

Project Woodwork Issues for New Scheme Development

NIRHI Outyear Operating Cost Increases

Projected outyear costs (post 2012/13) for the operation of the Northern Ireland Renewable Heat Incentive Scheme (NIRHI) have increased beyond the figures quoted in the Feasibility Study (sent to DETI on 16 December 2012). As the NI scheme closely mirrored the GB RHI scheme, the costs and volumes in the Feasibility Study were based on figures produced for GB in July/August 2012. However, since then GB RHI volumes have been revised down (resulting in the NI scheme moving from a 3 to 11% uptake rate against the GB scheme volumes), and the time taken to deal with GB accreditations has been found to be substantially higher than that assumed in the Feasibility Study. Our proposed approach of apportioning costs according to volumes would therefore result in a substantial increase in costs for DETI (of 4-6 times).

We have now reviewed our approach and believe it more appropriate and representative for costs to be apportioned according to total amount paid in subsidy (expected to be 3%) rather than according to volumes. This is because it is expected that most installations in NI will be small, which are much quicker to process than the larger ones installed in GB, and therefore apportioning by volumes will be misleading and unfair to DETI. Taking this revised approach means that operating costs should be closer to £200k in 2013/14, which is much lower than previously thought (at £600-700k) but still higher than indicated in the feasibility study (which was closer to £100k). We are about to start discussions with DETI on these costs and there is a chance that this issue could escalate. However, we have trailed the issue and believe they are likely to accept it. We will also give them options for addressing these costs.

Small Subsidy Paid Out Under RHI Vs Cost Incurred

There is concern that the amount of subsidy actually paid out to date for RHI is very small in comparison with the costs to date which include all development costs and that an FOI could elicit this fact. While we are producing analysis of the costs based on the lifetime value of the subsidy (given that most costs are incurred during initial accreditation) if Ofgem ends up running the scheme for only a limited period, its administration could appear very costly. RHI incentive payments are only just over £1m, total RHI spend is £12m including IT and overheads (from the beginning of Devt in 2010/11 to September 2012).

Ofgem RHI Consultation on Grants and Biogas Plant

We have changed the definition of what counts as 'plant' for biogas production plant and this will have excluded applicants who had received grants for the affected part of their equipment. It is recognised that this may lead to challenge from plants who had been constructed based on the old rules. The decision to make this change was based on advice from Counsel as our previous position was out of step with the Regulations.

Other Challenges to Our Decisions Under the RHI

In theory any decisions we make under the RHI can be challenged.

Examples could include:

- (1) We have had to reject an application from the Welsh Botanic Gardens because they-used (for reasons of recycling) part of an existing walking floor to serve their new biomass boiler. This fails the 'newness' test but they will now have to throw away a perfectly good walking floor (cost around £60k) in order to get RHI subsidy.
- (2) We could be challenged on our decision to reject any of the 4 applications that have been rejected because they have received grants.
- (3) We have had 5 complaints under the RHI to date. More will undoubtedly follow and any could escalate.

- (4) Positive decisions to accredit could also be challenged. We have made 350 decisions to accredit to date. In 2013/14 we expect to accredit or reject around 40,000 installations.

Disadvantaging Boilers Using Peat in RHI

There is a risk that manufacturers of biomass boilers which state in their manuals that they are able to burn peat may be disadvantaged because their equipment will not meet the requirement to use only biomass as the 'primary fuel source' even though they are very similar in design to others which we have approved.

Safety of Biomass Boilers Under RHI

The RHI Regs & our interpretation have made it advantageous for applicants to house biomass boilers within their main building, rather than in a separate self contained building, as was previously more normal. Biomass boilers were previously sited outside the main buildings because of the fire, explosion, asphyxiation and poisoning risks they present. It is not clear how well industry is coping with ensuring safe operation of such equipment.

Measures Installed in the Transition Period for ECO

At the moment we do not know what provision DECC have made for the inclusion of measures installed between Oct-Dec 2012, only their desire for these to be eligible measures. As such we may come under pressure from suppliers to accept measures that may not fully meet the finally laid legislation. Additionally until the order comes into force there may be enforcement issues around these early actions.

Our Approach to Developing Guidance for ECO

Given the timeline for the implementation of the ECO we have taken a pragmatic approach to providing guidance. We will be publishing interim positions in the form of open letters before we have fully consulted. These initial positions will form the basis of our administration until final guidance is published early in the new year (and guidance will not be applied retrospectively). There are two potential implications A) suppliers may cite that the lack of agreed guidance prevented them from meeting their obligations or B) that our initial positions may need refining. We have shared our plans with suppliers and DECC and this has been positively received. We have only had one (working level) response (from SSE) following on from the delay in DECCs legislation date.

Not Having Products Approved Under ECO

Under the current CERT/ CESP schemes we have a list of approved products that can be used. This has been built up over the course of the schemes through manufacturers convincing us of their energy saving ability. The ECO (and wider Green Deal) places more emphasis on the quality of the installer and their professional opinion of what is appropriate for a premises. Our current thinking is not to have a list of approved products because:

- (i) having a list of approved products could mean that Ofgem sets the standards for measures installed under Green Deal, something that seems outside of our remit.
- (ii) as measures are reported after they are installed we (and potentially the funding supplier) would have little control on what products were installed (additionally there is a potential for a new list to require clearance as a technical standard at EU level, however this has not been fully tested by legal), and
- (iii) the standards of products are covered by a number of mechanisms including building regulations.

However, by not having a specific list when we have for previous schemes could be seen negatively by observers as Ofgem no longer caring about the quality of product installed.