



Sam McBride ✓
@SJAMcBride

IND-00500

Received from A.McCormick on 27/03/17
Associated by RHI Inquiry

Key question, still unanswered: Why didn't DETI (under Arlene Foster) copy this regulation (c98% of others copied) capping RHI payments?

GB regulations

(8) The Authority must calculate the tariff rates each year in accordance with paragraph (7) and publish on or before 1st April of each year a table of tariffs for the period commencing with 1st April of that year and ending with 31st March of the following year.
(9) Where an accredited RHI installation receives the small commercial biomass tariff or the medium commercial biomass tariff as set out in Schedule 3—
(a) the tariff for the initial heat generated by the installation in any 12 month period commencing with, or with the anniversary of, the date of accreditation is the relevant tier 1 tariff specified in Schedule 3; and
(b) the tariff for all further heat generated in that same 12 month period is the relevant tier 2 tariff.
(10) For the purposes of paragraph (9), "the initial heat" means the heat in kilowatt hours generated by an accredited RHI installation running at its installation capacity for 1,314 hours.

Northern Ireland regulations

(8) The Department must calculate the tariff rates each year in accordance with paragraph (7) and publish on or before 1st April of each year a table of tariffs for the period commencing with 1st April of that year and ending with 31st March of the following year.
20

17/12/2016, 20:47

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Jim Allister MLA @JimAllister · 16h

.@SJAMcBride Yes, this is the key

Reply to Sam McBride

Andrew McCormick

From: Andrew McCormick Personal information redacted by the RHI Inquiry
Sent: 18 December, 2016 1:37 PM
To: 'McCormick, Andrew (DFE)'
Subject: RE: Sam McBride Tweet

Because she was not advised to, indeed, in effect, she was advised that tiering was not necessary (this is only implicit in the submissions to the Minister - so there wasn't even a signal that might have led her to ask for more detail on the point, or to ask if we were sure; it was explicit in the business case).

The reason she was so advised is because when the tariffs were revised following consultation in 2012, no-one spotted that the tariff for small to medium biomass was greater than the cost of the fuel. Indeed, inexplicably, no one really understood that point until the NIAO Report of June 2016.

This has been covered at length at PAC - where the consultants Cambridge Economic Policy Associates (CEPA) admitted that they had missed this point in their advice.

It would be ludicrous to expect a Minister [or an Assembly Committee] [or a SpAd] to spot something that officials (policy staff and economists) and consultants missed.

Why did they miss it? Personal view is that no-one could see the wood for the trees - they thought the detailed model was okay, but never stood back to look at it from the applicants' point of view, still less from the point of view of someone who would want to abuse it.

Here are the 4th and 5th paragraphs from my evidence at the start of the PAC hearing on 9 November:

"We have had a lot of additional information to examine over the last few weeks. That has helped us to understand better what went wrong. The scheme had been devised with worthy intentions to increase the use of sustainable energy, but it is clear that the scheme was not fit for purpose. The intention was good, but the execution and design were seriously wrong. There are a few conclusions so far, and I am happy to expand on these or deal with them in the session this afternoon.

"I do not have any evidence to suggest that, at the initial design stage, the Department fully understood how the scheme would work in practice. There was a lack of awareness that the design would create a perverse incentive. The Department was aware that there was a need to control costs and should have acted earlier to introduce cost controls of various kinds. That is quite a complex point, but, again, I am happy to expand on that in questioning. When information was brought to the Department's attention that suggested that the scheme was providing returns that were overly generous to recipients, that information was not acted on. The focus in the early years of the scheme, when uptake was low, was on the fact that the budget was being underspent. Then, when demand escalated in 2015, what happened was a response focusing on seeking additional budget cover rather than examining critically why the scheme was becoming so attractive. That is what we should have done and did not do. "

If you want to use the first sentence above as a response, that would be true and fair perhaps as follows : "As has been explained in evidence to the PAC, the reason the then Minister did not introduce tiering is because she was not advised to, indeed, in effect, she was advised that tiering was not necessary. "

Hope this helps.

Many thanks.

-----Original Message-----

From: Andrew McCormick [mailto:Personal information redacted by the RHI Inquiry]
Sent: 18 December, 2016 1:16 PM
To: 'Andrew McCormick' Personal information redacted by the RHI Inquiry
Subject: Fw:

Sent from my BlackBerry 10 smartphone.

Original Message

From: Richard Bullick Personal information redacted by the RHI Inquiry
Sent: Sunday, 18 December 2016 13:07
To: andrewgmccormick Personal information redacted by the RHI Inquiry
Subject:

A

What the best line on this?

R