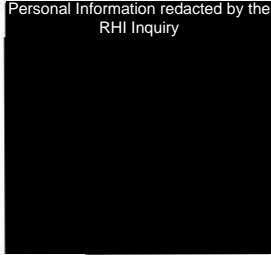




Mrs Sylvia Armstrong

Steppingstone Timber Products

Personal Information redacted by the
RHI Inquiry



By post and email (info@steppingstonetimberproducts.com)

07 June 2018

Dear Madam

**Re: The Independent Public Inquiry into the Non Domestic Renewable Heat
Incentive (RHI) Scheme**

**Provision of a Section 21 Notice requiring the provision of evidence in the
form of a written statement**

I am writing to you in my capacity as Solicitor to the Independent Public Inquiry into the Non Domestic Renewable Heat Incentive (RHI) Scheme (known as 'the RHI Inquiry') which has been set up under the Inquiries Act 2005 ('the Act').

I enclose a copy of the RHI Inquiry's Terms of Reference for your information.

You may be aware from media reports that the RHI Inquiry is conducting its investigations into the matters set out in its Terms of Reference. The Inquiry is continuing with the process of gathering all of the relevant documentation from relevant departments, organisations and individuals. In addition, the Inquiry has also now begun the process of requiring persons who have been, or who may have been,

involved in the range of matters which come within the Inquiry's Terms of Reference to provide written evidence to the Inquiry Panel.

In this context, it would be of assistance to the Inquiry to have a statement from you setting out your involvement with the Non Domestic Renewable Heat Incentive Scheme in Northern Ireland ('the Scheme').

In keeping with the approach we are taking with others, the RHI Inquiry is now issuing to you a Statutory Notice (known as a 'Section 21 Notice') pursuant to its powers to compel the provision of evidence in the form of a written statement in relation to the matters falling within its Terms of Reference.

The Section 21 Notice enclosed with this letter requires you to provide evidence to the RHI Inquiry Panel in the form of a written statement addressing the matters identified in the Schedule to the Section 21 Notice. As the text of the Section 21 Notice explains, you are required by law to comply with it.

The aim of the enclosed Notice is to require you to provide all relevant evidence within your knowledge which is pertinent to the Inquiry's Terms of Reference. The Schedule to the enclosed Section 21 Notice provides further detail as to the matters which should be covered in the written evidence which is required from you. In the event that there is a category of information in respect of which you have no evidence, please state this in your response. Where you can provide evidence, then the more comprehensive your statement is, the less likely it is that the Inquiry will have to revert to you at a later stage for clarification, although in many cases this is likely to be necessary to some degree.

If it would assist you, I am happy to meet with you (or your legal representative) to discuss what evidence you may be able to provide and whether it is covered by the Inquiry's request.

Receipt of this correspondence and its enclosures places you under a duty of confidentiality to the RHI Inquiry in respect of them. You may share the correspondence and the enclosed Notice with a legal representative or

representatives, but neither you nor they may show, communicate the contents of, or provide this correspondence or the Notice to any other person or organisation without the express permission of the RHI Inquiry. Any breach of this duty of confidentiality is actionable at the suit of the Inquiry Chairman.

You will also find attached to the Section 21 Notice a Guidance Note explaining the nature of a Section 21 Notice and the procedures that the RHI Inquiry has adopted in relation to such a notice. In particular, you are asked to provide your evidence in the form of the template witness statement which is also enclosed with this correspondence.

Given the tight time-frame within which the RHI Inquiry must operate, the Chairman of the Inquiry would be grateful if you would comply with the requirements of the Section 21 Notice as soon as possible and, in any event, by the date set out for compliance in the Notice itself.

Finally, I would be grateful if you could acknowledge receipt of this correspondence and the enclosed notice by email to Patrick.Butler@rhiinquiry.org.

Please do not hesitate to contact me to discuss any matter arising.

Yours faithfully

A handwritten signature in black ink that reads "Patrick Butler". The signature is written in a cursive style with a long horizontal stroke at the end.

Patrick Butler

Solicitor to the RHI Inquiry

02890408928

SCHEDULE

[No 114 of 2018]

1. Provide details of your occupation(s) and/or employment during the period November 2012 to the date of answering this Notice.
2. Explain, in respect of any sector in which you did business in the said period, whether your decision to enter this sector and/or the timing of such entry was related in any way to the availability of subsidies under Non Domestic Renewable Heat Incentive Scheme in Northern Ireland ('the RHI Scheme').
3. Explain why you / your business first became interested in the RHI Scheme.
4. Please explain the direct or indirect involvement that you had with, or in relation to, the RHI Scheme or any aspect of it prior to its suspension in February 2016. In particular, please provide full details of the following:
 - a. Why you decided to apply to the Scheme;
 - b. The date each of your biomass boilers was installed;
 - c. The date you made each application to the Scheme;
 - d. The date each of your biomass installations was accredited;
 - e. The installed capacity (in kW) and efficiency of each of your biomass boilers;
 - f. The date upon which you received your first RHI payment;
 - g. The person or company you employed to provide and install each of your biomass boilers; and
 - h. The person or company, if any, you engaged to assist with each of your applications to the Scheme.
5. It appears to the RHI Inquiry from information provided to it that you applied for accreditation of an installation or installations under the RHI Scheme between August 2015 and 18 November 2015 when there was a marked 'spike' in the number of such applications generally. As to that (and in respect of each such

application), please address the following matters:

- a. Why did you make an application to the Scheme at that time?
 - b. Did anyone encourage you to make an application to the Scheme at or around that particular time? If so, please identify who did so, when, and what reason was given for the encouragement.
 - c. Were you warned in any respect about the possible introduction of cost controls, tiered or amended tariffs, or an annual eligible heat cap into the Scheme? If so, in respect of each such warning, beginning with the earliest, please identify who provided this warning, when they did so, how it was communicated and (insofar as you can) in what terms.
 - d. Without prejudice to the generality of sub-paragraph c. above, were you in contact with any Minister, Special Adviser ('SpAd') or Civil Servant in respect of proposed changes to the Scheme? If so, please provide full details including, in respect of each such contact, who it was with, when it occurred, how it occurred and (insofar as you can) the substance of what was said, discussed or communicated.
 - e. Please explain, in respect of your installation(s) for which application for accreditation to the Scheme was made within the above period, how long it took from ordering the relevant plant to it being installed and commissioned.
 - f. Please explain any steps taken by you to expedite your application to the Scheme, including steps taken in order to ensure that your application was submitted in advance of 18 November 2015.
6. Specify whether you were encouraged by any person to seek accreditation under the RHI Scheme, were assisted in doing so, or were provided with information which encouraged you to apply or to consider applying or which influenced the timing of any such application. Please provide full details,

including the identity of the person or persons concerned and the relevant dates.

7. Specify whether you used any information which had been shared with you to advise, encourage, assist, or cause other persons to apply, or consider applying, for accreditation under the RHI Scheme. In respect of any such instance, please provide full details, including (but not limited to) the information you shared, the third party concerned and the date of any steps taken by you in that regard.
8. Specify whether you are aware of anyone sharing information in relation to the RHI Scheme (in particular, but not limited to, information about the amendment of the Scheme or the introduction of costs controls into the Scheme) with any other persons, giving details of the identity of such other persons and what information was shared in relation to the RHI Scheme, as far as you can.
9. The Inquiry is aware, from information provided to it, that a representative from your business attended a CAFRE Wood Quality Workshop on 08 September 2015. In relation to this please address the following:
 - a. Clarify who within your Company attended the event;
 - b. Specify whether, at this event, your company was made aware of, or involved in, discussions relevant to the RHI Scheme with any other persons including, but not limited to, the amendment of the RHI Scheme or the introduction of cost controls into the Scheme, giving details of the identity of such other persons and what information was shared in relation to the RHI Scheme;
 - c. Specify whether your company representative was encouraged by anyone at this event to apply to the RHI Scheme before the 18 November 2015 in order to maximise financial returns under the Scheme, giving details of the identity of such other persons and what

exactly was said (in so far as you can).

- d. Specify whether your company representative had contact at this event with anyone from CAFRE and/or DETI, giving details as to the identity of such persons and the content of any discussions relevant to the RHI Scheme which took place between them, in so far as you can.
10. Please provide details of each and every communication, either direct or indirect, between you and any other person in relation to the RHI Scheme (providing the nature, date, and place of each communication as well as details of the persons between whom each such communication occurred).
 11. Specify any email addresses used by you and any telephone numbers used by you in relation to any communication about the RHI Scheme.
 12. Specify when you first became aware that tariffs payable under the RHI Scheme exceeded the cost of biomass fuel used to produce heat and/or the cost of producing a unit of heat (so that there was an incentive in some cases to produce heat merely to make profit from the Scheme) and how you so became aware. Without prejudice to the foregoing, please also provide details of the following:
 - a. The type of biomass fuel burned by each of your / your business' biomass boilers (for example, wood pellets or wood chips) and, in the case of wood chip (if applicable), the moisture content of same;
 - b. Whether you / your business were able to obtain a discount on fuel prices by, for example, bulk buying, group buying, and/or entering into a long-term supply contract and, if you were so able, please provide details of this;
 - c. The prices paid by you/your business for each fuel type (in £/tonne and/or p/kWh) including details of how these prices changed over time (if applicable);

- d. Any other operating costs you/your business incurred (e.g. electricity) when producing heat with biomass fuel;
 - e. The steps (if any) taken by you to alert other persons (including, for example, DETI or Ofgem officials, politicians, their advisers, and/or other persons in the commercial world) to the fact that the relevant RHI tariff exceeded the cost of biomass fuel and/or the cost of producing a unit of heat with biomass fuel.
13. The Enhanced Capital Allowances Scheme (ECA) was available for certain renewable energy technologies, including some of those falling within the RHI Scheme. This enabled businesses to claim 100% tax relief on the purchase of eligible equipment in the year of purchase. In relation to this, please explain:
- a. Whether you availed of such relief in respect of any of your biomass installations;
 - b. If so, please explain:
 - i. At what stage you became aware of the ECA scheme and how you became so aware;
 - ii. Whether you were encouraged to avail of the said tax relief, providing all relevant details of who encouraged you, and when and how they did so;
 - iii. Whether the prospect of benefitting from this tax relief enhanced your interest in the RHI Scheme;
 - iv. Whether you were aware at any time of any changes that occurred in respect of the ECA system (such as, for example, the removal of any renewable heat technology from the list of technologies eligible for 100% write-off in a single year),

including, in particular, how you became so aware;

- c. The date(s) on which you purchased your biomass boiler(s);
- d. The date(s) on which you registered with the ECA scheme;
- e. The amount of tax relief you benefitted from for each biomass installation under the ECA scheme, providing all documentation in relation to this;
- f. Whether you applied for, received or in any way benefitted from any further form of financial assistance in order to purchase and/or install any biomass boiler(s) and related heating systems which are accredited under the RHI Scheme, (including but not limited to, grant aid, interest-free loan, tax relief or any other form of financial incentive).

14. Except to the extent that it has already been comprehensively addressed in your answers to the foregoing questions, provide details of your past and current connections (if any) with the following, insofar as they are of potential relevance to the RHI Scheme and the Inquiry's Terms of Reference:

- a. The Democratic Unionist Party ('DUP');
- b. Action Renewables;
- c. The Renewable Heat Association of Northern Ireland ('RHANI').

15. Except to the extent that it has already been comprehensively addressed in your answers to the foregoing questions, please set out any potential risks, flaws, problems, anomalies, loopholes, or other issues regarding the RHI Scheme which came to your attention, setting out details of when you first became aware of each such issue and the actions (if any) taken by you as a result.

16. Except to the extent that it has already been comprehensively addressed in your answers to the foregoing questions, please provide any further evidence

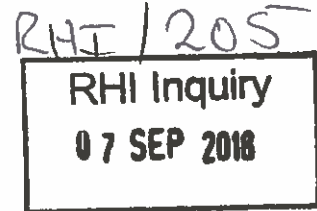
within your knowledge or belief which is relevant to the matters that the RHI Inquiry is investigating as set out in the RHI Inquiry's Terms of Reference.

NOTE:

It is important for the efficiency of the RHI Inquiry that the issues identified above are addressed as fully as possible and by reference, where available, to the dates and locations of specific incidents to which reference is made. The statement should be broken down into paragraphs, which should be numbered sequentially from '1' to the end. The use of appropriate section headings or sub-headings is also encouraged. A template witness statement is provided with this Notice for your assistance and should be used as the format for your response.

GUIDANCE NOTES FOR THE SECTION 21 NOTICE

1. The Independent Public Inquiry into the Non Domestic Renewable Heat Incentive (RHI) Scheme ('the RHI Inquiry') was set up under the Inquiries Act 2005 ('the Act').
2. These Guidance Notes are not part of the Chairman's Notice served under Section 21 of the Act, but are designed to assist those who receive such a Notice.



INQUIRY INTO THE RENEWABLE HEAT INCENTIVE SCHEME

RHI REF: Notice 114 of 2018

DATE: 05.09.18

Witness Statement of:

Richard Armstrong, Steppingstone Timber Products on behalf of Sylvia Armstrong, Steppingstone Timber Products

I, Richard Armstrong, will say as follows: -

1. Steppingstone Timber Products is a family business producing kiln dried firewood for over 20years. I, Richard Armstrong, am the managing partner of Steppingstone Timber Products and I have been party to all decisions relevant to our biomass boiler installations.
2. No
3. We have always had an interest in upgrading our drying systems to biomass powered systems, but the infrastructural costs were prohibitive and technical resources were not available.
4. Please explain the direct or indirect involvement that you had with, or in relation to, the RHI Scheme or any aspect of it prior to its suspension in February 2016. In particular, please provide full details of the following:
 - a. Many of our UK mainland customers and competitors had been benefitting from a better RHI scheme for some time before the scheme had be introduced in N. Ireland.
Our N. Ireland based competitors had or intended to apply to the scheme.



It was obvious from the press at the time that once the scheme closed that there would be no further assistance for the installation of biomass heating systems in N. Ireland for the foreseeable future.

- b. 4no. 99kw boilers October 2015 and 1no. 999kw boiler August 2016
 - c. 4 applications 08.10.15, 1 application 28.02.16
 - d. 4 applications 30.01.16, 1 application 30.08.17
 - e. 4no. 99kw and 1no. 999kw
 - f. January '16
 - g. Hegan Biomass & Wood Energy
 - h. Hegan Biomass & Wood Energy
5. It appears to the RHI Inquiry from information provided to it that you applied for accreditation of an installation or installations under the RHI Scheme between August 2015 and 18 November 2015 when there was a marked 'spike' in the number of such applications generally. As to that (and in respect of each such application), please address the following matters:
- a. The boiler installations had been planned for some time but there were significant site and infrastructure works to be completed in advance. There were also delays in the boiler production and financing. The boilers could have been commissioned earlier but we made extra efforts to ensure that the installations were complete in the best possible way when time allowed.
 - b. It was expected that the scheme was due for a review and we were working to the published review date to the best of my knowledge.
 - c. No, we thought the review would be in the same format as the UK mainland scheme whereby tariffs or specifications would simply be adjusted. I understand that there is a spike of applications in advance of any UK mainland review of the scheme.
 - d. No

RENEWABLE HEAT
INCENTIVE INQUIRY

- e. The decision to proceed with the installed boilers was made in May '15 and the orders were placed as soon as financing became possible.
- f. As with all projects we worked hard to co-ordinate the building and installation works.
6. We did not take specific advice from any person, we weighed up the information available to us about the UK mainland scheme and the N. Ireland scheme and decided as a family that we could undertake the costs of installing the boilers if we were to avail of the renewable heat incentive.
7. No
8. No
9. The Inquiry is aware, from information provided to it, that a representative from your business attended a CAFRE Wood Quality Workshop on 08 September 2015. In relation to this please address the following:
- a. I believe (but do not have records to confirm) that I, Richard Armstrong, had registered to attend this event but I was unable to attend. There were a number of events organised at the SWC but I did not attend any of them.
 - b. n/a
 - c. n/a
 - d. n/a
10. We would have communicated with Ofgem by telephone before and after the boiler installations with general queries but did not record names and dates.
11. Telephone number 028 895 41742, email
info@steppingstonetimberproducts.com

RENEWABLE HEAT
INCENTIVE INQUIRY

12. Specify when you first became aware that tariffs payable under the RHI Scheme exceeded the cost of biomass fuel used to produce heat and/or the cost of producing a unit of heat (so that there was an incentive in some cases to produce heat merely to make profit from the Scheme) and how you so became aware. Without prejudice to the foregoing, please also provide details of the following:
- a. Woodchip (below 20%)
 - b. No, as would be expected when there is a demand for a product the price goes up and if the demand continues, it continues to increase in price. (I suggest someone within the enquiry speaks with the Forestry Service to confirm how timber tender prices increased during this period) As a firewood production business this affected all of our timber purchases.
 - c. The woodchip was initially valued at £100/ton but that value was increasing as is evident in the UK mainland market.
 - d. We incurred much higher fuel, electricity, maintenance, servicing and attendance costs than we had expected.
 - e. In the real world when all things are considered (investment, system life cycle, running costs, infrastructure requirements and additional supervision and attendance costs) we do not believe that the RHI payments exceeded the energy generation costs.
As a family we try to run our business very efficiently, we have never waste anything and in particular heat. We have done the best that we can with the resources available to best use all heat generated in the most appropriate way.
13. The Enhanced Capital Allowances Scheme (ECA) was available for certain renewable energy technologies, including some of those falling within the RHI Scheme. This enabled businesses to claim 100% tax relief on the purchase of eligible equipment in the year of purchase. In relation to this, please explain:



- a. No
- b. If so, please explain:
 - i.
 - ii.
 - iii.
 - iv.
- c.
- d.
- e.
- f.

14. Except to the extent that it has already been comprehensively addressed in your answers to the foregoing questions, provide details of your past and current connections (if any) with the following, insofar as they are of potential relevance to the RHI Scheme and the Inquiry's Terms of Reference:

- a. None
- b. None
- c. We became members when RHANI was formed

15. To this day we still do not understand why the scheme was not introduced in Northern Ireland in the same format as the UK mainland scheme.

The first time we heard the phrases 'the more you burn the more you earn' and 'Cash you Ash' was when we visited scheme participants in the UK mainland,



it was always understood at that time that the UK mainland scheme was much more attractive than the N. Ireland scheme.

The current UK scheme, even to this day, is still very attractive for large installations.

In participating in the N. Ireland RHI scheme we could not understand why DETI and Ofgem did not provide better hands-on guidance to participants of the scheme. Information was provided in a particularly large and technical handbook which meant that participants were reliant on the installers to advice on the technical requirements of the scheme relative to their installation.

By becoming more involved in the pre-application process DETI and Ofgem could have had a better idea of the number of applications being prepared at any time.

16. None.

Statement of Truth

I believe that the facts stated in this witness statement are true.

Signed: Richard Armstrong

Dated: 5/9/18