

Renewable Heat Branch**Staff**

- Vacant DP – Peter Hutchinson had previously been in post (left 16.5.14) and was mostly involved in RHI Phase 1 and the Public Consultation on Phase 2
- Dan Sinton DP (part-time) – Dan has mostly been responsible for the RHPP and administrative preparation for the domestic RHI
- Linda McGready EO1 – Linda has been part of the RHPP team. She has only recently been promoted to EO1. It was envisaged that she would assist Dan with the introduction of the domestic RHI as well as overseeing the RHPP.
- Cait Paterson EO2 (job share) – Admin for RHPP scheme
- Philippa Whiteside EO2 (job share) – Admin for RHPP scheme
- Peter Briggs SO – Peter works for two branches. We are supposed to have 0.5 of his time but have been having less of this in practice. We have been using Peter to look after any issues re legislation, to write up PPEs and as secretariat to two cross-departmental groups.

Immediate actions (by end August 2014)

- Securing approvals for the launch of the Domestic RHI
 - Secure casework committee approval
 - Secure Ministerial approval
 - Notification to ETI Committee

- Launch of Domestic RHI
 - Phased ending of RHPP scheme
 - Passage of legislation by draft affirmative -first draft prepared. Some issues to be considered are;
 - Inclusion of biomass wood stoves for a short period of time
 - Eligibility of swimming pools
 - Treatment of systems with a combined capacity over 45kW
 - Movement of large domestics (single systems over 100kW) into non-domestic scheme
 - Inclusion of bioliquids
 - Capping payments at £2000 per annum to prevent overpayments on inefficient homes.
 - Drafting of guidance documents / faqs
 - Publication of guidance on nidirect.gov.uk/energwise
 - Development of IT system for administration

- Ofgem administration
 - Agreement of “change control” mechanism for administrative costs
 - Agreement of data sharing protocols
 - Agreement on Carbon Trust loan issue
 - Discussion regarding impending changes to admin procedures based on Phase 2 policy.

- Review of current non-domestic scheme
 - Review biomass tariffs under 100kW
 - Consideration of tiered tariffs to prevent excessive payments

- Non-domestic Phase 2 policy
 - Determine policy on phase 2 for non-domestic, including;
 - New technologies and tariffs
 - Biomass sustainability issues
 - Air quality issues
 - Metering changes (in line with GB)
 - Use of process heat
 - Relocation of plants
 - Preparation of State Aid paper
 - Engagement with Ofgem re potential changes
 - Engagement with DECC re GB proposals

- Communications
 - Meeting with Navigator Blue to discuss research findings from previous media campaign
 - Agree the need for marketing activity in 2014/15 (budget of c £40k)
 - Business case and marketing brief for activity

- Arrange meetings of cross-departmental groups (heat and communications)

1. Renewable Heat Incentive (RHI)

Overview

- The RHI is an incentive mechanism aimed at promoting the uptake of renewable heat installations in the commercial sector. No upfront support is awarded but payments are provided for the lifetime of the technology (up to 20 years) and are calculated based on the size, type and heat use of the installed technology. Payments are based on metered heat output x appropriate tariff (tariffs differ for different technologies and are in the form of pence per Kwh). This scheme is similar in nature to the NI Renewables Obligation (NIRO) which incentivises renewable electricity.
- The scheme was designed following public consultation (July 2011) and independent economic analysis by Cambridge Economic Policy Associates (June 2011 and January 2012).
- The NI RHI was launched on 1 November 2012 (the GB scheme was launched in November 2011). The schemes are similar in many aspects however the tariffs for NI have been designed specifically for the local heat market. The NI tariffs tend to be lower than GB tariffs – this is because the cost differential between conventional heating and renewable heating is less in NI than GB.
- For the scheme to be launched approvals were required from a DETI Casework Committee, DFP, the DETI Minister and EU (re State Aid).
- The scheme is underpinned by secondary regulations.
- The scheme administered on a day to day basis by Ofgem. The relationship with Ofgem is via an Administrative Services Agreement. Money is transferred on a monthly basis to cover payments – this is looked after by Sandra Thompson (Energy co-ordination Branch).
- To date (12.5.14) there have been 153 applications under the RHI, all bar one for biomass, and 105 accreditations.

Useful reading / documents

- April 2009 Submission beginning the work on renewable heat - DT1/09/0033582 and DT1/09/0144352
- Executive Summary of a 2010 Study into the NI renewable heat market - DT1/10/0089593
- CEPA Analysis Work - DT1/11/0071551 (first report) and DT1/12/0034035 (follow up research)
- State Aid application and addendum - DT1/12/0000602 and DT1/12/0021740
- Casework Synopsis - DT1/12/0026878
- RHI Business Case - DT1/12/0035322
- Guidance notes for the RHI scheme - www.nidirect.gov.uk/rhi
- Legislation - [Link to legislation.gov](http://link.to.legislation.gov)
- Documents underpinning relationship with Ofgem - DT1/13/0063865, DT1/13/0063864, DT1/13/0063866
- FAQs - DT1/13/0038171
- Weekly Ofgem reports - DETI Container DT15/160/245/45/ Energy DETI - Sustainable - Renewable Heat - RHI Accreditations and Reports

- Spreadsheet analysis on uptake - DT1/14/0088879

Key contacts

- Ofgem

Day to day admin issues	Teri Clifton	teri.clifton@ofgem.gov.uk	0141 341 3991
Technical issues	Edmund Ward	Edmund.Ward@ofgem.gov.uk	0207 901 7168
Monthly payments	Deckerson Thomas	Deckerson.Thomas@ofgem.gov.uk	0207 901 3060
Monthly reports	Mohini Depala	Mohini.Depala@ofgem.gov.uk	0203 263 9917

- DECC (Organisation chart at DT1/14/0025193)

SCS Contact (G3)

Stakeholder Engagement & Communications

GB Domestic RHI

RHI Strategy

Irrelevant Information redacted by the RHI Inquiry

Nicola Barber nicola.barber@decc.gsi.gov.uk

- DCENR

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Renewable and Sustainable Energy Division	John Rice	John.Rice@dcenr.gov.ie	

Current / emerging issues

- **Data Protection** – DETI and Ofgem have had many discussions regarding data sharing under the RHI. Ofgem receive applications and provide DETI with a weekly update on these, however the information provided does not include location, post code, type of sector and other information that might aid statistical records, briefing material or policy development. Ofgem are again considering how such information could be shared.
- **Carbon Trust Loan** – An issue arose in summer / autumn 2013 where Ofgem refused an application on the basis they had received a Carbon Trust 0% interest loan – this was despite the fact that Ofgem advised applicants and DETI that they consider the two schemes were compatible. Following consideration, DETI revoked Ofgem's decision and allowed applicants to avail of both schemes. This, however, has State Aid implications in that applicants mustn't breach EU thresholds on de minimis aid. Ofgem had previously advised this situation had been sorted however it now appears this isn't the case and are awaiting DETI instructions on how to proceed. In GB, Ofgem accredit installations and simply notify DECC that both sources of funding have been received – it is unclear whether this satisfies State Aid rules. Stephen Moore (EU) has been very helpful on this issue. Papers at DETI Container DT15/160/245/54/Energy DETI - Sustainables - Renewable Heat - Carbon Trust Loans and RHI 2013/14.
- **Tariffs** – It is becoming apparent that the payments made to installations are higher than would have been expected under the CEPA modelling. Ofgem (Edmund Ward) has advised (on 13.5.14)

that the experience in GB and NI has shown that many installations have had a higher demand (time of operation) than had been assumed in the tariff calculations; this is especially true of certain sectors. As the demand is higher than what has been assumed the tariffs can become over-generous. This issue would need to be considered as a matter of urgency. The email from Janette O'Hagan (DT1/14/0088268) is also relevant to this point, where applicants could over-use technologies for financial gain. Again CEPA had advised in their 2011 analysis that this wouldn't be the case. The solution would be to "tier" tariffs, where a certain tariff is provided for the first 15/20% of use and then another lower tariff is provided for the rest of the heat use. This is used in GB tariffs. Certainly this should be considered for biomass under 100kW as a matter of urgency. This has been discussed briefly with Edmund Ward and he advised that Ofgem would be able to implement without too many changes to existing systems.

- **Budget** – the initial budget was for £25m until March 2015, this came with correspondence with HMT that payments made under the initial funding would be covered in future years (DT1/11/0044780). DECC have received a budget of £430 for 2015/16, a DETI share of this would be the order of £10-12m however no confirmation has been forthcoming. Correspondence from DECC has suggested the money will be provided to NI from HMT (DT1/14/0061088). Finance are aware. In future years a more joined up approach with DECC may be sensible regarding budgeting i.e. a single UK budget covering both schemes? In terms of admin budget, the expected costs of Ofgem is expected to be £260k – a bid has been submitted as part of June Monitoring. These costs are based on 3% of GB costs. Ofgem are scheduled to submit a "change control" to current protocols to confirm these costs.

2. Renewable Heat Premium Payment (RHPP)

Overview

- As the RHI scheme covered non-domestic applications only, it was agreed to introduce a short term grants scheme for domestic customers. This was done with the intention to introduce a longer term incentive mechanism (similar to RHI) for domestics in the future. Those availing of the grant would remain eligible to apply for the incentive mechanism when introduced.
- The Renewable Heat Premium Payment (RHPP) scheme was launched on 24 May 2012 and provides a payment to householders wishing to install a renewable heat technology in their home. The value of the support is fixed but varies depending on the technology;
 - Air source heat pump - £1700
 - Biomass - £2500
 - Ground source heat pump - £3500
 - Solar thermal - £320
- To date (12.5.14) there have been over 1700 applications, 960 of these had led to an installation being made and 800 have received payment. DETI has paid out £1.6m on this scheme in total.
- The most popular technology is biomass, accounting for 50% of applications / installations. Solar thermal accounts for c30%.
- The scheme is administered within the Branch, with the EOI and EOII's responsible for recording applications, checking eligibility, raising queries, carrying out visits and processing payments. Payments are authorised by the 2 DPs.
- Claims are checked (as per the procedures manual). The % of sites to be visited was agreed with Trevor Cooper and Audit at the start of the scheme. The branch maintains a pivot table to monitor how the Branch is performing regarding the number of site visits.
- Once the position is finalised on Domestic RHI the closure of the RHPP will need to be managed.

Useful reading / documents

- Terms and Conditions - DT1/12/0070156
- Information and Guidance - DT1/12/0070157
- Application form - DT1/12/0130587
- Application procedures - DT1/13/0022901
- Claim checklist - DT1/12/0114082
- Visit analysis - DT1/14/0051546

Current / emerging issues

- As with any grant scheme there are a number of issues relating to eligibility / applications to be aware of (Dan can provide verbal briefing). Some of these include;
 - **Greenhouse NI** – An installer installed a number of technologies despite not being appropriately accredited under the Microgeneration Certification Scheme (MCS). The installer advised applicants he was MCS accredited however it was discovered on

application that this wasn't the case. Applicants who installed before the installer was MCS have been informed they won't be eligible for the RHPP but may be able to apply for domestic RHI. Trading Standards (Nikki Craig) have been involved in dealing with complaints and are currently taking the installer in question to court.

- **Angus Orlingo Boilers** – A supplier notified Dan Sinton that a boiler, to which he was sole UK distributor, had been installed in NI on a number of occasions without it being supplied by his company. His company purchased the boiler from Polish suppliers and had it accredited under MCS. His accusation was that NI suppliers had purchased directly from Poland and installed in NI. As the boiler didn't come through his company it wouldn't be MCS accredited (despite it being the same product). The team have visited a number of Angus Orlingo boilers – it is very difficult to tell whether the boiler installed is from the UK company or Polish suppliers. All appropriate documentation has been supplied by applicants for these installations.

3. Phase 2 of the RHI

Overview

- As the initial RHI was focussed primarily on well established technologies and did not cover the domestic sector, it was agreed that a second phase was required to consider innovative technologies and long term support for the domestic sector. This is similar to the approach in DECC.
- The proposals for Phase 2 were developed using independent economic analysis carried out by CEPA / AEA. This analysis informed a public consultation that took place between Jul – Oct 2013. 50 formal responses were received.
- The proposals had three main elements;
 - Introduction of a domestic RHI, payments to be made over 7 years with an element of upfront support. Payments would be made on a 'deemed' basis.
 - New technologies / tariffs in the non-domestic sector. This included large biomass, biomass/bioliquids CHP, ASHPs, deep geothermal and district heating.
 - Technical amendments to the Regulations on issues such as metering, air quality, biomass etc.
- The responses were analysed and final policy on domestic RHI scheme agreed – this is subject to Casework Committee and Ministerial approval.
- DECC have launched their domestic RHI (April 2014) but are still to confirm their position on the non-domestic elements.

Domestic key issues

- Some policy (Dan can advise further) issues for finalisation include;
 - Treatment of systems with combined capacity over 45kW
 - Capping payments at £2000 to prevent over-payments
 - Treatment of swimming pools
 - Commissioning v installation i.e. MCS requirements
 - Standards for bioliquids
- Casework to be arranged with Eugene Rooney (or PS). Papers required are;
 - Letter from David Thomson
 - Synopsis Paper
 - Business Case
 - CEPA Analysis
 - Risk Register
- First draft of legislation is prepared but to be finalised pending casework and agreement of policy issues. May also need to consider whether these Regulations impact on the existing non-domestic Regulations and should changes to the non-domestic Regs be enacted by these new Regulations. For example;
 - Treatment of domestics over 100kW
 - Metering issues
 - Relocation of plants

- Following Casework approval a submission to Minister will be required. This would include issues such as;
 - Final policy for approval
 - Briefing for ETI Committee (and SL1 if possible)
 - Timetable for introduction
 - Press Release
- To launch scheme an appropriate IT system will be required and guidance documents for applicants.

Domestic RHI reading / papers

- CEPA Analysis work - DT1/13/0111260
- Public consultation - DT1/13/0111258
- Overview of responses - DT1/14/0032062
- Overarching policy document / response to consultation - DT1/14/0083031
- Casework guidance - DT1/14/0089729
- Business Case - DT1/14/0067766
- Synopsis - DT1/14/0082995
- David Thomson letter - DT1/14/0082515
- Risk Register - DT1/14/0082983
- Information on GB scheme
 - <https://www.gov.uk/government/policies/increasing-the-use-of-low-carbon-technologies/supporting-pages/renewable-heat-incentive-rhi>
 - <https://www.ofgem.gov.uk/environmental-programmes/domestic-renewable-heat-incentive>

Non domestic key issues / papers

- Phase 2 consultation included proposals to expand the scheme for new technologies including;
 - Biomass over 1MW
 - Biomass / Bioliquid CHP
 - Bioliquid
 - ASHPs (air to air and air to water)
 - Biomass Direct Air
 - Deep Geothermal
- DECC have preliminary advised that they will not be taking forward plans for support for air to air heat pumps, biomass direct air or bioliquids.
- DETI also proposed an 'uplift' tariff for biomass fuels district heating schemes.
- In addition to policy options on tariffs / technologies, there is also a need for technical issues to be considered including;
 - Biomass Sustainability i.e. sourcing of biomass / imports – mostly significant for large systems but DECC have begun the introduction of a "supplier" list for all sizes.
 - Cost Control or Degression

- Air Quality – need to ensure RHI doesn't impact negatively on air quality, however GB levels are very stringent and reflect that natural gas is being displaced in GB rather than heating oil. Stringent targets might have impact on biomass production in NI. Key contacts are Bruce Harper in DOE and Nigel Moore (DARD), Terence Patton (DARD) and Chris Johnston (AFBI).
 - Relocation of plants.
 - Changing definition of complex metering.
- Final decisions are required on technologies to be supported, tariffs and eligibility standards. These policy decisions will be need State Aid approval.
- There is also need for further liaison and consideration of DECC final proposal's to understand linkages.
- Existing Regulations will need to be amended based on policy changes.
- Any changes will also need to be considered by Ofgem and there will be an associated cost – Ofgem had previously advised that they would need to scope operational changes once policy was confirmed, the costs of this scoping would be in the order of £80k (not currently in budget line).

Reading / Papers

- CEPA Analysis work - DT1/13/0111260
- Public consultation - DT1/13/0111258
- Overview of responses - DT1/14/0032062
- Information on GB scheme
 - <https://www.gov.uk/government/policies/increasing-the-use-of-low-carbon-technologies/supporting-pages/renewable-heat-incentive-rhi>
 - <https://www.ofgem.gov.uk/environmental-programmes/non-domestic-renewable-heat-incentive-rhi>
- DECC response to consultations- DT1/13/0204229

Communications

Overview

- In December 2010, the Executive agreed to new protocols regarding the delivery of sustainable energy messages by Government Departments and Agencies. It was agreed that all Departments involved in sustainable energy messaging would deliver such campaigns via a single contract. The contracted marketing agency would have responsibility for ensuring consistency of messaging and timing campaigns; there would also be benefits in terms of research and evaluation. A single brand would also be developed.
- In July 2011, Navigator Blue was appointed and a single brand known as “*EnergyWise*” was adopted. A first campaign was held between October 2011 and March 2012 focussing on establishing the branding and promoting basic energy efficiency behaviours. Subsequent campaigns were held in 2012/13 and 13/14 that focussed on promotion of renewable heat and RHI/RHPP.
- In addition to outdoor media, TV and Radio activity a website has been developed on NI Direct (www.nidirect.gov.uk/energywise).
- The contract was for an initial period of 2 years with the potential to be extended for a further 2 years – the contract was extended in July 2013 and will therefore continue to July 2015. There is a budget of around £40k for 2014/15 that could be used for promotion of the domestic RHI.
- The management of the contract with Navigator Blue is the responsibility of the cross-departmental group on sustainable energy messaging. This group is chaired by EIS (Chris McNabb).

Useful reading / documents

- Original Exec Paper - DT1/10/0092498
- Protocols for using contract - DT1/11/0094701
- Research report from 2012/13 campaigns - DT1/13/0112541
- Examples of artwork – DT1/14/0030939, DT1/14/0018509, DT1/14/0018493
- 2013/14 Business Case - DT1/13/0176604
- Other documents in “Energy DETI - Sustainables - Sustainable Energy Communications” or (historical documents) in “Energy DETI - Sustainables - SE IDWG (Sustainable Energy Interdepartmental Working Group) - Sub Group - SE Communications”

Contacts

- OFMDFM

GAU – Day to day contact	Mark Robinson	Mark.robinson@ofmdfni.gov.uk	Ext 88226
GAU – G7	Kim Martin	Kim.martin@ofmdfni.gov.uk	Ext 88141
NI Direct / Web info	Audrey Bertinat	Audrey.bertinat@ofmdfni.gov.uk	Ext 88573

- Navigator Blue (contact with NB is normally via OFMDFM)

Brian Scott (Managing Director), Personal information redacted by the RHI Inquiry / 028 9024 6722

Current / emerging issues

- Navigator Blue is keen to present the research findings from the recent 2013/14 campaign – this would also be an opportunity to meet with the NB team and discuss potential options for 2014/15. This would be arranged by Mark Robinson, OFMDFM.
- If it is decided to carry out marketing activity in 2014/15 a business case will be required for the budget.
- The Communications Sub Group have not met for a number of months – whilst this is chaired by GAU, DETI have often instigated the meetings. Items for discussion would include forthcoming communication activity and development / maintenance of the NI Direct website.

Renewable Heat Sub Group / Strategy / BioEnergy Action Plan**Overview**

- The Branch chair and act as secretariat for the Renewable Heat subgroup of SEIDWG.
- This group has two main responsibilities
 - monitoring progress against Bioenergy Strategy 2011-2015
 - Consideration of cross-cutting issues relating to deployment of renewable heat.
- It was originally envisioned that this group would assist in developing a Renewable Heat Road Map. This document would pull together cross-cutting issues (incentivisation, fuel supply, air quality, planning, heat in public estate, business opportunities etc) and demonstrate how the 10% renewable heat target might be secured and the benefits. This aspect of work was put on hold by Fiona Hepper until the domestic RHI is in place.

Useful reading / documents

- Renewable Heat Road Map , discussion document - DT1/13/0072361

Contacts

- Peter Briggs acts a secretariat for the group.

Current / emerging issues

- Peter Briggs has been asked to seek updated on the Bioenergy Action Plan.
- A meeting will be required in Autumn 2014.