

To: Matthew Harnack[Matthew.Harnack@ofgem.gov.uk]
Cc: Jonah Anthony[Jonah.Anthony@ofgem.gov.uk]
From: Hutchinson, Peter
Sent: 2011-08-05T08:57:28Z
Importance: Normal
Subject: RE: NI RHI - Feasibility Study
Received: 2011-08-05T08:57:30Z

Thanks for this Matthew – yes can revisit the upfront cost issue as part of the study.

If you able to send me through the proposals next week that would be great, the earlier the better so we can engage with our Perm Sec and Minister.

Thanks again for your work on this.

Peter

Peter Hutchinson

Sustainable Energy

Department of Enterprise, Trade & Investment

Netherleigh

Massey Avenue

Belfast, BT4 2JP

Tel: 028 9052 9532 (ext: 29532)

Textphone: 028 9052 9304

Web: www.detini.gov.uk

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From: Matthew Harnack [mailto:Matthew.Harnack@ofgem.gov.uk]

Sent: 04 August 2011 12:35

To: Hutchinson, Peter

Cc: Jonah Anthony

Subject: RE: NI RHI - Feasibility Study

Thanks Peter, that's helpful.

I'm content with almost all that you've proposed. However, we may need to revisit or clarify the treatment of the up front cost of development as I didn't mean to imply that we could split the charge for this to DETI over a number of years (I don't think we can do that), but rather that your accountants might be able to treat the cost as a capital cost and depreciate it in your books over a number of years. The only reason being that it might help spread the costs for you in your books given the potential size of the upfront cost compared to the uptake which starts off small and then grows. But I think we can safely leave the consideration of this until we're doing the feasibility study.

By the way, I've also had a very good discussion with our head lawyer and expect the legal costs for the feasibility study and initial review of draft regulations to come down significantly compared to the figure I indicated yesterday.

Jonah will work on updating our feasibility study proposal tomorrow so that we can discuss it with our MD on Monday/Tuesday next week, so I would hope (touch wood) to get a proposal to you around Wednesday/Thursday next week.

Regards,

Matthew

From: Hutchinson, Peter [mailto:Peter.Hutchinson@detini.gov.uk]

Sent: 04 August 2011 12:03

To: Matthew Harnack

Subject: NI RHI - Feasibility Study

Matthew,

Following on from our conversation yesterday I have spoke to the Director of Energy Division in DETI to get her view on how we should proceed.

We have agreed that the feasibility study should consider the incentivisation of all the technologies listed in consultation barring bioliquids (ASHPs should be considered in the feasibility study). When the study completes it would be useful that in the introduction/pre-ambule that reference is given to bioliquids to demonstrate that following preliminary consideration it was determined that the cost of introducing bioliquids from the beginning of the NI RHI would have been prohibitive and not provided value for money given that modelling suggests no uptake until 2013. A recommendation can be included that bioliquids are introduced in the future, possibly in line with the GB RHI.

In regards to ASHPs, the feasibility study should consider how/if this technologies could be included from the outset. If, following the study, it is determined that the costs of incentivising this technology from the start of the scheme are prohibitive and not vfm then a recommendation can be included similar to the one outlined above for bioliquids.

In terms of the spreading of upfront costs over a number of years it will be dependent on the actual costs. We may have sufficient

budget to cover this issue this year, although if costs were higher than anticipated we would be happy to consider spreading these costs over 3-5 years, as suggested. This is something we will need to agree following the feasibility study and once actual costs are known. If the feasibility study could include options for payment (i.e. one off payment will be £ Xk or payments over 3/5 years will be £ Xk per annum) that would be appreciated.

Hope you are content with what I have outlined above. If you require further clarification please give me call or email.

If you are content grateful if you could finalise your proposals for the feasibility study and send through.

Thanks for your help with this.

Peter

Peter Hutchinson

Sustainable Energy

Department of Enterprise, Trade & Investment

Netherleigh

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