

# ***Tuesday 11<sup>th</sup> October 2016***

## **Peter Hutchinson Interview Transcript**

### ***Attendees:***

<b>Name</b>	<b>Initial</b>	<b>Company</b>
Peter Hutchinson	PH	Department of Education
Clare Kennedy	CK	PwC
Ian McConnell	IM	PwC

### ***Meeting notes:***

CK	<p>Ok for the purposes of the tape it's now 18 minutes past 3 on Tuesday 11<sup>th</sup> October and in the room we have Peter Hutchinson, formerly of the Department for the Economy, now the Department of Education and in the room is Clare Kennedy and Ian McConnell from PricewaterhouseCoopers.</p> <p>So Peter just for the purposes of the tape and for the record thank you very much for coming along today and cooperating with the investigation. I know that you've been provided by the Department with certainly a redacted section of our terms of reference</p>
PH	Yes
CK	So as you're aware we have been directed to some specific documentation that the Department has provided us with. They have asked us to interview a number of individuals specifically in relation to that documentation, really as a fact finding investigation to put certain notations to the individuals to gather the individuals recollection of those events
PH	Yep
CK	And indeed if you have anything else that you want to bring to our attention please feel free to do so.
PH	Ok
CK	As we have discussed off record beforehand I am aware that it is some time ago, so genuinely Peter please take the time that you need just to reflect back over the events, I think both Ian and I would be happier for you to employ that approach so that we get the most accurate record
PH	Yep
CK	Obviously we're recording with tape and again for the record I'm very happy to provide that transcript and I know you want to provide, to be provided with a copy of the transcript
PH	Yeah that would be useful, yes that would be great.
CK	So we will do that Peter as well

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PH	Yep
CK	How we intend to approach the interviews is that we will run it for about 45 minutes or so and then offer you the opportunity to have a break for 5 or 10 minutes.
PH	Ok
CK	However if during that time you want to take a break, please just let us know and we can easily pause the tape and just move on
PH	Yep
CK	Genuinely don't think it would take the full 3 hours, but we'll see how you go
PH	Alright
CK	And if any of the questions aren't clear Peter please just flag that as well
PH	Yes no problem
CK	And certainly we'll rephrase it
PH	That's grand, yep
CK	So are you happy with this?
PH	Yes, yes
CK	And as well Peter just for the purposes of the tape you've chosen not to be represented today as well and can I ask if you can confirm for the record that you will keep the content of the interview confidential?
PH	Yes, yes
CK	You are the first of the interviews
PH	Ok
CK	So that's particularly important in your case
PH	Ok
CK	So Peter just to start, if you can give us a bit of background as to yourself and to your career I guess in the civil service and how you ended up working in the energy division?
PH	Ok, ok well I started in DETI in 2005, July 2005, as a graduate staff officer and worked in DETI in a number of different roles for 2 or 3 years, things to do with corporate planning, emergency planning, working in the assembly liaison section, dealing with AQs and ministerial correspondence, things like that. In July 2008 I moved to the Department of Finance where I worked as the private secretary to Nigel Dodds who was the Minister of Finance at that point, so I worked for him for a year managing his office and accompanying him on official business and making sure he was briefed on certain matters

	and then in June 2009 I was promoted to Deputy Principal and I then returned I think in late July early August 2009 to DETI where I took up a post in the energy division
CK	Ok
PH	<p>And that was in sustainable energy branch as it was known then and it was really to look at the issue of renewable heat which was a new policy area for the department at that stage. I think in the previous sort of spring time the GB government had developed proposals, or at least notified that they were considering introducing a renewable heat incentive to increase levels of renewable heat across GB. That had been a sort of a shift in policy, had provisionally been a focus more on renewable electricity on both jurisdictions and so I came in to look at that. I think there had been at that stage an opportunity for Northern Ireland to join the GB scheme. However, I think this was before my time, but I think legislatively the timings weren't allowed and it was stopped and that a separate assessment would need to be done on the Northern Ireland scheme market to decide what would be best for it.</p> <p>So really from August 2009 I worked to Alison Clydesdale, as my grade 7 at that point, really on renewable heat issues, that included managing and sort of study into renewable heat in Northern Ireland which looked at what was the current level, what would be a realistic target for 2020, what would that mean in real terms, what would the cost be involved and what other EU nations were doing in terms of renewable heat at that stage. That concluded and that led the way to the minister make an announcement in September 2010 that a 10% target would be realistic if not, well challenging I'd say, realistic and would help contribute to the, sort of the EU targets that we were meant to contribute to and that an RHI would be an appropriate mechanism if funding became available and we would look at that. Then in October 2010 treasury divided £25m to Northern Ireland for RHI under £2m, £4m, £7m, £12m...</p>
IM	Yeah
PM	And then work began on an economic appraisal to look at how could that funding be best utilised to achieve that 10% target looking at various policy options and CEPA and AEA Technologies won that tender
CK	Yeah
PH	<p>We worked through with them, which led to a public consultation in July 2011 which then followed work with CEPA in terms of the assumptions and tariff modelling that they had done for us, to a final position in February 2012 I think, or maybe March, which then those tariffs were taken forward to the various approvals that we required and also in terms of legislation and State Aid and things like that, for implementation the following autumn 2012 and then it was a process of monitoring uptake and assessing how the scheme was performing and also looking at how could it be expanded into the domestic sector and any follow up issues. At the same time as doing the sort of renewable heat work, I'd have been doing work on sustainable energy communications, so looking at how government talked to the public and businesses about renewable energy or sustainable energy and that led to sort of a joint agreement across the executive about a single approach under unified branding under the Energywise logo so I did, I'd have been involved in all that work at the same stage and also work on the grant scheme which was running probably from May 2012 up until whenever I left and in May 2014. So that's what I was involved in and then from May 2014 I moved on from the Department, I joined OFMDFM and now in the Department of Education.</p>

CK	Ok
IM	Peter if you go back to the kind of timing of the economic appraisal, the consultation etc., so what did the team look like and who were the personalities that were involved in the RHI planning?
PH	It was a small team I think. At the start it really consisted of Alison as the grade 7 but it was probably a third of her time, I think she had 3 deputy principals at that time and was doing things like energy efficiency and another issue, I'm not quite sure, but certainly – and then it was myself sort of was the full time person on it in the early days with AECOM doing the renewal heat study and then into the CEPA economic appraisal. Then I think in spring 2011, probably late spring 2011, Alison moved over to renewable electricity and Joanne McCutcheon became the grade 7, became the head of the branch. So it was really her and myself I would say, who were working on it primarily, there was a part time DP (might have been part time at that time) who helped us as well and then we had access to a sort of a staff officer resource on a 50:50 basis with another branch and we were also, during that work with CEPA and AEA we would have had input from a departmental economist who have sat in on meetings with the AMB chair with papers that were going about and would have been advising on them from appraisal to make sure that it did fit in with the 10 steps under the NIGAEA, I think it is, and the green books that were guidance, to make sure that each of these steps were adhered to and also looking at the model that they were developing to design the tariffs to make sure that it was bearing in mind the constraints and sort of the tariff assumptions that we wanted to include into it
CK	Ok and then sitting above Alison, what was the chain of command going further up?
PH	Well Fiona Hepper would have been the grade 5, the senior manager in the, she again would have been involved in the CEPA work probably less so just because of diary commitments, but would have attended meetings and I think and met with the consultants and again would have been briefed on how work was progressing and then would have been responsible for clearing the policy consultation that went out, that would have been circulated across any division would have been the sort of way we'd done it so obviously renewable heat impacted on other heating sectors, so those officials who were dealing with oil or gas who'd have had an interest in it there was officials dealing with energy efficiency and also other officials who had experience in developing similar schemes. So those policy consultations would have been shared across the department, or across the division for comment at that stage before then they were signed off by a grade 5 and probably then senior management grade 3 and Perm Sec. But again it would have been Fiona who'd have been the contact point with them primarily, not myself
CK	Ok, ok
IM	So Fiona, Alison, yourself?
PH	Well Alison, up until a point
IM	Up until 2011
PH	Up until 2011, I think Joanne
IM	Then Joanne
PH	My recollection I think Joanne would have been coming in, I don't know, maybe May, June time, so the of policy consultation probably would have been drafted as such, mostly

	drafted and that would have gone then up to Fiona. So it's really from that point from May 2011 onwards it would have been me working to Joanne, working then to Fiona and that was until probably December 2013 when Fiona moved on to go to the Department of Education and John Mills came in at that stage as the grade 5 I think , or it was December 2013
IM	Right
PH	And then in April 2014 ...
IM	You moved?
PH	No, Joanne moved before me.
IM	First, right
PH	Joanne moved in early, in April 2014 she took a career break at that stage and then I left 2 or 3 weeks after that possibly
IM	May?
PH	Yes May 19 was my first day in OFM so...
IM	Right ok understood, that's just helpful, lots of people moving, different directions...
PH	Yes
CK	I mean if I was to take you back. You mentioned right at the beginning, obviously the minister made his announcement, very much depended on funding being available.
PH	Her announcement, sorry.
CK	I do apologise.
PH	No, no it's just... sorry...
IM	It was Minister Foster
CK	It was
PH	Absolutely, yes yes yes
CK	And you mentioned obviously that HMT came on board latterly and said that there's the 25m
PH	Yes, yeah
CK	I mean I do want to take you back and we are getting into specifics now, but if you turn to page 43 in your pack then, and it is correspondence which you were copied into Peter, obviously between Alison and John Parker from HMT
PH	Yes, yes
CK	And it's starting to discuss the means by which that 25m is going to be provided

PH	Yes
CK	And I know it is, I know it is a key point and I don't know if you were listening to the PAC meeting, but it was something that came out of that meeting and what John is saying to Alison, is that it's necessary to let you know that the RHI standing is not being treated as standard
PH	Yeah
CK	AME, Annual Managed Expenditure, where the Exchequer takes on the risk of overspend instead there is this risk sharing arrangement
PH	Yes
CK	So was that something that was obviously known within the Department? Did that come I guess as a surprise to the Department? Or how was that, how did that communication land?
PH	No, well my recollection is that we got a letter, I think it was Chief Secretary of the Treasury to FM and DFM in October 2010 and I think that was in the back of the comprehensive spending review
CK	Ok
PH	And in that long letter there was one paragraph saying if Northern Ireland want to do an RHI, you can have £25m.
CK	Ok
PH	So that was the first we really heard of it.
CK	Ok and nothing more than that?
PH	I think there was one paragraph in a wider letter, to do with sort of general Northern Ireland budgetary issues, I think on the back of that, obviously Alison has contacted Treasury to try and get some clarification about the sort of profile, the spend and how this will all work, but yes certainly at that stage it was established and I think, there's emails obviously in the pack here, between myself and DECC finance, that - I should probably say that in 2010 I'd never heard of AME before as sort of annually managed expenditure – it was just money you know as far as we were concerned and it was very much in a 2m, 4m, 7m, 12m ...
CK	Ok
PH	... and we were well aware that this was the profile spend and therefore whenever we were doing any work with CEPA it was done on the basis that you would have 2, 4, 7, 12 and that's what we have until 2015, is the 25m and whenever they did their model it would have had that constraint placed into it so we can't spend any more than £25m over this 4 year period
CK	Ok
PH	And tariffs would only be selected if they fit into that budgetary constraint

CK	Ok
PH	But yeah certainly again, probably looking at the emails, Alison's contacted Treasury to get a handle of what this spend would look like and it's been advised – yes, but any underspends will be lost to the Department, any overspends will be at the Department's risk and we were having those discussions, my emails with DECC to try and understand how they would manage that and how they would cope with demand and things like that and also just what their, how they were profiling things out and then also probably at the back of our minds we'll be thinking well what happens after 2015? And I think that's covered within the Jon Parker email to say 'well if you stay within this £25m bracket then spending is guaranteed, or Treasury takes the – we'll pay for this, are the commitments that you make under that £25m' and then 2015, 2016 there will be a new budget period anyway and you could have a new government so you wouldn't have known exactly how things would have played out and that's why the first business case, the business case and the scheme was very much designed, well this is 4 years, yes we expect the scheme to be open to 2020 because that's what the GB scheme was doing, but I think probably in the consultation and the policy documents we would have said there's probably a break point, you know 31 <sup>st</sup> March 2015 because that's where our funding stops, would be my understanding, but yeah certainly it was AME...
IM	A break point in what sense Peter?
PH	Well I would need to go back and look at the final policy document, but our funding was to the 31 <sup>st</sup> March 2015 so I think in the DECC final policy which probably came out in February 2011 or March 2011, they said this scheme's opened to 2020
IM	Yeah.
PH	I think we said that, but I think we were a bit more cautious. I think in the final policy, you know, I'd need to go back and check what was said in the final policy document that was published, but I think we did say something like – yes we expect this to be open to 2020, but we only have funding to 2015 - 31 <sup>st</sup> March 2015 – so this is how, I think, I'd need to go back and look at the policy
IM	Yeah because my understanding Clare is that you know anybody who signed up during that ...
PH	Oh aye yes
CK	Yes, yes
PH	Absolutely
IM	... was contracted
PH	Yes absolutely. Once you're in ...
IM	The liability crystallises the points someone applied right so.
PH	No absolutely so once you start on the scheme that's your payments for 20 years and they're grandfathered in with all that and that's what will be in consultation, there's no issue with that, but we only had that first tranche of money to 2015.

IM	Sure.
PH	So there could have been a scenario that if new government in Westminster says that we don't like the RHI, we don't like energy efficiency, we don't like renewable energy, they could have stopped it in 2015 and we would have had no further funding, so the scheme would have stopped to new applicants, but the payments would have been continued to existing applicants
IM	Understood
PH	But GB, I don't know if GB ever said that explicitly in their documentation. I think they always had a confidence –well, no this is an EU target, this is a Government commitment, so this will stay open to 2020. I'm not sure if we were, I think we did say that in our policy consultation, but I think we also had a line in there saying – well, you know if something happens and you know up to March 2015 and we don't get any further funding because our funding was only for the first 4 years and it was all coming from GB, so if GB stop it then we don't have the funding to pay for any new applications basically. But yes, your point's right, that once you're in, you're in and that was the same as the RO as well
IM	So given, you know you're working in a 4 year timeframe with specific amounts of money that you were trying to work with, am I right in assuming that therefore the risk of overspend was something that was – no one recognised and if so, how was it managed?
PH	<p>Yeah well there would have been a number of risks identified probably in the business case and in the case work and anything that we were discussing risk of – I suppose overspend would have come from the tariffs being too generous, so there was risk of tariffs being too generous, risks of tariffs not being generous enough and not being appropriate so the targets or missed, risk of an impact on the gas network was a big risk for us, because the department obviously wanted to expand out to the West and if a lot of these heat units were going across to renewables then that would have an impact on the economic so there's a range of risks. So the risk of overspend is obviously one of them and that's why whenever CEPA would have done that economic modelling we would have shared with them our budget expectations up to 2015 and there is probably some, we probably had some options in terms of post 2015 what the profile of spend might be like and then in the, their model which selected the tariffs they would have had this budget constraint. So when the supply curves were developed by the model, and the reference installation picked, they couldn't select their reference installation which would set a tariff which would reach the £25m.</p> <p>So that was our first sort of, right that's the first cost control. Now obviously those tariffs are set based on technology assumptions, and variables that can change over time, so they can change from 2012, 2013, 2014 so the tariffs can be, well might be right in 2012, might not be right in 2014 and that was the experience under the RO where they were having regular reviews and sometimes technologies, they determined that maybe the capital cost of them had come down, so therefore the rock level would come down, or the capital costs had gone up, or the fuel costs had gone up and the rock level would go up so there would be a variation in RO.</p>
IM	There was a fluid kind of situation?
PH	Yes so same with the RHI in terms of right, these are the tariffs that we'll set now because those are based on the best advice and information that we have at the minute, it may be that in 2-3 years' time the price of biomass drops and therefore the tariffs goes down, or the price of biomass goes up and the tariffs have to go up, or electricity prices go up and

	then the heat pumps tariff, so there, you know there are all these different variations in terms of those costs and would have been assumptions made as well in the model in terms of access to finance, so telling people actually go out to the bank or wherever and get the £20 or £30 or £40 grand whatever they need to install it, is there biomass in the market to buy? Are people confident in the technology? So obviously as those things change over time that has an impact on the tariff and then that has an impact on uptake as well
IM	So just go back to overspends, so, my simplistic mind, so I guess the risk in that first 4 year period was a greater number of applications than envisaged? Yeah?
PH	Yeah the risk would have been greater number of applications, tariffs being an over incentive
IM	Tariffs being, well in a sense that would drive potentially applications?
PH	Yes.
IM	Level of usage, much greater than assumed again would then be driven potentially by tariffs being over generous?
PH	Yes so, and again that goes to the point yes, about one of technology assumptions would have been how much of these technologies are going to be used for? So the demand factor and the load factor on to them, and also in that regard we would have also had assumptions on efficiencies. So if the technology becomes more efficient over time therefore that will have an impact.
IM	Where are those assumptions derived from Peter? Were they made to fit because you all know there were numbers that had to be achieved every kind of, work back from the numbers?
PH	No.
IM	Were they take from GB assumptions?
PH	They would have been very similar to GB assumptions, if not the same I think in terms of those assumptions, there would have been some variations in terms of fuel costs and that was one of the things that came out in our July 2011 consultation, that people were saying to us that biomass costs in Northern Ireland were slightly different because we were competing with the South and because we didn't have, it was a smaller market and therefore maybe not the cost, but also the confidence in supply and that has an impact on whether or not you'll actually take a leap to move across to renewables in the first case. But yes, certainly there would be a range of things that would affect that tariff and they were all factored into the model at that stage and then the model would have selected what tariff would have been the most appropriate
IM	So you're kind of saying – look yeah, variable, so there are risks around this stuff moving?
PH	Yeah.
IM	Accepted, trick is to keep an eye on it, because by its nature it's a moving feast so you have to keep looking at it.
PH	Yeah.

IM	In your time, then you know, this went live when in early 20?
PH	November 2012.
IM	2012.
PH	Yep.
IM	So when you're kind of just less than 2, a year and a half.
PH	Yeah, yeah.
IM	When this stuff was live, what kind of reviews, what kind of work was done then to keep an eye on it, to use that for instance?
PH	Well we would have monitored on a monthly basis. Different things we'd had done. I don't think there is any applications until probably January or February 2012, so it will ...
IM	2013?
PH	13, sorry, so it was open for a few months and nothing was happening, which was concerning obviously.
IM	Right ok.
PH	Especially because you had spent 2 years trying to, and being out and about talking to everyone in the country about it and we'd also done a lot of advertising back that, you know communications, we'd done bill board, tv, radio, a lot of advertising. So we, I think it was always going to be, we always expected it to be slow because there was a big focus on renewable electricity and things like wind and solar PV and AD were well established. Biomass – yes, ground source heat pumps – less so and other things. But, so in terms of monitoring there have been a couple of things we have done so, on a monthly basis we would have got number of applications and accreditations in from OFGEM so what we did, well what I did, I would have tracked them against where GB were in a similar point of time. So if we had just tracked them like for like for GB, it wouldn't have really told us anything because their scheme had been live for 12 months, so we tracked them against...
IM	12 months past...
PH	So you'd be 2 months in this scheme so we did that on a, how many applications, how many accreditations and what the percentage is of Northern Ireland compared with GB, roughly assuming 3%, 3-5% would be where we want to be. Anything less, is disappointing and I think anything vastly more would be an area of concern.
IM	And how was that then, so that's against kind of GB to give you a sense of relative success.
PH	Yes.
IM	How were those monthly stats then measured against the kind of budgetary constraints?
PH	Well then we would have then monitored the amount spend that we were doing against, I think, on an annual base if you would have profiled out what you expected to spend. Again a demand led schemes, it was very difficult to predict what it might be, but we'd have had very, very, I'd say rough calculations in terms of, you know, right we have got £4m this

	<p>year, this is where we think we should be, did we meet the £4m on an upward trajectory and I think the coils and sort of finance in our team would attract what payments were being made and how that was going against our actual budget. So there is the monitoring of applications, the monitoring of payments being made and budget... there would have been the monitoring of the capacity, so right, where are we in terms of how much kilowatt hours is out there? In terms of trying to achieve the target and then probably later on in early 2014 we would have been looking at payments as well because at that stage you probably had a, well you might have had 40 or 50 in, some of them might have received 2 or 3 payments, so you're starting to get, you'd of had a look in to see, right where are we in terms of like who's getting what here and I think I had done some spreadsheets – not complicated ones – which would have basically been the tariff assumptions, the technology calculations and a range of what the payment might look like depending on what it would be.</p> <p>I think at that stage as well with OFGEM we were trying to get information from them in terms of what sectors these installations were in – because whenever you just look at the raw figures you'd see one with maybe with a high payment and one with a low payment and one with a medium payment and what would have been useful to us I think, what we were keen to get for the monitoring and also for any future advertising that we were doing, were are there particular sectors that this is working for? Are hotels taking this up? Is it care homes? Is it the IB sector? What is it? And also postcodes, we were looking for postcodes at that stage, but we had difficulties with OFGEM in terms of data sharing, that they may not have been keen to share. They saw that as their information and they weren't, you know, it wasn't an easy get if you like. I don't know, I can't recall if that was solved in my day or not, that was maybe solved later on. But certainly if you had that information, say well hotels are generally getting paid more than care homes or an office block is getting this, then that would have fed into our assumptions, but we didn't have that.</p>
IM	<p>And what was your sense at that stage Peter in terms of you know what was the kind of overall feeling in terms of the scheme so you're kind of maybe a year in from the first applications, you're now in kind of April/May time 2014 you know was there, were the Department saying yeah we're kind of on track or we're way behind here? Uptake is nearly where it should be or what was the general sense kind of a year in...?</p>
PH	<p>I think uptake was building, would have been the sense probably early 2014 not to any great levels. I would need to go back and have a look at it but definitely recall in the first few months applications being in single figures each month, probably into 2014 then you were getting maybe double figures and I think as I see in that handover note that I had not marked down, that there was a 100 accreditations by the time I left and 150 applications so what's that in 18 months, a year and half, maths I don't know, less than 10 accreditations a month. I think we were tracking ok against GB in that percentage figure. I think probably from memory I think we would have been north of the 3% maybe closer to 4-5% which ...</p>
IM	<p>And that's in the number of applications?</p>
PH	<p>That's in the number of applications. The one thing that would have, probably again before my time, and goes into what's been said in the hand over note is the fact that all the installations were in that 20 to 99 kW barrier, eh band. So that would have been the thing that, I wouldn't say concern but maybe a slight frustration, or a slight query about you know what was going on here because the tariff methodology was a levelised cost methodology, so every technology should be as attractive as every other technology. So yes whilst you'll get more biomass because it's well established in Northern Ireland and whilst you'll get smaller installations because the SME kind of sector Northern Ireland, that's the kind of size you need. You'd have liked to have seen a bit more of a spread, you'd liked to</p>

	have seen heat pumps, you'd liked to have seen larger biomass because they're more cost effective.
IM	And did anybody ask the question and try to find out well why the predominance of kind of 20 to 99s and...?
PH	I think it probably came up informally during the consultation, we didn't consult on that in July 2013, probably having a cup of coffee with people you know around. They were saying looks there's a cliff edge you know at 99, so 99 6p, 101 is a penny and a half and that goes back to what the reference installation is for that band so maybe the 99 kW, 20 to 99 kW band is based on a 50-60 kilowatt boiler and 100 megawatt band might be based on 300-400 kilowatt boiler, just depending on the supply curve has fallen and where the reference installation is and obviously the cost differential between a 60 kilowatt and 300-400 kilowatt boiler would be quite significantly different and it would be different assumptions, probably you know smaller boilers would have been using wood pellets, the bigger ones would have been using wood chip. Wood chip's much cheaper, therefore you need less tariff. So those things have been blended into it, but certainly it would have been something that we would have looked at. I think that's probably as far, you know we had always talked about reviewing in 2014, I think we talked about early 2014 in the first sort of guise but maybe at that stage there was only 50 or 60 applications or accreditations so it probably didn't feel the right time to review it. Also there was competing pressures in terms of getting domestic RHI launched and I suppose, there may be a concern that if you say look we're reviewing this then do people stop installing and wait to see what you're going to do because if they know there's only 50 or 60 accreditations they'll think well this is going to go up here. You know, how would that affect behaviour? But certainly rather than you know... the most obvious thing, I suppose rather than any payments being too high or anything like that, or applications soaring, that the fact that all the installations were in that band that would have been an indicator anyway, not enough to, because there were explanations, you could say well yes that's, you know we are going to get more of them, that's the kind of market we have in Northern Ireland, yes we're going to get more biomass than heat pumps, yes that makes sense.
IM	And to what extent would you have been aware of you know individuals with multiple installations of you know of you know boilers in that bracket on the one site?
PH	Well we didn't have the post codes or the addresses of the installations so we wouldn't have known how many ...
IM	You just had the RHI number?
PH	Pardon me sir?
IM	The RHI number or reference number?
PH	Yes, I'm pretty sure, I don't think. Now we knew a scenarios where people were phoning us up and saying look how does this work? Again you know people are, you know, I'd have done talks out to, you know Action Renewables might have put on a 7 hour I'd have gone out and tried to, sort of drum up sort of interest or at least explain what it was meaning so people here maybe you know understood it and I would have been down at CAFRE And AFBI doing the same sort of thing. So you'd have these kind of queries about you know what is an installation and how does this all work? So quite often we'd refer them on to Ofgem you know because they were the ones who were administering it to the regulations but certainly you know it was that if one installation heating a single, a single installation heating a single heats requirement, that's one installation. Once you add a second boiler if

	it's heating the same building, if it's heating the same heat network then the installation, the band is decided by the combined heat capacity, so 2 x 99 boilers heating the same house or the same office block that is a 198 kilowatt boiler so the tariff is for that 100+. If the heat network is distinct, and OFGEM are content that it is distinct and its two buildings or two processes or two whatever it might be, then they're two separate installations.
IM	That's an interesting point
PH	Has that not come up before?
IM	I guess it goes back to the interpretation and this goes back to how the scheme is being administered, has been administered. I don't think we've seen any example in the 80 sites and the 300 something installations that we've looked at physically where multiple boilers ...
PH	Yeah.
IM	... and many sites where there have been multiple boilers where any of them haven't been considered to be anything other than distinct and therefore being paid at the higher tariff as a result,
PH	Ok. Yeah I'd need to look back to the regulations but certainly that's, I can look back to the regulations and see what it says about additional capacity but certainly if you had two boilers heating the same building, if they're 2 x 50s then you're getting 100 kilowatt tariff. They're 2 x 90s you're getting 180 watt..
IM	I can absolutely understand the principle behind that. I am just think practically then if I look at some of the big commercial premises we've looked at with maybe 10 boilers running you know and they have 10 space heaters in the one building ...
PH	Right.
IM	... they are being treated as 10 distinct boilers, all 99s and getting the higher tariff.
PH	Yes.
IM	As opposed to saying look it's actually the one use.
PH	Yeah well Ofgem would need to have been... my understanding of it again going back to my time there and the legislation and the guidance documents that we did with OFGEM and any conversations, is that they would need to be satisfied that they're distinct heat networks if you like so they'd need to see the schematics of the heating system.
IM	So accepted they would be distinct schematics, so each boiler has its own piping, but that's where we get to say was that the intention of the scheme?
PH	No absolutely not and I think what we had to do in the legislation, the legislation followed GB in many regards is that you have to factor in, if someone puts in a 90 kilowatt boiler and 12 months later decides that they want to put another one then how do you? You don't to prohibit that and also you didn't want people then, who were unsure of the technology, to put a 90 kilowatt boiler in and say well we'll keep an oil boiler as a back-up and then in two years' time thinking well I quite like biomass so I'll move it you know you had to try and factor in well how do you deal with that under the scheme but again my interpretation

	of the legislation as we drafted it would have been that it had to be a distinct heat network or you know so yes 3 or 4 boilers going into the same building but again that will be for OFGEM to interpret what we mean, you know OFGEM would have said this to us on a number occasions, it's not what we mean by the regulations, it's what they interpret, you know so you know they will look at the regulations independently and they will decide what that application does if you like. It doesn't matter what our intention was in the regulations, but the regulations don't say it you know so that would be their... that would have been their line or a number of things.
IM	So you're saying that they would take... they will apply the legislation according to what it says as opposed to what you might have meant.
PH	Exactly.
IM	Or hoped it would do
PH	Yes, exactly so and obviously that's the trick then in getting the regulations correct in the first place and making sure that it does what it... yeah
CK	Ok. Can I maybe take you back Peter, and I realise I'm taking you back and we will come onto monitoring bit do because I do want to specifically talk to you about Alison's email that she basically sent out before she left, so page 39.
PH	Yep.
CK	And it's coming back to this point around the fact that do you know it isn't going to be a constant flow of income, that if there is this overspend well then it's going to have to come out basically of the Northern Ireland block grant and you know Alison, and it is I think just before she left saying look it represents a significant challenge, DFP will require evidence of our ability to control the scheme in order to minimise over and underspending in any one year and I mean I'm just, she was asking for that to be built into sort of proposals and that evidence needed to go to DFP around the cost control element of it. Can you tell me taking from Alison's email what was specifically done to address that?
PH	Well the model that selected the tariffs would have had that constraint built into it so tariffs couldn't be selected if they were going to breach that £25m so that you know whenever they selected the tariffs they needed to advise us what's the budget you know commitment under these and under your assumptions so that was the first thing. I think at that stage as well, DECC... it may have been much later DECC launched their scheme in November 2011 and I'm not sure what cost controls they had in their scheme at that stage but they then came forward with cost controls later that year, interim cost controls like in June July 2012... yes 2012, so that was a few months before ours and I think they were on the basis of monitoring and analysis and forecasting which we attempted to do ourselves, you know in terms of what we were talking about earlier on and then, and in those early days you know, talking about uptake, we were within budget, uptake was low and therefore we were looking to DECC to see what they were going to do in terms of cost control. Then in February 2013 they must have then come up with degression.
CK	Degression, yeah
PH	And they launched that in the financial year 2014, 2013 sorry. So we would have looked at that as the model in terms of right what do we do here so in our phase 2 consultation proposals we probably took a bit of what they did in June 2012 in terms of cost control and we mentioned degression and said well this is an option for us. So at that stage they

	<p>launched in April 2013 we were probably finishing the work with CEPA at that stage and we hadn't asked them to look at, you know it wasn't in the term of reference for them to look at anything like you know depression at that stage so we wouldn't have had the analysis to say right these are the trigger points or these are, this is where we do it and also at that stage you know 30 or 40 installations you know so depression might not have been a proportionate you know for what it looked like at this stage and a cost control method in terms of right well give us the powers to shut it down if things seem to be spiking in any way and that's mentioned in the Phase 2 consultation here and we talk about this is a finite budget, you know we need to stay within this, but certainly in those early days when, after Alison, I think, well I'm not sure if we were content, but certainly CEPA had built into their model this £25m constraint, that tariffs could be selected outside of that, that there would be as talked about in the business case and the others, this ongoing review to see if these variables and the tariffs were being adjusted or affected in any way and it then would have the powers to reduce tariffs, or introduce tiering, whatever it might be, similar to what they did in the RO and that was, probably at that stage where we were, where DECC were as well and as things progressed with DECC then our thinking could have sort of got, sort of more advanced in terms of well let's have a cost control method or let's have depression. If depression was proved necessary you know and again that's why we asked those questions in the Phase 2 consultation to say well this is what we might do, does this work? What about depression? Do you think depression will be better? Again I don't recall a great response you know in terms of stakeholders... you know I think said yes... that's right that's right, that looks fine you know I think was basically what they said but yeah certainly you know we were... it was all built at that stage.</p>
IM	<p>So if you go back to Alison's kind of then... highlighting the risks and so is it fair to say Peter that no specific controls were put in place because it wasn't, and I don't want to put words in your mouth, it feels no controls were put in place, it wasn't deemed that the risk was high at that point in time given the level of uptake. Depression and tiering were acknowledged and known about as potential controls that are means of addressing it if required?</p>
PH	<p>I'm trying to think when. I wouldn't say you know, I don't think we would have... we wouldn't have dismissed the risk you know and certainly it's in there in the risk register as look this is...</p>
IM	<p>Well we can see it in the risk register but I guess what we're trying to find out... well ok it's in a note, people knew about it, it's on the risk register. As soon as it's on the risk register well what was the control? What was done?</p>
PH	<p>Yes, yes,</p>
IM	<p>To reflect the fact that it was on the risk register? And that's what we're struggling with.</p>
PH	<p>Well ok overall you know I'd have said that you know the cost control and the budgets were shared with CEPA and AEA and their built into their models so they would have...</p>
IM	<p>I'm really, it might be my stupidity here, I'm struggling to understand how the CEPA model in any way acts as a cost control because they create that model to make it you know under whatever assumptions, and it fitted, it fitted the spending profile. In what way would have impacted or controlled the number of applications, the usage of applicants etc?</p>
PH	<p>Well it goes back to you know how the tariffs were designed you know we didn't sit round the room and just say look 5p 6p whatever you know. So the model would have selected these supply curves and then a reference installation would have been selected at 50% at</p>

	the mid-way point of that supply curve to say right that's the reference installation, that's where we need to incentivise to achieve the target. But within that there would have been this in the background that you cannot spend any more than so based on those assumptions, those tariffs were appropriate but I take your point that then going forward then if those assumptions change...
IM	...There was only a controlled incentive that all the assumptions were right?
PH	It's a control in that the tariffs were appropriate at the time of introduction.
IM	Based on all those assumptions?
PH	Based on the assumptions and based on the analysis and based on the consultation...
IM	But everybody knew that the assumptions no matter how good or how bad would never hold true because they don't turn out... not all of them will ever hold true so ...
PH	Eh...well I don't know if all of them you know I think... I don't know about that but... certainly assumptions changed and the market conditions changed and the prices changed and things like that and so that's why you review it regularly and analysing it and monitoring it and checking where you are in terms of your budget spend, in terms of where you think applications are, in terms of what you're think your giving out to the consumers.
IM	But just to go back so we're not missing something. At this point in time we do not see a control mechanism or controls being put in place to address that risk as identified in the risk register?
PH	Other than the budgetary constraint in the model and other than the intended use of reviews if you like and monitoring and looking at what DECC were doing in terms of forecasting which they did in June 2012 so that's a year later whenever they had that and then it was built into the later consultation to determine right what do we do if worst case scenario
IM	But no action was taken on the back of that consultation? Nothing changed in terms of ...
PH	Not in my time, not in my time I think we worked up the proposals in terms of what would go forward and that's was how it was left in terms of you know our focus then moves across to getting the domestic RHI launched.
CK	And I mean given the fact that you know review seems to be main mechanism by which you're reviewing all of these assumptions and stuff, do you know obviously there has been criticism because that review didn't happen?
PH	Yes.
CK	You know in January 14 ....
PH	Yes.
CK	.... so you know like Peter, I guess your name is on the risk review register as you know the person to carry that forward.
PH	Yeah.

CK	You know and the fact that that review... I can understand the reasons why you are saying it didn't happen in January 14, but seeing it's the main control... would you have had concerns about that review not happening? Was there a discussion, do you know a decision taken ...
IM	...Not to do it...
CK	... at departmental level not to do it? Because it was so critical.
PH	I don't, I don't recall a conscious decision, I recall you know trying to get the domestic scheme launched, writing regulations around, you know, considering Phase 2 proposals, managing the, the grant scheme, carbon trust loan issue with OFGEM, managing OFGEM. So, in a small team...
CK	Yeah, there was a lot going on ...
PH	... I think those things were taking precedence in the light of, well uptake is low, well uptake is... interest didn't seem to be significant we'll say at that stage. Things were increasing but you know, again, you know, well, what would a review done, would it have spooked people and would it stall things and things that, you know it was only really starting in terms of any kind of momentum in getting a bit of you know, people actually interested, so would then announcing a review, how would that effect... But again I, that is me talking in hindsight, I don't recall the conversations at the time. But ... you know I think, I think that's, I don't, I don't recall conscious, but again you know there was still time to review it, you know and I think we were conscious that the review could have been done, you know if it wasn't done in January 2014, well may be when the domestic RHI launched that would give capacity in the team to do it, or could something informally have been done with our economist or something like that, that would be the different options to be done.
CK	This is just some of the figures that you are saying you know, you would have got from OFGEM would, just to confirm my understanding Peter, would you have got details of the, the kilowatt hour usage because obviously there were assumptions around, you know the kilowatt hours and it turns out that actually ...
PH	Yeah.
CK	... they were significantly higher than would have been anticipated?
PH	Umm, I don't recall, possibly I think we might have done, I think we might have done because that was based on, you know where we check in, in terms of, were they making their calculations correctly?
CK	Yeah.
PH	I don't recall that going in to any kind of assessment in terms of what the heat capacity was because we ...
CK	Ok.
PH	... used the, the size of the boiler to assess capacity rather than the heat demand.
IM	I guess where Clare's going is Peter you, you could have had then only 40 or 50 applications at that point in time...
PH	Yeah.
CK	Yes.
IM	But they all in their own right, they all could be outside the kind of assumed levels...
PH	They could have been yes, yes.

IM	... That's not necessarily... I am presuming again the decision that was made as to how or not reviewed, they were kind of looked at, there was only 40, there is all of that you know what I mean, so it, was there conscious consideration given to the kind of profile of the 40 and how they were operating?
PH	Umm, I don't, you know, again in terms of you know going back and looking you know at the payments we would have been looking to see well how, rather than I think, rather than the kilowatt hours I think we were looking at the levels of payment possibly...
IM	...The values...?
PH	...And if things seemed high then you would have had maybe, you'd have maybe some high and some medium and some low and then you could have then assessed well, well what did we think was going to be happening. Though you know again it goes back to the assumptions, you know we were assuming a capital cost of X you know, we don't know what the capital costs actually on installation might have been, we're assuming a fuel cost of Y, we don't know what the fuel cost is that they are paying out. So, and so we don't know and obviously if someone is using their technology more they are paying for more fuels and then that cuts down actually the amount of payment they're you know...
IM	But does all that uncertainty not just reinforced the benefit, and I know hindsight is wonderful, but a review would have delivered at that point in time?
PH	Well yeah ....
IM	... Regardless of the scale...
PH	Well as you say you know hindsight, you know I, I'd say sitting in December 2013, January 2014 with I don't know how many applications and having gone through a three month consultation process on Phase 2 where there wasn't a lot of people you know, you know talking, you know... anecdotally myself and Michael Harris would have gone out, he was the Deputy Principal in Renewable Electricity, we'd have gone out every year, twice a year to renewable energy events down in Enniskillen and Greenmount, and first year I did it, Renewable Heat room - packed out, you know this was maybe 2010, 2011 before anything was announced, packed out you know, talks at 3 o'clock and 9 o'clock, everyone very interested. Next year we've done our consultation, less people less interested. The year after less people again. You know so, you know the interest was what didn't, it didn't feel I'd say like there was a lot of interest if you like, but again that's anecdotal. But yes as you say, hindsight, you know if you'd have looked at those forty could you have interpreted then, was this, had market conditions changed?
IM	Yeah.
PH	I don't know you'd need to, we'd would need to go back and look at that and ask in terms of those first 10, 15, 20 app installations and what they are being paid in those early days you know.
CK	Can I just ask Peter, in terms of preparing the business case, did you prepare it?
PH	I would have prepared a, certainly a first draft or you know and then there would have been some sort of iterative process in terms of going to, [51:32 inaudible] management and Fiona and consulting economist and DFP and whoever may be yes
CK	Ok. And the regulatory impact assessment as well?
PH	Um, I am assuming so. I don't have it in front of me ... oh it's that one at the back. I think my name is on it is it not?
CK	Yeah, you are the contact point.

PH	I would imagine that again I would have at least prepared a first draft, which will then have been approved up the line.
CK	Ok. I mean the issue of tiered tariffs and I mean ...
PH	Yeah.
CK	... I know it has obviously become the key ...
PH	Yeah.
CK	... issue. I mean I know there is like a single line in the business case you know I've read it, it is down in a foot note ...
PH	Yes.
CK	... just saying look the tiered tariffs aren't appropriate in the Northern Ireland context.
PH	Yes.
CK	I mean was, how much of a conversation would you have had you know with CEPA around tiered tariffs, how much was it discussed because obviously it was there ...
PH	Yeah.
CK	... in this GB scheme from its inception, it wasn't that it came ...
PH	Yes.
CK	... on down you know the track ...
PH	Yes.
CK	... it was there from day one.
PH	Yeah. Well it wasn't in the DECC, it wasn't in the GB scheme whenever they first consulted ...
CK	Ok.
PH	... on it under the Labour Government. I think it was under Labour Government... and then, so they had the policy consultation maybe ...
CK	But it was in the actual regulations ...
PH	... but it was in ...
CK	... when it came out?
PH	... the final, yes it was in the final policy, so I think in September 2009, all in 2009 their first go with their consultation.
CK	Yes.
PH	And then it stalled because of the change of Government.
CK	Ok.
PH	And then it came in tiering. So tiering came in their scheme in autumn, autumn 2012, or autumn 2011, they confirmed what they were going to do. We were in the middle of the process with CEPA in terms of our economical appraisal. So tiering would have been discussed as to you know, is this appropriate in Northern Ireland and I suppose it doesn't go back to you know, is it appropriate or is it not? If the model doesn't suggest that the tiering is required then tiering, because I think in the final paper that we did with CEPA, tiering would have been required under small ground source heat pumps if we had done it a certain way. So again the, their model has identified, right for ground source heat pumps

	if you are going to do a metering tariff for domestic sector I think it says something like that, you would need to do deeming and the tariff would be slightly higher for the first 15, 20%, and it would be very low of the last... and so again it went back to it wasn't recommended by the, it wasn't in the recommended tariffs, it was certainly discussed because it is mentioned in the, in their appraisals probably in both reports, maybe not in great detail because it hasn't ...
CK	Yeah.
PH	... it's not made it through to the final. But we would have discussed it and said, well do we need and they'd have said no our analysis and based on the assumptions now, we don't need it. Not to say 12 months; 18 months; 2 years; 3 years; 4 years, whatever, later you might need it or things will change, you know but certainly at that stage based on their assumptions, at that stage it wasn't, it wasn't in the recommended tariffs.
IM	Yeah, if you go to the business case I'm just looking at it you know, paragraph 2.7 or paragraph 7.53, you know it keeps talking about the main risk tariff levels are not sufficient for the uptake or that they too generous, very unlikely is, is in brackets.
PH	2 point sorry?
IM	2.7 Peter. So it goes on to say look really OFGEM will provide regular ...
CK	2.70
IM	... management reports which enable uptake to be carefully monitored and forecast expenditure. So again it comes back to saying look, yeah it's all about monitoring regular management reports, regular monitoring, RHI reviewed in 2014 and in regular intervals thereafter, tariffs levels may be adjusted for new installations where appropriate. Then 7.53, 7.54 again it talks about schedule reviews built into the scheme. Again we haven't, you other than January 14, I haven't seen that, you know a schedule review programme as such, the reviews would consider all aspects of this scheme including eligible technology; tariff levels; fuel prices ...
PH	Yeah.
IM	... blah, blah, blah, blah. So again look in the business case and at that concept regular review ...
PH	Yeah.
IM	... regular monitoring ...
PH	Yes.
IM	... was heavily laboured ...
PH	Yeah, yeah.
IM	... and I guess didn't in reality then ...
PH	Well the review in 2014, January 2014 didn't happen, didn't commence anyway, you know I don't know how long that would have taken.
IM	There was nothing commenced before you left then Peter, is that right?
PH	No, there was no review commenced before I left.
IM	You left in May 14?
PH	I left in May 14 and I think at that stage I think as the handover note says, there are bits and pieces that, that would have suggested a review of that, not the 99 kilowatt tariff was required but ...

IM	So what led you so, so again I don't want to jump about. Clare is there anything else that you want to cover there...?
CK	No, no you fire ahead.
IM	You know I guess there is a piece then to try to understand, well ok, what were the events or circumstances or indicators that suddenly led you to draft your handover note? Because your handover note is quite clear, you are saying, ok there are potential issues here, tiering now needs to be considered, you know?
PH	Yeah. There was a couple of things, you know I think, you know again I am trying to do this from, from memory, I think, reading the emails from Janette O'Hagan so, you had this Janette O'Hagan wrote in to the Minister, must have been autumn 2013, probably earlier, September 2013, early autumn 2013, wanted to meet with the Minister to talk about an Energy Efficiency product. Minister referred her to ourselves and, and Fiona, Joanne and myself would have met with her and at that meeting she talked about her energy efficiency products and talked about anecdotally she is hearing, she can't sell her products then because people are trying to use more heat than, than they need to if you like. So I think at that stage we had been talking about, well this is how it was designed, possibly at that stage may be we were still thinking about an early review in 2014 and said look, well we are going to review tariffs in 2014 anyway so let's look at it then. I think also DECC were doing things in energy efficiency in the GB scheme or considering energy efficiency in the GB scheme. I recall whenever we did the work with, the second piece of work then with CEPA and Ricardo AEA, one of the guys who worked for Ricardo AEA would have been an auditor for OFGEM, were they would have been technical advisor to OFGEM, so I think, you know again over lunch we were chatting to him about things that he'd seen and going on and energy efficiency was one of his sort of things that he was very keen on in terms of you know the non-domestic sector because we were building into the domestic sector, it's easier to build into there but there is nothing in the non-domestic sector because there's no kind of you know standard if you like that you could apply fully across the board because every, every premise is so different. But he was, I think he had said, well I am going out to see these systems in England and you know it's a, it's an old office you know so why don't they have insulation, you know so that's with him so. So I think DECC had been looking at that and so ...
CK	Because there was an issue or because that you just had an interest? Like had they identified anything?
PH	Well he would... no well, I think he, well he was going out I guess you know to do the audits in GB and I don't know if he was bringing it back up to OFGEM or DECC whoever it might be but they were looking at it. I don't think, I'm not sure if anything was ever done on energy efficiency in non-domestic sector because it was difficult you know in terms of you know the processes were all so different. What would you do because you can't say well you've got to have X amount of insulation as everyone, you know it wouldn't apply. But so we'd be talking to her at that stage about, about these kind of things and also probably about phase 2 in terms of well, we're going to do cost control, we're going to X, Y and Z.
IM	Just go back to that, to that Janette meeting then, so it was yourself, Fiona ...
PH	Joanne.
IM	Joanne McCutcheon?
PH	Yeah Joanne McCutcheon, yeah it would have been the three involved.

IM	Right, ok.
PH	But certainly you know the issue that she raised in autumn 2013 was nothing we had heard and we didn't hear it at all in the public consultation process, going out to talk to lots of people and we hadn't heard it anywhere else, so it was of interest absolutely and we thought right we'll keep an eye on this you know in terms of monitoring and analysis of it but at that stage we were probably still thinking of a review in 2014 where we could do a more formal analysis of the tariffs and how they were being paid out.
IM	So when you say keep an eye on it so how, you know how did you react to that, because in essence I guess Janette was coming and saying, guys there is a potential problem here where this scheme is designed in such a way that it is encouraging people to waste heat and as a result of it they are able to make a profit.
PH	Yeah, but it went back to you know we will continue to do what we were doing in terms of monitoring payments, monitoring uptake, monitoring capacity, monitoring those things and trying to assess you know based on our assumptions, our payments within then sort of a range that we think is acceptable. At the same time was you I'd say, the same time as Janette was saying that to us, probably you were getting 5 or 10 calls a day saying, I'd love to go ahead with this but it's not afford... you know there was a balance of opinions obviously out there, so it was important that if anything was done it was based on evidence and that's why we were probably still, I don't know maybe at that stage we were still thinking there's going to be a review early in 2014, I don't recall. But my handover note then in May 2014 from memory we talked about that issue about all the installations going into the single band so that was probably me, nagging me if you like in that I'm typing this note, I don't know, but it's not, it's not mentioned, recorded there, but the three things that are, are the Janette O'Hagan email which she's obviously emailed me then the Monday before I've left, and said look this is, this is still happening, and then a conversation that I've had Edmund Ward who worked in OFGEM who is a technical kind of person in OFGEM. I don't know if one thing led to another, I don't know, my recollection would be this is Edmund I'm leaving on Friday, thanks very much, cheerio kind of conversation and these are the new people coming in and you'll want to touch base with them kind of thing, but in like my handover note records at that stage that he mentions to me that an experience that was happening in GB which I don't know if he said GB and Northern Ireland or GB and could be happening in Northern Ireland or what his wording is I think I've said GB and Northern Ireland there, was that demand was higher than the tariffs assumptions both across the board in GB and Northern Ireland and I think, I think at that stage he was may be saying that certain sectors possibly more than others and then as I say and goes back to Janette's email of 12 May that that that was then causing. So I think those two pieces of information plus the bands all in the 99 was enough for me to say at that stage, look if I was here for another three months this would be an important action to look at you know, this 20 to 99 kilowatt band would be interesting and I probably should have said and a 100 to a megawatt band because there was no uptake there so if you're going to reduce tariffs here or introduce tiering then you might want look at that one hundred to... increase it or do something there because there's no update there. So yeah, all I can do is refer to the handover note in terms of you know that's sort of my indication of where I think things could go over the next three months and if they got the domestic schemes through case work whatever it might be then if you look at the non-domestic these are the issues to look at
CK	And you said, going back to the meeting that you had with Janette back in October 2013 that it was all about the evidence and you know finding evidence to support what's she's saying. Did you actively go and look for that evidence?

PH	I don't recall, I don't know what we did following that meeting. I'm not sure if I'd be, I'm not sure, again that's me in hindsight saying you know I think it was more ...
IM	Well did it trigger any specific actions such as going back and looking at the payments or whatever on the cases you had to date? Or was it, no that couldn't be right, we'll... we'll move on you know, we have a regime in place so it's ok?
PH	I don't recall. you know, I definitely, it wouldn't have been dismissed, I'd say that, you know and I think it probably would have fed back into, well that's interesting, let's continue to keep an eye on what's going on in the scheme but you know in the back of your mind your saying uptake is still low and payments are still within budget level and things like that, and we were probably still thinking well we're going to review it in 6 months anyway.
IM	But you don't recall any specific set of actions off the back of that meeting, which said 'well ok just at that meeting, we're going to check A, B, C and D and we're going to regroup just to make sure this isn't an issue?'
PH	I don't recall. That's not saying it didn't happen but it's not saying it did
IM	We can't see anything but...
PH	...Ok...
IM	That's not to say we have everything...
PH	I don't recall, I think it was probably, and I go back, I don't recall the meeting being solely about that issue for, for the full you know time, I think she was telling us about, about this product she was selling into and at that stage she had had a couple of incidences in care homes I seem to recall being the main thing, that I think this product worked well in care homes, it helped to monitor heat demand and if one room had no-one in it then it switched off. So I think that's what it was and I think then that's why we were still going back to DECC, not DECC sorry, OFGEM saying, look can we have what sectors these installations are in because then if you'd had a list of technology, a list of all your applications and accreditations and all the really high payments if you like and you could see that they were all hotels and care homes, then you could say, well yes they might need more heat than someone else so there's merely an explanation. If it was office blocks or warehouses or something like that, you'd be asking the question well why do they need you know why are they running so much?
IM	And do you recall actually a specific request to OFGEM asking for that information? It's just again because you know that, I can understand that and that would have been an interesting response.
PH	I don't know about, I don't know if it was after that meeting but that was an ongoing sort of discussion with OFGEM, the data sharing, post codes and I think it was sector we were keen to see. I think that was what we were keen to see because I think, I'm not sure if it came after that meeting or before but we were keen to see it because we were keen to, if we were going to, and that probably ties in with when we were likely to be advertising the scheme and advertising that if we knew that these sectors were taking it up, they had two weeks to speak to Invest NI and get them to raise it with you know certain client execs or to be targeted whenever we were speaking to Navigator Blue our advertising people could we be saying to them well these are the post codes where people are actually using renewable heat, so could billboards be positioned there to try and, so that was kind of

	maybe one of the reasons why we were trying to get that information and then it would have also been useful for analysis if you like as well in terms of, well if, if, it could have explained things, if we did see payments higher in a certain sector then we could say well, well that's a process heating plant so maybe that does make, you know, I don't know, again that's 50:50 hindsight and 50:50 trying to remember what I was doing you know.
CK	I mean in terms of you know of the risk register which is obviously a key document, do you know in the civil service, can you remember many amendments being made to that or for example off the back of Janette's meeting would that particular issue around... generation 24/7...
PH	I don't recall, I don't recall us going back to that...
CK	... have made its way onto it?
PH	I think the risk register probably would have been monitored on a quarterly basis.
CK	Ok.
PH	Again that's me, how risk registers are normally monitored on a quarterly basis and we would have been looking at well what did it, what was said that... does it ring true and do we need to change anything. I don't recall us going directly to it and saying, oh we need to do X, Y and Z, I don't recall that.
IM	And Peter that meeting, yourself, Joanne or Fiona you know, did you come away from that meeting thinking Ok, you know, we were just at a meeting where someone, you know blew the whistle or identified a potential issue. Do we need to follow a process? Was it escalated? Or did you come away thinking, well that was an interesting conversation you know, she had lots of kind of self interest in this?
PH	No it wasn't, no it wasn't, it wasn't, we didn't disregard her as being self-interested I would say that, you know but in the same way it didn't, it wasn't a whistle blower type of conversation in my mind, not that I've ever been involved in anything like that but it wasn't, it was, I'm trying to sell this product and there's been some instances when I'm doing this. I don't know what she even said in her letter to the minister whenever she asked her to meet, I don't know if you've seen that?
IM	We do.
PH	If it was directly, if this was raised and I'm not quite sure.
IM	And would there have been minutes taken of that meeting with Janette? Is that what... would that have been kind of typical?
PH	Eh... I probably took notes I'd say, I don't know if I would have typed them up or if there, if there were specific action points I possibly would have done, I don't recall. If it's not in Trim I wouldn't it mustn't be there you know I'd say.
IM	That's fine
CK	Ok, but she was the first person to bring that your attention, that particular issue?
PH	Yes. To my mind anyway that was the first, you know it's the first time we had heard it and I think that's why we were able to say, well we've actually looked at this before and

	consultants said that this wouldn't be an issue, we're going to review it, and you know those are the kind of things that we'd probably been talking about at that stage you know energy efficiency, cost control, review in 2014.
IM	And in the interim between her meeting you in October 2013 and then you leaving in May 14 Peter, did, did anyone else or that kind of topic or conversation ever come up again in terms of you know potential waste, the potential incentivisation you know anything like that or was it literally a blip in the ocean?
PH	Eh I don't recall, I would have, the way my handover note is written I kind of assumed that it hasn't because if there was a second or third or fourth ...
IM	You'd have referred to it. You refer to the two ...
PH	Yes I refer to, we met Janette back here and she say's now emailed it again, this is still an issue, on the back of that I'd have had a conversation with Edmund Ward and the thing about that OFGEM wouldn't have given us policy advice, OFGEM were very clear they wouldn't give us policy advice, they were there to administer the scheme... the fact that I've recorded that it must have been as close to advice as OFGEM would have ever gone and I don't think it even was that. Edmund, you know Edmund wouldn't have been a day to day contact point with us at OFGEM, we would be dealing with Terri or Keith or whoever it might have been, who would have been more this is how this scheme is running in terms of this is how long it's taken us to process applications, this is how long it's taken us. So, Edmund was more technical kind of guy who merely worked across with the GB. I don't know if I was calling him because there was an ongoing issue with the Carbon Trust loan which we had, we'd had long discussion with...
CK	Yeah I mean I know you discussed the Carbon Trust loans with him. I mean he, he has confirmed that, he also said as part of that conversation, then you did go on because you're in this process of considering policy changes or whatever, do you know he had brought to your attention the fact that the profile you know was, was looking different and actually he had discussed tiered tariffs as part, as a potential solution and indeed he then sent you like an example, it was a case study to show how indeed ...
PH	When was this sorry?
CK	This was around May 2014.
PH	Ok.
CK	So it's following the conversation that you had.
PH	Yeah, I don't know if I phoned him on the back of the Janette thing or if I phoned him just on, cheerio and thanks very much for your help because he, you know he was a very helpful contact point in OFGEM and let him know, but certainly that would have been you know, to my mind you know that would have been the solution anyway, if that was happening in the market then the tiering of tariffs would have been the solution to it and obviously GB had introduced that in their scheme. We had concerns back in, at the start of ours but it wasn't recommended you know, but now things...
IM	Did everybody, did anybody ever think though you know GB ended up having to introduce it, it was right for them so in what circumstances could people have thought that it might not have been appropriate then for Northern Ireland? What was so special about Northern Ireland that the tiering, wouldn't have been a sensible, safe provision to have in place?

PH	Well the heat markets are very different so I don't know if the economics of it because you know they were running it, all their tariffs were based on a counterfactual natural gas, which would have had a bigger jump, you know in terms of natural gas is cheaper so that it would have been a bigger jump to move across to renewables, so the tariff was higher, so unless that's what they thought into it, I don't know, it goes back to you know I need to honestly to... CEPA again but if, if tiering was required it would have been identified by the model I'd be convinced because it was identified for that ground source heat pump small you know it was a natural kind of, if the assumptions had told it, it was required, it would have been recommended.
IM	Yeah but that model never considered in our, kind of our view or our understanding of it, the prospect of people taking advantage and gaming the system, you know that model assumed that everybody was predictable...
PH	...Would be based on that yes, yes...
IM	...And we do it purely on the economics of, of heat and best practice and efficient use...
PH	But it, I think that must go back to their assumption that it wouldn't, it wouldn't pay you to ...
IM	Yes, game, yeah...
PH	... once you, once you get to a certain point and you are, you were getting a tariff but your tariff minus your fuel payment; minus your financing cost; minus your operating costs; wouldn't actually mean that you, you're being incentivised in any way. Now I'm not saying that that, that might have been right in 2012, it might not have been.
IM	Yeah, yeah.
PH	But it may not have been right in 2013 ...
IM	13... Sure ok. Fine...
PH	... or 2014 so.
IM	So just, there is a meeting with Janette, Fiona, yourself, Joanne, we talked about kind of what specific actions kind of none necessarily identified relying on you know the reviews etc. Not aware of it being escalated to anyone outside of Fiona, Joanne and yourself in terms of that meeting, that issue?
PH	Err, it wouldn't have been me, it wouldn't have been me escalating it anyway ...
IM	It wouldn't have been you? But you don't recall...
PH	... If it's been escalated, it's been escalated at a higher level...
IM	By others?
PH	Yes.
IM	Which is fine. You don't recall adjusting or amending the risk register? Post that specific ...

PH	I don't recall. I don't recall no.
IM	That's ok. And then, she then emailed you again in May which was just a ...
PH	Yeah.
IM	... day or two before you leave ...
PH	Yeah.
IM	... Peter. Who else was aware of that email?
PH	Err ...
IM	Can you recall? So it came ...
PH	Just, sent directly to me is it?
IM	I think it came to you but you had then may be gone, isn't that right?
PH	No I was still there on that Monday. I was still there ...
IM	Yeah 12 <sup>th</sup> May it was emailed to you.
CK	It was just to you, just to you.
PH	Yes that was my last Monday.
CK	So page 25.
PH	Is that the email referred to in my, is that the ...
CK	It is.
PH	... Trim reference in the handover?
CK	It is the trim reference.
PH	So, so I have stated that, I don't, I am assuming I have responded to her. I would like to think I responded to her that may not have been.
CK	I think you forwarded it to ...
IM	Davina.
CK	... Davina, because Davina then got in touch and said, Peter has gone I am taking over and you know that was sort of it.
PH	Unless I forward Davina and said ...
CK	Would you please take over?
PH	Right, ok. I thought I, I thought I would have replied to it. Alright, ok, yes, fine.

IM	So I guess the question that I have, you know outside of you four and to Davina, was it flagged with anybody else so kind of grade 7 grade 5s?
PH	Well there was no grade 7 at that point.
IM	Right, ok.
PH	Joanne had gone, Davina then was taking a temporary acting up to the grade 7 post because ...
IM	Right ok.
PH	... Joanne had gone and I was going.
IM	Right.
PH	So ...
CK	Did you bring it to Fiona's attention I guess because Fiona had obviously....?
PH	Fiona wouldn't have been here.
CK	Oh had she gone as well?
PH	Fiona ...
CK	Oh so it was John Mills?
PH	Fiona left, John Mills would have been the grade 5.
CK	Ok.
PH	And err, no I think I, I've put it into the handover note and said, this is the email, it's saved, and have then said as it says, speaking to Edmund, speaking to Janette, this is now the issue, this is how you resolve it. I, I, whenever I, I am assuming that I have emailed this to Davina, I think we had, we'd have had a quick chat as well.
CK	And that is our question that it was prepared for, Davina was it?
PH	Not, well it was prepared for the incoming team. So Davina was only going to be there for three or four weeks because the incoming grade 7 was just taking a longer time to replace him I think, or, and my replacement, I don't know whenever he was starting. So I think that would have been prepared for them as not a first day brief but a kind of, like these are, this is a kind of a background, these are the key documents that you might want to read up on and if, if you need actions to be done by the end of August, this is a list of actions. I, I am guessing by the reading of that Joanne has started this because I am referred to it on the first page, I don't think I referred to myself in that, like that so. And I'm guessing Joanne probably started this in early April and then I have populated it before I've gone and that's why I've added things in like the Janette thing and, you want to do this and you want to do that. Yeah because I think I remember Joanne sort of saying look, getting all these documents and get all the references and make sure you have them. I think then that probably would have been like, probably would be emailed across to Davina because she was, she was it if you like, you know for that period of time it was a short period of time. I think I recall preparing packs for them on my last few days, like, trying print off all these

	papers so, the, the incoming staff then would have had this at the front and all the packs, all the papers behind it. I think I recall that and so whenever they came in they would have had this kind of ...
IM	Briefing pack?
PH	I think so. I think it would make sense because I didn't, really fancy, I don't think I would fancy having to trawl through all the different documents that I reference there. Maybe not all of them but certainly business case, state aid papers, anything which I thought would be useful in terms of right, if you read through this, this gives you a bit of a whistle stop tour about how things work and whatever.
IM	So you don't think they kind of, you know the second email to you from Janette, you did a handover note reference it, save it, goes to Davina, certainly you didn't personally flag that with John, Davina may have or may not have but ...?
PH	I don't think I, I don't think I would have done, you know I think I probably view it, well this is for the incoming team now to and again I don't think that's me saying, this must be done next week, that's me saying, think you want it, maybe you want it, look at this and do some analysis, get the economists involved now, probably more on the basis of the Edmund Ward conversation, but backed up by the Janette conver... and then also sort of just a feel for all of these are going into the same tariff band and may be now is the right time to do something to, to effect that change.
CK	But I mean in your mind you are actually stating the solution would be to tier tariffs?
PH	Well yeah ...
CK	So you'd obviously got your staff to position Peter and you were recommending the solution to this?
PH	Well that would be ...
CK	There was an issue...
PH	Well that would be the, you could have had two solutions. A solution could have been you cut the tariff and if you had cut it to may be to three or four pence then that, that incentive to waste heat might have, might have disappeared, I don't know. So that would be one. But the tiering of tariffs felt well, we'd talked about this before with CEPA they said no not at that stage, it's working in DECC, if this is the issue... and I think that's how it was explained with CEPA, CEPA would have said, no you don't need tiering because there is no incremental you know, benefits to wasting heat but that now anecdotally and it only anyway appeared that it might not be the case based on either, was this always the case or have things changed in the market? You know there is a lot of new suppliers coming into the market so there is a lot more sort of people going out and selling their equipment. We had spoken to people coming across from England and anything like that... that might have had a knock-on effect in terms of the capital cost and then it come down. So, so other things might have been in play here which we wouldn't have thought about in 2012 and therefore tiering would have been, and obviously I've probably had a quick chat with Edmund to say, you know our concern would be, look is this a, is this a long kind of process with OFGEM, to get tiering and, and he has indicated no he didn't think it would have been. So yes I must of, I must have thought it was significant enough to ask him that question anyway to say look...

IM	And Peter in the handover note you kind of said look it is becoming apparent that payments made to installations are higher than would have been expected under the modelling, the CEPA modelling?
PH	Yeah.
IM	So you know in terms of how that became apparent, are you saying well that, that was purely as a result of Janette O'Hagan plus the conversation with Edmund? Or do you think there was anything else floating around?
PH	No I think it's probably and at that stage you had a hundred accreditations, you probably had 50 or 60 of them had received three or four payments at that stage and not just winter payments.
IM	So you think again that part of what informed you, might, was a, kind of looking at the payment kind of profiling and data?
PH	Yeah well certainly that ...
IM	Because you don't refer to it in your handover note ...
PH	No, no but certainly you know you were seeing things come in, so things might have, that all the technologies going in the 20 to 99 would be I think the biggest indicator for me.
IM	Yeah.
PH	That something would have had to be done because of that cliff-edge and that would have been brought up informally during a conversation ...
IM	Yeah, yeah.
PH	... but not in, not in a, this is too generous at the lower rate, it is, it's not generous enough at the higher rate if you like you know. So that would have been how people having conversations with us would, I'd love to install a 500 kilowatt boiler but there is no point, you know I, I'll install a 99 and I'll keep some oil or something like that, you know so, so, that would have been possibly the conversations that could have been having but yes based in May 2014 I've had the, we'd had that meeting with Janette with you know, I don't recall what came after it but certainly it was in our minds, she emails again in May, conversation with Edmund plus, look, we are now getting into a situation where there is a decent body of installations where we could make an assessment in terms of what do the payments look like.
IM	And you are saying, we and our, is that, you know is that something that was discussed with yourself and, only yourself with John, yourself and ... it's just that...
PH	...No it's probably just ... I should be saying me sorry
IM	Well that's ok... just wondering
PH	Sorry. No Joanne had gone at this stage so I didn't have anyone to bounce this off ...
IM	Yeah.

PH	... in terms of you know, do you want to look at this handover note and do you think my assessment is correct or not.
IM	Yeah.
CK	So would John Mills have seen it?
PH	He certainly would have... I don't think, I don't think... I wouldn't have cleared it through or anything like that.
CK	Yeah.
PH	I think I had one chat with John before I left for a couple of minutes, you know on the Friday and I think I said I've met with Davina and I've talked her through some of the issues and I've given her, I probably said I'd given her a note. I don't recall. I forgot about this until two months ago and then happened to find it in my, my untidy laptop if you like you know, so.
CK	Yeah.
PH	Because whenever I read the PAC, or not the PAC the audit, it talked about lack of hand ...
CK	Yeah.
PH	... and I was, not that, I was, I was just kind of thought surely I must have done something, you know I kind of thought I must have... and then it just appeared.
IM	So just for my information so, just the, the kind of handover note, is that saved on Trim and does it have a Trim reference? Or is, or has that come by a... Peter and so you went, looked on your laptop, found your handover note...
PH	Yeah, well basically what happened was ...
CK	This is the departmental copy...
IM	Sorry?
CK	This is the departmental copy that we have.
PH	Yeah the copy that you have isn't my copy because it has got handwriting on it which isn't mine, but, but yeah basically after that came out in July I think I read through it and thought, surely there must be something given over because it ...
IM	Yeah.
PH	... because obviously Fiona left, Joanne left and I left.
IM	Yeah.
PH	So you had everybody who had been working on the scheme for two and a half years and any kind of knowledge on it who had gone ...
IM	Gone

PH	... So I kind of would have thought, yes we would have provided something, at least something to read. Fiona works in Education on the floor above and I bumped into her one day and she said, oh this now all happening, I'll have a chat with you at some stage... then she would go off on holiday and said I will have a chat with you, I am just trying to remember you know, what, what we were doing back then, trying to get her head round it and in the interim then I was just looking through any old documents that I had to try and get my, try and familiarise myself again with it and, and found it and then when Fiona returned from holiday, again bumped into her in the corridor and said look, I, I have this note do they, do they have this? And she asked me to forward it to Alison Clydesdale...
CK	Just obviously John Mills was in Post from January 2014.
PH	Yeah.
CK	Would you have discussed tier tariffs you know with him?
PH	I don't recall, I didn't, I don't think, I don't recall many, I don't recall meeting with John ...
CK	Ok.
PH	... many, I don't, I don't recall.
CK	Ok.
PH	I think the focus at that stage was the domestic RHI scheme, to try and get it launched because there was pressure, GB had been running theirs for, I don't know when they launched they were a good bit ahead of us now, so that was the pressure and I don't think there were a lot of conversations around the non-domestic scheme at that stage ...
CK	Ok.
PH	... other than maybe sharing the consultation and where we were with that possibly I don't know.
CK	Ok. Because Ofgem have told us so obviously confirming the meeting that you had in, in May, or maybe it was just a conversation ...
PH	Yeah.
CK	... that you had with Edmund but he had also said that the OFGEM team had come across in April 2014 and it was Teri Clifton ...
PH	April 2014?
CK	2014 and now ...
PH	Oh come across to meet?
CK	Came across...
PH	Oh sorry, yes, yes, yes, yes.
CK	As part of the sort of annual review, budget planning ...

PH	Yes, yes.
CK	... type meeting. Now they have said John Mills was present at that ...
PH	Yes.
CK	... meeting?
PH	Yes.
CK	You can't remember who else was present at that meeting in April...?
PH	...Yes....
CK	...Would you have been there?
PH	Yeah I think yes. I think OFGEM staff changed quite significantly around that time and they had two new ...
CK	Ok.
PH	... senior folk, who must have replaced Matthew Harnock who would have been doing with for a long time and I don't, I don't recall Teri coming across to that, but, but I remember, yes there were two, two guys from OFGEM that came across, myself, John and Joanne ...
CK	Ok.
PH	... would have met with them, Joanne was still there I am pretty sure at that stage and I think that was to discuss all the outstanding issues that we had with OFGEM and sort the relationship we had with them and just maybe things like data sharing and budgeting. Probably at that stage as well we were still in two minds about how we would administer the domestic RHI scheme, possibly we might have been thinking, should we take, give it to them at some stage or should we do it in-house or in the in same way we might have been thinking, should we take the non-domestic scheme off them and try and deliver it in Northern Ireland or utility regulator or whatever. So, but I think it was mostly, just a, John had just been in post for three months, these guys from OFGEM were fairly new and let's have a meeting because quite a, we'd have Matthew Harnock would have been over, you know regularly enough to meet with Fiona about things or used to have teleconferences whatever it might be, so it was just OFGEM were over. I don't think Edmund was there at that stage, I don't think he was at that meeting. It would, you know I don't think he would have come across.
CK	Ok.
PH	I don't think so.
CK	So you don't recall the non-domestic scheme being discussed at that meeting?
PH	No, well I'm sure, I'm sure, it ...
CK	Yeah.