



**Sent:** Friday, 30 December 2016 14:51

**To:** Tweedie, Siobhan

**Cc:** DfE SpAd; 'John Robinson'; McCormick, Andrew (DFE); All DFE Branches Press Office

**Subject:** For clearance: Sam McBride Newsletter RHI - consultants' report

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Hi Siobhan

Sam McBride from the Newsletter was in touch yesterday with the following query. Please see below response for clearance.

Thanks

Ciarrai

**Query**

There was a 2013 report (see attached) on RHI conducted by consultants for DETI. On page 66, of the report there is a section which deals with risks. It refers to "the range of issues encountered by the non-domestic RHI to date" and then goes on to state under the headline "Useful heat" that: "With direct metering, properties may be heated to higher than best practice levels, windows opened, etc., if the tariff is tied to heat generated. In this case, the tariff could exceed operating costs."

The same report said (page 59): "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."

The rate was ultimately set at 6.2p/kWh for small biomass and 5.9p/kWh for medium biomass.

This shows that the department was aware of a key problem in the non-domestic scheme - boilers operated solely to get subsidies - by at least June 2013. Why was nothing done about this at that point? Given the warning about the unaffordability of this, who was responsible for this costly error?

**Department for Economy spokesman:**

"It is clear that risks should have been managed more effectively. Page 66 of the consultant's report was part of an Annex which dealt with the assessment of heat output in the domestic sector. Although a risk associated with the use of metering encouraging excessive generation of heat was identified, there was no suggestion by the consultants that this was happening in practice. Indeed, page 17 of the consultant's report noted that "while Ofgem has received applications for non-domestic renewable heat technologies under Phase I of the NI RHI, no installation has received accreditation as yet."

Issues relating to budgets for the non domestic RHI scheme fall within the scope of the independent fact finding investigation being undertaken on behalf of the Department. It would, therefore, not be appropriate for the Department to comment further while the investigation is continuing."

**Ciarrai Conlan**

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