ongoing operating costs would be borne solely by the owner of the technology. This type of mechanism could be considered for less common systems with higher upfront costs such as large biomass, deep geothermal or district heating; however DETI recognises that the RHI tariff may provide greater certainty for investors. DETI welcomes views on whether the challenge fund option should be considered for any specific technologies or schemes.

CONSULTATION QUESTION 3.14
Do you think a challenge fund option might be more appropriate for any specific technologies or projects? Please provide a full explanation.

COMPATIBILITY WITH OTHER GRANT SUPPORT

3.52 As with the existing RHI scheme, new tariffs introduced under phase 2 of the RHI are not compatible with any other grant support. If an applicant receives public funding for the installation of a renewable heat technology, this installation will not be eligible to receive RHI support. The RHI is designed to cover all additional costs of installing a renewable heat technology (capex, opex and hassle costs) therefore providing RHI to installations that have received another form of public support would amount to over-incentivisation.

3.53 Eligible installations that were installed and commissioned since 1 September 2010 up until the date whereby the phase 2 measures come into effect will be given the opportunity the repay any grant received in order to receive RHI support. The option of repaying grant will only be available to technologies installed during this time period.
4.1 This chapter deals with administration changes to the RHI. These include the implementation of standards for biomass sustainability and a new mechanism for controlling costs. DETI also proposes to make some minor changes on heat metering to make the metering requirements simpler, there are also some minor legislative changes proposed. DETI also wishes to seek views on the issue of introducing air quality standards and enhanced preliminary accreditation. DETI has no immediate plans to introduce either of these measures however wishes to gather the views of stakeholders in advance of further consideration.

BIOMASS SUSTAINABILITY

4.2 As DETI is now proposing to introduce tariff support for biomass over 1MW in size, both in terms of heat-only and CHP systems, it will be necessary to also introduce biomass sustainability and reporting standards. This is important to ensure the biomass is being sourced in a sustainable way; similar practices are commonplace under the NIRO and will shortly come into effect for the GB RHI.

4.3 The focus of the biomass sustainability standards will be larger installations that are consuming the most fuel. Systems over 1MW in size (both in terms of heat-only and CHP) will be expected to comply with proposed standards and provide regular reports to the scheme’s administrator to demonstrate compliance. The proposed standards are in line with GB and have two criteria:

i) **A green house gas (GHG) lifecycle emissions target** whereby solid biomass or biogas/biomethane will have to achieve GHG savings 660% compared to the GHG emissions of the EU fossil heat average. This equates to lifecycle emissions of less than or equal to 125.28kg CO₂ equivalent per MWh of biomass heat generated. This assumes a boiler efficiency of 70%.

ii) For **land criteria** DETI propose to use the same criteria set for the GB RHI and determine that solid biomass sourced from a Forest Law Enforcement, Governance and Trade (FLEGT) partner to be considered as satisfying the land criteria. Further consideration is required on how biomass not sourced from a FLEGT partner might be treated. For other biomass, biogas/biomethane feedstocks and bioliquids the set land criteria will correspond with standards set under the EU Renewable Energy Directive for biofuels and bioliquids.

4.4 Systems over 1MWₑₚ will be expected to comply with these standards and retain records that demonstrate compliance. In addition, RHI recipients would be expected to provide reports to Ofgem on the sustainability of the fuel used, in the first year these reports would be provided to Ofgem on a quarterly basis and in subsequent years on an annual basis. The report would need to clearly show that both the CHG lifecycle emissions target and the land criteria had been met.

4.5 DETI is also considering adopting GB proposals to extend biomass sustainability requirements to technologies less than 1MWₑₚ, however with less stringent reporting given that these RHI recipients are unlikely to be energy professionals. Instead, accredited installations under 1MWₑₚ would be expected to source their biomass fuel from an approved list of suppliers, these suppliers, in turn, would have to demonstrate how their fuel source adhered to the set standards. Those purchasing from approved
suppliers would be required to retain receipts detailing their supplier and the information on the fuel (calorific value, weight, moisture content etc) as well as making an annual declaration of compliance. Those RHI recipients that supply the fuel themselves, from the same estate as where the boiler is located, would be able to register as an approved supplier via a simpler process as a “self-supplier”.

4.6 These biomass sustainability standards would apply to all relevant accredited installations, including existing accreditations and new applications. If the criteria change in the future the new criteria would only apply to new accreditations.

4.7 DETI welcomes comments on the proposed biomass sustainability standards, especially on the criteria for systems over 1MWth and the potential to introduce an approved suppliers list for smaller installations in the future.

**CONSULTATION QUESTION 4.1**

Do you foresee any difficulties for biomass systems over 1MWth adhering to the proposed biomass sustainability standards?

**CONSULTATION QUESTION 4.2**

Do you have any comments on the potential extension of these standards to all relevant installations and the introduction of an approved supplier list?

**AIR QUALITY STANDARDS**

4.8 DECC has recently proposed to introduce air quality standards for the RHI in England, Scotland and Wales and propose to introduce Regulations in due course to underpin these new standards. The intention of these new standards is to limit the pollutants associated with biomass heating and will apply to biomass installations smaller than 20 MWth. The maximum permitted emission limits will be 30 grams per gigajoule (g/GJ) net thermal input for particulate matter (PM) and 150 g/gj for NOx. These standards would apply to all new installations commissioned after the date the Regulations come into effect with applicants having to provide a certificate demonstrating that their installation has been tested and met these standards. Once installations are accredited they would not be expected to comply with any further changes to emissions limits.

4.9 DETI welcomes views on the issue of air quality standards; the limits set under the GB RHI and the potential introduction of similar standards in Northern Ireland. Specifically, DETI wishes to better understand the impact of implementing the standards proposed in GB both in terms of air quality and the deployment of biomass. The RHI is designed to achieve a level of 10% renewable heat by 2020 and it is expected that a significant proportion of that target will be met through biomass heating. It is therefore imperative that the impact of increased levels of biomass heating on air quality standards is understood and, if necessary, safeguards are put into place. It is also important that air quality standards set by the EU are adhered to. It is not DETI’s intention for the RHI to unintentionally impact upon air quality standards, therefore, the issue of emission limits for biomass installations must be carefully considered.

**CONSULTATION QUESTION 4.3**

Do you have any comments on the potential future introduction of air quality standards?
METERING ARRANGEMENTS

4.10 DETI is conscious that whilst heat metering is intrinsic to the RHI and is essential to make payments to installers, it is a relatively new area for many of those involved in installing renewable heat technologies, be it applicants or installers. To ensure that heat metering doesn’t become a barrier to deployment it is proposed that metering arrangements for the non-domestic RHI are revised to make the requirements simpler and more flexible. The proposed changes are as follows;

- **Redefining what constitutes a ‘simple’ or ‘complex’ system** – It was DETI’s expectation that most installations accredited under the RHI will be ‘simple’ rather than ‘complex’ systems, however the existing definitions have meant that this hasn’t necessarily been the case. These definitions will be revised to allow ‘simple’ systems to encompass the majority of cases where only one technology has been installed or where multiple technologies have been installed but can be metered by a single shared meter. The current definition will, therefore, be revised to remove the need for the installation(s) to be in the same building as where the heat load is required. This should remove the need for multiple meters for systems where a boiler house is separate to the heat load – however external piping will need to be insulated and limited to 10 metres. The ‘complex’ definition will be amended to provide the administrator with more powers to require meters to be installed to ensure accurate heat calculations. The requirement that a meter be present both at the point of generation and of use will be removed and the scheme’s administration will be able to take a more flexible approach.

- **Allowing heat losses from insulated external pipes** – The existing need to measure and report heat losses through external pipework can be difficult for some applicants and could act as a barrier for larger schemes, including district heating projects. DETI therefore propose to remove the requirement on such heat losses on scenarios where the external pipework is less than 10m in length and is insulated to set standards. Installations with pipework greater than 10m in length will still need to abide by these insulation standards and will be required to present appropriate heat loss calculations. Where the heat loss is calculated to be less than 3% it will be treated as zero.

- **Removing the need for unduly burdensome meters** – Currently there is little flexibility within the Regulations regarding the installation of meters that create significant technical difficulty or are disproportionately costly. DETI will therefore provide greater flexibility in this area and provide the opportunity for heat loss calculations to be used instead to meters. Circumstances where heat loss calculations will be accepted rather than metering include;
  - Where heat loss calculations could prove to be more accurate than meters.
  - Where metering is technically impractical.
  - Where the cost of meters would be a significant proportion of the total installation costs.
  - Where the administrative costs of checking metering placement and processing information would be greater than the value of the losses.

The administrator will need to be satisfied with the information provided by applicants and will determine whether heat loss calculations can be accepted in place of additional metering. This regulation will not apply to simple metering systems.

- **Changing the approach to ineligible renewable heating** – Currently all ineligible heating must be metered, this includes ineligible renewable heating. This could lead to scenarios where someone has installed a solar thermal panel pre-September 2010 (rendering the installation ineligible) but is required to install a meter. The metering of ineligible solar thermal panels could be at a disproportionate cost for the actual heat output of that technology. Therefore, it is proposed, that in scenarios where ineligible renewable heating accounts for less than 5% of the total heat generated across all installations or has a capacity less than 5kWth a meter will not be required.

- **Proxy measurements for gas and electric heat sources** – The existing Regulations require that any all ineligible fossil fuel heating is metered so this figure can be assessed whilst making payments for the eligible renewable heating element. In some scenarios there are more cost-effective methods for assessing these fossil fuel levels, either by measuring the fuel input (for natural gas) or the electrical power (for immersion heaters). Therefore, DETI proposes to allow ‘proxy’ measurements for gas and electric heat sources. This revision will not apply to heating oil.

4.11 Further guidance on all these metering issues will be published in advance of the regulations coming into effect. DETI welcomes comments on existing metering requirements and the proposed revisions.
CONSULTATION QUESTION 4.4

Do you foresee any issues with the implementation of the proposed revisions to existing heat metering regulations?

COST CONTROL

4.12 Given the introduction of tariffs for larger systems and the need to maintain confidence and consistency in the scheme DETI is proposing to introduce cost control measures that would ensure budgetary levels wouldn’t be breached and to remove the need for emergency reviews or reductions in tariffs at short notice. DECC are in the process of introducing a system of tariff degression in GB whereby tariffs will automatically reduce when deployment levels reach set trigger points. DETI expect to introduce similar measures in the future but in the interim it is proposed that a simpler system is put in place.

4.13 The RHI is different in nature to the NIRO in that there is a finite budget for new installations and these budget limits cannot be breached. Whilst tariffs are designed to ensure that the budget is adhered to there is always a risk that renewable heat technologies might be deployed in greater numbers than what is forecast and payments exceed expectations. The risk of this increases as tariffs become available for larger technologies such as biomass over 1MW, biomass/bioliquids CHP and deep geothermal. Therefore DETI must retain the right to suspend the scheme if budget limits could be breached; however this will only happen at a last resort and, at this stage, is not envisioned to happen.

4.14 In order to ensure confidence in the scheme continues DETI proposes to introduce a number of trigger points that will provide forewarning to potential applicants that the committed budget is nearing the set limit. The trigger points are set out in table below.

<table>
<thead>
<tr>
<th>TRIGGER 1</th>
<th>BUDGET LEVELS</th>
<th>ACTION</th>
<th>RATIONALE / FURTHER INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% of annual budget is committed</td>
<td>DETI will make a public notification of the committed budget.</td>
<td>So all applicants are aware of budget levels and potential DETI actions.</td>
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<table>
<thead>
<tr>
<th>TRIGGER 2</th>
<th>BUDGET LEVELS</th>
<th>ACTION</th>
<th>RATIONALE / FURTHER INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>60% of annual budget is committed</td>
<td>DETI will make a public notification of the committed budget and warn that the domestic RHI may need to close if the next budget trigger point is reached.</td>
<td>If the budget levels could be breached the domestic RHI will close first. The domestic sector contributes less overall renewable heat to the target and in general terms is less cost-effective than the non-domestic scheme.</td>
<td></td>
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<table>
<thead>
<tr>
<th>TRIGGER 3</th>
<th>BUDGET LEVELS</th>
<th>ACTION</th>
<th>RATIONALE / FURTHER INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>70% of annual budget is committed</td>
<td>DETI will make a public notification of the committed budget and will begin procedures to close the domestic RHI for the financial year. The domestic scheme will remain open for new applications for 4 weeks after which no further applications will be accepted until the new financial year. Incomplete applications will be rejected. Applications will re-open for the domestic scheme on 1 April.</td>
<td>The closure of the domestic RHI will be only until the new financial year and will not affect accredited applications.</td>
<td></td>
</tr>
<tr>
<td>TRIGGER 4</td>
<td>80% of annual budget is committed</td>
<td>ACTION</td>
<td>RATIONALE / FURTHER INFORMATION</td>
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<tr>
<td></td>
<td></td>
<td>DETI will make a public notification of the committed budget levels and warn that the non-domestic RHI may need to close if the next budget trigger is reached. DETI will formally advise the administrator to prepare for closure.</td>
<td>When this level is reached DETI will begin processes to stop the non-domestic RHI however formal closure will not begin until the next trigger point.</td>
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</table>

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<tr>
<th>TRIGGER 5</th>
<th>90% of annual budget is committed</th>
<th>ACTION</th>
<th>RATIONALE / FURTHER INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>DETI will make a public notification of the committed budget and will begin procedures to close the domestic RHI for the financial year. The scheme will remain open for 4 weeks, with only schemes receiving full accreditation within this timescale being supported.</td>
<td>All applicants will be given 4 weeks to attain full accreditation with the administrator; this means having the system in place and ensuring the administrator has all relevant information to accredit. Applications that fall outside of the time period will continue to be considered by the administrator however accreditation will not be awarded until 1 April.</td>
</tr>
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</table>

4.15 This proposal will provide DETI with the ability to control the uptake of the scheme and ensure that budgets are not overcommitted; however it will also provide potential applicants with adequate information on the progress of the scheme and the potential for closure.

4.16 DETI welcomes views on this proposal and specifically on the proposed trigger points, actions and rationale.

**CONSULTATION QUESTION 4.5**

Do you foresee any difficulty or issues with the implementation and administration of the outlined cost control measures?

**ENHANCED PRELIMINARY ACCREDITATION**

4.17 DETI also wish to seek views on the need for enhanced preliminary accreditation whereby applicants could have a tariff level guaranteed before embarking on the development and installation of the technology. DECC has previously considered introducing enhanced preliminary accreditation given the fact the tariffs in GB are potentially subject to degression and therefore can reduce once pre-assigned trigger points are achieved. DETI does not propose to introduce degression until 2014/15 at the earliest and therefore the need for enhance preliminary accreditation is much less, however DETI welcomes views on the matter.

4.18 It is likely that if such a measure were to be introduced in the future it would be for the largest installations where there is greatest risk attached. Currently preliminary accreditation (whereby applicants can submit plans before installation to get a formal view on eligibility) is restricted to biomass over 200kW, biogas and deep geothermal, it could be expected that enhanced preliminary accreditation would apply to these systems and large GSHPs over 200kW. Whilst enhanced preliminary accreditation would provide greater certainty for investors and reduce risk it could also lead to speculative applications being made and budget being set aside for projects that do not come to fruition. It would therefore be
necessary to ensure that enhanced preliminary accreditation is time-restricted, i.e. the enhanced preliminary accreditation would lapse if the project was not in place within 12 months.

4.19 It is currently DETI’s view that in the absence of degression, enhanced preliminary accreditation is unnecessary and not in need of urgent consideration as tariffs will not reduce unless part of a formal review and consultation. However, DETI welcomes views on the need for enhanced preliminary accreditation in the future and the potential eligibility criteria.

**CONSULTATION QUESTION 4.6**

If DETI were to introduce enhanced preliminary accreditation in the future, what eligibility standards should apply in terms of size and type of technology and regarding the length of time where the tariff could be held for the project?

**OTHER ISSUES**

4.20 There are other minor changes DETI proposes to make to the commercial RHI scheme to support improved performance and to remain in line with DECC in terms of administration.

- **Dealing with annual inflationary adjustments** – Each year the tariffs are adjusted in line with the Retail Price Index (RPI) with the revised tariffs applying to existing accreditations as well as new installations. This adjustment resulted in tariffs increasing by 3.1% in April 2013. The NI RHI Regulations currently specify that tariffs are rounded to the nearest tenth of a penny; this fact resulted in the smaller tariffs for larger technologies not being affected by the RPI adjustment. DETI consider that this could mean these tariffs are disadvantaged. To rectify this issue, DETI propose to amend Regulations so tariffs are rounded both to the nearest tenth of the penny and the nearest twentieth of a penny and the tariff is adjusted to whichever is the greater value. In practice, this will have no impact on the tariffs for smaller technologies but will ensure larger technologies receive an inflationary rise. This proposal would have resulted in a large biomass tariff of 1.55 pence and a larger GSHP tariff of 1.34 pence.

- **Defining an installation** – DETI proposes to revise the definition of an ‘installation’, in line with DECC, so a more pragmatic approach can be taken in the determination of what constitutes an installation. This is intended to remove the potential for owners replacing functioning auxiliary elements of technologies just in order to claim the RHI.

- **Process within a building** – The NI RHI Regulations state that the heat generated by a renewable source for heating a space; heating liquid; or for carrying out a process must be used within a building. The building must be permanent and fully enclosed. DETI recognise that this leads to difficulty in accrediting some processes that cannot be carried out within a fully enclosed building i.e. drying of crops. DETI is therefore considering revising the Regulations to state that heat for carrying out certain processes (such as drying) does not have to be used within a building; this requirement would remain in regards heating a space or liquid.

- **Allowing relocation of renewable heat plants** – Currently only ‘new’ installations are deemed eligible under the RHI, therefore second hand equipment is not allowed nor can a technology be accredited twice in two different locations. DETI has considered this issue and proposes to allow accredited systems to be relocated and remain eligible for support, providing it meets all other eligibility criteria at the new location. This should reduce the risk involved in projects by providing certainty that if a site can no longer use the accredited technology it can be resold or relocated and remain eligible for the ongoing support. The total length of time a single technology is incentivised will not exceed 20 years. Second hand technologies, which have not previously been accredited under the RHI, remain ineligible.

- **Clarification on the use of ground water for GSHPs** – Currently the NI RHI Regulations specify that GSHPs must source their heat from surface water only. This will be revised to enable heat pumps to source their heat from both surface and ground water.

**CONSULTATION QUESTION 4.7**

Do you have any comments on DETI’s proposals relating to inflationary changes; the definition of an installation; the eligibility of processes within a building; the relocation of plants or use of ground water for GSHPs?
5

NEXT STEPS

5.1 This consultation sets out DETI’s proposals for the second phase of the RHI. **These proposals are, of course, subject to change depending on the outcome of the public consultation.** In addition, before the second phase of the RHI can be implemented and new tariffs introduced there must be engagement with the EU Commission regarding State Aid Rules. These proposals are therefore not only subject to consultation but also approval from the EU Commission.

5.2 Following this consultation DETI will seek to consider all views offered and finalise the policy position, a response to the consultation and information on the final policy design will be published. DETI will then seek to receive all necessary approvals, put in place appropriate administrative arrangements and pass relevant legislation.

HOW TO RESPOND

5.3 The consultation period will close on **Monday 14 October 2013.** Responses to this consultation should be forwarded to reach the Department on or before that date, and should be sent to by post to:

Peter Briggs  
Department of Enterprise, Trade and Investment  
Room 47  
Netherleigh House, Massey Avenue,  
Belfast  
BT4 2JP.

Or by e-mail  
NI.RHI@detini.gov.uk

CONFIDENTIALITY & DATA PROTECTION

5.4 Your response may be made public by DETI. If you do not want all or part of your response or name made public, please state this clearly in the response by marking your response as ‘CONFIDENTIAL’. Any confidentiality disclaimer that may be generated by your organisations IT system or included as a general statement in your fax cover sheet will be taken to apply only to information in your response for which confidentiality has been specifically requested.

5.5 Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 1998 (DPA)). If you want other
information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

5.6 In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

COPIES OF THE CONSULTATION

5.7 This consultation document is being produced primarily in electronic form and may be accessed on the DETI Energy website: www.energy.detini.gov.uk or may be obtained in hard copy from the address above or by telephoning 028 9052 9581. If you require access to this consultation document in a different format – e.g. Braille, disk, audio cassette – or in a minority ethnic language please contact Peter Briggs on 028 9052 9581 and appropriate arrangements will be made as soon as possible.
THE DOMESTIC RHI

2.1 Do you have any comments on DETI’s proposals regarding the eligibility of second homes, holiday homes, privately/social rented homes or farmhouses?

2.2 Do you have any views on how domestic installations over 45kW should be treated?

2.3 Do you foresee any difficulty with the implementation of DETI’s proposal regarding domestic installations larger the 45kW and those in excess of 100kW?

2.4 Do you have any comments on the proposed list of eligible technologies?

2.5 Regarding the less well-established technologies of air to air heat pumps and bioliquids, do you think these technologies could provide a significant contribution to the renewable heat sector and should therefore be incentivised?

2.6 Do you have any comments on the proposed standards relating to MCS and Oftec?

2.7 Are there any technologies that are not currently being proposed for support that you feel could have a significant contribution in the development of the local renewable heat market? Please fully explain your answer.

2.8 Are you supportive of DETI’s proposal to offer up front grant plus a compressed RHI payment for domestic installations?

2.9 Do you think the proposed support levels and tariffs are appropriate for this sector? If not please explain with evidence.

2.10 If you do not think the grant plus compressed RHI option is appropriate, what is your preference for the design of the domestic RHI? Please explain fully.

2.11 Do agree with DETI’s proposal to ‘deem’ heat loads in domestic properties rather than require individual heat meters?

2.12 Do you have any comments on how heat loads in homes could be most accurately and cost-effectively assessed as part of the deeming system?

2.13 Do you have any comments on the proposals relating to the need for heat meters under certain circumstances?
2.14 Do you have any comments on the proposal to assume homes have attained a certain level of energy efficiency when deeming heat loads?

2.15 Do you have comments on the administration arrangements for the domestic RHI?

2.16 Do you have any views on the timings or frequency of payments?

EXPANSION OF THE NON-DOMESTIC RHI

3.1 Do you have any comments on the assumptions used to develop the large biomass tariff?

3.2 Do you have any comments on the proposed tariffs and arrangements for CHP systems, including the proposal to introduce separate tariffs for new build CHP systems and for the conversion of existing fossil fuel CHP?

3.3 Do you agree with the proposal to introduce separate tariffs for new build CHP systems and for the conversion of existing fossil fuel CHP?

3.4 Do you have any comments on the proposal to incentivise biomass direct air heating or the methodology for calculating payments?

3.5 Do you have any comments on the proposed tariffs for AAHPs and AWHPs?

3.6 Do you have a view on how the heat output of AAHPs could be determined in order to accurately calculate payment levels?

3.7 Do you have any comments on the proposed level of support for deep geothermal energy?

3.8 Do you think DETI should incentivise the use of heat only bioliquids boilers in the non-domestic sector and do you foresee any problems with the approach proposed by DETI?

3.9 Do you agree with the assumption that bioliquids systems above 1MWth will be CHP or is there potential for heat only systems above 1MWth?

3.10 Do you agree that district or community heating systems require an additional tariff uplift under the RHI scheme?

3.11 Have you any comments on the level, design or eligibility requirements of the district heating uplift?

3.12 Do you foresee any difficulties in the introduction of the proposed uplift?

3.13 Do you have any views on the potential legal definition of district heating?

3.14 Do you think a challenge fund option might be more appropriate for any specific technologies or projects? Please provide a full explanation.

SETTING STANDARDS, IMPROVING PERFORMANCE AND COST CONTROL

4.1 Do you foresee any difficulties for biomass systems over 1MWth adhering to the proposed biomass sustainability standards?

4.2 Do you have any comments on the potential extension of these standards to all relevant installations and the introduction of an approved supplier list?

4.3 Do you have any comments on the potential future introduction of air quality standards?

4.4 Do you foresee any issues with the implementation of the proposed revisions to existing heat metering regulations?
4.5 Do you foresee any difficulty or issues with the implementation and administration of the outlined cost control measures?

4.6 If DETI were to introduce enhanced preliminary accreditation in the future, what eligibility standards should apply in terms of size and type of technology and regarding the length of time where the tariff could be ‘held’ for the project?

4.7 Do you have any comments on DETI’s proposals relating to inflationary changes; the definition of an installation; the eligibility of processes within a building; the relocation of plants or use of ground water for GSHPs?
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAHP</td>
<td>means air to air heat pump (a type of air source heat pump)</td>
</tr>
<tr>
<td>ASHP</td>
<td>means air source heat pump</td>
</tr>
<tr>
<td>AD</td>
<td>means anaerobic digestions</td>
</tr>
<tr>
<td>AWHP</td>
<td>means air to water heat pump (a type of air source heat pump)</td>
</tr>
<tr>
<td>Biomass</td>
<td>means animal or plant matter that is used as a fuel</td>
</tr>
<tr>
<td>Bioliquids</td>
<td>means liquid fuel for energy purposes produced from biomass</td>
</tr>
<tr>
<td>Capex</td>
<td>means the capital expenditure involved in an installation</td>
</tr>
<tr>
<td>CHP</td>
<td>means Combined Heat and Power. A CHP system produces both electricity and heat for energy consumption.</td>
</tr>
<tr>
<td>CHPQA</td>
<td>means CHP Quality Assurance Programme, which assesses good quality CHP capacity.</td>
</tr>
<tr>
<td>COP</td>
<td>means the co-efficient of performance of a heat pump</td>
</tr>
<tr>
<td>DECC</td>
<td>means the Department of Energy and Climate Change</td>
</tr>
<tr>
<td>Department</td>
<td>means the Department of Enterprise, Trade and Investment.</td>
</tr>
<tr>
<td>DETI</td>
<td>means the Department of Enterprise, Trade and Investment.</td>
</tr>
<tr>
<td>DHW</td>
<td>means domestic hot water</td>
</tr>
<tr>
<td>EPC</td>
<td>means Energy Performance Certificate</td>
</tr>
<tr>
<td>ESCo</td>
<td>means Energy Service Company; this is an energy services provider that accepts some degree of financial risk in providing energy services, so that the payment for the services delivered is based wholly or in part on the achievement of energy efficiency improvements and on the meeting of the other agreed performance criteria</td>
</tr>
<tr>
<td>EU</td>
<td>means the European Union</td>
</tr>
<tr>
<td>EU-ETS</td>
<td>means the European Union Emissions Trading Scheme</td>
</tr>
<tr>
<td>GB</td>
<td>means Great Britain</td>
</tr>
<tr>
<td>GB RHI</td>
<td>means the Renewable Heat Incentive scheme in place in England, Scotland and Wales.</td>
</tr>
<tr>
<td>GW</td>
<td>means Gigawatt</td>
</tr>
<tr>
<td>GSHP</td>
<td>means ground source heat pump</td>
</tr>
<tr>
<td>HMT</td>
<td>means Her Majesty’s Treasury</td>
</tr>
<tr>
<td>kW</td>
<td>means Kilowatt</td>
</tr>
<tr>
<td>MCS</td>
<td>means the Microgeneration Certification Scheme</td>
</tr>
</tbody>
</table>
MW means Megawatt
NI RHI Regulations means the Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012
NIRO means the Northern Ireland Renewables Obligation
Ofgem means the Office of Gas and Electricity Markets
Opex means the operating costs involved in an installation
RED means the Renewable Energy Directive
RHI means the Northern Ireland Renewable Heat Incentive
RHPP means the Renewable Heat Premium Payment scheme
ROC means Renewable Obligation Certificate
SPF means the seasonal performance factor of a heat pump
TW means Terawatt
Annex A – Equality Assessment

Under section 75 of the Northern Ireland Act 1998, the Department is required to have due regard to the need to promote equality of opportunity:

- between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- between men and women generally;
- between persons with a disability and persons without; and
- between persons with dependants and persons without.

In addition, without prejudice to its obligations above, the Department is also required, in carrying out its functions relating to Northern Ireland, to have regard to the desirability of promoting good relations between persons of different religious beliefs, political opinions or racial group.

We have carried out an equality screening exercise for policy proposed under the Phase 2 of the Northern Ireland Renewable Heat Incentive and found that it does not have any significant equality impact. A full Equality Impact Assessment, therefore, is not required. If you would like a copy of the screening form, please contact us.
Dear Consultee

CONSULTATION ON PHASE 2 OF THE NORTHERN IRELAND RENEWABLE HEAT INCENTIVE

This consultation is available on the DETI website at: www.energy.detini.gov.uk. A copy of the consultation document is included with this email for your convenience.

Background

In September 2010, the DETI Minister, Arlene Foster, adopted a target to seek to secure a level of 10% renewable heat in Northern Ireland by 2020. Additionally, the Minister advised that an incentive mechanism would be designed, developed and introduced providing appropriate budget could be secured.

In July 2011, DETI consulted on proposals for a Northern Ireland Renewable Heat Incentive (RHI) for non-domestic consumers and the Renewable Heat Premium Payment Scheme (RHPP) for domestic consumers. Following the consultation process further analysis was carried out and a final policy position agreed. DETI then sought approval from the EU Commission for the scheme, drafted and passed the appropriate Regulations and put into place necessary administrative arrangements. The RHPP was launched on 24 May 2012 and the RHI followed on 1 November 2012.

The first phase of the RHI focussed on the most well established technologies in the most cost-effective sector (i.e. non-domestic). The RHPP was introduced as an interim measure for domestic customers wishing to install renewable heating technologies whilst further thought could be given to an appropriate long-term incentive mechanism. The first phase of the RHI and the RHPP scheme have proven successful at building momentum in the renewable heating sector and increasing understanding of the technologies. DETI now wishes to expand the scheme to extend the RHI to the domestic sector and to introduce tariffs for more innovative technologies in the non-domestic sector.

To inform the expansion of the RHI, in February 2013, DETI commissioned consultants to undertake an economic appraisal on a range of issues relating to Phase 2 of the Northern Ireland Renewable Heat Incentive. This appraisal was carried out by Cambridge Economic Policy Associates (CEPA) and Ricardo-AEA. The report is available at www.energy.detini.gov.uk.

Scope of the consultation

This consultation seeks views on the three main areas of Phase 2 of the RHI:
• The introduction of the domestic RHI section outlines DETI’s preferred approach in terms of incentive mechanism, support levels, eligibility standards and methodology for making payments. The chapter also includes discussion on other potential design options and the role that energy efficiency has within the domestic RHI.

• The expansion of the non-domestic RHI section considers the expansion of the commercial RHI to include more innovative technologies. This will assist in developing the market and provide further choice for commercial operators wishing to utilise renewable heating.

• The setting standards, managing costs and improving performance section outlines proposed administration changes to the RHI. These include the implementation of standards for biomass sustainability and a new mechanism for controlling costs. DETI also proposes to make some minor changes on heat metering to make the metering requirements simpler, and there are also some minor legislative changes proposed. DETI also wishes to seek views on the issue of introducing air quality standards and enhanced preliminary accreditation. DETI has no immediate plans to introduce either of these measures however wishes to gather the views of stakeholders in advance of further consideration.

Consultation events

Depending on the level of interest in this consultation the Department may choose to hold a number of information events for stakeholders in order to present the proposals in more detail, answer questions and take early views on the proposals. It is provisionally planned that these events would take place in Belfast, Armagh and Coleraine, with morning sessions focussed on the domestic RHI and afternoon sessions focussed on the non-domestic proposals.

If you would be interested in attending such an event I would be grateful if you could register at ni.rhi@detini.gov.uk, specifying your preferred location (Belfast, Armagh or Coleraine) and the session you wish to attend (domestic, non-domestic or both). Please do this as soon as possible. It is expected that such events would take place beginning of September 2013.

Format

If you require access to these consultation papers in a different format – e.g. Braille, disc, audio cassette - or in a minority ethnic language, please contact us at ni.rhi@detini.gov.uk or on 028 9052 9581 and appropriate arrangements will be made as soon as possible.

Timing

Responses to the consultation are required by **Monday 14 October 2013**.

If you have any queries on either consultation paper or the consultation process, please do not hesitate to contact Peter Briggs (ni.rhi@detini.gov.uk, Tel: 028 9052 9581).

Yours faithfully,
PETER HUTCHINSON  
Renewable Heat Branch  
Department of Enterprise, Trade and Investment
Background

DETI has today launched a public consultation on Phase 2 of the Northern Ireland Renewable Heat Incentive (RHI). The RHI is a mechanism that supports the deployment of renewable heat technologies by providing generators of renewable heating with ongoing incentive payments that are dependent on the size, type and usage of the installed technology. The scheme has been in place for non-domestic customers since November 2012 and a grant scheme known as the Renewable Heat Premium Payment (RHPP) scheme has been in place since May 2012 for domestic customers.

DETI is now proposing to expand the existing RHI to include new technologies and extend the scheme to domestic consumers. The consultation also includes some proposals to revise the administrative process of the current RHI.

Consultation

This consultation covers three primary areas:

- **The introduction of the domestic RHI** section outlines DETI’s preferred approach in terms of incentive mechanism, support levels, eligibility standards and methodology for making payments. The chapter also includes discussion on other potential design options and the role that energy efficiency has within the domestic RHI.

- **The expansion of the non-domestic RHI** section considers the expansion of the commercial RHI to include more innovative technologies. This will assist in developing the market and provide further choice for commercial operators wishing to utilise renewable heating.

- **The setting standards, managing costs and improving performance** section outlines proposed administration changes to the RHI. These include the implementation of standards for biomass sustainability and a new mechanism for controlling costs. DETI also proposes to make some minor changes on heat metering to make the metering requirements simpler, and there are also some minor legislative changes proposed. DETI also wishes to seek views on the issue of introducing air quality standards and enhanced preliminary accreditation. DETI has no immediate plans to introduce either of these measures however wishes to gather the views of stakeholders in advance of further consideration.

A copy of the consultation document is attached for your information and can be accessed at the following link (http://www.detini.gov.uk/deti-energy-index.htm).

Consultation events
Depending on the level of interest in this consultation the Department may choose to hold a number of information events for stakeholders in order to present the proposals in more detail, answer questions and take early views on the proposals. It is provisionally planned that these events would take place in Belfast, Armagh and Coleraine, with morning sessions focussed on the domestic RHI and afternoon sessions focussed on the non-domestic proposals. These will be free to attend.

If you would be interested in attending such an event please register at ni.rhi@detini.gov.uk, specifying your preferred location (Belfast, Armagh or Coleraine) and the session you wish to attend (domestic, non-domestic or both). Please do this as soon as possible. It is expected that such events would take place beginning of September 2013.

Responding to the consultation

The consultation period will close on Monday 14 October 2013. Responses to this consultation should be forwarded to reach the Department on or before that date, and should be sent to by post to:

Peter Briggs
Department of Enterprise, Trade and Investment
Room 47
Netherleigh House, Massey Avenue,
Belfast
BT4 2JP.

Or by e-mail

NI.RHI@detini.gov.uk

If you have any queries regarding this consultation or require the document to be sent to you in a different format please contact ni.rhi@detini.gov.uk
# DIVISIONAL GOALS FOR 2013/14

## RENEWABLE HEAT BRANCH

<table>
<thead>
<tr>
<th>Activity</th>
<th>Key Actions</th>
<th>Performance Target(s) And Date(s)</th>
<th>Progress at end September 2013</th>
</tr>
</thead>
</table>
| **Develop policy for Phase 2 of the RHI** | Liaise with consultants to produce draft policy proposals for Phase 2.  
Undertake public consultation on draft proposals prior to finalising the Phase 2 policy.  
Secure all necessary approvals for Phase 2, including EU State Aid approval  
Joanne McCutcheon / Peter Hutchinson / Dan Sinton | By 31 May 2013.  
By 31 July 2013.  
By 31 December 2013. | Achieved with slight delay – final report produced by CEPA / AEA in June 2013 that informed a draft policy position approved by G5 and DETI Minister in July 2013.  
Achieved – a policy consultation on Phase 2 of the RHI was launched in July 2013 and concluded on 14 October 2013. The consultation process included 5 stakeholder events and 50 formal responses have been received. These responses are currently being considered.  
Ongoing – Once a final policy position is agreed State Aid approval will be sought, it is hoped that the application would be made before 31 December 2013. |

| **Launch Phase 2 of the RHI** | Amend the NI RHI regulations to enable introduction of Phase 2 of the scheme.  
Ensure Ofgem has developed appropriate systems to administer the non domestic elements of Phase 2 of the RHI.  
Ensure there is an administrative system in place to manage the domestics RHI.  
Joanne McCutcheon / Peter Hutchinson / Dan Sinton | By 31 December 2013.  
By 31 December 2013.  
By 31 December 2013. | Ongoing – Arthur Cox have carried out preliminary work on the Regulations and there has been liaison with DECC regarding the equivalent GB Regs. It is expected that two sets of Regulations will be required (one for domestic and one for non-domestic). Work will begin on drafting once the final policy position is agreed.  
Ongoing – Ofgem have considered the draft proposals and provided an outline for a scoping study to explore how appropriate systems could be developed.  
Ongoing – Energy Division have explored a number of administrative options for the domestic RHI, namely, development of a system by internal IT support, delivery through NI Direct (as per HOCs guidelines) and delivery via an open tender competition. The appropriate way forward is still to be determined. |
(5) The standards for solar thermal plants are—
(a) EN 12975-1:2006+A1:2010(a) and EN 12975-2:2006(b);
(b) EN 12975-1:2006+A1:2010(e) and EN ISO 9806:2013(d); or
(c) EN 13976-1:2006(e) and EN 12976-2:2006(f).

SCHEDULE 2

Regulation 2

Eligible properties

1.—(1) The requirements set out in this Schedule in relation to a property are that an Energy Performance Certificate ("EPC") has been issued for the property on the basis that it consists of a dwelling and the property is an eligible new-build property.

2.—(1) The EPC presented should not highlight any “Recommendations” on insulation thus demonstrating that the dwelling is insulated to the current recommended levels.

(2) Qualifying exemptions will be accepted with contemporaneous proof.

SCHEDULE 3

Regulations 17, 41 and 44

Information required for accreditation

PART 1

Information required from all applicants making an accreditation application

1. The information referred to in regulation 17(2)(a) is—
(a) the address of the property to which the plant for which accreditation is sought provides heat;
(b) where the applicant is an individual, the name, date of birth, address, e-mail address (if any) and telephone number (if any) of the applicant;
(c) where the applicant is not an individual, the name of the individual making the application on behalf of the applicant, the individual’s date of birth, address, e-mail address (if any) and telephone (if any);
(d) where the applicant is a company, the trading or other name by which the applicant is commonly known, its registration number, and the address of its registered office;
(e) where the applicant is a private registered provider of social housing, a body registered as a social landlord with the Department of Social Development Northern Ireland, the name by which the applicant is commonly known, the details of its registration, and the address of its registered office;

(a) The ISBN for the English language version of this standard is ISBN 978 0 580 70583 0. Copies can be obtained from the British Standards Institution at www.bsigroup.com.
(b) The ISBN for the English language version of this standard is ISBN 0 580 48131 X. Copies can be obtained from the British Standards Institution at www.bsigroup.com.
appropriate response to a risk of overspend was to ultimately suspend the Scheme. This was anticipated to be an interim measure, and the option of future introduction of degression is highlighted.

7.36 There were 47 responses\textsuperscript{149} to the Phase 2 Consultation, with much of the interest focussed on the Domestic RHI Scheme as well as some attention to the new tariffs proposed for the non-domestic scheme (i.e. large biomass). A short paper which provided an overview of the comments\textsuperscript{150} raised during consultation highlighted the in relation to cost control, there was “some confusion around the proposals but generally people content.” In terms of specific comments on the issue, the following were noted:

- “Concern that this will cause uncertainty in the market as one large scheme could have a massive impact on budgets.”
- “Welcome the approach.”
- “Need to be clear on impact – applications or accreditations.”
- “Support proposals.”
- “The system should be regularly reviewed to determine performance versus targets but incentive levels must be grandfathered to provide comfort for those undertaking major investments.”

7.37 Work on implementing Phase 2 of the RHI was still ongoing when I left DETI in May 2014. Work had progressed quicker on the domestic scheme as it was primarily within the control of the Department in terms of policy design and implementation. A near final draft of the policy paper and the business case had been prepared. In terms of non-domestic, work was still ongoing as some of these issues were to considered in line with final policy decisions from DECC in terms of technologies and eligibility standards, there were also ongoing issues relating to biomass sustainability and air quality etc. These issues were detailed in the May 2014 handover note. Also detailed within the note is the need to consider cost control or degression.

\textsuperscript{149} 2 of which offered no comments.
\textsuperscript{150} See Annex 26
The Northern Ireland Domestic Renewable Heat Incentive

Response to consultation and final policy
Contents

Background

Final policy on the Northern Ireland Domestic Renewable Heat Incentive
Background

On 22 July 2013, DETI launched a public consultation on Phase 2 of the Northern Ireland Renewable Heat Incentive (RHI). These proposals included three main elements, the introduction of a domestic RHI scheme; the expansion of the existing non-domestic scheme to include new technologies; and the introduction of measures to improve performance of the non-domestic RHI, namely metering arrangements and biomass sustainability.

The consultation ran for 12 weeks and as part of the process, DETI held stakeholder events in Armagh, Belfast and Coleraine. These were attended by nearly 100 people and were useful in gauging opinions regarding the draft proposals. The consultation closed on 14 October 2013 and 50 responses were received, two of which offered no comment. All responses received are available on the DETI website.

This paper seeks to respond to the comments received relating to the domestic RHI proposals and sets out the Department’s final policy position and the next steps in terms of implementation. The issues relating to the non-domestic scheme will be dealt with separately and a similar response document will issue in due course.
**The NI Domestic RHI**

**ISSUE: ELIGIBLE PROPERTIES**

**Original Proposal**

1.1 It was proposed that only properties, used solely or primarily, for domestic purposes could avail of the domestic RHI; this would exclude circumstances where a domestic property had been refurbished for a non-domestic purpose. The key determining factor in assessing the status of a property would be a Rates Bill issued from Land and Property Services. It was also proposed that farmhouses would be classed as domestic, this would remove ambiguity regarding whether they should be supported under the non-domestic scheme or this mechanism. Perhaps the biggest issue was whether second homes (rental properties, holiday homes etc) should be eligible for support; DETI proposed that they would be eligible with the requirement that a heat meter be installed to assess use.

**Stakeholder Response**

1.2 Generally respondents were content with DETI proposals regarding eligible properties with the majority of respondents agreeing with all the proposals. Many agreed that controls would need to be placed on the payments for second homes to ensure that the payments were not made on unoccupied properties. One respondent felt that holiday homes should be excluded as there would be limited environmental benefit but supported the notion of second homes being eligible. In terms of farmhouses, again most respondents supported the proposals, with only one suggesting that they should be treated under the non-domestic scheme.

**Final Policy**

1.3 The domestic RHI will therefore be open to all domestic properties, including second homes, social housing and farmhouses. The classification on the rates bill will help to determine eligibility; with homes classed as “domestic” or “house (agricultural)” eligible for support. Second homes or privately rented accommodation will be supported but with measures employed to ensure payments are not made if the house is unoccupied, further details are included in the section entitled “Deeming”. DETI felt it would be problematic to distinguish between holiday homes and privately rented homes and therefore both are eligible under the scheme. Social housing, where the house is owned by the NI Housing Executive or a Housing Association can also avail of support.

1.4 In all circumstances the payments will be made to the owner of the technology, this could be the homeowner, the occupant, a private or social landlord, or a third party Energy Service Company (ESCo).

<table>
<thead>
<tr>
<th>SUMMARY OF KEY POINTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>All domestic properties are eligible, including second homes; holiday homes; rental accommodation; social housing and farmhouses.</td>
</tr>
<tr>
<td>Rates bill will be used to demonstrate eligibility.</td>
</tr>
<tr>
<td>Payments made to the owner of technology, not necessarily occupant.</td>
</tr>
<tr>
<td>Domestic RHI only covers one technology heating one house; where a technology is heating more than one property then it will be supported under the non domestic scheme.</td>
</tr>
<tr>
<td>No public grant or funding (other than the RHPP) can have been received for the installation of the accredited equipment.</td>
</tr>
</tbody>
</table>
ISSUE : ELIGIBLE TECHNOLOGIES

Original Proposal

1.5 DETI initially proposed that the following technologies would be supported;
- Air to Water Heat Pumps
- Air to Air Heat Pumps
- Bioliquid systems
- Biomass systems (excluding condensing boilers)
- Ground or Water Source Heat Pumps
- Solar Thermal

Stakeholder Response

1.6 Consultees all agreed that the technologies currently supported under the Renewable Heat Premium Payment Scheme (RHPP) should be supported (air to water heat pumps, biomass, ground or water source heat pumps and solar thermal). It was agreed that these technologies were well established and well understood and therefore consumers installing them had the comfort that they were “tried and tested”.

1.7 Regarding air to air heat pumps and bioliquid boilers, respondees were more cautious on whether these technologies should be supported from the outset of the scheme. There were concerns that these systems were not well understood and this could lead to confusion amongst consumers in a generally new market place. There were specific concerns regarding the efficiency of air to air heat pumps and the realistic deployment of bioliquids. However a number of stakeholders noted that, due to the prevalence of home heating oil in Northern Ireland, bioliquids could be a realistic and accessible option for many consumers. It was also suggested that bioliquids could prove to be the only viable low carbon alternative for consumers without access to natural gas or without necessary space to accommodate a biomass boiler or heat pump.

1.8 Concerns were also raised with the proposal to exclude condensing biomass boilers, with many respondents arguing that these systems were well established, highly efficient and had real potential in the market place.

1.9 A very small number of respondents encouraged DETI to consider supporting solar thermal space heating, as well as solar thermal hot water heating. Finally, a small number of respondents queried why technologies such as solar PV, wind or micro-hydro were excluded. (It should be noted that the RHI only covers technologies that are primarily used for heating, therefore technologies that generate electricity are not supported under the RHI, and instead they can avail of support through the Northern Ireland Renewables Obligation).

Final Policy

1.10 DETI can confirm that the technologies supported under the RHPP (air to water heat pumps, biomass (including condensing boilers), ground or water source heat pumps and solar thermal) will be incentivised under the Domestic RHI. DETI accepts the stakeholder view that air to air heat pumps present concerns relating to efficiency and use and they will not be included in the RHI at this stage.

1.11 DETI acknowledges the role of bioliquids given the large proportion of Northern Ireland currently on heating oil and considering that many homes might not be able to avail of natural gas and might be unsuitable for other forms of renewable heat. However, there is further work required to incorporate bioliquids into the scheme. Bioliquids will therefore not be introduced immediately. This will be reviewed within 12 months.

1.12 Condensing biomass boilers will also be eligible for support. In all circumstances, except for solar thermal, it is expected that the technology will be able to provide heat for the entire property (space heating and domestic hot water).

1.13 Regarding solar thermal space heating, DETI does not propose to support this from the outset but will consider for future incentivisation. The solar thermal tariff is designed specifically for the costs incurred

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1 These systems had been determined as ineligible given concerns raised in GB over potential pollutants however more recent tests carried out by DEFRA have shown that the systems can be supported.
SUMMARY OF KEY POINTS

Technologies supported will be:
- Air to Water Heat Pumps
- Biomass (including condensing boilers)
- Ground Source or Water Source Heat Pumps
- Solar Thermal (domestic hot water only)

All technologies (barring solar thermal) must be able to provide heat for the entire home (space heating and hot water).
Inclusion of bioliquids will be reviewed within 12 months.

ISSUE: SYSTEMS LARGER THAN 45kW

Original Proposal

1.14 In the consultation, DETI acknowledged that a gap existed, in that domestic properties over 45kW could not receive any form of support. DETI proposed to rectify that by allowing systems between 45kW-99kW to receive support under the domestic RHI and domestic systems larger than 99kW to be eligible for the non-domestic RHI.

Stakeholder Response

1.15 Firstly, in terms of systems between 45kW – 99kW, there was unanimous agreement that these systems should be supported under the domestic RHI as proposed. Many respondents did comment however that whilst MCS standards don’t cover systems larger than 45kW, DETI should insist that MCS technologies and MCS installers are used so consumers are protected and standards maintained. In addition, a number of respondents also raised the need to cap payments or introduce measures to prevent systems from being over-sized in order to gain higher incentive payments. One respondent commented that payments should be capped to assume systems aren’t larger than 45kW and another commented that a capping mechanism would only be appropriate if it applied to all installations. Other stakeholders were opposed to a cap.

1.16 Regarding domestic installations over 99kW there were fewer direct responses, possibly given the fact that very few circumstances exist whereby a single domestic property would require such a system. Four direct responses were received with 3 agreeing with the proposals and 1 suggesting that these systems should also be supported under the domestic RHI.

Final Policy

1.17 DETI has determined that domestic systems between 46kW – 100kW will be treated under the domestic RHI. Where a single technology is being installed for a system over 45kW (i.e. a single 60kW biomass boiler) a MCS commissioning certificate cannot be required as this size of technology falls outside the scope of MCS. Therefore the technology will not need to be accredited under MCS, however DETI will ask that the technology is installed by a MCS, or equivalent, certified installer. DETI is working with Ofgem to establish how domestic systems over 100kW could be incorporated into the non-domestic RHI. If this is possible it is likely to require a legislative amendment. An update will issue on this matter in due course.

1.18 Where an installation involves a number of smaller technologies (i.e. 2 x 30kW biomass boilers or 2 x 40kW GSHPs) the combined capacity will determine how the technology is treated and the individual technologies, that are under the 45kW threshold will need to be MCS accredited. Again the installer will need to be certified under MCS (or an equivalent scheme).

SUMMARY OF KEY POINTS

Installations greater than 45kW but less than 100kW will be treated under the domestic RHI and installations will need to be made by a MCS certified installer.
Establishing the process for installations greater than 100kW to be able to apply for the non domestic RHI.
Original Proposal

1.19 In terms of support, DETI proposed a system whereby there were different levels of incentive depending on the date of installation and whether or not support had previously been received under the RHPP. The basic approach was as follows:

- New installations that are installed and commissioned after the introduction of the domestic RHI would receive up front support and a tariff based payment for 7 years.
- Installations supported under the RHPP would receive a tariff based payment for 7 years only at the same level as new installations. No upfront support would be received as this had already been received under the RHPP.
- Installations in place and commissioned since 1 September 2010 but without the support the RHPP would not receive an upfront payment but instead receive an adjusted tariff level so ensure they were not disadvantaged. It was expected that these installations would primarily be those that were in place before the RHPP.

Stakeholder Response

1.20 Stakeholders were concerned that there could be a discrepancy in the overall support received, in that someone who had not received the RHPP would be better off given the higher ongoing tariff.

Final Policy

1.21 DETI had a clear methodology underpinning the original proposals and the intention was to move to an ongoing payments scheme while providing an equitable outcome between those who had availed of the RHPP scheme and those who had not. However, on the basis of evidence presented DETI accepts that there may be a particular set of circumstances, for example, where the actual heat demand of a property is far in excess of the typical installation where the proposal might not result in an equitable outcome. DETI therefore proposes one approach whereby all applicants receive upfront support (except RHPP consumers that have already received the support) and an ongoing tariff for 7 years. This is in line with the many positive comments received regarding the proposal to have an element of up front assistance.

Up front plus 7 years

Original Proposal

1.22 As already described, DETI proposed a system of up front support plus ongoing tariff payments for 7 years. The upfront support was designed to increase accessibility of the scheme, assist in the capital expenditure and reduce potential financing costs for applicants. Tariffs would then be paid for 7 years. This is in contrast to the non-domestic scheme where tariffs are paid over the lifetime of the technology up to a maximum of 20 years. The compressed tariff was designed to offer a quick return on investment and to mitigate against concerns that homeowners who might be considering moving property would be put off by the 20 year timeframe. The fact that tariffs were for 7 years did not mean less overall support; rather that tariffs were designed to provide the lifetime support over a shorter period of time.

Stakeholder Response

1.23 Firstly, respondents generally welcomed the proposal of upfront support and accepted that this would be useful to mitigate against the significant barriers presented by capital costs. Some stakeholders proposed higher up front tariffs, potentially as high as 50% of invoiced costs; however the majority of respondents were content with the proposed levels of payment.

1.24 In terms of length of tariffs, there was some debate over whether the payment period should be longer with some respondents suggesting 10 years. It was argued that a longer time period would encourage the installation of better systems. These systems would be expected to last longer than the 7 years which would remove the risk that renewable systems are replaced with fossil fuel systems after payments cease.
Final Policy

1.25 DETI is content to proceed with the proposal to introduce up front support with ongoing tariff payments for 7 years. DETI is content with the level of upfront support proposed; to increase upfront payments any further would lead to the scheme being a de facto capital grant scheme with minimal incentive for the continued use of the technology. DETI considered a simple grant scheme and included it as an option within the consultation. However no stakeholders indicated that they would prefer this option. The levels set have been successful in the RHPP. Regarding the length of tariff, DETI did consider comments from stakeholders suggesting a longer time period (10-15 years) but concluded that the 7 year tariff was most appropriate for consumers, offered the greatest potential uptake and was better value for money in terms of administration; in addition 7 years was favoured by the majority of respondents.

Tariff levels

Original Proposal

1.26 Upfront payments and tariff levels were proposed in the original consultation as follows;
- ASHP - £1700 then 3.4p/kWhr
- Biomass - £2500 then 5.5 p/kWhr
- Bioliquids - £500 then 2.7 p/kWhr
- GSHP - £3500 then 8 p/kWhr
- Solar thermal - £320 then 13.1 p/kWhr

1.27 Any installations that have received the premium payment would receive the tariff element of the support only.

Stakeholder Response

1.28 A number of stakeholders were concerned that tariffs were too low, with some suggesting higher upfront payments to offset capital costs and others arguing for higher ongoing tariffs to make the scheme more attractive. Most stakeholders arguing for higher tariffs commented that the tariffs proposed in GB were significantly higher than Northern Ireland and therefore tariffs should be increased to ensure parity. In addition stakeholders were concerned that the tariffs may lead to consumers installing smaller or less-efficient systems that were perhaps cheaper.

1.29 Regarding specific technologies, one stakeholder commented that biomass prices were higher in Northern Ireland and therefore the tariff should reflect this. A number of stakeholders also felt the ASHP tariff was low in comparison to the GSHP given that capital costs of the two technologies were broadly equivalent.

1.30 Finally, a number of stakeholders responded by saying they felt the tariffs were appropriate, with one stakeholder suggesting they were overly generous.

Final Policy

1.31 Whilst the majority of stakeholders argued that tariffs appeared to be too low there was insufficient evidence provided to warrant a revision in the tariffs. Where respondents suggested new tariffs, there was often no information provided to support their suggestion, other than it would be more rewarding for the end user.

1.32 DETI accept that the proposed tariffs are lower than those to be implemented in GB, the tariffs for the NI scheme haven been designed specifically for the NI market and consider local energy costs, the fuels being displaced and the scale of technologies being installed. In calculating the tariffs, DETI assess what the whole-life cost differential is between the renewable heat technology and the fossil fuel alternative and then seeks to pay-out this difference (with a rate of return of 7.5%) over the 7 year period. This is the same methodology as GB however the inputs do vary. No respondents challenged this methodology or provided evidence to suggest our assumptions (as set out in the economic analysis) were incorrect. When comparing the payments with GB some respondents failed to recognise that the ongoing savings enjoyed by consumers switching to renewable heat in Northern Ireland are higher than those enjoyed in GB. In almost all cases in Northern Ireland those switching to renewables will enjoy a reduction in their fuel costs (as they are displacing oil) however this is not necessarily the case in GB where some consumers could actually be incurring higher energy costs when moving to renewable heat. Therefore when considering the incentive payments and the savings enjoyed the overall benefit to the consumer in
NI and GB should be broadly equivalent. The scenarios set out under “Worked Examples” further demonstrate that the level of incentive payments should be sufficient.

1.33 The final support levels are detailed below:

<table>
<thead>
<tr>
<th>Technology</th>
<th>Up front support (£)</th>
<th>Tariff for 7 years (pence per kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air to Water Heat Pumps</td>
<td>1700</td>
<td>3.4</td>
</tr>
<tr>
<td>Bioliquids (when introduced)</td>
<td>500</td>
<td>2.7</td>
</tr>
<tr>
<td>Biomass</td>
<td>2500</td>
<td>5.5</td>
</tr>
<tr>
<td>Ground Source Heat Pumps</td>
<td>3500</td>
<td>8</td>
</tr>
<tr>
<td>Solar Thermal</td>
<td>320</td>
<td>13.1</td>
</tr>
</tbody>
</table>

1.34 DETI will monitor uptake and energy prices and will periodically review tariffs and the technologies included. All tariffs under the domestic RHI will be linked to the Retail Price Index and will be adjusted accordingly on an annual basis at 1 April each year. As with the GB schemes, tariffs are capped at a level in line with the support offered for off-shore wind, this is in the order of 19.2-21.7 p/kWh. Other than the change with RPI tariffs are “Grandfathered”.

SUMMARY OF KEY POINTS

The levels of support and ongoing tariffs are set out in the above table. All consumers availing of the domestic RHI will receive the same level of up front support and the same tariff level for 7 years. Those who have received the RHPP have already received the upfront support and therefore will receive the ongoing tariff only.

ISSUE: STANDARDS

Original Proposal

1.35 It was proposed that all technologies under 45kW would need to be certified under the Microgeneration Certification Scheme (MCS) at the time of installation and would need to be commissioned by a MCS certified installer. For bioliquids systems, the boiler would need to be installed and commissioned by an OFTEC certified installer and the consumer would need to retain fuel invoices that demonstrate that a renewable fuel was being utilised.

Stakeholder Response

1.36 Stakeholders agreed that it was essential for MCS, or equivalent, standards to be required throughout the scheme for installers and technologies. Stakeholders also recommended that MCS standards are required for systems over 45kW. It was agreed by stakeholders that in, what is, a developing industry that consumer confidence could be badly damaged by poor quality installations. Therefore DETI must be rigorous in the enforcement of MCS standards.

Final Policy

1.37 DETI will be using MCS standards for all renewable heat installations up to 45kW. Systems larger than 45kW cannot be certified under MCS, however DETI will still require the installation of the technology to be carried out by a MCS registered installer. This will ensure standards and consumer confidence.

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2 For technologies installed under the RHPP this support has already been received.

3 No support has previously been available for bioliquids.
1.38 All installations of renewable heat systems up to 45kW made after the Domestic RHI Regulations come into force must use MCS accredited technologies and MCS accredited installers. Any installations which have been supported by the RHPP and which comply with the RHPP terms and conditions will effectively meet this requirement.

1.39 Any legacy installations i.e. those installations made after 1 September 2010 which have not received RHPP support must use renewable heat technologies that were accredited by MCS at the time of their installations. Legacy installations must also be able to demonstrate a direct contract with an MCS accredited installer, workmanship warranty information, as well as paperwork for the design, installation and commissioning certificates. These legacy installations must be able to provide a MCS commissioning certificate that demonstrates that a MCS certified installer has commissioned the technology.

**SUMMARY OF KEY POINTS**

| New installations supported under the domestic RHI must be installed and commissioned by a MCS certified installer. Technologies less than 45kW must be MCS certified at the time of commissioning. Systems larger than 45kW do not need to be certified by MCS however the installation must be carried out by a MCS certified installer. Legacy systems, those installed between 1 September 2010 and the date whereby the Regulations are enforced and that haven't received the RHPP must demonstrate compliance by production of an appropriate MCS commissioning certificate. Systems supported under the RHPP have already demonstrated compliance with these requirements. |

**ISSUE: DEEMING METHODOLOGY AND ENERGY EFFICIENCY**

**Original Proposal**

1.40 DETI proposed that applicants would, for the most part, receive payments through a deeming methodology i.e. payments would be made based on an assumed heat demand of the property rather than individual heat meters. There were of course circumstances where metering would be required, this was restricted to second homes and where an ineligible primary heat source remained. In terms of energy efficiency, DETI proposed simple eligibility levels and an assumption that all homes would be C rated or better.

**Stakeholder Response**

1.41 There was a lot of interest and comments from stakeholders regarding how heat demand would be ‘deemed’ and payments made under the domestic RHI. Linked to this is how DETI treats energy efficiency and ensures that homes are efficient as possible before receiving RHI payments. There was almost unanimous agreement that deeming was the most appropriate method as it was simple, could be easily understood and removed the costs involved in installing and reading meters. It was also suggested by stakeholders that the deeming methodology should be made clear in advance by DETI, to allow householders to calculate likely payments and make informed decisions about switching to renewable heat. There was also general agreement that metering should be required in cases where deeming was inappropriate, such as in second homes where occupancy might vary and in situations where back-up boilers remain in place and could be used.

1.42 There were many helpful comments from stakeholders regarding the exact methodology for ‘deeming’, with a high number suggesting Energy Performance Certificates (EPC) be utilised, potentially in conjunction with MCS installers calculations. Respondents felt that EPCs would be appropriate given they are well-established with a tried and tested methodology, in addition one respondent highlighted that the EPC would also help consumer education in terms of understanding heat requirements and energy efficiency levels. It was also noted that the number of EPC assessors had increased in recent years and the costs reduced. Some respondents felt that the deeming methodology should take into account individual circumstances such as if the occupant had ill-health, were elderly or worked from home and therefore required higher than normal heating levels.

1.43 It was agreed that energy efficiency was an important element of the domestic RHI and that householders should be required to have basic levels of energy efficiency before being eligible for support. However, a
significant number of respondents argued against having a set standard, or an assumed standard, of a C rated property believing that this would be unobtainable for many rural properties in Northern Ireland.

**Final Policy**

1.44 DETI will introduce a system of deeming under the domestic RHI that is linked primarily to the energy requirements of the individual property as detailed in a Northern Ireland Energy Performance Certificate (EPC). The EPC submitted by the applicant must be up to date and include the renewable heating system installed. Social housing will be deemed like all other properties. Metering will be required for privately rented homes, second homes, holiday homes and properties that retain an ineligible primary heat source (i.e. a gas boiler, oil boiler, old renewable heat system or coal fire linked to back boiler). Where the installed renewable heat technology has the capacity to record its own use through an easily readable display this can be used to record heat use rather than an additional heat meter. Where meters are required, payments will be made on the metered heat output but capped at the deemed level.

1.45 Given the comments on the risk of excluding hard to heat homes but also the need to ensure homes are as efficient as possible before receiving the RHI payments, DETI will use calculations included on the EPC for the potential heating demand. The EPC provided by applicants should therefore detail the new technology installed, the details of the home and the potential energy requirements if recommended measures are carried out. More details on how this will work are detailed below and at the section on worked examples.

1.46 The calculations used to determine the heat demand will be as follows;

\[
\frac{\text{Potential heating costs} + \text{potential hot water costs}}{\text{Potential heating costs} + \text{potential hot water costs + potential lighting costs}} \times \frac{100}{1} = \text{Potential heating costs as }\%\text{ of total energy}
\]

**Annual heat demand** = Potential heating costs as % of total energy x (Total floor area x Potential energy use kWh/m² per year)

1.47 This figure will inform the payments for the primary renewable heat technologies (Biomass, Bioliquids (once introduced) and Heat Pumps. For biomass and bioliquids this will be a simple calculation of heat demand multiplied by tariff. For heat pumps the seasonal performance factor (SPF) will be incorporated into the formula to ensure only renewable heating is incentivised. The formulas are as follows;

\[
\begin{align*}
\text{Biomass} &= \text{Tariff} \times \text{Annual Heat Demand} \\
\text{Bioliquid} &= \text{Tariff} \times \text{Annual Heat Demand} \\
\text{Heat Pumps} &= \text{Tariff} \times (\text{Annual Heat Demand}) \times (1 - 1/\text{SPF})
\end{align*}
\]

1.48 The deeming system and requirements for EPCs only applies to the primary technologies. These measures do not apply to solar thermal. The payment for solar thermal will be deemed using information on the MCS certificate.

1.49 DETI remains concerned that there could be a perception that under the Domestic RHI homes that are inefficient and have above average heat demand will be rewarded by higher RHI payments. Whilst it is true homes with higher heat demands will receive higher payments this reflects the higher energy costs of these homes. However, to prevent circumstances where inefficient homes are over-rewarded a cap will be placed on the level of tariff that can be received by applicants. These caps will be placed on primary heat technologies only.
1.50  On the basis that as there is no green deal in NI (unlike GB) there is no prescriptive energy efficiency levels – therefore there is a risk of very inefficient homes or large homes being over-incentivised. A cap of £2000 has been deemed as appropriate.

**SUMMARY OF KEY POINTS**

The majority of homes will be incentivised paid for a deemed level of heat, taken from the potential standard set by an Energy Performance Certificate. Second homes (privately rented, holiday homes etc), homes with a back up boiler and systems over 45kW will require heat meters. In these circumstances payments will be made on the metered heat output but capped at the deemed level. Annual payments will be capped at £2000.

**WORKED EXAMPLES**

**Biomass 1**

1.51 A new build rural domestic property installs a biomass boiler with no back up heat source (i.e. no gas or oil system). The EPC shows that the property’s potential rating is B91 with a floor space of 270m$^2$, a potential energy use of 65kWh/m$^2$. The potential energy costs are £86 for lighting, £350 for heating and £80 for domestic hot water. The following calculations are made to assess payment;

a) Heating costs as % of total energy =

$$\frac{\text{£350} + \text{£80}}{\text{£86} + \text{£350} + \text{£80}} \times \frac{100}{1} = 83.3\%$$

b) Annual heat demand = 83.3% (270 x 65) = 14620 kWh

c) Annual payment for 7 years = 14620 x 5.5 pence = £804 per annum.

d) Upfront payment of £2500.

**Biomass 2**

1.52 An urban domestic property installs a biomass boiler with but retains an oil boiler as way of back up. The EPC shows that the property’s can only achieve a potential rating of C81 with a floor space of 320m$^2$, a potential energy use of 101kWh/m$^2$. The potential energy costs are £180 for lighting, £1300 for heating and £150 for domestic hot water. The following calculations are made to assess payment;

a) Heating costs as % of total energy =

$$\frac{\text{£1300} + \text{£150}}{\text{£180} + \text{£1300} + \text{£150}} \times \frac{100}{1} = 89\%$$

b) Annual heat demand = 89% (101 x 320) = 28765 kWh

c) Annual payment for 7 years = 28765 kWh x 5.5 pence = £1582 per annum.

d) Upfront payment of £2500.
1.53 As this property has retained the oil system the payment will be made on the metered heat output but will not be able to exceed £1582 per annum. Whilst this homeowner is receiving twice the annual payment of the more efficient property in biomass example 1 their fuel bills are considerably higher.

Biomass 3

1.54 A large rural property requires a 60kW boiler to heat their property which is 430m². The house is listed and therefore is limited in what it can do in terms of energy efficiency and the EPC demonstrates that the highest potential rating is D66. The potential energy use of the building is 145kWh/m² and the potential costs are £200 for lighting, £2400 for heating and £250 for domestic hot water. The following calculations are made to assess payment:

a) Heating costs as % of total energy =

\[
\frac{£2400+£250}{£200+£2400+£250} \times 100 = 93\%
\]

b) Annual heat demand = 93% of \((430m^2 \times 145kWh/m^2) = 57985 kWh\)

c) Annual payment for 7 years = 57985 kWh x 5.5 pence = £3189 per annum.

d) The annual payment will be capped at £2000 in line with Para 1.50.

e) Upfront payment of £2500.

GSHP

1.55 A new build property installs a 22kW ground source heat pump to heat their property which is 375m². The house is highly efficient and the EPC demonstrates that the highest potential rating is B85. The potential energy use of the building is 57kWh/m² and the potential costs are £210 for lighting, £540 for heating and £170 for domestic hot water. The following calculations are made to assess payment:

a) Heating costs as % of total energy =

\[
\frac{£540+£170}{£210+£540+£170} \times 100 = 77\%
\]

b) Annual heat demand = 77% of \((375m^2 \times 57kWh/m^2) = 16459 kWh\)

c) Annual payment for 7 years = 8 pence x (16459 kWh x (1-1/(2.9))) = £863 per annum.

d) Upfront payment of £3500.

ASHP

1.56 A detached home installs a 14kW air source heat pump to heat their property which is 330m². The house has standard efficiency measures and the EPC demonstrates that the highest potential rating is C72. The potential energy use of the building is 110kWh/m² and the potential costs are £280 for lighting, £1180 for heating and £290 for domestic hot water. The following calculations are made to assess payment:

a) Heating costs as % of total energy =

\[
\frac{£1180+£290}{£1180+£290+£280} \times 100 = 84\%
\]
b) Annual heat demand = 84% of (330m² x 110kWh/m²) = 30492 kWh

c) Annual payment for 7 years = 3.4 pence x (30492 kWh x (1−1/(2.9))) = £679 per annum.

d) Upfront payment of £1700.

**Bioliquids**

1.57 A mid-terrace property installs a new bioliquids boiler to heat their property which is 98m². The house has lower than normal levels of energy efficiency and the EPC demonstrates that the potential rating is D60. The potential energy use of the building is 220kWh/m² and the potential costs are £130 for lighting, £750 for heating and £250 for domestic hot water. The following calculations are made to assess payment;

a) Heating costs as % of total energy =

\[
\frac{750+250}{130+750+250} \times 100 = 88\%
\]

b) Annual heat demand = 88% of (98 x 220kWh/m²) = 18973 kWh

c) Annual payment for 7 years = 18973 kWh x 2.7 pence = £512 per annum.

d) Upfront payment of £500.

**Solar thermal**

1.58 Solar thermal calculations will be made using information provided in the MCS certificate; there is no requirement for solar thermal installations to be metered. A 1.5kW panel with an annual estimated generation of 900kWh would receive an annual payment of £118 (900kWh x 13.1 pence) for 7 years, in addition to the upfront payment of £320. A 3kW panel with an annual estimated generation of 1860kWh would receive an annual payment of £244 (1860kWh x 13.1 pence) for 7 years, as well as receiving £320 upfront.

**ISSUE: APPLICATION PROCESS, ONGOING OBLIGATIONS, PAYMENTS**

**Original Proposal**

1.59 It was proposed that the application process for the domestic RHI would be similar to the process involved in the commercial scheme in that potential applicants would read the appropriate guidance documents, install the technology to the set eligibility standards and then apply to the administrator for accreditation and payment. It was proposed that payments would be made on an annual basis.

**Stakeholder Response**

1.60 Stakeholders were generally content with the proposed application process with most comments received on this matter being focused on ensuring the process was simple and not a barrier for applicants. Stakeholders asked that clear guidance be made available and that information could be easily accessed online. It was suggested that guidance should be simple and easily understood so potential applicants knew exactly what the eligibility standards were and were in no doubt about the support they would receive. It was pointed out that as this was still a developing sector, consumers should be protected against uncertified installers.
Further to these comments, stakeholders asked for a hard copy application option to be available, rather than just an online process. It was also suggested that RHPP customers should not have to repeat information that has already been provided to the Department.

In terms of frequency of payments, 13 consultees directly responded to this question with 5 agreeing with the proposal for annual payments, the remaining 8 respondents suggested more frequent payments, ranging from monthly to quarterly. There was also the suggestion that payments should be linked to the traditional ‘heating’ periods.

**Final Policy**

DETI is content to implement the application process as previously proposed and outlined below.

### Application

Applications will be made via an online portal (with an option for hard copy applications if required).

Applicants will have to provide information largely similar to those requested when applying for the RHPP e.g. details of the applicant, the installed technology and the installer. Information on the property will also be required, including size, use, type etc.

To demonstrate eligibility the applicant will also need to provide information relating to the MCS commissioning certificate, the type of premises (rates bill), an up to date Energy Performance Certificate and demonstrate all necessary building controls/planning permissions have been secured.

### Assessment

The application will be assessed and the details provided verified. Where all details have not been provided to DETI’s satisfaction the applicant will be contacted asking for further clarification.

For systems that require heat meters further information, checks or site visits may be required.

### Accreditation and Award

Once all checks have been carried out and the administrator is satisfied the system meets all eligibility standards it will be accredited and the upfront payment will be transferred to the nominated bank account. The applicant will also be informed of their allocated tariff and the expected deemed payment.
1.64 In terms of frequency of payments, DETI will implement annual payments. Only 13 out of the 50 respondents addressed the frequency point and of those who did there were divided opinions. DETI is therefore content to proceed with the original proposals.

1.65 Successful applicants will receive the upfront element of the payment once their installation is accredited. The ongoing payment will be processed 12 months after the date of accreditation subject to the applicant providing DETI ongoing compliance information. The owner of the equipment will be responsible for ensuring the conditions of the scheme are adhered to and any changes in use of the accredited system must be notified to the administrator. The administrator will retain the right to audit systems through site visits and can suspend or revoke accreditation where instances of fraud occur. In these instances payments will be withdrawn and could be clawed back as necessary.

1.66 Where applicants have provided DETI with information under the RHPP scheme, DETI will streamline the RHI application process to avoid duplication. However, it should be noted that additional information will be required to support the RHI application.

1.67 It is proposed that the launch of the scheme will be staggered with applicants in receipt of the RHPP being dealt with first. – of course this does not prevent potential applicants going ahead and installing and gathering all the necessary documentation that will be required for the application process. Further information on this process as well as next steps, eligibility checklists and appropriate guidance documents will be available online.

**SUMMARY OF KEY POINTS**

- Applications for accreditation will be made after the installation is made and commissioned. Once the installation is complete and all paperwork prepared the application should be made to the administrator.
- RHPP customers will be contacted by DETI to request any additional information required for the RHI accreditation.
- The upfront payment will be made on accreditation and ongoing payments due on the anniversary of the accreditation date.
- Accredited sites can be audited at anytime and the owner of the equipment is responsible for ensuring the conditions of the scheme are adhered to.
- The administrator will retain the power to withhold payments and suspend or revoke accreditation where necessary.
Contents

Background

Final policy on phase 2 proposals for CHP and Cost Control in the Northern Ireland Non Domestic Renewable Heat Incentive
Background

On 22 July 2013, DETI launched a public consultation on Phase 2 of the Northern Ireland Renewable Heat Incentive (RHI). These proposals included the following main elements:

- The introduction of the domestic RHI
- Cost control measures to manage future RHI expenditure
- Biomass sustainability and Emission control requirements
- Expansion of the non domestic RHI to include new tariffs and technologies

The consultation ran for 12 weeks and as part of the process, DETI held stakeholder events in Armagh, Belfast and Coleraine. These were attended by nearly 100 people and were useful in gauging opinions regarding the draft proposals. The consultation closed on 14 October 2013 and 50 responses were received, two of which offered no comment. All responses received are available on the DETI website.

The domestic scheme was introduced on 9 December 2014 and the remainder of the phase 2 proposals are under consideration. Some of these proposals including the introduction of support for new technologies will be taken forward at a later date.

This paper seeks to respond to the comments received relating to the non domestic RHI proposals for combined heat and power (CHP) and cost control measures and sets out the Department’s final policy position and the next steps in terms of implementation.
1. EXPANSION OF THE NON DOMESTIC NI RHI

ISSUE: BIOMASS AND BIO LIQUID COMBINED HEAT AND POWER

Original Proposal

1.1 Biomass and bioliquid Combined heat & Power (CHP) is currently incentivised under the NIRO, with CHP that is accredited in receipt of an additional 0.5 ROC uplift. DETI had indicated that from October 2015 the 0.5 ROC uplift will be withdrawn – and CHP projects accredited after this date would be eligible for the relevant electricity only ROC level together with the appropriate RHI tariff. This position is largely consistent with GB

1.2 In developing an appropriate CHP tariff under the non domestic RHI, DETI has assumed an investment lifetime of 10 years and a plant lifetime of 20 years. DETI is proposing a tariff of 3.5 p/kWh for new biomass and bioliquids CHP systems.

1.3 In addition to the tariff for new CHP systems, DETI proposes to introduce a second tariff for existing fossil fuel CHP systems that wish to convert to renewable CHP. For existing fossil fuel CHP sites’ converting to renewable fuelled CHP the proposed tariff is 1.7 p/kWh.

1.4 DETI expects heat from renewable CHP sites to provide a significant contribution towards the development of the renewable heat market and the achievement of the renewable heat target.

Stakeholder Response

1.5 There was general agreement with the proposals. One respondent expressed concern that two separate tariffs (one for conversion) will increase risk of gas CHP converting to renewables – but in fact the opposite is likely to be true because if there was one tariff it would be the 3.4 pence and therefore conversion would be more attractive.
Final Policy Proposal

1.6 Two new non domestic RHI CHP tariffs will be introduced, 3.5 pence per kWh for new systems and 1.7 pence per kWh for those converting from fossil fuels. The response to the public consultation and subsequent engagement with the industry has confirmed significant interest in this tariff. Large CHP plants have a significant role to play in meeting RHI targets. The new tariff will be in place to coincide with the removal of the 0.5ROC uplift from October 2015.

SUMMARY OF KEY POINTS

A tariff of 3.5 pence per kWh will be introduced for new biomass and bioliquid CHP installations.

A tariff of 1.7 pence per kWh will be introduced for biomass and bioliquid CHP installations converting from fossil fuels.

The new tariffs are to coincide with the removal of the 0.5 ROC uplift for heat from CHP from October 2015.
2. COST CONTROL

ISSUE: COSTS CONTROL

Original Proposal

2.1 The original DETI proposal was to introduce a number of annual trigger points that would provide forewarning to potential applicants that committed RHI expenditure was approaching the set budget limit. Depending on the level of in-year expenditure /application numbers, DETI would implement administrative measures to manage curtail demand / applications numbers including ultimately closing both schemes to new applications until the following year.

Stakeholder Response

2.2 Several responses were received on this issue. There was a concern expressed that a trigger method of budget management could be viewed as a disincentive and cause further uncertainty in the market. Comment was also made that confirmation was required that any suspension of the scheme would only apply to new applications and not existing accreditations. The need for good clear advance warning with guidance and parameters for any cost control measures was also emphasised.

Final Policy Proposal

2.3 Levels of uptake on the non domestic RHI scheme have increased significantly over the last 12 months with total applications increasing from 130 to over 800. Committed monthly expenditure is now over £1.4m. Cost control measures now need to be introduced to ensure future budgetary levels wouldn’t be breached and to ensure the scheme continues to be affordable and provide value for money.

2.4 The Department for Energy and Climate Change (DECC) has introduced an annual system of tariff digression in both GB RHI schemes. Work is ongoing to develop suitable systems of digression/reduction for the NI RHI schemes. The detail on these will be published at a later date. However, to control expenditure and ensure continued value for money in the interim, DETI is introducing a tiered RHI tariff structure from 4 November 2015 for biomass heating systems. This will apply to non-domestic biomass installations made on or after 4 November 2015. The first 1314 hours will be paid at the standard tariff with a reduced tariff of 1.5 pence per kWh applied thereafter. It is expected that the higher tier will cover the capital cost and the reduced tier the ongoing running costs.
2.5 Currently the non domestic medium biomass tariff reduces from 6.4 p to 1.5 p for installations over 99kW. In the GB Non Domestic RHI scheme, the equivalent biomass tariff reduces at 200kw. The majority of applications to date to the NI RHI scheme have been for 99kw biomass installations. DETI is therefore proposing to extend the existing 6.4p biomass tariff banding (20-99kw) to installations above 99kw in size. The maximum installation size in the revised tariff banding will be 199kW. In addition a cap of 400,000kWh will be applied as a maximum annual heat payment. Any additional heat over this cap will not be eligible for payments. This will apply to non-domestic biomass installations made on or after **4 November 2015**.

### SUMMARY OF KEY POINTS

Provision will be made in the scheme legislation to introduce a tiered tariff structure for new non domestic biomass installations from 4 November 2015 where the first 1314 peak hours be paid at the standard tariff and hours thereafter reducing to 1.5 pence per kWh.

Provision will be made in the scheme legislation to extend the existing 6.4p non domestic biomass tariff to installations up to 199kw in size from 4 November 2015.

Provision will be made in the scheme legislation to introduce an annual cap of 400,000 kWh for new non domestic biomass installations from 4 November 2015. Any additional heat over this cap will not be eligible for payments.
Private Office

Please see attached submission from Fiona Hepper for the attention of the Minister.

Regards,

Laura McCoy
Personal Secretary
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9200 (ext: 29200)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?
From: Fiona Hepper  
Energy Division  

Date: 26 November 2013  

To: 1. Andrew Crawford  
2. Arlene Foster MLA  

Copy Distribution List Below  

RENEWABLE HEAT INCENTIVE – UPDATE FOR ETI COMMITTEE  

Issue: The ETI Committee is due to receive an update on the Northern Ireland Renewable Heat Incentive.  

Timing: Routine  

Need for referral to the Executive: None.  

Presentational Issues: None.  

Freedom of Information: Fully discloseable.  

Financial Implications: None.  

Statutory Equality Obligations: There are no Section 75 implications.  

PFG/PSA implications: None.  

Legislation Implications: None.  

Recommendation: That you approve the issue of the RHI update to the ETI Committee. Draft is attached at Annex A  

cc: David Sterling  
David Thomson  
Joanne McCutcheon  
Peter Hutchinson  
Dan Sinton  
Press Office  
Glynis Aiken  
Alastair Ross, MLA, APS  

FIONA HEPPER  
Energy Division
Update on Renewable Heat Incentive

Background
The Northern Ireland Renewable Heat Incentive (RHI) is a DETI scheme that provides financial support to non-domestic renewable heat generators and producers of biomethane.
The primary objective for the RHI is to increase the uptake of renewable heat to 10% by 2020 (baseline position of 1.7% in 2010).

Renewable Heat Incentive – Phase 1
1. The first phase of the Northern Ireland Renewable Heat Incentive (RHI) was launched on 1 November 2012. This phase provides long term financial support for non-domestic properties wishing to switch from conventional heating to renewable heating solutions, such as biomass; heat pumps and solar thermal. Payments are made quarterly, for the lifetime of the installation (maximum 20 years) and are determined by the heat output of the installation and the relevant tariff for the technology installed.

2. The scheme is administered by Ofgem (the GB Utility Regulator) and as at mid November they have received 65 applications. Of these applications 45 have been accredited, 19 are currently being processed and one installation has been rejected (this decision is currently under review by DETI).

3. All 65 applications are for solid biomass boilers and the majority have installation capacity in the 20-99 kWh range. The total capacity of the applications to date is in the order of 9.8 MW, with 6.7 MW accredited.

4. The applications received are from across Northern Ireland as shown in the following diagram.
5. The GB RHI was launched a year before the NI RHI in November 2011. The current NI uptake compares favourably with the GB uptake at the same point in time and on a pro-rata (3%) basis. Applying the GB uptake rate we would have expected around 35 NI applications in the first year and we have received 65. The NI scheme is currently tracking at 6.1% of GB applications, 4.9% of accreditations and 2.9% of heat capacity, suggesting that NI will experience a higher volume of applications but for smaller installations. Projecting forward it could be expected that over 100 applications will be received by end March 2014 and at least 80 will be accredited.

**Renewable Heat Premium Payment (RHPP) scheme**

6. The Renewable Heat Premium Payment (RHPP) scheme was launched in May 2012 as a forerunner to a domestic RHI. This scheme provides grant support to eligible domestic installations and is managed within Energy Division, DETI. As at 25 November 2013, 1,348 applications have been received and Energy Division has issued offers to 1,009 of these. This represents support of £1.85 million and a total investment in the sector of over £7.55 million.
7. Of the 1,009 vouchers issued, 714 have made claims to date. As at 25 November 2013, 568 claims amounting to a total of £977k have been paid.

8. Four types of technology are supported by the RHPP; Air Source Heat Pumps, Biomass Boilers, Ground Source Heat Pumps and Solar Thermal Panels.

9. The breakdown of offers and installations by technology is given in the table below.

<table>
<thead>
<tr>
<th>Technology*</th>
<th>Offers of Support</th>
<th>Installations Made</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Source Heat Pumps</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Biomass Boilers</td>
<td>48%</td>
<td>43%</td>
</tr>
<tr>
<td>Ground Source Heat Pumps</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Solar Thermal Panels</td>
<td>32%</td>
<td>39%</td>
</tr>
</tbody>
</table>

* Different technologies have different lead in times which may account for the different technology splits between offers and installations

10. The RHPP scheme will remain in place until the final domestic RHI policy is developed and all RHPP installations will remain eligible to apply for the RHI.

**Renewable Heat Incentive Phase 2**

11. Development work for the second phase of the RHI is ongoing. It is proposed that Phase 2 will extend the scheme to domestic installations and will consider some amendments to the non domestic scheme which may include a specific tariff level for deep geothermal heating (currently treated like ground source heat pumps); the introduction of a tariff for additional technologies e.g. air source heat pumps and bioliquids; support for large biomass installations and the potential development of an “uplift” to for community or district heating schemes.

12. Policy proposals were subject to a public consultation which closed on 14 October 2013. During the consultation process, DETI held stakeholder events in Belfast, Armagh and Coleraine which were generally well attended. The Department received 50 responses to the consultation; these included responses from installers, trade bodies, public sector organisations
and members of the public. DETI is currently considering these responses prior to developing the final policy position which will then require the appropriate approvals (including EU State Aid approval for the non domestic elements). The current legislation will then need to be amended for the changes to the non domestic scheme and new legislation will need to be laid for the domestic RHI.

13. Given that the domestic RHI does not require State Aid approval, it is likely that it can be launched earlier than the non domestic aspects of phase 2 - probably Spring 2014.

Publicity

14. DETI continues to promote the scheme under the ‘EnergyWise’ sustainable messaging brand. A publicity campaign was run alongside the launch and also in Spring 2013. A fresh campaign is planned for Jan/Feb 2014 which will include TV advertising, 48 sheet posters across Northern Ireland, bus streetliners, on line presence and print media. DETI continues to attend a number of events, organised by local councils and trade bodies, to promote both the RHI and the RHPP.

Energy Division, DETI

xx November 2013
From: Fiona Hepper  
Energy Division

Date: 26 November 2013

To: 1. Andrew Crawford  
2. Arlene Foster MLA

DETI SUB 582/2013

RENEWABLE HEAT INCENTIVE – UPDATE FOR ETI COMMITTEE

Issue: The ETI Committee is due to receive an update on the Northern Ireland Renewable Heat Incentive.

Timing: Routine

Need for referral to the Executive: None.

Presentational Issues: None.

Freedom of Information: Fully discloseable.

Financial Implications: None.

Statutory Equality Obligations: There are no Section 75 implications.

PFG/PSA implications: None.

Legislation Implications: None.

Recommendation: That you approve the issue of the RHI update to the ETI Committee. Draft is attached at Annex A

cc: David Sterling  
David Thomson  
Joanne McCutcheon  
Peter Hutchinson  
Dan Sinton  
Press Office  
Glynis Aiken  
Alastair Ross, MLA, APS

FIONA HEPPER  
Energy Division
Alan,

Our Grade 5 has approved the quote below. We would be grateful if you would proceed.

Thanks
Peter

---

From: Alan Bissett [mailto:alan.bissett@arthurcox.com]
Sent: 13 February 2014 20:21
To: Briggs, Peter
Cc: McCutcheon, Joanne; Hutchinson, Peter; Sinton, Dan; David White
Subject: RE: Work Order - draft regulations for domestic RHI

Peter

Good to meet you and the team on this matter this morning and thanks for your time.

We have now had an opportunity to consider the work required and our fee proposal is as follows:

**The Team**

We would propose to staff this matter as follows:

Alan Bissett (Partner)

David White (Junior Lawyer)

**Time spent**

During the period until 31st March 2014, I would anticipate that the team will spend the following time on this matter:

<table>
<thead>
<tr>
<th>Fee-Earner</th>
<th>Hourly Rate (£)</th>
<th>Estimate of time (Hrs)</th>
<th>Estimate of Cost (excluding VAT) (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alan Bissett (Partner)</td>
<td></td>
<td></td>
<td>Sensitive commercial information redacted by the RHI Inquiry</td>
</tr>
<tr>
<td>David White (Junior Lawyer)</td>
<td></td>
<td></td>
<td>Sensitive commercial information redacted by the RHI Inquiry</td>
</tr>
</tbody>
</table>

**Fee estimate**

This equates to a total fee estimate of for the work to be carried out. This fee quote is based on an initial review of the GB equivalent domestic RHI Regulations and assumes that the initial draft of the NI domestic RHI Regulations will be based largely on the GB equivalent Regulations.

I recall that the Department decided to notify the NI non-domestic RHI Regulations to the Commission under the Technical Standards and Regulations Directive 98/34/EC and that this followed the
Incidentally, the following link takes you to the final version of the regulations that were laid before Parliament last week: [http://www.legislation.gov.uk/ukdsi/2014/9780111109458/contents](http://www.legislation.gov.uk/ukdsi/2014/9780111109458/contents)

Hope this helps. Get back to me if you need anything else.

Jacob

From: Hutchinson, Peter [mailto:Peter.Hutchinson@detini.gsi.gov.uk]
Sent: 18 February 2014 09:39
To: Andresen Jacob (Heat & Industry)
Subject: RE: Domestic RHI announcement: July 2013

Jacob,

I noticed from a weekly update from the central comms team in DECC that the proposals for the domestic RHI in GB were notified to the EU Commission to seek State Aid approval. Can I ask what the reason was for notifying the scheme to the Commission (and notifying the Regulations re Technical Standards) despite it being primarily a scheme for the domestic market and therefore not classed as a “state aid”?

Thanks for your help,

Peter

From: Andresen Jacob (Heat & Industry) [mailto:jacob.andresen@decc.gsi.gov.uk]
Sent: 14 January 2014 17:45
To: Hutchinson, Peter
Subject: RE: Domestic RHI announcement: July 2013

Peter

The situation is that the draft regulations are currently out for informal JCSI review. We’re expecting a response from the review next week.

We’ve also made a Technical Standards Notification to the European Commission. As a result, the draft regulations are in the public domain. They’re viewable via the following link: [http://ec.europa.eu/enterprise/tris/pisa/app/search/index.cfm?fuseaction=pisa_notif_overview&iYear=2014&inum=15&lang=EN&sNLang=EN](http://ec.europa.eu/enterprise/tris/pisa/app/search/index.cfm?fuseaction=pisa_notif_overview&iYear=2014&inum=15&lang=EN&sNLang=EN)

In terms of planned timescale for laying the regulations in Parliament, we hope to do so on 3 February with a view to them being made on 25 March. These dates aren’t for public consumption though, so grateful if you didn’t disseminate them outside of DETI.

I hope this helps.

Get back to me if you need more information.

Kind regards

Jacob

From: Barber Nicola (Heat & Industry)
Sent: 14 January 2014 17:07
To: Hutchinson, Peter; Martin Nicola (Heat & Industry)
Cc: [mailto:Barber.Nicola@decc.gsi.gov.uk]
Subject: RE: Domestic RHI announcement: July 2013

Irrelevant information redacted by the RHI Inquiry

Received from DFE on 02.05.2017
Annotated by RHI Inquiry
Peter

In terms of State Aid approval, the domestic RHI was notified to the Commission on the basis that support for landlords is likely to constitute State Aid as we consider they fall within the definition of an undertaking.

Regarding the TSN, we needed to notify as we refer to technical standards in our regulations (the details of which are set out in the TSN itself).

Incidentally, the following link takes you to the final version of the regulations that were laid before Parliament last week:

Hope this helps. Get back to me if you need anything else.

Jacob

Jacob,

I noticed from a weekly update from the central comms team in DECC that the proposals for the domestic RHI in GB were notified to the EU Commission to seek State Aid approval. Can I ask what the reason was for notifying the scheme to the Commission (and notifying the Regulations re Technical Standards) despite it being primarily a scheme for the domestic market and therefore not classed as a “state aid”?

Thanks for your help,

Peter

Peter

The situation is that the draft regulations are currently out for informal JCSI review. We’re expecting a response from the review next week.

We’ve also made a Technical Standards Notification to the European Commission. As a result, the
From: John Mills  
Energy Division  

Date: 17 June 2014  

To: 1. Andrew Crawford  
2. Arlene Foster MLA  

DOMESTIC RENEWABLE HEAT INCENTIVE – GOVERNMENT RESPONSE AND SL1  

Issue:  
Government response and SL1 on domestic aspect of Phase 2 RHI.  

Timing:  
The SL1 is due to be tabled at the ETI Committee’s 3 July meeting.  

Executive Committee Referral:  
None  

PFG Implications:  
The PSA targets for renewable heat are 4% by 2015 and 10% by 2020.  

Presentational Issues:  
Likely to be significant interest from key stakeholders and the media. A press release will be prepared and issued in due course.  

FOI Implications:  
Likely to be exempt under s.35 FOI – formulation of government policy.  

Financial Implications:  
HMT has advised that £25m of AME is available up to 2015 for a Northern Ireland RHI with further AME budget profiled up to 2020.  

Legislation Implications:  
Subordinate legislation required prior to launch of domestic RHI.  

Statutory Equality Obligations:  
Equality screening completed and no equality implications identified.
Recommendation: 

That you:

a) approve the draft Government response to issue to the ETI Committee and for publication in due course (Annex A attached separately);

b) approve the SL1 to issue to the ETI Committee, along with the draft response to consultation, for consideration at its meeting on 3 July (Annex B attached separately).

Background

1. DETI consulted on Phase 2 of the Renewable Heat Incentive last year, covering proposals for the Domestic RHI as well as amendments to the non-domestic scheme.

Consultations

2. The consultation ran for a period of 12 weeks and included stakeholder events in Armagh, Belfast and Coleraine. The consultation closed on 14 October 2013 with a total of 50 responses received from various stakeholders including installers, trade bodies, public sector organisations and members of the public.

3. Analysis of these responses indicates that respondents were broadly content with the proposals, particularly those relating to the domestic scheme.

4. DECC launched its domestic RHI scheme in April 2014 and expectations that NI will follow suit soon after have mounted. We have decoupled the domestic RHI from other Phase 2 changes in an attempt to speed up its implementation.

Policy

5. The domestic RHI will provide upfront support with ongoing tariff payments for 7 years for domestic renewable heat installations. Technologies supported are Air to Water Heat Pumps, Biomass (including condensing boilers), Ground Source or Water Source Heat Pumps and Solar Thermal (domestic hot water only.) All technologies with the exception of solar thermal must be able to provide heat for the entire home.

6. For the majority of applications payments will be based on a deemed level of heat taken from the potential standard set by an Energy Performance Certificate. Payments will be capped at £2000 per annum to ensure that larger or less energy efficient homes are not over-incentivised. Second homes (privately rented, holiday homes etc), homes with a back up boiler and systems over 45kW will require heat meters. These payments will be made on the metered heat output but capped at the deemed level.
Legislative Implications

7. The domestic RHI requires secondary legislation which is subject to approval by the Assembly. A draft SL1 letter to the Committee is attached at Annex B. Departmental Solicitors Office has provided advice on the proposals for transposition. The SL1 is scheduled to be considered as a written paper by the Committee at its meeting on 3 July. We also propose to send the Committee the consultation response in draft.

8. Once the SL1 is cleared by the Committee, the regulations can be finalised over summer recess and the Assembly debate scheduled for September.

9. It is DETI’s aim to open the domestic RHI to applications from October 2014 if possible.

Financial Approvals

10. While the funding for the domestic RHI is provided directly from HMT, the scheme is subject to DFP approval and DETI’s own internal governance controls. These are awaiting finalisation. We do not anticipate significant delay but seek your approval now to meet legislative timelines so that the scheme can commence in the autumn. It is agreed internally that we proceed in parallel in this manner.

11. We will advise the Committee that the consultation response is not yet published pending final financial approvals. There is a risk that approvals will not be forthcoming in time to launch the scheme in the expected timeframe. This may require withdrawal of papers. It is also possible that the consultation response finds its way into the public domain before final approvals are confirmed and the response published. These risks must be weighed against not being able to launch the scheme in autumn if we wait for all sign-offs.

12. Although current approval processes relate to payments for the scheme, the costs of running it, which will have to be found from DETI budgets, need to be finalised. If administration costs prove to be significant there is a risk of impact on other priorities. Assessment of the best option for running the scheme will take place over summer.

Conclusion

13. I am therefore asking you to approve in principle the attached government response to agree the final policy and allow the SL1 to issue to the ETI Committee. If we wait for formal approvals to be place, given summer recess and the need for an Assembly debate, we may be unable to launch the scheme in the autumn. If we wait to determine the best option for running the scheme, we will definitely not launch it this year.

14. Once formal approvals are in place, the government response can be published. At that point, a draft press release will be submitted for your approval.

15. Proceeding in this fashion means accepting the risk that running costs, once estimated, may impact on other priorities.
Recommendation

16. I recommend that you:

   a) approve the draft Government responses for publication in due course (Annex A);
   b) approve the SL1 to issue to the ETI Committee along with the Government response for consideration at its meeting on 3 July (Annex B).

JOHN MILLS
ENERGY DIVISION

cc: David Sterling
    Eugene Rooney
    Trevor Cooper
    Alistair Ross
    David McCune
    Davina McCay
    Dan Sinton
    Peter Briggs
    Glynis Aiken
    Press Office
Dear Jim

SL1 – THE DOMESTIC RENEWABLE HEAT INCENTIVE SCHEME REGULATIONS (NORTHERN IRELAND) 2014

1.1 The Department of Enterprise, Trade and Investment (the Department) proposes to make a Statutory Rule in exercise of the powers conferred by section 113 of the Energy Act 2011.

1.2 The Statutory Rule will be subject to affirmative resolution in the Assembly.

Purpose of the Statutory Rule

2.1 The Northern Ireland Renewable Heat Incentive (RHI) was introduced in 1 November 2012, following the passage of the Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012. This scheme provides long term incentive payments for new generators of eligible renewable heating in the non domestic sector.

2.2 A commitment to introduce a similar RHI scheme for the domestic sector was made and the Renewable Heat Premium Payment Scheme was introduced in May 2012 to provide financial support to domestic renewable heat customers in the interim. We propose to launch the domestic RHI later this year and further Regulations are now required.

2.3 The Statutory Rule will provide the legislative basis for the domestic RHI and will prescribe matters relating to eligibility criteria, requirements and obligations of participants of the scheme, accreditation, metering requirements and payment of tariffs.

Consultation

3.1 We consulted on a proposed domestic RHI scheme as well as the expansion of the non-domestic RHI from 22 July 2013 to 14 October 2013. Consultation seminars were held in Armagh, Belfast and Coleraine. A total of 50 responses were received and the vast majority of respondents were supportive of the proposals for a Northern Ireland domestic RHI.

3.2 We have taken account of feedback and prepared a decision paper, outlining how DETI intends to deliver the scheme. This paper is attached at Annex A. We intend to publish this decision paper once final financial approvals for the tariffs are in place. We do not expect that the chosen tariff options will change from those
proposed in the decision paper. The document is therefore for internal policy consideration at present.

Position in Great Britain

4.1 DECC legislated for an incentive scheme in the Energy Act 2008 and laid the Domestic Renewable Heat Incentive Scheme Regulations 2014 before Parliament on 11 February 2014. Following Parliamentary agreement, the domestic RHI was launched in GB on 9 April 2014.

4.2 The Office of the Gas and Electricity Markets (Ofgem) is responsible for administering the scheme on behalf of DECC.

Equality Impact

5.1 In accordance with the requirements of Section 75 of the Northern Ireland Act 1998, an equality screening exercise has established that the proposed Regulations do not have any significant equality impact.

Regulatory Impact

6.1 The Department completed economic analysis in developing the proposed domestic RHI. Options considered were:

(a) No support, instead focus support on the non-domestic sector where greater levels of renewable heat could be delivered;
(b) An RHI payment, where tariffs would be set for the lifetime of the asset (to a maximum of 20 years);
(c) A compressed RHI, where tariffs are set for 7 years with payments compressed to cover the total payments expected over asset’s lifetime;
(d) A grant based system, where capital support is provided similar to the RHPP; and
(e) A two phased RHI, where upfront support is available along with ongoing support over 7 years.

6.2 Analysis concluded that the best option for Northern Ireland is upfront support (at the rate currently paid under the RHPP) with ongoing tariff payments for 7 years. Upfront support increases accessibility of the scheme, assists in capital expenditure and reduces potential financing costs for applicants. The 7 year tariff offers the greatest potential uptake and is better value for money in terms of ongoing delivery of renewable heat.

6.3 As the funding for the domestic RHI scheme will come from direct Government expenditure there will be no impact on Northern Ireland consumers’ energy bills.

6.4 There will be secondary benefits to the development of the renewable heat market other than increased renewable uptake. These include a reduction in CO\textsubscript{2} emissions as fossil fuels are displaced, an increase in fuel diversity and growth in the renewable heat industry.

Financial Implications
7. HMT previously advised that £25m of funding will be made available for a Northern Ireland RHI over the period 2011-2015 with further Annually Managed Expenditure (AME) budget profiled up to 2020. Administration costs will be met by DETI.

EU Implications

8.1 The Renewable Energy Directive requires the UK to ensure that 15% of its energy consumption comes from renewable sources. The requirement extends beyond electricity to heating and cooling and transport. Almost half of the final energy consumed in the UK is in the form of heat, producing around half of the UK’s CO₂.

8.2 The requirement to meet the very challenging 15% renewable energy target falls at Member State level, not at Devolved Administration level. However, while energy is a devolved matter for Northern Ireland, each devolved administration is expected to contribute as much as possible to the overall UK target.

Section 24 of the Northern Ireland Act 1998

9. The Department has considered section 24 of the Northern Ireland Act 1998 and is satisfied that the proposed Rule does not contravene the Act.

Section 75 of the Northern Ireland Act 1998

10. The Department has considered section 75 of the Northern Ireland Act 1998 and is satisfied that the proposed Regulations will have no negative implications or possible infractions under Section 75.

Operational Date

11.1 It is proposed that the Regulations will come into operation in autumn 2014.

11.2 I would be grateful if you would bring this matter to the attention of the Enterprise, Trade and Investment Committee.

Yours sincerely

JOHN MILLS
Head of Energy Division

cc Human Rights Commission
Legislative Programme Secretariat
Mr Lunny: The Inquiry is keen to understand, then, why, after that public consultation, with a relatively straightforward cost control, with the DECC precedent of having introduced a standby mechanism, it ended up then not being introduced and being deprioritised, if there is such a word. And I want to take you just to a couple of documents that might cast some light on this issue and then ask you some questions about why that happened.

The first is a submission from Mrs Hepper to the Minister after the public consultation had finished and the responses had been analysed, and it’s at DFE-33719. So —.

Dr MacLean: Just to check: that last document was an internal one that wasn’t any formal response to the call.

Mr Hutchinson: No.

Mr Lunny: So, that’s your —.

Mr Hutchinson: That was just my sort of notes from it, yes.

Dr MacLean: Yes.

Mr Lunny: Yes. To be clear, in relation to the Government and DETI’s response to the phase 2 consultation, the only consultation response that was published during your time was a response purely on the domestic issue.

Mr Hutchinson: Yes.

Mr Lunny: So, there wasn’t a response published on the cost-control issue. But that’s your internal analysis.

Mr Hutchinson: Yes. Well, just my general notes on a couple of things, yes. It’s not very detailed.

Mr Lunny: I suppose it’s analysis to the extent that you’re summarising —

Mr Hutchinson: Yes.

Mr Lunny: — analysing and summarising what has happened.

But this is an email from Laura McCoy, on behalf of Fiona Hepper, to the Minister’s
private office, and it’s copied to various DETI officials, from Mr Sterling, Mr Thomson, Joanne McCutcheon and yourself.

Mr Hutchinson: Yes.

Mr Lunny: And it encloses a submission from Fiona Hepper, and it’s dated the 26th of November 2013. And, if we just scroll down to the next page, we can see the first page of the submission. It’s headed:

“RENEWABLE HEAT INCENTIVE – UPDATE FOR ETI COMMITTEE”.

And, if we scroll down, then, to the next page, we’ll see the update begins. So, there’s really no detailed background in the submission itself but then an update attached to it.

Mr Hutchinson: OK. Right. Yes.

Mr Lunny: That’s the next page after —

Mr Hutchinson: Yes. That’s OK.

Mr Lunny: — that one-page submission. And, if we could scroll down, very briefly, to 33723 and paragraph 11, we’ll see phase 2. So the first part was a brief summary of the status quo, and then the phase 2 portion is addressed here. And there’s a summary of what’s proposed but no mention of cost control.

Mr Hutchinson: No. I think they’ve just focused — that paragraph’s just focused on the things that probably garnered most interest.

Mr Lunny: Yes. That’s the summary of essentially what phase 2 is about there.

Mr Hutchinson: Yes.

Mr Lunny: There’s then a summary in the next paragraph of the public consultation that closed on the 14th of October. So, if we could scroll down slowly, we’ll see there’s a very brief summary, obviously, of that. And then, at paragraph 13, it’s stated that:

“Given that the domestic RHI does not require State Aid approval, it is likely that it can be launched earlier than the non domestic aspects of phase 2 - probably Spring 2014.”
Mr Hutchinson: Uh-huh.

Mr Lunny: So, that’s maybe a movement ahead of what we saw in an earlier document, where there was a reference to the —

Mr Hutchinson: Yes.

Mr Lunny: — non-domestic element requiring state aid approval but no express reference to whether the domestic element did or didn’t require that approval.

Mr Hutchinson: Yes.

Mr Lunny: It’s now being stated that the domestic element doesn’t require state aid approval.

Mr Hutchinson: Yes.

Mr Lunny: I suppose there are a number of points arise from those three paragraphs, where phase 2 is being summarised. It doesn’t mention the cost controls.

Mr Hutchinson: Yes.

Mr Lunny: And does that suggest that they are lower priority than the other aspects?

Mr Hutchinson: I don’t think so. I think it probably just reflects that they’re non-controversial and, maybe, more technical, whereas the interest always were in the technologies and the tariffs.

Mr Lunny: And I suppose the second question is it’s clear that, at this point, there seems to be some priority being given to the domestic over the non-domestic element of phase 2 and that that’s because one is perceived not to require state aid approval.

Mr Hutchinson: Well, that was the perception about state aid. I don’t think that fed into any kind of prioritisation over domestic versus non-domestic; I think the non-domestic issues were just slightly more complex at that stage — the new tariffs, you know, whether or not they needed to be deployed at that stage, what was the impact of deployment at that stage. I think there were issues around what DECC were doing. I think they had run a similar kind of
consultation process and hadn’t made decisions on the number of technologies at that stage, and we were keen to hear what they wanted to do on certain things like heat pumps or biomass direct air before us moving ahead. There was that issue with air quality, which needed a bit more of a thinking about with DOE and DARD. So, there were some elements in the non-domestic which either were more complex or required DECC direction or required engagement with other Departments, whereas the domestic RHI really was within our own kind of scope in terms of how are we to design it, how it’s delivered, and there was a bit more pressure to catch up where GB were. I think they had moved ahead on domestic RHI but maybe hadn’t moved ahead on those new technologies, barring biomass and maybe CHP.

Mr Lunny: But, to be clear, GB didn’t have a domestic RHI in place in 2013.

Mr Hutchinson: No, I think it came in early 2014.

Mr Lunny: It came in in 2014.

Mr Hutchinson: Yes.

Mr Lunny: But the complexities, if we can call them that, that you refer to in relation to the non-domestic scheme — the ones that required interaction with DECC and possibly waiting to see some of the outcomes of DECC’s consultations — none of those issues applied to the cost-control part.

Mr Hutchinson: No.

Mr Lunny: It was uncontroversial — “straightforward”, to use your description — and it may have required a little bit of liaison with Ofgem in just the same way as the domestic scheme would’ve, but it wasn’t perceived to have those difficulties or complexities associated with it.

Mr Hutchinson: No, I think, it would’ve been, yes, the cost-control element, and then there were maybe eight or nine other legislative changes within the non-domestic which I
don’t think had received much attention in the consultation. So, yes, that’s — when I talk
about sort of the more complex, it’s the non-domestic tariffs. Yes, that’s correct.

**Mr Lunny:** And the cost-control element: you didn’t have any understanding that it would
require state aid approval.

**Mr Hutchinson:** No. I don’t know if it would’ve done. My guess is that it wouldn’t have
required state aid.

**Mr Lunny:** And so the various issues that might have been holding up or delaying the —
what we can call the extensions of the non-domestic scheme: they did not apply to the cost-
control element, as far as you were aware at that point in time.

**Mr Hutchinson:** That’s correct, yes.

**Mr Lunny:** And the state aid point in relation to, then, the domestic scheme: you become
aware after this point that what has been said about that is incorrect.

**Mr Hutchinson:** Yes.

**Mr Lunny:** I want to take you to one of the documents that relates to that. It’s at DFE-
54445.

**Dame Una O’Brien:** Mr Lunny, are we coming back to why the cost control didn’t
happen?

**Mr Lunny:** What we’re going to do, I hope, is we are just going to run through a couple
more of these documents that finish the chain, and then I’m going to ask Mr Hutchinson a
number of questions about whether he knows precisely why it seems to have.

**Dame Una O’Brien:** Good.

**Mr Lunny:** But what I think we’re seeing in these documents is, Mr Hutchinson — do you
agree or disagree? — is cost control features in the public consultation very clearly in
comprehensible terms. It proves to be uncontroversial, but it then doesn’t really feature in
other documents like the submission to the Minister and some other documents that follow.
Mr Hutchinson: Yes.

Mr Lunny: But, on this particular issue of the domestic part of phase 2 and state aid, this is an email to you on the 31st of January 2014 from somebody in DECC. It’s to you and Joanne McCutcheon and, again, your counterparts in Scotland and Wales. So, it’s presumably a fairly typical email.

Mr Hutchinson: Yes, I think this is an update to devolved Administrations, yes.

Mr Lunny: It’s your weekly update. If we look down at the next page, we’ll hopefully see the update document itself, so its format seems to have changed from the one we looked at at the end of May 2013. We can see in relation to the domestic RHI the very first point, the very top of that page is:

“Approvals Process: European State Aid approval has been granted, and the scheme regulations are now subject to the Parliamentary approval process. Third party owners of renewable heating systems have not been included in the European Commission’s decision, so will not be eligible when the scheme opens. We are currently looking at options as to how best to achieve the inclusion of this group in the scheme. We should be in a position to provide an update on this next week.”

So they’re making it clear there that their domestic scheme did in fact require European state aid approval and that the result of that decision or the decision doesn’t include certain elements of what they were intending perhaps to include in their domestic scheme. So, at that point, at the end of January 2014, you and Joanne McCutcheon would have been aware that what had been stated in relation to the domestic scheme previously was incorrect.

Mr Hutchinson: Yes. It may not have been at the forefront of my mind that we’ve given that line to the Committee, you know, three months prior, one line. It might not have jumped out us. Did we tell the Committee that? I can’t rem—. It might’ve, but it’s raised the question with us then that I think I go back to DECC then on.

Mr Lunny: You do. You go back to DECC a few weeks later on, I think, the 18th of February,
and that’s at DFE-54573. I think, if we could look at the bottom half of the page first, we’ll see your email of the 18th of February to Mr Andresen in DECC. You say:

“Jacob,

I noticed from a weekly update from the central comms team in DECC that the proposals for the domestic RHI in GB were notified to the EU Commission to seek State Aid approval. Can I ask what the reason was for notifying the scheme to the Commission ... despite it being primarily a scheme for the domestic market and therefore not classed as a ‘state aid’?”

So you’re clear that you have registered what was in that 31st of January document, and you’re now asking DECC for a bit more information. If we scroll up the page, we’ll see Mr Andresen’s response. He says:

“In terms of State Aid approval, the domestic RHI was notified to the Commission on the basis that support for landlords is likely to constitute State Aid as we consider they fall within the definition of an undertaking.”

Which you would have known, I think by that point: an undertaking is one of the key features of, I think, articles 107 and 108 of the —

**Mr Hutchinson:** I’ll take your word for it.

**Mr Lunny:** — TFEU. We’ve heard evidence. We’ve had the benefit of hearing from Mr Moore in relation to that, but it’s very clear to you, then, the end of January/start of February after these emails on the 18th and 19th of February that the domestic scheme probably does require some form of state aid approval. The —.

**Dr MacLean:** Sorry, just on that, your intention was, therefore, that the domestic scheme would be available to landlords or equivalent undertakings.

**Mr Hutchinson:** Yes, I think we said that in the consultation. I think we said it would be open to landlords, social landlords and maybe ESCOs as well — third-party owners. Yes.

**Mr Lunny:** A feature of the consultation as well — but we won’t go back and look at it —
Day 37 | Wednesday 21 February 2018

was an issue as well, a very mundane issue when it came to deeming and metering about holiday homes, for example. That had arisen, and you can see how, if somebody is renting out their holiday home, two holiday homes, that that might be —

Mr Hutchinson: Yes, the issue was —

Mr Lunny: — within the domestic scheme, but —.

Mr Hutchinson: — how would you determine if — yes, if it was a secondary residence and you deemed it for 365 days, you know, that wouldn’t be correct. So, yes, that was an issue for us, yes.

Mr Lunny: You would’ve started to see, once this interaction had taken place, how something that wouldn’t superficially have seemed to trigger the state aid process, how it might, in fact. The true position in relation to the domestic scheme does seem to be referred to in the draft business case for the domestic scheme. If we could bring that up, bring Mr Mills’s statement about it up very briefly, it’s at WIT-14529. So, Mr Mills exhibits a draft business case that was provided to him in respect of the domestic RHI.

3:15 pm

And if we could scroll back up just a little, we’ll see there, at paragraph 47, he says:

“As far as I can recall the first substantial briefing session with Joanne and Peter on RHI took place in March 2014 to discuss the business case for the introduction of the domestic RHI scheme."

So pausing there, by March 2014, the domestic scheme was well ahead of either aspect of the non-domestic. There was a business case being prepared to go to casework to get approval to introduce that scheme.

Mr Hutchinson: Yes, certainly work had progressed on it quicker. Just, I was saying earlier on, it was felt it was within our control more; the non-domestic tariffs weren’t not taking the point of cost controls, which were separate again.

Mr Lunny: Yes, and he says:
“There is a version of the business case which says it was sent to me on 13 March 2014 ... and this was the main subject of the briefing (presumably for me to clear the business case) along with a draft response to the 2013 consultation on Phase 2”.

And he then, if we could just scroll down — .

Dr MacLean: Sorry, just on that, it’s saying at the bottom of the page that we can see there, so it’s:

“boiled down to prioritising implementation of the domestic RHI scheme.”

In overall terms, was there any discussion or consideration given to the CEPA report, which had showed that actually, in terms of renewable heat achievement, far more could be achieved by the proposals for the non-domestic scheme than for the domestic scheme. And, again, assuming that there was some heed paid to the low uptake and the need to get that back on track, I would’ve thought it would’ve been a natural thing to discuss moving forward with the element that was gonna make biggest difference.

Mr Hutchinson: Yes, no I think that’s fair. We always — . The non-domestic was the driver to deliver the target, absolutely. However, I think just the volume of stakeholder response and the pressure to have the domestic scheme launch came from that. You know, it was seen as the — . Yes, you’re right; it was never gonna deliver the target. It was probably also — domestic heat’s probably less cost-effective than non-domestic heat in normal circumstances. However, I think just the progress [Inaudible] we had the non-domestic up and running, so did DECC. DECC had progressed the domestic scheme, and, therefore, that’s where the pressure was, if you like, from stakeholders. That was the absence that we didn’t have. But, no, that is a fair point that, yes, the domestic scheme, whilst a lot of effort was put into it — and, you know, it was seen as important in terms of volumes and building the market and things like that — it would’ve been secondary to the delivery of the target.

Dr MacLean: And you had the RHPP running anyway.
Mr Hutchinson: Yes, the RHPP was running. However, it had started with a sort of a commitment that it would be a first step to the domestic RHI, so those who had installed underneath that did have a legitimate expectation that an ongoing payment would be coming to them once the domestic RHI was developed, yes.

Dr MacLean: So, out of that, would it be correct to summarise that there was a conscious decision made to prioritise the domestic scheme, knowing that it wouldn’t’ve delivered as much as the non-domestic scheme and that was, in the main, due to pressure from stakeholders to replace the operating RHPP with the domestic RHI?

Mr Hutchinson: I don’t think it would’ve been discussed in tho—. You know, I don’t think we would’ve made that, “Well that’s not gonna deliver the target; this is more important”. I think it’d be more, “Well this is what we can control; this is what we can design ourselves. The non-domestic, there’s issues that we don’t really have a handle of yet in terms of district heating and deep geothermal. The reasonable deployment of those technologies aren’t high and, yes, we are moving behind DECC on that issue and there’s an expectation amongst this group of stakeholders that we had made a commitment to bring it forward and that’s why it’s been — well, that’s why work’s progressed quicker on it, yes”.

Dr MacLean: But it does look like it was an explicit decision to prioritise and —.

Mr Lunny: I think that’s what it says here in Mr Mills’s statement. That:

“This explains that the 2013 consultation on Phase 2 has boiled down to prioritising implementation of the domestic RHI scheme.”

That was the position by March of 2014.

Mr Hutchinson: It might’ve been a priority, but it wasn’t at “Forget about everything else”, I would say.

Mr Lunny: I don’t think that’s what I suggested to you. Prioritising means putting it ahead of the others, giving it priority.
Mr Hutchinson: Yes, it was definitely seen as more deliverable than the non-domestic tariffs at that stage, yes.

Mr Lunny: If we just scroll down maybe, just to see the rest of the page. There’s a —. He summarises, or he sets out, part of the background. If we could just scroll on down. He says: “The document is dated 13 February 2014. It is not clear to me when exactly it was decided to take this approach. However, I did not disagree with it. The cost control aspects were represented as technical measures rather than raising any contentious policy issues of substance.”

So he is suggesting that the decision had been made effectively before he either was there or before he got involved and that he didn’t disagree with it. Is that your recollection?

Mr Hutchinson: I think, you know, Fiona leaves, and there’s a gap until John takes post, and what we’ve progressed in that time is the domestic, because, as I said, that’s ultimately within our control and what, I suppose, I could work on at that stage. In terms of policy development, the non-domestic had too many questions. The non-domestic tariffs — apologies — had too many questions. And, therefore, when John takes post, and we get a chance to discuss with him, that has moved quicker ahead. Yes, in those terms there’s an element of priority, in that it’s moved ahead quicker, but —.

Mr Lunny: He does —.

Mr Hutchinson: It wasn’t seen as more —. I’m not sure I’d say it was more important or anything like that. It was just that’s what we had control over, and it was —.

Mr Lunny: It could be achieved.

Mr Hutchinson: Yes. That seemed to be, “Could it be achieved?”, and it seemed to be what stakeholders, in terms of the non-domestic and domestic tariffs, was more important. We’re in a scheme there in February. Yes, uptake’s increasing, but, you know, did it really feel like we needed to start throwing in more technologies?

Mr Lunny: He does, in fairness, then go at 49 on to say:
“Looking at changing timescales in documents from around this time shows that there was underestimation of the time it would take to introduce the domestic scheme and, therefore, overly optimistic assessment of when the other aspects of Phase 2 would be implemented.”

So, it’s maybe —

Mr Hutchinson: That’s a continuing development.

Mr Lunny: — touching on the point that you’ve made that it was maybe thought that, by prioritising that one, you weren’t forgetting about the others or putting them off into the far-off future.

Mr Hutchinson: Yes.

Mr Lunny: Is that your recollection?

Mr Hutchinson: Yes. I think, you know, that could be done in this timescale. The others couldn’t. Well, the non-domestic tariffs couldn’t, yes.

Dr MacLean: Was this still on the assumption that it didn’t need state aid clearance or was this —?

Mr Lunny: If I could take you to the draft business case, it’s at WIT-14765. So, this is the document he’s talking about, and I’ll take you to a paragraph that, I think, makes it clear to him that state aid approval —. So, that’s the first page of the document that he has exhibited — the draft business case — and the relevant page is 14809, and paragraph 11.10.

So, he says there:

“The scheme does not require”.

The document, sorry, that was in front of him, says:

“The scheme does not require full State Aid approval as it is primarily focussed on the incentivisation of domestic householders. However State Aid consideration may be required on the issue of provision of support to landlords (private and social) and ESCo’s.”

So, he was being appraised [sic] of the results of your interaction with DECC on that issue, it
Mr Hutchinson: Yes, and there might have been a discussion at that stage to say —. I know Stephen was involved in that to say, “Well, let’s leave out ESCOs and private, and can it proceed on that basis?” I don’t know, but, yes, that’s —.

Mr Lunny: I’m almost finished this topic, so I wonder maybe if we’re going to have a short break, have it just when we finish?

The Chairman: Oh, yes.

Mr Lunny: I wonder if we could finish the topic of cost controls.

The Chairman: Yes.

Mr Lunny: I’ll only be a couple of minutes, and then —.

Dame Una O’Brien: I’ve just got a loose end, though, I want to tie up, which is that the piece that Mr Mills quotes in relation to the cost control and the non-domestic aspects of the consultation, he actually, the last sentence, he shows — he’s quoting, from the draft submission presumably, saying that there will be a full response to that part of the consultation. Now, I think, when you did your opening, Mr Lunny, we asked was such a response ever published. And what I’m interested in now is what —.

Mr Lunny: I think that might’ve been Mr Aiken’s opening.

Dame Una O’Brien: Oh, sorry. Mr Aiken, yes. Sorry, I beg your pardon. Yes, just that that promise that was made, obviously, did it make its way into the handover note, and what then happened to that? Because, clearly, there was a consultation on some significant things to do with the non-domestic scheme. I just don’t want to lose that —.

Mr Lunny: No, and we haven’t seen a consultation response in relation to the extension and cost controls. There is, clearly, a consultation response prepared by DETI in relation to the domestic scheme —

Dame Una O’Brien: Yes.
**Mr Lunny:** — but not in relation to the others.

**Dame Una O’Brien:** So, although it was in that submission in these closing months that you were there that it was one of the things that would follow —.

**Mr Hutchinson:** Yes. Certainly, that meeting we would have had in — with John in March would have been the introductory meeting with him, almost, you know, about RHI issues. It was focused on the domestic RHI scheme, but I think we would’ve had general discussions on the other aspects and been updating him on the phase 2 and saying, “Right, this is what we’re doing now, and that’s — this is what comes next” And that would’ve been a response to the consultation.

**The Chairman:** Well, we have had a —. We did have a response on cost control. In the consultation, there was a response on it. It was not controversial.

**Mr Lunny:** Oh, absolutely, but in —. That’s absolutely right, and we’ve just looked at that. But there is a formal, published DETI response document for phase 2 that addresses only the domestic scheme. There isn’t an equivalent —.

**The Chairman:** Absolutely —

**Mr Lunny:** Yes; sorry.

**The Chairman:** — but there was a response on cost control —

**Mr Lunny:** Oh, absolutely —.

**The Chairman:** — which was non-controversial.

**Mr Lunny:** But not a, not a DETI-published government response to a consultation process.

**The Chairman:** Where did the basis come from the bald statement to the Minister that domestic — the domestic scheme doesn’t need state aid?

**Mr Hutchinson:** I don’t know if that’s been our understanding at the time, or we’ve spoken with Stephen and explained it badly. You know, that might be — I don’t know. I’m
sure Stephen would have given us the correct advice.

The Chairman: I would’ve thought so, and I would’ve thought, if he had not given you the correct advice, there would have been documentation of that.

Mr Hutchinson: Yes, no —.

The Chairman: But you don’t make a statement like that, which is a statement of how European law applies to a project, off the top of your head, or do you?

Mr Hutchinson: No, I don’t think I would’ve done anyway, but —.

The Chairman: No, I’m not saying you did.

Mr Hutchinson: No, no. [Inaudible.]

The Chairman: But that submission to the — that submission to the Minister was an unqualified statement of what European law applied.

Mr Hutchinson: Yes. It’s either been based on a conversation with DECC and them saying, “We’re not doing it at that stage,” but that doesn’t appear to have happened, that’s incorrect; or a conversation with Stephen and us saying, “Look, it’s for domestics,” and him saying, “Well, that should be fine,” but we haven’t given him the full details of ESCOs or been aware of ESCOs and things like that and the impact that that would have.

The Chairman: Yes, but there is nothing that I have seen, or, I suspect, anybody else, that indicates Stephen Moore was consulted.

Mr Hutchinson: No, not that I’ve seen —. Yes.

The Chairman: All we have is that bald, incorrect legal statement.

Mr Hutchinson: Yes.

The Chairman: Sorry, Mr Lunny.

Mr Lunny: Not at all. The two documents I just want to finish before asking you just a couple of questions in relation to cost control — one is a submission to the Minister, then, in June 2014, and that document is at DFE-144531. DFE-144531. So this is the submission to
the Minister in relation to introducing the domestic scheme. It includes a draft government response to phase 2 but only dealing with the domestic scheme, as we’ve discussed, and a draft SL1 to the ETI Committee. And if we scroll down within that document, we can see — sorry, before we do, it’s from John Mills.

So if we scroll on down in that document to paragraph 4, we’ll see that it’s stated, by way of background, that:

“DECC launched its domestic RHI scheme in April 2014 and expectations that NI will follow suit soon after have mounted. We have decoupled the domestic RHI from other Phase 2 changes in an attempt to speed up its implementation.”

So there are a couple of points that arise in relation to that. It’s clear recognition that it has been separated from the other elements of phase 2 and a clear recognition that it’s being dealt with more quickly.

Mr Hutchinson: Uh-huh.

Mr Lunny: Is that fair?

Mr Hutchinson: Yes. Now, I wasn’t here — I wasn’t there at that stage.

Mr Lunny: No. No, no. It’s just this is — this is —.

Mr Hutchinson: I like to get out of things when I can, you know. [Laughter.]

Mr Lunny: But it’s —.

Dr MacLean: It’s your first chance.

Mr Hutchinson: Yes.

Mr Lunny: It’s setting maybe —.

Mr Hutchinson: [Inaudible.]

Mr Lunny: It’s referring, presumably, to the process that has taken place, or the process that has been running up until that point, which I appreciate, for the month before this, didn’t involve you.
Mr Hutchinson: Yes.

Mr Lunny: But it’s very much indicating that that priority has been given to the domestic scheme.

3:30 pm

The other document, then, I just want to take you to is another document that post-dates your involvement but attempts to cast some light on why the domestic scheme was prioritised and cost controls weren’t. It’s at WIT-2435, and this is a document long after you had moved on. It’s the 21st of October 2015 casework committee about the amendments that were introduced in November 2015, and it’s relevant for one reason: that’s because Mr Mills was at it, and, obviously, he was involved in the process in early 2014 where the domestic scheme was given priority. And, if we scroll down to the next page, 2436, in paragraph 9, we’ll see a question asked by “MS”, who was Michelle Scott:

“MS enquired about the trigger points that were not implemented in 2013 and should they not have been included.”

Pausing there, the “trigger points” is a reference obviously to the cost control:

“JM” —

who’s John Mills —

“said that it was a Ministerial decision to look at the domestic scheme rather than pushing through the trigger points on non-domestic which would have significantly delayed the implementation of the domestic scheme.”

Now, that’s the last document I want to take you to, but the first of a small number of questions I want to ask you is: do you know who made the decision to prioritise the domestic and park or deprioritise the other elements? Was it the DETI officials, or was it the Minister?

Mr Hutchinson: Certainly it wasn’t the Minister, you know. You’d see that in a
submission. I think, if the Minister was to make a decision like that, you’d be setting that out fairly specifically. In my time, I wouldn’t have described them as decoupled in any way. I think, as I’ve tried to explain, yes, there was maybe an element of priority put to the domestic scheme because it seemed to be more deliverable in that timescale, but that did not mean that the non-domestic work would stop indefinitely, and I think probably — and certainly the cost-control work wouldn’t stop indefinitely. The cost-control work was really there to be implemented as and when a legislative route was maybe there or whenever resources were freed up to allow it to be delivered.

Mr Lunny: Well, given that, on the consultation document, the very clear triggered suspension system involves triggering a suspension of the domestic scheme first and then the non-domestic scheme, how could you take forward introducing a domestic scheme without also taking forward the cost controls at the same time?

Mr Hutchinson: Yes, I think that —.

Mr Lunny: Surely those two should’ve been taken forward in tandem.

Mr Hutchinson: Yes, I think that’s a fair point — or, at least, yes, fairly closely linked together. Yes, you couldn’t have the cost controls in before the domestic scheme because it would be a nonsense to have a cost control which closed the domestic. But, yes, certainly, you’d have had the domestic scheme in and the cost controls following very shortly after, if that was the model that they adopted.

Mr Lunny: Or being introduced at the same time.

Mr Hutchinson: Yes, exactly.

Mr Lunny: I mean, we looked at the start how cost controls were very important. That had been recognised for a long time. The expansion of the scheme to include the domestic element, we knew the RHPP take-up was very high, so that was going to increase the demand on the budget. And, in Great Britain, they had actually introduced cost controls
before any domestic scheme. They’d introduced both types of cost control: suspension
followed by degression. But, whilst it wouldn’t have made sense, as you correctly point out,
to introduce cost controls that talk about suspending a domestic scheme before that
domestic scheme existed, they could’ve been introduced at the same time as the domestic
scheme.

Mr Hutchinson: They could’ve, yes.

Mr Lunny: Yes, and we know, for example, that regulation 23 in the non-domestic
regulations was amended by a provision near the very end of the domestic regulations, so
that could’ve been done.

Whilst you talk about a demand and pressure mounting for a domestic RHI and some of
the documents make reference to it, it’s correct that anybody who wanted a domestic
installation could apply for the RHPP, and the domestic scheme that was being set up
involved transitioning those people whenever it was set up onto the RHI and giving them
their payments that they were entitled to back to when they were commissioned.

Mr Hutchinson: Yes, that’s correct, yes.

Mr Lunny: Isn’t that correct?

Mr Hutchinson: Yes.

Mr Lunny: So, those people would always have known, “We’re ultimately going to get our
RHI, and we can apply for the RHPP in the meantime”.

Mr Hutchinson: Yes.

Mr Lunny: And was that ever properly taken into account in looking at whether
introducing a domestic RHI really was urgent?

Mr Hutchinson: [Short pause.] Um, no, I don’t think so, not in those terms that you’ve
described. No, I don’t recall, yes, that kind of discussion about, “Ach, does it actually make
any difference? They’re just as well off, if we have it in May 2014 or in May 2015”. No, I think
it was probably more to do with there had been a commitment to get it launched, DECC had
moved ahead and we wanted to try and catch up on that element of it. I think it — but, yes,
it wasn’t considered in the terms that you’ve described.

Mr Lunny: And with all of the points that we’ve discussed and don’t need to go back over,
but with the lack of controversy, as the Chairman’s pointed out in relation to cost controls,
the lack of any need to engage with DECC, the lack of any need for state aid approval, as far
as everybody was aware, for the cost control, they could relatively easily have been
introduced during 2013 or — sorry — at the end of 2013 or maybe start of 2014.

Mr Hutchinson: Yes, I think that’s a fair point.

The Chairman: To both schemes.

Mr Hutchinson: Yes.

Mr Lunny: When the domestic scheme was being introduced —.

The Chairman: Yes, but they could’ve been introduced to both schemes —

Mr Lunny: Oh, absolutely.

The Chairman: — without any difficulty.

Mr Lunny: That’s the point we’ve —.

The Chairman: Is there any evidence of a submission being put to the Minister giving a
clear indication of a need for a decision to be taken between holding back the domestic
scheme and going for cost control, as suggested by Mr Hutchinson, for that scheme; in other
words, that somebody said to her, “Look, you need to decide now. You can only put the
domestic scheme in without the cost control because it’ll take too long”?

Mr Lunny: Not that I’ve seen. The, the —.

The Chairman: The reason I ask you that is because at paragraph 9, where it says it was a
ministerial decision, it seems to me that no ministerial decision could’ve been taken unless
there was a clear set of advices to her so that the decision would be informed. And there
Mr Lunny: What we’ve seen in those various documents that we’ve looked at is that cost controls have really dropped to one side.

The Chairman: Oh, I know, I know.

Mr Lunny: As Mr Moore — as Mr Hutchinson says — Mr Mills talks about “decoupling”: no doubt, he’s a fan of Gwyneth Paltrow. [Laughter.] Where is the decision that Mr Mills refers to here?

Mr Lunny: Well, that’s ultimately the question.

Dame Una O’Brien: I think this is — the key document that would’ve, could have triggered that process would have been a formal response to the consultation on the non-domestic elements, because a formal response would’ve required a sign-off by the Minister, is that correct?

Mr Hutchinson: Yes, that’s correct, yes.

Dame Una O’Brien: So that would have brought those elements of the consultation in front of the Minister, and what we have established is that that never happened. And, therefore, those elements that were consulted on, as I’ve understood it, in the 2013 consultation that related to the non-domestic scheme, the responses that were collated and Mr Hutchinson’s view of those responses were never all brought together in a public document where the Minister was asked to consider it and sign it off.

Mr Lunny: No, that never —.

Dame Una O’Brien: Is that a fair summary?

Mr Lunny: Yes, that didn’t happen.

The Chairman: That may have been necessary for a formal decision, but this is a statement that there was a decision by the Minister, irrespective of whether there was a formal response to the consultation, and I certainly haven’t seen a shred of evidence to
Mr Lunny: The question I was just about to ask Mr Hutchinson was: Mr Hutchinson, are you aware of any document that was created during your time, like a ministerial submission — or a ministerial submission, in fact — that sets out, in relation to cost controls, precisely why cost controls, as distinct from the other non-domestic elements which have their various strands and the need to interact with DECC and state aid approval, have you seen anything that deals with cost controls specifically and why it should be put off, whilst the domestic scheme is being introduced?

Mr Hutchinson: No, no.

Mr Lunny: And it’s correct they could, as we’ve discussed, have been introduced along with the domestic scheme.

Mr Hutchinson: Yes, yes.

Dame Una O’Brien: So we’ll have to ask Mr Mills —

Mr Lunny: We’ll have to ask Mr Mills —

Dame Una O’Brien: — the Chairman’s question.

Mr Lunny: — and Mr Thomson and some of the other officials and the Minister, obviously, because we’ve heard other people give evidence about conversations in relation to other important decisions —

Dame Una O’Brien: That aren’t minuted.

Mr Lunny: — that aren’t minuted, that aren’t the subject of submissions, when maybe you might reasonably expect them to have been. So —.

The Chairman: Now, we will maybe think about taking a break here. Is there, reasonably — not light in the tunnel — but can we finish today if —?

Mr Lunny: Yes, I’m hopeful. I have two topics left to deal with with Mr Hutchinson. The first is the issue of the 2014 review not taking place during his tenure.
5. ER asked if DECC views had been sought on the proposed changes. JM said they hadn’t but they had been dealing with OFGEM and they had numerous discussions with them on the practicalities. ER asked if there had been any concerns raised. JM confirmed there had been issues but they had been worked through.

6. ER noted that much of the take-up in technology related to biomass and questioned whether England has similar issues. JM said that the vast majority in GB is biomass with 90% in the non-domestic market with the domestic market being more balanced. He confirmed they did have similar issues.

7. EM asked were Energy Division relying on the 2013 consultation. JM confirmed that the current legislative proposals are being considered as the out workings of the 2013 consultation and that no additional public consultation would be carried out. He explained that energy Officials have ensured that key representatives from the industry were informed of the published final proposals.

8. TC asked if Energy Division had held discussions with the industry. SW confirmed they held discussions with suppliers and installers. He said they had spoken to some clients after the notice had been issued.

9. MS enquired about the trigger points that were not implemented in 2013 and should they not have been included. JM said that it was a Ministerial decision to look at the domestic scheme rather than pushing through the trigger points on non-domestic which would have significantly delayed the implementation of the domestic scheme.

10. SW confirmed that there had not been enough resources to do both and that it had taken to December 2014 to introduce the domestic scheme.

11. ER asked if any other industry, than poultry, in England used biomass. SW said that it wasn’t just the poultry industry there but other agriculture industries, and hotels.

12. MS asked what triggered the cost control measures that were implemented in England in 2012. SW was unsure and confirmed they would check to identify the trigger. He assured the panel the NI scheme had received limited application numbers in 2012/13.

**Action Point:** Energy to identify the trigger of the cost controls in England in 2012.

13. NMcN asked about the tariff digression and if the band widths were to be widened how had this been taken into account. SM said this would reduce any quirks in the incentive to install sub optional sized equipment. NMcN asked how this change would be fed into the
ENERGY DIVISION

CORPORATE PLAN TARGETS 2011 – 2015

&

OPERATING PLAN TARGETS 2013 – 14

(INCLUDING UPDATE POSITION AS AT 30 SEPTEMBER 2013)

2013/14 BUDGET POSITION AS AT 18 NOVEMBER 2013
### A6: TO PROMOTE THE DEVELOPMENT OF ECONOMIC INFRASTRUCTURE

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<td><strong>Corporate Plan Target 2011-15</strong></td>
<td><strong>Operating Plan Target 2013/14</strong></td>
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<td><strong>Indicative RAG status to end 2014/15</strong></td>
<td><strong>Economic Strategy Reference</strong></td>
<td><strong>Commentary</strong></td>
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<td></td>
<td>38. Ensure delivery of the 2011-15 SEF actions aimed at building competitive energy markets.</td>
<td>By 30 April 2013, make and lay necessary Regulations to ensure full NI compliance with IME 3 Directive.</td>
<td></td>
<td></td>
<td></td>
<td>E8, E23</td>
<td>Work has continued across the 9 SEF actions aimed at building competitive energy markets. A further update on progress to end September 2013 is currently being compiled and will be forwarded to the Minister and ETI Committee.</td>
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<td></td>
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<td>During 2013/14, contribute to development of the European Target Model for the Single Electricity Market.</td>
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<td>All outstanding measures, including legislation, to complete transposition of the Electricity and Gas Directives were completed and notified to the European Commission by 30 April. On 20 September, officials received formal confirmation via DECC that the infraction cases have been closed.</td>
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<td></td>
<td></td>
<td>By 30 September 2013, subject to OLC completing drafting and DETI obtaining Executive approval, introduce new Energy Bill to the NI Assembly.</td>
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<td>Regular engagement with DCENR and the two Regulatory Authorities (RAs) at both working group and steering group levels. Also wider liaison with DECC and Ofgem on market and technical codes development. Emerging EU policy on aspects of new market design and implications for SEM working proposals under active discussion with RAs. RAs have now appointed consultants to develop detailed design proposals and project team resource in place. The overall delivery of this project by 2016 remains challenging.</td>
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**DT1/13/0117840**
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<td><strong>Corporate Plan Target 2011-15</strong></td>
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<td>DETI officials have attended all electricity and gas tariff reviews led by the Utility Regulator during the period to 30 September.</td>
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<td>The Regulations were made on 2nd August and came into operation on 31 August 2013.</td>
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<td>During 2013/14, ensure full DETI participation in any electricity and/or gas tariff review(s).</td>
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<td>By 30 June 2013, make and lay necessary regulations to ensure REMIT compliance.</td>
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<tr>
<td><strong>39. Ensure delivery of the 2011-15 SEF actions aimed at ensuring security of the NI energy supply.</strong></td>
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<td></td>
<td>Work has continued across the 6 SEF actions aimed at ensuring security of energy supply. A further update on progress to end September 2013 is currently being compiled and will be forwarded to the Minister and ETI Committees.</td>
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<tr>
<td>By 31 March 2014, working with the UK/Ireland Gas Emergency Planning Group, provide an agreed regional Preventative Action Plan and Emergency Plan.</td>
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<td></td>
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<td></td>
<td>Further UK/Ireland meeting is scheduled for November 2013 to finalise work necessary to meet the 2014 obligations.</td>
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<tr>
<td>By 31 October 2013, secure Minister's agreement as to preferred option to address potential electricity supply deficit.</td>
<td>G</td>
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<td>Joint Utility Regulator/DETI paper on security of electricity supply issued on 12th June 2013. Further discussions held with the Utility Regulator in September 2013 and energy industry engagement planned in advance of agreement on a way forward in October 2013.</td>
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<td>Indicative RAG status to end 2014/15</td>
<td>Economic Strategy Reference</td>
<td>Commentary</td>
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<tr>
<td>During 2013/14, provide a co-ordinating role in respect of the consenting regime and facilitate progress towards provision of a gas storage facility in East Antrim.</td>
<td>G</td>
<td>DETI continues to engage with the gas storage developer, the Utility Regulator, DOE and the Crown Estate in respect of progressing towards development of the Lame Lough project. DETI is also preparing primary legislation for updating of the Northern Ireland consenting regime for future gas storage projects.</td>
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<tr>
<td>40. Ensure delivery of the 2011-15 SEF actions aimed at enhancing sustainability and development of NI’s energy infrastructure (incorporating extension of NI’s natural gas network, including the West of the Province).</td>
<td>E23</td>
<td>Work has continued cross the 27 SEF actions aimed at enhancing sustainability and development of energy infrastructure. A further update on progress to end September 2013 is currently being compiled and will be forwarded to the Minister and ETI Committee.</td>
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<td>During 2013/14, work with relevant Departments, Agencies and the Utility Regulator to ensure transposition of the EED by 30 June 2014.</td>
<td>AVG</td>
<td>Around 14 projects are being undertaken by DETI (others rest with DFP) to implement Directive within NI: some aspects are likely to be completed on time (e.g. Article 4) and others (e.g. Articles 9-11 and 15) are not. Current timetables show transposition by late summer 2014 i.e. past transposition date of 5 June 2014. Where DETI is working with DECC to transpose the picture is also mixed, with some elements likely to be completed on time (e.g. Article 8 energy audits) and others (e.g. heat metering) also looking to miss the transposition date. A key risk is lack of co-operation from other NI Departments and timetabling Executive agreement to aspects of the work. Work is ongoing to get co-operation from across these key departments. It is likely that work will have to be reprioritised to release staff resources and ensure the EED is transposed on time.</td>
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<td>During 2013/14, ensure effective operation of ESAF and voluntary agreements on energy efficiency.</td>
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<td>During 2013/14, work with relevant parties to enable: (i) State-aid approval of NI Executive subvention; and (ii) Award of necessary new gas licence.</td>
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<td>By 31 March 2014, work with DECC/Utility Regulator to complete a Smart-Metering Privacy Impact Assessment.</td>
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<td>By 30 April 2013 commence Interreg funded ISLES 2 project.</td>
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<td><strong>Economic Strategy Reference</strong></td>
<td><strong>Commentary</strong></td>
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<tr>
<td>During 2013/14, ensure full DETI support for second N/S electricity interconnector.</td>
<td>41. Ensure delivery of the 2011-15 SEF actions to encourage achievement of 20% electricity consumption from renewable sources and 4% renewable heat by 2015.</td>
<td>By 31 March 2014, complete review of banding levels and analysis for a small scale Feed-in Tariff (FIT).</td>
<td></td>
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<td>DETI remains fully supportive of the case for a second N/S interconnector. NIE has revised its Environmental Statement which has been lodged with DOE Strategic Planning Division at the end of August 2013.</td>
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<td>As at September 2013, the seasonally adjusted average figure for renewable generation stands at 14.8%. The Renewable Heat Premium Payment Scheme (RHPPS) scheme launched in May 2012 and the Renewable Heat Incentive (RHI) introduced on 1 November 2012. Since the introduction of the RHPPS grant assistance for 950 domestic installations has been offered. This equates to £1.75 million committed spend from DETI and a total spend in the sector of some £5.8 million. During 2013/14 to date there have been 50 RHI applications with a total capacity of 8600kW. This is in addition to the 9050kW installed capacity on the Premium Payment Scheme.</td>
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<td>Small scale Renewable Obligation Certificate (ROC) review of banding levels currently out to tender. On target for completion by 31 March 2014. The ROC review will inform further analysis required for a small scale Feed-in Tariff.</td>
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<td><strong>Indicative RAG status to end 2014/15</strong></td>
<td><strong>Economic Strategy Reference</strong></td>
<td><strong>Commentary</strong></td>
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<tr>
<td>By 30 September 2013, publish Onshore Renewable Electricity Action Plan (OREAP) and Post Adoption Statement.</td>
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<td>Executive approval currently being sought – aiming for Executive meeting scheduled for 31 October. Publication will follow once approval received and should be before the end of 2013.</td>
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<tr>
<td>By 31 December 2013, secure Executive approval of final policy position on Offshore Energy Bill.</td>
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<td>Offshore Bill currently on hold due to regulatory issues that arose during the consultation process and which now need to be worked through.</td>
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<tr>
<td>By 31 July 2013, have completed a public consultation on Phase 2 of the Renewable Heat Incentive.</td>
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<td>Public consultation commenced in July and ends in October 2013. Work will then proceed on finalising the policy.</td>
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<td>By 31 December 2013, if all requirements including state aid approvals are in place, launch Phase 2 of the Renewable Heat Incentive.</td>
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<td>State Aid application should be submitted by 31 December 2013, but on current evidence the approval is likely to take some months. As only some elements of Phase 2 require State Aid approval, Phase 2 will launch in two stages – the domestic scheme, which does not require approval, in early Spring 2014, with the non-domestic elements launching as soon as approval is obtained.</td>
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**DT1/13/0117840**

Received by RHI Inquiry on 15.09.2017
Annotated by RHI Inquiry
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<td>Indicative RAG status to end 2014/15 (where applicable)</td>
<td>Commentary</td>
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<tr>
<td>85. To review all fuel emergency plans annually.</td>
<td>During 2013/14, review local implementation of the DECC National Fuel Plan (Oil) in light of current risks.</td>
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<td>Gas and Electricity Plans under review to meet obligations in EU Regulation 994/10. This work should be substantially completed during Quarter 3.</td>
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<tr>
<td>86. To ensure 90% AWOs are answered on time.</td>
<td>90% AQs cleared by DETI Minister within the deadlines.</td>
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<table>
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<tr>
<th>Programme</th>
<th>Current budget (post October monitoring)</th>
<th>proposed budget post Jan monitoring</th>
<th>Spend accrued to end October</th>
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<td>consultancy</td>
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<td>Programme</td>
<td>EU/ match Consultancy</td>
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<td>EU/ match Non Consultancy</td>
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<td>RHI Administration</td>
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<td>RHPP (capital grants)</td>
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<tr>
<td></td>
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<td>RHI (current grants)</td>
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<td>1,500,000</td>
<td>650,000</td>
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Hepper, is there anything else that you want to say about that before we move on to another topic?

Mr Mills: No. Thank you.

Dr MacLean: Can I maybe just ask one question, Mr Mills? From some of the evidence we’ve heard, there’s an impression created that the non-domestic RHI was just something that was running itself; it didn’t really need to be worried about. Is that an impression that was conveyed to you through any of your handover discussions, whether with Ms Hepper or Messrs Thomson or Sterling about it?

Mr Mills: I don’t recall any discussions with David Sterling or David Thomson on the RHI, and my general impression of — even the discussion with Fiona is it was — that the RHI was not a prominent issue, full stop. It was, you know, it was towards the end of the briefing pack, which, you know, arguably doesn’t mean anything, but it was issue 76 or whatever it was. The — and the — um, the — what I think it would be fairer to say that it was — the concern was that it was going slow — that the take-up was very slow and we were handing money back to Treasury. And certainly in early — very early January, February lines to take, what I remember really was the question we didn’t want to be asked was: how much money are you giving back to Treasury? And there was a lot of lines about trying to defend why —.

Dr MacLean: The reason for asking that is that it certainly does appear, but what you’re describing there isn’t actually consistent with, “Oh, you know, it’s all running itself”, because what you’re saying is actually, “There’s a problem, it could be an embarrassing problem and maybe we need to do something about it so that we’re not handing money back to the Treasury and not having to field such questions”.

Mr Mills: Yes, but the answer to that was to introduce the domestic scheme.

Dr MacLean: We’ll maybe come back to that, or a follow-up question?

Mr Scoffield QC: I’m perfectly happy for you to ask a follow-up question, Dr MacLean.
Dr MacLean: Well, I have an interest in that point, because in the previous document that we saw, you were saying that you had prioritised the domestic RHI on the basis of regular meetings that you’d been having with the Minister and members of the senior management, where you got the impression that the Minister was disappointed that the domestic RHI had been delayed. The point being that, if your justification for it was to improve take-up, what estimates did you have of how much more the domestic RHI was going to deliver than the RHPP scheme, which was already up and running and being described as a success? So I’m surprised, slightly, that there would be an impression that simply by changing from a grant scheme to an incentive scheme that that was gonna make such a difference that you would deal with the problem of low — perceived low take-up.

Mr Mills: Um, yes, I think that the — I prioritised this because the Minister was calling for it — probably needs some elaboration. The priority when I arrived in energy division was implementation of the domestic scheme and it is fair to say that I — when presented with that, I did not disagree or depart from that. My assumption at the time, I think, was that — well, that there’d already been — that that was the direction of travel that was already approved. And I’ve listened to some of the comments you’ve made and yes, if you — the more sensible approach if you wanted to up the uptake would have been to concentrate on the non-domestic aspects because it’s a far more portion — a far bigger proportion of what the domestic — of the heat pie, as it were. And secondly, well, did you really need to do the domestic scheme instead of the RHPP, which was going well?

Obviously, the arguments — I mean, my knowledge to question that, I’m afraid, just — I wasn’t up to doing that at the time. The domestic obviously had the seven-year payments as well as the upfront payment, so was thought to be — well, the argument I would have made at the time was it will keep people using renewable heat whereas, if you give a one-off grant, people may put a boiler in and then take it back out again when they found it was more
to Fiona or reading the documents beforehand, which may have included the consultation.

The Chairman: Either one or the other. Either you misunderstood the consultation or you
got the wrong information from Fiona if you thought they were three separate things.

Mr Mills: Well, I can only say that I did think there were three things to do.

The Chairman: [Inaudible.]

Mr Scoffield QC: I wonder if we could just come back for a moment or two to WIT-26007,
and I just want to clarify something that you said a few moments ago, Mr Mills, where I think
you might have said something unintentionally. Tell me if this is right or not, but you were
being asked by Dr MacLean about the end of paragraph 10 there.

Mr Mills: Yes.

Mr Scoffield QC: And that final sentence:

“This is why I made it the Branch’s priority.”

And Dr MacLean was saying that that reads, as you look at it, as if you made a conscious
decision —

Mr Mills: Yes.

Mr Scoffield QC: — to prioritise. And, I think, in response to the question, you said that
you did not make a conscious decision to prioritise the non-domestic scheme following
discussion with the Minister, but I think you should have said — or I think you meant to say
— you did not make a conscious decision to prioritise the domestic scheme following
discussion with the Minister.

Mr Mills: The latter is correct and what I certainly meant to say.

Mr Scoffield QC: OK.

Mr Mills: The domestic scheme was already prioritised by the time I came in.

Mr Scoffield QC: I want to come on to talk about that as a separate topic, but, I mean, I
think the summary of what I understand you to be saying now is that that prioritisation — let
us do the domestic scheme ahead of some of the other things in the consultation — was a
direction of travel which was set. You became aware of it; you didn’t disagree with it.

Mr Mills: Correct.

Mr Scoffield QC: Now, the next topic that I wanted to talk to you about in the context,
again, of handover and what you learnt when you joined the division is what assistance you
received from Mr Thomson. And one of the reasons why I wanted to talk to you about that is
because, again, Mrs Hepper, in her evidence, made the point that, at that stage, she was the
only moving part in the team. So Mr Thomson was still there, Ms McCutcheon was still there
and Mr Hutchinson was still there. So I want to talk to you about what you learned from
each of those different team members at the different levels. And I want to talk about Mr
Thomson first of all. It might be that you’ve covered this, because you said a few moments
ago, I think, that you don’t recall having any discussions with Mr Thomson about the RHI
scheme. Is that right?

Mr Mills: That’s correct.

Mr Scoffield QC: You can’t remember him ever saying anything to you about the RHI
scheme?

Mr Mills: Eh, no.

Mr Scoffield QC: Can you remember having a handover or induction conversation with
Mr Thomson at all?

Mr Mills: Um, no, apart from, I think, the meeting I recall that I’ve referred to earlier,
when we talked about streamlining. I’ve got a feeling that both David Thomson and David
Sterling were at that — both at that meeting. And that was — there were no — I didn’t have
any other conversations with David Thomson on RHI or, indeed, many other conversations
on energy.

Dame Una O’Brien: Can you say what you mean by that? I mean, did you — he was your
introduced then”. What I’m trying to explore with you is what, if anything, you knew about what was discussed with the Minister in the summer or autumn of 2012 in relation to that.

Mr Mills: I was unaware of any such discussions.

Mr Scoffield QC: Obviously, you would’ve been unaware of them at the time because you weren’t in energy division. Did anyone ever say to you when you arrived, “We spoke to the Minister about the issue of cost controls in the summer or autumn of 2012, and we told her that we’d get round to doing them in the next stage”?

Mr Mills: Eh, no. No. The, um — the course of — the prioritisation of the domestic seems, to me, to have been set about November 2013, and there was — that was the course that we were on. I assumed that that had some authority somewhere to proceed, and the subsequent discussion that I had about cost controls with Peter and Joanne in March 2014 was that they were part of the technical stuff and could be done later.

Mr Scoffield QC: And we discussed yesterday, just very briefly, that that message had been given to you, that they were part of the technical bits.

Mr Mills: Yes.

Mr Scoffield QC: I just want to try and unpack, for a moment, what, if anything, that meant or what you understood it to mean, because it could mean, as, I think, Dr MacLean was maybe putting to you yesterday in a question — “technical” means “uncontroversial”, “straightforward”, “can be done now”, or “technical” could also mean “complicated”, “hard to understand”, “needs further thought”. Did you give any consideration at the time to either the significance of the cost controls being described as a “technical” amendment or which of those two possible meanings of that term were really being conveyed to you?

12:15 pm

Mr Mills: Possibly elements of both but mainly, I think, that wasn’t controversial.

Mr Scoffield QC: Not controversial? But again, is that not a reason why, if they weren’t
see the operating plan target for 2013-14:

   “By 31 December 2013, if all requirements including state aid approvals are in place, launch Phase 2”.

So that’s the target that we’ve seen you reporting against on the 20th of January, but, if we look to the bottom right of this page, we see that the:

   “State aid application should be submitted by 31 December 2013, but on current evidence the approval is likely to take some months. As only some elements of Phase 2 require State Aid approval, Phase 2 will launch in two stages — the domestic scheme, which does not require approval, in early Spring 2014, with the non-domestic elements launching as soon as approval is obtained.”

Are those the documents on the basis of which your evidence is that you think that this was a course which was set before you commenced in energy division?

   Mr Mills: Yes, that and the fact that what I was presented with in terms of the draft, hopefully, published response to consultation and the business case — a lot of work had been done to develop that course.

   Mr Scoffield QC: And is there anything else that you want to mention which, in your view, supports the view that you’ve outlined to the Inquiry that that was a prioritisation which had occurred before your introduction to the division?

   Mr Mills: No, those are the principal, um —.

   Mr Scoffield QC: OK. I wanted to, then, explore with you just briefly exactly how that decision came to be, insofar as you can offer a view on that. It might be that you can’t because it was before your time. But the reason in particular why I want to ask you about this, Mr Mills, is because, if we go to WIT-02435, what we have here are the minutes of a casework committee meeting in October 2015, and this is when the amendments to the scheme are being brought in. I’m not so much interested in what’s happening at that time, but I wanted to ask you to look at paragraph 9, because you said something there, if the minutes are accurate, which has been the subject of some observation and debate since,
but:

“MS” —

I think that’s Michelle Scott from DFP —

“enquired about the trigger points that were not implemented in 2013 and should they not have been
implemented” —

so that’s the phase 2 cost controls:

“JM” —

that’s you, Mr Mills —

“said that it was a Ministerial decision to look at the domestic scheme rather than pushing through the
trigger points on non-domestic which would have significantly delayed the implementation of the domestic
scheme.”

So, tell me if I’m wrong, but what I understand that to mean is that, in answer to the
question at that stage “Why were the cost controls not pursued?”, your response is “The
Minister decided we would go ahead with the domestic scheme rather than doing the other
phase 2 elements”: is that what it means?

Mr Mills: Er, yes, that’s what it meant then, but it’s completely incorrect.

Mr Scoffield QC: I’m sorry?

Mr Mills: It’s incorrect.

Mr Scoffield QC: It’s incorrect.

Mr Mills: As I say, as far as I was concerned, the course was set. I assumed there was
some ministerial authority for it and then, as part of the Inquiry, as I gradually went hunting
for what I imagined to be a submission or ministerial approval, I didn’t find one. But it was
my belief at that time that it was — that that was the case.

Mr Scoffield QC: Let me just try to understand what you’re saying about this. It was your
belief at the time, in October 2015, that the Minister had decided, “Within phase 2 we’ll do
domestic scheme first and leave the rest to the side for the moment”.

Mr Mills: Yes.

Mr Scoffield QC: Although you said that at the time, that was an assumption on your part.

Mr Mills: Yes.

Mr Scoffield QC: You’ve since looked at the documentation made available to you through the Inquiry to look for a submission to the Minster on that issue, and you haven’t found one.

Mr Mills: That’s correct.

Mr Scoffield QC: Now, you’ve said that what you said there was incorrect. Are you now of the view that the Minister didn’t make any such decision, or are you simply saying —

Mr Mills: I am.

Mr Scoffield QC: — if the Minister made such a decision, you’ve no evidence about that or you’ve no evidence either way?

Mr Mills: Well I’ve no knowledge of where there was any discussion or decision on it as such, but there’s no evidence is what I should say. There’s no evidence of the Minister being asked to make that decision or take that decision to prioritise the domestic.

Dr MacLean: Mr Mills, would you also agree that the other documents that we’ve just seen in the run-up to this suggest that the decision to move ahead with the domestic scheme is simply a recognition that other things can’t be done as quickly rather than a conscious decision saying, “This is more important”?

Mr Mills: Yes.

Dr MacLean: It’s more about the practicality of it rather than the importance of it.

Mr Mills: Yes.

Dr MacLean: Would you agree?

Mr Mills: Yes. The pract— at the end of the day, I think that’s absolutely right. The
practicality was what drove the — steered the course, which of course is —.

Dr MacLean: But, in the way that that has been communicated, rather than suggesting that practical decisions were made to go ahead with the bits that could be done and then to do the others as quickly as possible because that was pragmatic, the story or the narrative became “This is a ministerial decision to prioritise the domestic, and therefore it’s the most important thing with ministerial backing”. So, that narrative is what has evolved and is obviously still being reflected in 2015, but it doesn’t reflect the documentation that we see at the end of 2013.

Mr Mills: That’s correct, and that would’ve been reinforced as the Minister had mentioned, “How’s the domestic scheme? Get the domestic scheme in”. So, in my head, “Yes, must have taken a decision, this is really important”. But, when you look for the evidence, it isn’t there, and, really, it’s what Peter thought could be accomplished probably.

Dame Una O’Brien: But can you explain though, why, as, you know, a member of the Senior Civil Service coming into a new role — a role where there’s clearly a lot of ministerial interest — you wouldn’t have asked that question back in 2014: “What have been the ministerial commitments?”? I mean, it’s an obvious question to ask. Did you ask it in general, in relation to your responsibilities, and did you ask specifically in relation to RHI, “What’s already been agreed by the Minister?”?

Mr Mills: Well, on RHI, I mean, the point you make is a fair one, and I’m at fault in March ’14 for not saying, “Show me the piece of paper from the Minister that says this is the right course” or, alternatively, “Let’s go to the Minister now and say this is what we’re doing”. But I can’t remember. It might have been, “Well, the business case has to go to the Minister anyway eventually, so there will eventually be a submission”; however, it should have been clarified at that point.

1:00 pm
Mr Scoffield QC: Maybe just on that point, I wanted to take you just to one further document before hopefully closing off this topic, and that’s at IND-05598. So this is a submission to the Minister in May again — this is the one that we looked at a few moments ago — for the ETI Committee update. And I think, in fairness to you, Mr Mills — if we go to paragraph 4 of that submission — it’s a short submission but one of the things that it does say is that:

“The other elements of Phase 2, such as new technologies in the non-domestic sector and technical changes to the legislation, will be addressed once the domestic scheme is agreed.”

Now, it might be that, when you read into that sentence, it conveys, certainly with the benefit of hindsight, a lot of significant messages. But the Minister is told, “What we are doing is domestic first. The stuff relating to the non-domestic scheme is coming afterwards”. Was there ever any enquiry to you from the Minister or the spad as to why things were happening in that way or whether that was a wise course of action?

Mr Mills: No, as I —. That’s really confirmation of a course that, to me, was already set, and it’s reminding the Minister of what the agreed position is. But it goes back to, I think, a failure that I mentioned earlier on policy, or a weakness in this particular case on policy, whereby you don’t step back and put forward options. And, instead, taking a very pragmatic approach, I think you can work out what you imagine is the right course and then you just tell people, “Here’s the right thing to do, so here’s what we’re going to do”, instead of, particularly with ministerial submissions, is, “Here’s three choices. Here’s what we think you should do. Tell us what you want”. And that’s — I think I can pray that in aid and say, “Well, yes, I’ve told the Minister” but, in truth, what we needed, what was missing in this early period is something that says, “Here’s your options and, if you do a, then you won’t be doing b, but, um —.

Mr Scoffield QC: But is the consequence of the evidence that you’ve given previously that
your assumption was that that type of submission with those options had been put to the
Minister before you arrived and there had been a decision taken to prioritise the domestic
scheme?

Mr Mills: Yes, there was. Whether a debate or submission had happened in those terms
or whatever it was, there was authority to proceed on that course. But, as I’ve said before,
the — I was faced with many complex and difficult issues and I didn’t —. I took this as, just, it
was, “The RHI was in place. This is what we were doing. Go ahead”.

Mr Scoffield QC: Thank you. Chair, that was all I wanted to ask about the phase 2 cost
controls. Obviously, there’s still —

The Chairman: More to come, yes.

Mr Scoffield QC: — quite a bit to go with Mr Mills even in phase 2. It’s not going to be
practicable to do that before Easter now. So I think we’ll just have to liaise with Mr Mills’s
representatives for a convenient time both for him and the Inquiry to continue.

The Chairman: Yes. Thank you very much, Mr Mills, for coming. Unfortunately, because
the Inquiry has a duty to investigate these facts as conscientiously and as thoroughly as
possible, sometimes witnesses do take longer than anticipated, and I’m afraid you probably
will have to come back. But don’t hesitate to arrange a date and time that is convenient for
you — and possibly your family, I’m not sure — but that can be done. Thank you very much
for coming.

We’ll sit again at two and, as today is Friday, rise at quarter to four.

Mr Scoffield QC: Yes, Chair.

[The hearing was suspended at 1:05 pm]

[The hearing resumed at 2:00 pm]

Mr Stuart Wightman Evidence Session: Panel Update

The Chairman: Mr Aiken.
From: Dolaghan, Paul
To: McCay, Davina
Subject: FW: Submission: SUB/257/2014 RENEWABLE HEAT INCENTIVE - UPDATE FOR ETI COMMITTEE
Date: 27 May 2014 14:07:00
Attachments: SUB_257.docx

Davina,

To note.

Paul.

From: Christine.McLaughlin@detini.gov.uk [mailto:Christine.McLaughlin@detini.gov.uk]
Sent: 27 May 2014 13:11
To: Mills, John (DETI)
Cc: Dolaghan, Paul; Neth_Energy; Sterling, David; Thomson, David; Rooney, Eugene; Aiken, Glynis; Stevenson, Valerie (DETI Private Office); DG_DETI Press Office; McCune, David; Robson, Rod; Murray, John (DETI); Clarke, Rosie; Hegarty, Damien; McLaughlin, Christine (DETI)
Subject: Submission: SUB/257/2014 RENEWABLE HEAT INCENTIVE - UPDATE FOR ETI COMMITTEE

DEPARTMENT OF ENTERPRISE, TRADE AND INVESTMENT

Unclassified

From: Christine McLaughlin
Private Office
To: Mills John (Mr)
Date: 27/05/2014

Action Copy: cc Energy
McCune David (Mr)
Robson Rod (Mr)
Murray John (Mr)
Clarke Rosie (Ms)
Hegarty Damien (Mr)
McLaughlin Christine (Mrs)

SUB/257/2014:RENEWABLE HEAT INCENTIVE - UPDATE FOR ETI COMMITTEE

The Minister has seen and read your submission of 15/05/2014 and is content.

NB: David McCune will arrange for the briefing to go to the ETI Committee.
From: John Mills  
Energy Division  

Date: 15 May 2014  

To: 1. Andrew Crawford  
2. Arlene Foster MLA  

DETI SUB 257/2014  

RENEWABLE HEAT INCENTIVE – UPDATE FOR ETI COMMITTEE  

Issue: The ETI Committee is due to receive an update on the Northern Ireland Renewable Heat Incentive.  

Timing: The Committee is expecting this update to be tabled for their meeting on 29 May; it therefore needs to be with the Committee Clerk by 22 May.  

Need for referral to the Executive: None.  

Presentational Issues: None.  

Freedom of Information: Fully discloseable.  

Financial Implications: None.  

Statutory Equality Obligations: There are no Section 75 implications.  

PFG/PSA implications: None.  

Legislation Implications: None.  

Recommendation: That you approve the issue of the RHI update to the ETI Committee. Draft is attached at Annex A  

Background  

DETI currently incentivises new renewable heat technologies via the Renewable Heat Incentive (RHI) and the Renewable Heat Premium Payment (RHPP) scheme. The RHI was launched in November 2012 for non-domestic applications and the RHPP was introduced in May 2012 for domestic customers. The ETI has requested 6 monthly updates on the two schemes. A paper is attached at Annex A which provides an overview of the performance of the two schemes and next steps.
Phase 2 proposals

2. DETI has proposed to expand the current non-domestic scheme to include new technologies and to introduce a domestic version to cover domestic installations. These proposals were subject to public consultation between July – October 2013.

3. We have been primarily focussed on finalising the policy on the domestic RHI scheme and preparing for implementation. The scheme is subject to approval from an internal casework committee, once this approval is received I will seek your approval for launch.

4. The other elements of Phase 2, such as new technologies in the non-domestic sector and technical changes to legislation, will be addressed once the domestic scheme is agreed.

Recommendation

5. That you consider the attached paper at Annex A and agree to share it with the ETI Committee.

JOHN MILLS
Energy Division

cc: David Sterling
    David Thomson
    Paul Dolaghan
    Davina McCay
    Dan Sinton
    Glynis Aiken
    Linda McGready
    Alastair Ross, MLA, APS
    Neth Energy
    Press Office
Update on Renewable Heat Incentive

Background

1. The Northern Ireland Renewable Heat Incentive (RHI) is a DETI scheme that provides financial support to non-domestic renewable heat generators and producers of biomethane. The primary objective for the RHI is to increase the uptake of renewable heat to 10% by 2020 (baseline position of 1.7% in 2010).

Uptake under the non-domestic Renewable Heat Incentive

2. The first phase of the Northern Ireland Renewable Heat Incentive (RHI) was launched on 1 November 2012. This phase provides long term financial support for non-domestic properties wishing to switch from conventional heating to renewable heating solutions, such as biomass; heat pumps and solar thermal. Payments are made quarterly, for the lifetime of the installation (maximum 20 years) and are determined by the heat output of the installation and the relevant tariff for the technology installed.

3. The scheme is administered by Ofgem (the GB Utility Regulator) and as of 13 May 2014 they have received 145 applications. Of these applications 103 have been accredited. All but one of the applications are for solid biomass boilers, the other being for a ground source heat pump, and the majority have installation capacity in the 20-99 kWh range. The total capacity of the applications to date is in the order of 17.8 MW, with 11 MW accredited.

4. The GB RHI was launched a year before the NI RHI in November 2011. The current NI uptake compares favourably with the GB uptake at the same point in time on a pro-rata basis. The NI scheme is currently tracking at 7.2% of GB applications, 7.2% of accreditations and 4.1% of heat capacity, despite the NI heat market being only 3% of the UK market. This suggests that the NI RHI could experience a higher volume of applications but for smaller installations. Projecting forward it could be expected that
around 300 applications could be received by end March 2015 and 28MW of renewable heat capacity accredited in the non-domestic sector.

**Uptake under the domestic Renewable Heat Premium Payment (RHPP) scheme**

5. The Renewable Heat Premium Payment (RHPP) scheme was launched in May 2012 as a forerunner to a domestic RHI in NI. This scheme provides grant support to eligible domestic installations and is managed within Energy Division, DETI. As of 13 May 2014, 1720 applications have been received and Energy Division has issued offers to 1231 of these. This represents support of £2.33 million and a total investment in the sector of over £7.73 million.

6. Of the 1231 vouchers issued, 958 have made claims to date. As at 13 May 2014, 797 claims amounting to a total of £1.44m have been paid.

7. Four types of technology are supported by the RHPP; Air Source Heat Pumps, Biomass Boilers, Ground Source Heat Pumps and Solar Thermal Panels.

8. The breakdown of offers and installations by technology is given in the table below.

<table>
<thead>
<tr>
<th>Technology*</th>
<th>Offers of Support</th>
<th>Installations Made</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Source Heat Pumps</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Biomass Boilers</td>
<td>50%</td>
<td>45%</td>
</tr>
<tr>
<td>Ground Source Heat Pumps</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Solar Thermal Panels</td>
<td>29%</td>
<td>35%</td>
</tr>
</tbody>
</table>

* Different technologies have different lead in times which may account for the different technology splits between offers and installations

9. The total renewable heat capacity of the installations supported under the RHPP is in the order of 14 MW, therefore a total of 31 MW of new renewable heat capacity has been installed in the past 24 months.
Renewable Heat Incentive Phase 2

10. DETI has proposed to expand the current RHI scheme; this would include new technologies in the non-domestic sector and the introduction of a RHI scheme for domestic customers. The public consultation on Phase 2 of the RHI took place between July – October 2013 and 50 responses were received. DETI has assessed these responses and sought to finalise suitable policy positions.

11. Much of the focus from stakeholders was the proposed domestic RHI scheme. Some of the key issues raised included;

   i. Ensuring tariffs were sufficient to generate interest.
   ii. Ensuring that applicants who have received support under the RHPP are treated equitably in comparison to applicants who have not received support under the RHPP.
   iii. Ensuring that the methodology for payments is clear and easily understood.
   iv. Maintaining standards for installations and technologies.
   v. Setting appropriate energy efficiency standards.
   vi. Ensuring the administrative procedures are appropriate.

12. DETI has been working to address these issues and prepare the scheme for launch. This has included finalising policy, seeking approvals, drafting guidance documents, preparing legislation and scoping administration options. DETI will shortly be in a position to launch the scheme; further briefing will be provided on the domestic scheme in due course.

13. In terms of changes to existing non-domestic scheme the main issues to be addressed include;

   i. Introduction of tariffs for more innovative technologies (large biomass, air source heat pumps, deep geothermal etc).
   ii. Introduction of an ‘uplift’ tariff for biomass district heating.
iii. Technical changes to legislation in areas such as metering, relocation of installations and the use of process heating (i.e. drying).

14. In addition, it may be appropriate to review existing tariffs based on the experience of the first 18 months of the scheme. These changes will be subject to clearance through the EU Commission in regards to State Aid compliance.

Publicity

15. DETI will continue to promote the scheme under the ‘EnergyWise’ sustainable messaging brand. Publicity campaigns have been used alongside the launch of the RHI and also in Spring 2013, Autumn 2013 and Spring 2014. This has included TV advertising, 48 sheet posters across Northern Ireland, bus streetliners, online presence and print media. DETI has also promoted the schemes through attendance at a number of stakeholder events, organised by local councils and trade bodies, to promote both the RHI and the RHPP.

16. Further publicity may take place in 2014/15 depending on the availability of appropriate budget.

Energy Division, DETI

May 2014
From: Stuart Wightman
Tel No: 29425

Date: 16 September 2014

To: 1. Andrew Crawford
2. Arlene Foster MLA

DETI SUB 464/2014

NI RENEWABLE HEAT INCENTIVE – DOMESTIC ASPECT OF PHASE 2 – BUSINESS CASE APPROVAL AND INITIAL SCHEME ANNOUNCEMENT

Issue: Approval of Domestic RHI Business Case and announcement of Scheme

Timing: Routine.

Executive Committee Referral: N/A

PFG Implications: The PSA targets for renewable heat are 4\% by 2015 and 10\% by 2020.

Presentational Issues: Interest from key stakeholders and the media. There has been interest from the public in relation to the scheme, particularly in relation to proposed tariffs and eligible technologies.

FOI Implications: Not discloseable on grounds of policy development.

Financial Implications: HMT has advised that £25m of AME is available over the spending period for a Northern Ireland RHI.

Legislation Implications: Domestic Renewable Heat Regulations will be laid through draft affirmative resolution procedure under the powers conferred by section 113 of the Energy Act 2011.

Statutory Equality Obligations: Equality screening shows that the proposed Regulations do not have a significant equality impact.

Recommendation: That you approve:

- The Domestic RHI Business Case; and
- Publication of a press release on the proposed Domestic RHI scheme which will be forwarded separately via the Press Office.
Background

1. In June 2014, you approved the final policy proposals for the NI Domestic RHI scheme (SUB 338/2014). The scheme will provide upfront support with ongoing tariff payments for 7 years for domestic renewable heat installations. Technologies supported are Air to Water Heat Pumps, Biomass (including condensing boilers), Ground Source or Water Source Heat Pumps and Solar Thermal (domestic hot water only.) All technologies with the exception of solar thermal must be able to provide heat for the entire home.

Legislation

2. The domestic RHI scheme requires secondary legislation which is subject to approval by the Assembly. The ETI Committee has approved the policy (SL1) for this legislation. We are working with DSO to prepare draft Domestic RHI Scheme Regulations (Northern Ireland) 2014. It is hoped that draft Regulations will be laid before the Assembly in October and come into force in time for the scheme to be launched in November 2014.

Financial Approvals

3. While the funding for the domestic RHI is provided directly from HMT, the scheme is subject to DFP approval and DETI’s own internal governance controls. These approvals have now been received. A copy of the Business Case for the domestic RHI Scheme and associated papers are attached for your approval.

4. The scheme will be administrated in-house by the Energy Division team who have been administering the domestic RHPP scheme. Additional resource of two Staff Officers is however required due to the complexity and anticipated workload of the new scheme. Work is underway to secure these posts.

Initial Scheme Announcement

5. The scheme will not be open to applications until the legislation comes into force in November. An announcement could be criticised for pre-empting the Assembly’s approval of the legislation. However, the Committee has approved the policy, the need for Assembly approval is acknowledged in the announcement and it will be general in nature. It will alert potential applicants to the necessary documentation before the scheme opens for applications. Guidance for applicants will be available on the DETI website. Our suggested draft Press Release will be sent via the Press Office.

Attachments

6. The attachments include:
   - the Final Synopsis for Casework (a summary of the business case submitted to DETI casework and DFP for approval);
   - the original business case;
   - the Consultant’s report recommending the preferred option;
   - the Risk Register; and
• the DFP approval.

Recommendation

6. That you approve:
   • the attached Domestic RHI business case and
   • publication of a press release which will be forwarded separately via the Press Office.

Stuart Wightman
Energy Division
Ext. 29425

cc: Andrew McCormick
    Chris Stewart
    John Mills
    Trevor Cooper
    David McCune
    Alistair Ross MLA APS
    Alan Smith
    Glynis Aiken
    Press Office
    Neth energy
Private Office

Please see attached submission from Fiona Hepper for the attention of the Minister.

Regards,

Laura McCoy
Personal Secretary
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9200 (ext: 29200)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?

From: Murray, John (DETI)
Sent: 18 January 2013 16:08
To: Hepper, Fiona
Cc: Aiken, Glynis; Ross, Alastair; Crawford, Andrew; Sterling, David; Lewis, Colin; Thomson, David; McCune, David; Dolaghan, Paul; Robson, Rod; Clarke, Rosie; Private Office DETI; DG_DETI Press Office; Neth_Energy
Subject: LMU 15-13 - Energy inquiry

Please see attached request from David McCune in respect of a query from the ETI Committee.

Thanks

John

John Murray
Legislative Monitoring Unit
Ext: 29637
QUERY FROM THE ETI COMMITTEE IN RELATION TO UPDATES ON THE REPORT ON THE INQUIRY INTO RENEWABLE ENERGY AND THE STRATEGIC ENERGY FRAMEWORK (SEF) IMPLEMENTATION PLAN

Issue: At its meeting on 17 January 2013 the ETI Committee considered briefing on the report into Renewable Energy and the SEF implementation plan. Further information was sought by the Committee and this is attached for consideration and approval.

Timing: The reply to The ETI Committee is due with the Committee Clerk by Friday 1 February 2013.

Need for referral to the Executive: None.

Presentational Issues: None

Freedom of Information: Fully discloseable.

Financial Implications: None.

Statutory Equality Obligations: There are no Section 75 implications.

PFG/PSA implications: None.

Legislation Implications: None.

Recommendation: A draft response to the ETI Committee queries is provided at Annex A for your consideration.
Issue

At its meeting on 17 January, the ETI Committee considered updates from the Department on the Committee’s report on the Inquiry into Renewable Energy and also the Strategic Energy Framework (SEF) Implementation Plan. A number of subsequent queries have been raised by the Committee:

a. an update on the Electricity Market Reform seminar held with the financial sector;

b. an update on when the Committee will receive the outcome of the commissioned analysis on a small scale FIT for Northern Ireland; and

c. an update on uptake in the first phase of the NI RHI.

Recommendation

2. The information sought by the ETI Committee is included at Annex A for your consideration and approval.

FIONA HEPPER
Energy Division

cc: David Sterling
   David Thomson
   Alison Clydesdale
   Joanne McCutcheon
   David McCune
   Paul Dolaghan
   Michael Harris
   Rod Robson
   Alastair Ross
   DETI LMU
   Private Office
   Press Office
   Neth Energy
REQUEST TO DETI FROM THE ETI COMMITTEE

Members asked for:

a. briefing on the outcome on the EMR seminar in June held with the financial sector;

b. an update on when the Committee will receive the outcome of the commissioned analysis into a small scale Feed-In Tariff; and

c. an update on uptake in the first phase of the NI RHI.

DEPARTMENTAL RESPONSE

FOI Status: Fully discloseable

EMR seminar

1. Along with stakeholders in the energy sector, representatives from the financial sector were invited to the Electricity Market Reform (EMR) seminar held on 22 June 2012 in Belfast Metropolitan College. The purpose of the event was to update attendees on developments since the previous event in November 2011. Specifically, the event was used to clarify the Minister’s announcement in May 2012 that the EMR proposals would be implemented in Northern Ireland subject to the approval of the Assembly by way of a Legislative Consent Motion. The ETI Committee considered and approved the LCM at its meeting on 10 January 2013. A further briefing event, focused on those developers expected to seek Contracts for Difference (CfD) before 2017 was held in December following publication of the Department of Energy and Climate Change’s Energy Bill and associated documents which provided more detail on how CfDs will work.

2. Separately, the DETI Minister wrote to representatives of the financial sector in January reinforcing her commitment to the Strategic Energy Framework renewable energy targets and to encourage them to look favourably on approaches from businesses that are seeking finance to install renewable technologies. The Minister also indicated her officials’ willingness to arrange a further seminar/series of meetings for financial institutions, to explain again the current and proposed financial mechanisms. To date, several banks have responded favourably and arrangements are being made for a briefing session which will cover the Renewable Heat Incentive, the Northern Ireland Renewables Obligation and the future moves to CfDs and a small scale Feed-In Tariff.

Analysis of small scale FIT study

3. DETI is commissioning a study which will assess the suitability and cost effectiveness of options for introducing a small scale Feed-In Tariff mechanism in Northern Ireland. The study will research the implications of the introduction of a new small scale incentive scheme before 2017 based on the small scale Feed-In Tariff already established in the rest of the United Kingdom. The study will also assess any potential implications for Northern Ireland’s target of 40% electricity consumption from renewable sources by 2020.
4. The study is currently out to tender and it is anticipated that the contract will be awarded by end February, subject to procurement timescales. It is likely that the study will not complete therefore until end May. The Department will use the study findings to progress the development of a small scale FIT. This will include the need to set FIT support levels and, in parallel, revised ROC banding levels for small scale renewables. It is expected that this work will continue through 2013 into 2014 culminating in a public consultation in mid 2014 on support levels for small scale renewables under the NIRO and small scale FIT for introduction before the closure of the NIRO in 2017. The Minister confirmed in the NIRO consultation response, (published on 24th January) that there would be no further small scale banding changes before 2015 in order to create certainty for small scale investors.

5. The Department will update the Committee in due course on the findings of the FIT study and progress towards its introduction.

**Update on Renewable Heat Incentive**

6. The first phase of the Northern Ireland Renewable Heat Incentive (RHI) was launched on 1 November 2012. The primary objective for the Northern Ireland RHI is to increase the uptake of renewable heat to 10% by 2020 (baseline position of 1.7% in 2010). The first phase provides long term financial support for non-domestic properties wishing to switch from conventional heating to renewable heating solutions, such as biomass; heat pumps and solar thermal. Payments are made quarterly, for the lifetime of the installation (maximum 20 years) and are determined by the heat output of the installation and the relevant tariff.

7. A publicity campaign ran alongside the launch. This included TV advertising, 48 sheet posters across Northern Ireland, 125 bus streetliners, online presence and print media. The advertising directed potential installers to the NIDirect ‘Energywise’ website for further information. Visits to the landing site increased dramatically during the advertising period, peaking at around 950 per week. The website then directs those who wish to proceed to application to contact Ofgem (the GB Energy regulator) who are administering the scheme. Ofgem estimates that it has received around 100 enquiries which has resulted in over 40 application packs being issued with 3 applications being returned (as at 23/1/13).

8. While the number of applications remains small it must be remembered that applications cannot be submitted until the technology has been installed and commissioned. Therefore there is a fairly long lead in time and people responding to the launch of the scheme may not be in a position to apply for some time yet. The Department of Energy and Climate Change (DECC) launched the GB RHI in November 2011 and also found that applications took some time to materialise. Indeed by the end March 2012, the GB scheme had only received 300 applications so on a pro-rata (3%) basis we could expect 9 applications by end March 2013.
9. DETI will continue to promote the scheme and a second phase of publicity started end Jan/Feb 2013. In addition, conversations are taking place between DETI and prospective installers and we are being told there is considerable interest which we hope will result in further applications.

10. Meanwhile, DETI has commenced the development work for the second phase of the scheme. Phase 2 will extend the scheme to domestic installations and will consider some additional technologies. Policy proposals should be developed by April 2013 and will then be subject to public consultation. The final policy will then require appropriate approvals (likely to include EU State Aid approval) and may require changes to the legislation. It is therefore likely to be at least Autumn 2013 before the second phase is introduced.

11. In the meantime, the Renewable Heat Premium Payment (RHPP) scheme, which was launched in May 2012, will continue to provide grant support to eligible domestic installations. To date, the RHPP scheme has issued over 530 vouchers representing support in excess of £810k.

Energy Division, DETI

January 2013
DEPARTMENT OF ENTERPRISE, TRADE AND INVESTMENT

Unclassified

From: Christine McLaughlin
Private Office
To: Hepper Fiona (Mrs)
Date: 30/01/2013

Action Copy: cc Energy
McCune David (Mr)
Robson Rod (Mr)
Murray John (Mr)
Clarke Rosie (Ms)
Hegarty Damien (Mr)
McLaughlin Christine (Mrs)

SUB/46/2013: ETI COMMITTEE - UPDATE INTO THE REPORT ON THE INQUIRY INTO RENEWABLE ENERGY & THE STRATEGIC ENERGY FRAMEWORK

The Minister has seen and read your submission of 28/01/2013 and is content.

NB: David McCune will arrange for this briefing to go to the ETI Committee.

Christine McLaughlin (Private Office)
Netherleigh House Tel: Ext 29222

OffName
From: Fiona Hepper
Energy Division

Date: 28 January 2013

To: 1. Andrew Crawford
2. Arlene Foster MLA

DETI SUB 046/2013

QUERY FROM THE ETI COMMITTEE IN RELATION TO UPDATES ON THE REPORT ON
THE INQUIRY INTO RENEWABLE ENERGY AND THE STRATEGIC ENERGY
FRAMEWORK (SEF) IMPLEMENTATION PLAN

Issue: At its meeting on 17 January 2013 the ETI Committee considered briefing on the report into
Renewable Energy and the SEF implementation plan. Further information was sought by the
Committee and this is attached for consideration and approval.

Timing: The reply to The ETI Committee is due with the
Committee Clerk by Friday 1 February 2013.

Need for referral to the Executive: None.

Presentational Issues: None

Freedom of Information: Fully discloseable.

Financial Implications: None.

Statutory Equality Obligations: There are no Section 75 implications.

PFG/PSA implications: None.

Legislation Implications: None.

Recommendation: A draft response to the ETI Committee queries is provided at Annex A for your consideration.
Issue

At its meeting on 17 January, the ETI Committee considered updates from the Department on the Committee’s report on the Inquiry into Renewable Energy and also the Strategic Energy Framework (SEF) Implementation Plan. A number of subsequent queries have been raised by the Committee:

a. an update on the Electricity Market Reform seminar held with the financial sector;

b. an update on when the Committee will receive the outcome of the commissioned analysis on a small scale FIT for Northern Ireland; and

c. an update on uptake in the first phase of the NI RHI.

Recommendation

2. The information sought by the ETI Committee is included at Annex A for your consideration and approval.

FIONA HEPPER
Energy Division

cc: David Sterling
    David Thomson
    Alison Clydesdale
    Joanne McCutcheon
    David McCune
    Paul Dolaghan
    Michael Harris
    Rod Robson
    Alastair Ross
    DETI LMU
    Private Office
    Press Office
    Neth Energy
REQUEST TO DETI FROM THE ETI COMMITTEE

Members asked for:

a. briefing on the outcome on the EMR seminar in June held with the financial sector;

b. an update on when the Committee will receive the outcome of the commissioned analysis into a small scale Feed-In Tariff; and

c. an update on uptake in the first phase of the NI RHI.

DEPARTMENTAL RESPONSE

FOI Status: Fully discloseable

EMR seminar

1. Along with stakeholders in the energy sector, representatives from the financial sector were invited to the Electricity Market Reform (EMR) seminar held on 22 June 2012 in Belfast Metropolitan College. The purpose of the event was to update attendees on developments since the previous event in November 2011. Specifically, the event was used to clarify the Minister's announcement in May 2012 that the EMR proposals would be implemented in Northern Ireland subject to the approval of the Assembly by way of a Legislative Consent Motion. The ETI Committee considered and approved the LCM at its meeting on 10 January 2013. A further briefing event, focused on those developers expected to seek Contracts for Difference (CfD) before 2017 was held in December following publication of the Department of Energy and Climate Change's Energy Bill and associated documents which provided more detail on how CfDs will work.

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4. The study is currently out to tender and it is anticipated that the contract will be awarded by end February, subject to procurement timescales. It is likely that the study will not complete therefore until end May. The Department will use the study findings to progress the development of a small scale FIT. This will include the need to set FIT support levels and, in parallel, revised ROC banding levels for small scale renewables. It is expected that this work will continue through 2013 into 2014 culminating in a public consultation in mid 2014 on support levels for small scale renewables under the NIRO and small scale FIT for introduction before the closure of the NIRO in 2017. The Minister confirmed in the NIRO consultation response, (published on 24th January) that there would be no further small scale banding changes before 2015 in order to create certainty for small scale investors.

5. The Department will update the Committee in due course on the findings of the FIT study and progress towards its introduction.

**Update on Renewable Heat Incentive**

6. The first phase of the Northern Ireland Renewable Heat Incentive (RHI) was launched on 1 November 2012. The primary objective for the Northern Ireland RHI is to increase the uptake of renewable heat to 10% by 2020 (baseline position of 1.7% in 2010). The first phase provides long term financial support for non-domestic properties wishing to switch from conventional heating to renewable heating solutions, such as biomass, heat pumps and solar thermal. Payments are made quarterly, for the lifetime of the installation (maximum 20 years) and are determined by the heat output of the installation and the relevant tariff.

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Energy Division, DETI

January 2013
From: Joanne McCutcheon  
Energy Division  

Date: 8 April 2013  

To:  
1. Andrew Crawford  
2. Arlene Foster MLA  

COR/138/2013: RENEWABLE HEAT PREMIUM PAYMENT SCHEME

Issue:  
Gregory Barker MP, Minister of State for Energy and Climate Change has written to inform you of DECC’s decision to extend the GB RHPP scheme until the introduction of the GB RHI for domestic installations in Spring 2014.

Timing:  
Routine

Need for referral to the Executive:  
N/A

Presentational issues:  
None

FOI implications:  
This submission is fully disclosable.

Financial Implications:  
None

Legislation Implications:  
N/A

PSA/PFG Implications:  
None

Statutory Equality Obligations:  
None.

Recommendation:  
That you acknowledge Mr Barker’s letter (draft reply attached at Annex A) and approve the issue of the attached press release (Annex B) which clarifies the Northern Ireland position.

BACKGROUND

The Rt Hon Gregory Barker MP, Minister of State for Energy at the Department of Energy and Climate Change wrote to you on 26 March 2013 to inform you of his plans to extend the GB RHPP until March 2014.
2. The first phase of the GB RHPP opened to applications on the 1 August 2011. A second phase was launched in the summer of 2012. The plan to extend the scheme until March 2014 is to facilitate the ongoing policy work taking place to develop the domestic RHI in GB. DECC has not provided any specific reason as to why the introduction of the GB domestic RHI has been delayed (beyond its expected launch date of summer 2013), other than to say the process is more complex than it was first thought to be.

NI POSITION

3. The NI RHPP was launched on 24 May 2012 some 10 months after the GB scheme. We always planned to run our scheme into this financial year and to continue with it until such time as we were ready to extend the NI RHI to domestic installations (RHI Phase 2). Development for Phase 2 is underway and we hope to have proposals ready for public consultation by the Summer. We will then need to secure the appropriate approvals and adapt the legislation but we hope to be ready to launch the scheme by the end of the year.

4. It will help to clarify matters for NI homeowners if we issue a press release detailing the current position in NI.

RECOMMENDATION

5. I recommend that you acknowledge Mr Barker’s letter (draft reply attached at Annex A) and approve the issue of the attached press release (Annex B) which clarifies the Northern Ireland position.

Joanne McCutcheon
Energy Division (EXT 29215)  cc:  David Sterling
                                           David Thomson
                                           Fiona Hepper (o/t)
                                           Paul Dolaghan
                                           David McCune
                                           Peter Hutchinson
                                           Dan Sinton
                                           Rod Robson
                                           Press Office
                                           Glynis Aiken
                                           Alistair Ross MLA, APS
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>DETI Update (November 2012)</th>
<th>DETI Update (May 2013)</th>
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<tr>
<td>12. In the short-term, Government policy on biomass should concentrate on renewable heat to assist in meeting the Strategic Energy Framework target of 10% of heat from renewable sources by 2020. DETI should also give favourable consideration to the Treasury offer of £25 million for a Renewable Heat Incentive for Northern Ireland.</td>
<td>Response provided by: DETI The consultation on the Development of the Northern Ireland Renewable Heat Incentive closed in October 2011 and a summary of responses was provided to the ETI Committee. Following the consultation, further economic analysis was carried out to consider issues raised by stakeholders. This analysis informed the final policy position which has been approved by the EU Commission. The first Phase of the NI RHI will launch on 1 November 2012. Development of Phase 2 of the scheme is underway – this phase will extend the eligible technologies and incentivise domestic installations.</td>
<td>Response provided by: DETI Phase 1 of the Renewable Heat Incentive (RHI) was launched on 1 November 2012. The first phase covers non domestic installations and a limited number of renewable Heat technologies. Phase 2 which is currently under development will extend the scheme to the domestic sector and will provide incentives for additional technologies. The details of this part of the scheme will be subject to a public consultation (Summer 2013) with a view to commencing at the end of 2013 subject to obtaining all the necessary approvals. Government policy on biomass does focus on heat and electricity and DETI has set up an NI RHI. Action complete.</td>
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<td>13. DETI must explore the opportunities for enhancing the research funding system in Northern Ireland by benchmarking against leading European regions so as to ensure that Northern Ireland is in a position to take full advantage of opportunities for funding for research and development under EU Framework Programme 8.</td>
<td>Response provided by: Invest NI Nothing to add to update provided in November 2011</td>
<td>Response provided by: DETI DETI has appointed an NI Horizon 2020 Manager. Horizon 2020 is the financial instrument implementing the Innovation Union, a Europe 2020 flagship initiative aimed at securing Europe's global competitiveness. Running from 2014 to 2020, with a (currently) estimated €70 billion budget, the EU's new programme for research and innovation is part of the drive to create new growth in Europe. The new programme will bring together all EU Research and innovation funding into one single programme. DETI, along with DEL, are funding the NI Contact Point (NICP) roles of support for Horizon 2020. They are required under the agreed allocation of funds to perform a review into what other Member States/regions across the EU have proved successful in drawing down within their area. This will allow for targeting networking under Horizon 2020. Their role will also provide a closer direct support to applicants and timely information on upcoming calls and opportunities.</td>
</tr>
<tr>
<td>14. The nature of Invest NI support should be reviewed to realise the net benefits that indigenous SMEs can bring to the overall</td>
<td>Invest NI continually reviews the support it provides through both formal evaluations and best practice reviews. As with any other sector, and in line with its economic</td>
<td>Response provided by: Invest NI Nothing to add to update provided in November as final</td>
</tr>
</tbody>
</table>