



Memo

Northern Ireland Renewable Heat Incentive – Allegations Update

The Northern Ireland RHI scheme was suspended to new applicants at short notice in February 2016 due to lack of funds. Ofgem E-serve administers the non-domestic scheme under arrangements with NI Government for the Economy (DfE). Political and media angles have included claims that the overspend was exacerbated by participants' practice which may not be in the letter or spirit of the rules. We understand a planned joint DfE – Ofgem review has now been paused by DfE due to perceived concerns about independence. These concerns are contrary to the views expressed by DETI officials in regular meetings with us, including in a meeting with Chris Poulton and Gareth John in February 2016. We will be writing to DfE to confirm current status and next steps.

From Gareth John
 To Chris Poulton
 Dermot Nolan
 Cc Chris Poulton
 James Robinson
 Jane Pierce
 Teri Clifton
 Edmund Ward
 Michael Knight
 Date 17 June 2016

Context

- 1 The Northern Ireland RHI scheme makes payments to domestic and non-domestic participants who have eligible heat uses. Ofgem E-serve has administered the non-domestic scheme under arrangements with the Department of Enterprise, Trade and Investment (DETI) since its launch in 2012. Following machinery of government changes, the Department for the Economy (DfE) assumed most of DETI's responsibilities, including the RHI, with effect from 9th May 2016.
- 2 There have been c. 2000 non-domestic applications since the scheme began, of which over 1000 were received in the period September 2015-February 2016 (see table of applications received as set out below). The increase was triggered by regulation changes in November 2016 and the announcement of the scheme's suspension.

	2012/13	2013/14	2014/15	April – Sep-15	Oct-15	Nov-15	Dec - March 16
Applications	9	119	434	359	504	378	325
Accreditations	5	83	315	272	125	42	417

3. In 2015/16, our initial audit volume planned was based on the expected number of accredited applications and was in line with the GB scheme. Six initial inspection audits were selected for the 2015/16 financial year. This originally covered 0.9% based on the population of accredited sites on scheme of 675 at September 2015, with a further eight sites added to the audit programme in January 2016 taking the total to 14. There were 1259 accredited installations at the end of 2015/16. This gives a total of site audits of 1.11% of installations. This compares with with 1.38% for GB scheme in 2015/16 (visits to 200 of the 14527 GB sites. Following the spike of applications we updated our planning for the 2016/17 financial year to increase the number of site visits. Our current plans, subject to discussion with DfE, for the 16/17 programme are 72 site audits of a population of 2000 equating to c3.6%. This forms part of the dialogue on joint approach and planning for 2016/17 referenced in paras 8-10.
4. The scheme was suspended to new applicants at short notice in February 2016 due to lack of funding. DETI introduced budget controls (tiered tariffs) measures in November 2016. Prior to this we had discussed budget control approaches (including the