

Jeff Rea
Department of Finance
Central Procurement Division
Clare House
303 Airport Road
Belfast
BT3 9ED

By post and email to: jeff.rea@finance-ni.gov.uk

4 September 2017

Dear Sir

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 herewith a copy of the RHI Inquiry's Terms of Reference. You will no doubt be aware that the RHI Inquiry is currently conducting its investigations into the matters set out in its Terms of Reference. These investigations include gathering in of all of the relevant documentation from relevant departments, organisations and individuals as well as requiring individuals 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 keeping with the approach we are taking with other individuals, 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 you have within your knowledge, information or belief 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 which you can provide, please state this in your response. Where you can provide evidence, the more comprehensive your statement is, the less likely it may be 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.

It is vital that the witness statement you provide to the Inquiry is your own evidence, absent the influence of others; that it is comprehensive; and that it fully explains your involvement in the matters about which you have been asked.

As you may be aware, the Inquiry has already required the provision of a statement setting out the respective corporate positions of both the Department for the Economy and the Department of Finance in relation to the RHI Scheme. However, the Inquiry Panel is also interested in the roles played by individual civil servants who were involved with the Scheme. Moreover, the Inquiry Panel recognise that individual officials may have a different perspective from, or may even disagree with certain aspects of, the position adopted by their Department (or former Department). The statement which is required from you pursuant to the enclosed Notice is your opportunity to explain what you did in relation to the RHI Scheme and why you did it; and also to make the Inquiry aware of any concerns you may have about the actions

or omissions of others.

I appreciate that you may require or desire access to some documentation in order to assist you in preparing your statement. In particular, you may wish to see documentation to which you previously had access but now no longer have access in your current post. If that applies in your case, I understand that the Department of Finance (DoF) is making arrangements to permit such access, at least in the first instance. You should contact Emer Morelli, Head of Supply, to organise this. She is contactable at Emer.Morelli@finance-ni.gov.uk. I have informed Ms Morelli that you may be making contact with her to arrange access to documentation; but there is, of course, no obligation upon you to do so.

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 your legal representative(s), 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. In addition, a similar restriction is contained in Restriction Order No 2 of 2017 made by the Inquiry Chairman and available on the RHI Inquiry website.

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 note that you have already received two Section 21 Notices from the Inquiry:

one seeking details in respect of phones, email accounts, and other modes of communication used by you, and another seeking the production of any potentially relevant documents in your custody or control. I also note that you replied to both notices some time ago. Nonetheless I would be grateful if, in light of the various detailed issues raised in the Schedule to this Notice (No. 420 of 2017) and the consideration you give to those issues when preparing your statement, you would revisit the question of potentially relevant documents in your custody or control so as to ensure that you have provided all of same to the Inquiry.

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, appearing to read 'Patrick Butler', with a stylized flourish extending to the right.

Patrick Butler

Solicitor to the RHI Inquiry

02890408928

SCHEDULE
[No 420 of 2017]

Background

1. Summarise your occupational history, qualifications, and experience.
2. Summarise your role(s) within the Department of Finance (previously the Department of Finance and Personnel) ('the Department' / 'your Department') including (a) the dates between which you held each role and what each role entailed, as well as (b) details of how each role related, if at all, to the Non Domestic Renewable Heat Incentive (RHI) Scheme in Northern Ireland ('the RHI Scheme').
3. Explain, insofar as is relevant to any involvement you had with the RHI Scheme, to whom you were accountable and/or reported in the Department and who, if anyone, was accountable, and/or reported, to you.

The RHI Scheme – Involvement with the Scheme or with Officials in respect of it

4. Set out in detail the involvement that you had in, or relating to or touching upon, the RHI Scheme and, in particular, the following issues:
 - a. The creation of the Scheme;
 - b. The funding of the Scheme;
 - c. The administration/operation of the Scheme;
 - d. Any problems or difficulties (such as, for example, actual or projected overspend) which emerged in respect of the Scheme (including, but not limited to, the causing or permitting, identification, consideration [whether by the Public Accounts Committee or otherwise] and/or remediation of any such problems);

e. The amendment, suspension or closure of the Scheme;

in each instance providing:

- i. Details of any relevant interactions with Civil Servants (whether in your own Department, DETI, DECC, HM Treasury, or elsewhere), Committees (such as the Public Accounts Committee), Ministers, Special Advisers, MLAs, politicians, political parties and other potentially relevant persons (e.g. consultants, the renewable heating industry, actual or potential applicants for accreditation under the Scheme, journalists, etc.);
 - ii. Where you made any decision, or gave any advice, in respect of any of the matters set out at paragraphs a. to c. above, the reasons for that decision or that advice (as the case may be); and
 - iii. Details of any documents which are of significance or particular relevance (which should be annexed to the witness statement if you have access to the documentation which permits you to do so; or, otherwise, which are identified in clear terms).
5. If different from your answer to the previous question, set out in detail the involvement that you now consider you *ought properly to have had*, in, or relating to, the RHI Scheme and the issues mentioned in the previous question as well as the reasons why you did not, in fact, have such involvement.
6. Clarify whether, at any time, you became aware of actual or potential problems, anomalies, loopholes, risks, flaws, misunderstandings, or other issues in respect of the RHI Scheme, its administration, operation and/or funding, and, if you did, please provide the following details:
- a. The precise problems etc. of which you became aware;

- b. The date on / by which you first became aware of each one;
 - c. The means by which you became so aware;
 - d. The action (if any) actually taken by you in respect of each such problem etc. (e.g. raising the issue with DETI, etc.) including details of the date(s) of any step(s) taken by you and the name(s) and role(s) of any other person(s) with whom you engaged;
 - e. (If different from your answer to the previous question) the action that you now consider you ought properly to have taken, as well as the reasons why you did not, in fact, take such action at the relevant time.
7. Identify, in respect of the role(s) you performed relevant to the RHI Scheme, any documents which you consider to be of significance or particular relevance (same should be annexed to your witness statement, if you have access to them, or else identified in terms that include details of the person or body whom you believe holds the said documents).

Promotion of the RHI Scheme

8. Specify whether you promoted the RHI Scheme and/or encouraged any third party to seek accreditation under the Scheme, assisted any third party in so doing, or provided any third party with information knowing that they might apply, or consider applying, or that they might advise, encourage, assist, or cause other persons to apply, or consider applying, for accreditation under the Scheme. In respect of any such instance, please provide full details including (but not limited to) the third party concerned and the date of any steps taken by you in that regard.

Lobbying and pressure

9. Identify any instances, to your knowledge or belief, of lobbying or encouragement of Ministers, Special Advisers, Civil Servants or other relevant

persons in relation to the terms of the Scheme and/or the introduction, non-introduction, variation or delay of the introduction of cost controls into the RHI Scheme (including, but not limited to, the amendment of tariffs, tiering, degression and Scheme suspension or closure) at any stage.

10. Identify any instances, to your knowledge or belief, where influence or pressure was exerted on you in relation to any aspect of the RHI Scheme (including details of the person exerting the influence or pressure, the approximate date of same).
11. Identify any instances, to your knowledge or belief, where influence or pressure was exerted upon someone else in relation to the RHI Scheme (including details of the person exerting the influence or pressure, the person upon whom same was exerted, the approximate date of same, and how you came to be aware of it).

Standards of conduct and conflict of interest

12. Identify any instances, to your knowledge or belief, where a Minister, Special Adviser, Civil Servant or any other person involved in the RHI Scheme (including, if applicable, yourself):
 - a. Breached relevant standards (including, but not limited to, the Nolan Principles, the Ministerial Code of Conduct, the Civil Service Code of Conduct, the Code of Conduct for Special Advisers and/or terms or conditions of employment or service) or acted in a way incompatible with their duties (including, but not limited to, by means of making premature or unauthorised disclosures);
 - b. Acted in circumstances relating to or touching upon the Scheme in any way where they had a real or perceived conflict of interest;

in respect of any such instances, providing details and specifying the basis for any belief that there has been a breach of a relevant standard or duty or that a conflict of interest arose.

13. Specify whether, to your knowledge, you have any connection to a person or body receiving payment under the RHI Scheme or benefiting commercially from the Scheme in some other way (for instance, by supplying equipment, plant, fuel or other goods or services used by Scheme claimants). In this request, a 'connection' includes (but is not limited to) circumstances where the Scheme claimant or beneficiary is a relative, friend, close acquaintance, business associate or (in the case of politicians or special advisers) donor or supporter (either to or of you or your political party).

Whistle-blowing and raising of concerns

14. Identify any instances of which you are aware of whistle-blowing in relation to the NI RHI Scheme, or disclosures made in the public interest raising concerns about the Scheme, setting out details of when this occurred, to whom and by whom any relevant disclosure was made and how it was dealt with.
15. In particular, provide an account of how you dealt with any disclosures raising concerns about the Scheme made or communicated to you at any time. In relation to each such instance, identify precisely how the concerns were communicated to you.

General

16. Summarise the risks, problems, flaws, anomalies, loopholes, or other issues that you consider existed in the RHI Scheme (as enacted on 31 October 2012) and its operation.
17. Set out what responsibility, if any, you consider your Department (and, in particular, your Division, Branch, etc.) bears for any of the said risks, problems, flaws, anomalies, loopholes, or other issues or for any issues that have

emerged in the RHI Scheme during the period of its operation.

18. Set out what responsibility, if any, you consider other persons or bodies bear for any of the said risks, problems, flaws, anomalies, loopholes, or other issues or for any issues that have emerged in the RHI Scheme during the period of its operation.
19. Provide any further evidence within your knowledge or belief which is relevant to the matters which 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.



INQUIRY INTO THE RENEWABLE HEAT INCENTIVE SCHEME

RHI REF: Notice 420 of 2017

DATE: 12 September 2017

Witness Statement of: Jeffrey Rea

I, Jeffrey Rea, will say as follows: -

Background

1. I have been employed in Central Procurement Directorate (and its forerunners) as a Quantity Surveyor for 40 years. I started as an O-Level Trainee in 1977. I became a Chartered Surveyor in 1988. I have a Masters Degree in Business Administration 1997.

I am employed as a Grade 7 Quantity Surveyor. I have worked mainly on Capital Works projects providing estimating and Final Account/Cost Control services primarily on Office Accommodation and Prison developments.

2. From 1987 -1999 I worked in Estate Maintenance Division involved in the upkeep of the government estate.

From 1999-2006 I worked in Construction Initiatives Branch mainly on the introduction of the 'Achieving Excellence Initiative' to help improve the efficiency of Government Construction Procurement.

None of these roles involved any relationship with the RHI Scheme.

3. From 2010 -2013 I was temporarily promoted into a number of Grade 6 roles within CPD.

Between May 2012 and March 2013, as Grade 6 I was responsible for Construction Procurement Policy. During that period, though I was not aware at the time that I had any involvement with the RHI Scheme at the time, I reported to David Carson Grade 5 in CPD.



The RHI Scheme – Involvement with the Scheme or with Officials in respect of it

4. I have had no involvement in, relating to or touching upon the RHI Scheme in relation to the listed issues
 - a. Creation - None
 - b. funding - None
 - c. Administration/operation - None
 - d. Problems or difficulties - None
 - e. Amendment, suspension or closure - None

5. As CPD had no connection to or responsibility for the Scheme there is no involvement that I now consider I ought to have had.

6. I only became aware of a potential problem with the RHI Scheme when the issues with it were highlighted in the Press and upon my being advised that I may be a potential Witness to the Enquiry.
 - a. On 17 January 2013, while temporarily promoted to Grade 6 in Construction Procurement Policy, a request was forwarded to me from CPD Grade 5, Stewart Heaney. (included at annex 1 in email Anne Porter CPD to her admin team 17 January 2013)

A letter (dated 27 November 2012) to the DoJ Minister had been copied to the Minister of Finance and Personnel. What I understood to be an unsuccessful bidder had raised some issues on the conclusions made by the assessment team regarding its submission in relation to the heating proposals for the Desertcreat combined Police and Fire Service College project. The author Mr Brian S Hood (Sheridan and Hood) contended his firm's proposals presented a superior solution and would enable the facility to be operated at a profit.

The Finance Minister asked if DoJ had fully considered the financial rational for their decision.

The request from the Minister's Private Office (PO) was passed to a number of individuals, initially to J.McKibbin. It stated that-

The Minister has commented

"Double dutch to me, but has DOJ checked this out. They are notorious for choosing expensive options."



Would you be able to check this out?

CPD's view was that this was a live procurement, unconnected with CPD. As Health Estates (HE) was providing Centre of Procurement Expertise (CoPE) input to the procurement process and the project was being led by Strategic Investment Board (SIB), PO was advised by Anne Porter (CPD) this was not an issue for CPD,

Brian Gepp from PO subsequently contacted me directly by phone. He acknowledged that the nature of the Minister's query was unusual. Normal protocol would require a request from DoF Private Office to DoJ Private Office to seek clarification. He asked me if I could make informal enquiries to identify any information that would address the DoF Minister's concerns.

I made verbal enquiries to Health Estates (HE). Initially, I believe I spoke to Fred Walker Grade 6 QS who gave me the details for the HE procurement officer (I cannot recall whom). I then telephoned the HE procurement officer who forwarded a copy of the letter issued by Colin McCrossan (SIB Programme Director) in reply to Sheridan and Hood, dated 10 January 2013.

I do not have a copy of the email forwarding that letter.

On the basis of that letter I advised PO by email that it appeared DoJ had considered and addressed the matter (23 January 2013). I also included a copy the letter to PO.

At that point my input concluded.

At the time of advising the PO, I had no knowledge of the Desertcreat procurement process, nor had I any knowledge of the existence of the RHI Scheme for non-domestic properties.

Taken at face value, the response by Colin McCrossan appeared to me to robustly rebuff the case the firm had attempted to make to justify further consideration their application.

In my role as a QS and involvement in public sector procurement I have experienced many instances where potential suppliers to Government have advanced tenuous arguments to justify their position. That is how I viewed this approach.

The application of the RHI Scheme did not fall within the purview of CPD and any implications regarding the underlying arrangements for the application of it were not on my radar. Given my unfamiliarity with the Scheme the assertions of the Contractor did not raise any concerns with me.

At no point did I recognise any cause for concern surrounding the RHI



Scheme in relation to Mr Hood's letter or Mr McCrossan's reply.

- b. I first became aware that the issues raised in Mr Hood's letter directly concerned the application of the RHI Scheme when I was first advised that I may be a Witness to the Enquiry in earlier this year.
 - c. I was advised by the Departmental Solicitor's Office that it could be construed as potentially whistleblowing.
 - d. As I did not recognise the matter to be an issue at the time I did not raise it with DETI.
 - e. As I was unaware of the Scheme of the issues with it I was not in a position to initiate any action.
7. Annex 1

Email From Anne Porter to her admin team 17 January 2013 - incorporating email S.Heaney (CPD) to J.Rea (CPD) 17 January 2013.

Annex 2

Email Anne Porter (CPD) to Brian Gepp (PO) 17 January 2013.

Annex 3

Email J.Rea to Brian Gepp (PO) 17 January 2013.

Annex 4

Copy letter from B.Hood to D.Ford (DoJ) 27 November 2012

Annex 5

Copy letter from C.McCrossan (SIB) to W.Cullen (BS Holdings) 10 January 2013.

Promotion of the RHI Scheme

8. I did not promote the RHI Scheme or encourage any third party accreditation.

Lobbying and pressure

9. I am not aware of any lobbying or pressure by any person
10. I have not had any connection with the Scheme. There was no attempt by anyone to exert any influence on me in relation to the Scheme
11. I have no knowledge of any attempt to influence others connected to the scheme.

Standards of conduct and conflict of interest

12. a. I am not aware of any breach of any relevant standards.



b. I am not aware of any person acting in circumstances where they had a real or perceived interest.

13. I am not aware of any personal connection to any person or body receiving any payment under the Scheme.

Whistle-blowing and raising of concerns

14. With the benefit of hindsight I now recognise that the letter submitted by Brian Hood, as detailed at 6 above, although neither raising concerns nor whistle-blowing, may have indicated that some practitioners close to the Scheme and its inherent technologies may have recognised ways to exploit the Scheme.

15. As the actual application of the Scheme was not within my competency I was not in a position to recognise the potential relevance of the contentions raised rather than, as I saw at the time, the desperation of an unsuccessful tenderer.

General

16. I am not in a position to address the shortcomings of the Scheme as the objectives and application of the Scheme are not within my competency.

17. Central Procurement has not to my knowledge had any connection with the RHI Scheme and therefore I cannot identify any responsibility for any of the issues which have emerged.

18. I am not in a position to address this matter as my knowledge is limited to what has been published publically.

19. I have no further knowledge of evidence which is relevant to the RHI Inquiry

Statement of Truth

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

Signed:  _____

Dated: 12 September 2017.

Rea, Jeff

From: Porter, Ann
Sent: 17 January 2013 10:22
To: Ireland, Lorraine; Watson, Beverley; McKee, Julieanne; Kelly, Norma
Subject: URGENT Desertcreat 28.11.12
Attachments: FW: desertcreat 28.11.12

Importance: High

Follow Up Flag: Follow up
Flag Status: Flagged

Girls

FYI on current position with this one. Jules can you trim please.

I will update Brian Gepp.

Ann

From: Heaney, Stewart
Sent: 17 January 2013 10:09
To: Rea, Jeff
Cc: Porter, Ann; Carson, David J (CPD - G5)
Subject: FW: URGENT Desertcreat 28.11.12
Importance: High

Jeff

As discussed we have no role in the project. The CoPE is Health Estates.

I discussed this briefly with Des this morning and perhaps the way forward is that HEIG is contacted and if it is the case, the Minister advised that this is a live procurement and it is not something that he ought to become involved with at this stage.

Can you take this forward

Thanks
Stewart

From: Porter, Ann
Sent: 16 January 2013 16:18
To: Heaney, Stewart
Cc: Heron, Heather
Subject: URGENT Desertcreat 28.11.12
Importance: High

Stewart

Please see below and attached. Are you able to advise on this one ?

Thanks

Ann

John

Would you have anything on this

Thanks

Brian

From: Gepp, Brian
Sent: 05 December 2012 15:04
To: McKibbin, John
Subject: FW: desertcreat 28.11.12

John

The Minister has commented

“Double dutch to me, but has DOJ checked this out. They are notorious for choosing expensive options.”

Would you be able to check this out?

Thanks

Brian

Brian Gepp
DFP Private Office
Extn 028 9016 3372 (73372)
Mobile Personal information redacted
by the RHI Inquiry

From: Brian Hood [mailto:Personal information redacted by the RHI Inquiry]
Sent: 30 November 2012 13:21
To: Brian Hood
Subject: desertcreat 28.11.12

Please find enclosed a letter posted today to Mr D Ford regards concerns of expenditure and running costs for the new facilities at Desertcreat.

Yours sincerely
Brian S Hood

Rea, Jeff

From: Gepp, Brian
Sent: 05 December 2012 15:04
To: McKibbin, John
Subject: FW: desertcreat 28.11.12
Attachments: desertcreat 28.11.12.pdf; gm 783 comm.pdf

John

The Minister has commented

“Double dutch to me, but has DOJ checked this out. They are notorious for choosing expensive options.”

Would you be able to check this out?

Thanks

Brian

Brian Gepp
DFP Private Office
Extn 028 9016 3372 (73372)
Mobile Personal information redacted
by the RHI Inquiry

From: Brian Hood [mailto:Personal information redacted by the RHI
Inquiry]
Sent: 30 November 2012 13:21
To: Brian Hood
Subject: desertcreat 28.11.12

Please find enclosed a letter posted today to Mr D Ford regards concerns of expenditure and running costs for the new facilities at Desertcreat.

Yours sincerely
Brian S Hood

Rea, Jeff

ANNE X 2

From: Porter, Ann
Sent: 17 January 2013 10:32
To: Gepp, Brian
Cc: Rea, Jeff
Subject: RE: desertcreat 28.11.12

Brian

I am advised that CPD has not been involved in this project and the relevant CoPE is Health Estates. However, officials will aim to find out the current position with regard to this project and therefore we will get back to you asap.

Ann

From: Gepp, Brian
Sent: 16 January 2013 16:04
To: Porter, Ann
Subject: FW: desertcreat 28.11.12

Ann

Sorry another quite obscure one. Would you be able to advise on this?

Thanks

Brian

From: McKibbin, John
Sent: 09 January 2013 13:56
To: Gepp, Brian
Subject: FW: desertcreat 28.11.12

Brian

See Ian's note below – we have nothing on this.

CPD may be your best bet

John

From: Fleming, Ian (DFP)
Sent: 08 January 2013 16:24
To: McKibbin, John
Subject: RE: desertcreat 28.11.12

John

I seen this a few weeks ago, I am not sure it is for us to comment on the specific engineering of the heating system(s) for this project, I suggest that this is the responsibility of the project board/manager and their consultants to assess and determine the best way forward. Maybe CPD would have a role rather than Supply.

Ian

Yours sincerely
Brian S Hood

ANNEX 3

Rea, Jeff

From: Rea, Jeff
Sent: 23 January 2013 15:17
To: Gepp, Brian
Subject: RE: desertcreat 28.11.12
Attachments: Wayne Cullen Biomass Strategy Response - WIP.doc

Brian

Re letter copied to DFP Minister. Health Estates has provided the attached. I do not have the details of the actual reply prepared by DoJ. This would appear to indicate that they did check out the issues raised by Sheridan and Hood.

Jeff

From: Gepp, Brian
Sent: 05 December 2012 15:04
To: McKibbin, John
Subject: FW: desertcreat 28.11.12

John

The Minister has commented

"Double dutch to me, but has DOJ checked this out. They are notorious for choosing expensive options."

Would you be able to check this out?

Thanks

Brian

Brian Gepp
DFP Private Office
Extn 028 9016 3372 (73372)
Mobile Personal information
redacted by the RHI Inquiry

Personal information redacted by the RHI Inquiry

From: Brian Hood [mailto:redacted]
Sent: 30 November 2012 13:21
To: Brian Hood
Subject: desertcreat 28.11.12

Please find enclosed a letter posted today to Mr D Ford regards concerns of expenditure and running costs for the new facilities at Desertcreat.

Yours sincerely
Brian S Hood

Mr Wayne Cullen
BS Holdings Ltd
175 Ravenhill Avenue,
Belfast
BT6 8LE

10th January 2013

Northern Ireland Community Safety College – Biomass Strategy

Dear Mr Cullen

We refer to Mr B Hood's letter dated 27 November 2012, to Mr D Ford of the Department of Justice, (and your email of 21 December 2012) regarding the Biomass Heating Strategy for the above project.

We note the contents and herewith provide you with a response to the issues raised.

It appears to us that the questions in your letter have been raised with reference only to the Invitation to Tender (ITT) specifications and drawings and as such you have not had the benefit of the wider project context, or an understanding of the project brief as developed to balance cost, resilience, security, access and maintenance issues.

The responses below are made against questions/statements raised within the correspondence.

1. Quality Assurance (QA) of Fuel

You state in your letter that wood chips are not **Quality Assured**, when in fact, to the best of our knowledge, neither are pellets.

There are a number of standards from Austria, Sweden and Germany that pellets can be manufactured to, but the existence of a standard does not in itself guarantee their quality.

Supply contracts for Wood Chip, or Wood Pellet, will need to specify the physical properties of the fuel required and all deliveries will still need to be inspected to ensure that the quality confirms to the specification.

A quality standard helps to makes it easier to specify fuel only, as it allows the standard to be quoted rather than a (boiler manufacturers recommended) full specification of wood chips / wood pellets. The fuel deliveries will still need to be inspected or otherwise checked for quality on, or before, delivery.

2. Renewable Heat Incentive (RHI) Support

It is correct that the Renewable Heat Incentive (RHI) does not provide support to installations above 1,000 kW in capacity.

The Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012 came into effect on the 1st November 2012, and this was post issue of the ITT documentation to the main Contractors bidding for the project.

Previously RHI's were recoverable on installations of 1 mW and above, as documented by the Department of Energy and Climate Change, which was followed prior to the above document being released.

Our design consultants have advised us that the critical issue here is 'installation'; as it is unclear from their reading of the RHI Scheme Regulations (Northern Ireland) 2012 as to whether multiple boilers on one site would actually still be classed as a 'single installation' for the purposes of claiming the RHI, and hence the project would still not be entitled to financial recovery.

It is certainly more likely that multiple boilers feeding into a single heat distribution network (as with the current design) would be classed as a single installation and so (theoretically) a multiple plantroom option (with no heat distribution network) may be more likely, but by no means certain, to qualify for RHIs. It would however require us to make multiple applications for the same address.

It may be possible to split the circulation to meet the maximum size permitted within the current design but the boilers would need to be re-sized to a maximum capacity of 999kW.

However, whether it is appropriate for a Government funded facility to attempt to exploit possible loopholes in the RHI and recover the benefit is an interesting question.

The principle of deliberately splitting the load over a number of small boilers not linked together, albeit on one site, could be interpreted as a deliberate attempt to circumvent the intent of the RHI, which is to give priority to smaller installations.

3. Resilience, Access, Security, Maintenance & Design Issues

Before looking at the Running Cost issues that are at the core of your letter, it is important to cover the design issues (and operational implications) that the provision of 12 Biomass and Oil Fired boiler rooms around the site would give rise to.

3.1 Resilience

We believe that the solution you are proposing is less resilient than the current design. The current design is for two biomass boilers with an oil fired boiler backup. This means that if one biomass boiler fails, or is taken out for unplanned maintenance, then the system will still be in operation and it would require both boilers to fail for system capacity to be reduced, but it would still remain operational at partial load.

To provide the same level of resilience from the proposed installation it would require a second oil fired boiler (at 100% of duty) with associated oil tanks and ancillary filling system to be installed alongside each biomass boiler. Assuming a cost of **£10,000** for each oil boiler and **£5,000** for the bulk fuel tanks, including the 'bundling' required by regulations, this equates to an additional **£180,000** for the number of installations you propose.

We cannot see where this figure is located within your proposal and therefore this would need to be removed from the proposed savings being offered.

3.2 Access

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To construct the plant rooms to be resistant to mortar or ballistic attack (as would be required) would significantly increase the cost of housing biomass & associated oil boiler back-up units. This additional cost would also need to be offset against any savings offered.

Also, the logistics of servicing and maintaining multiple boilers within the confines of the site, with the need for multiple deliveries to an increased number of locations, could give rise to increased security issues currently avoided.

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The current design requires only two Biomass Boilers and one Oil Boiler to be maintained in one location.

In the dispersed solution as you propose, there will be 12 Biomass Boilers and 12 Oil Boilers to be maintained in 12 separate locations.

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On these issues alone we would suggest that the practicality of the proposal is questionable. We must also factor in the security issues related to the delivery and storage of highly flammable materials at several locations across the site, and in close proximity to occupied buildings.

It is also unclear from the letter if your proposals have been developed, and costed, to fully meet the duty of the individual buildings.

4. Running Costs (Operation & Maintenance)

There appears to be inconsistency within your calculations. It is noted in the third paragraph of your letter that *"The running costs in respect of wood chip used for approximately 3000 hrs per annum would be around £ 199,337.00 +VAT"*.

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These calculations must be in error, when later in paragraph six, it notes that the *"present system ... will cost £116,085.00"* per year to run. This raises our concerns over the validity of your calculation methodology.

The costs you have quoted above ignore maintenance. If we currently have two Biomass Boilers at £5,000 / year maintenance and one Oil Boiler at £2,000 / year maintenance this results in a total maintenance bill of £12,000 per year.

A dispersed heating solution (as you propose) would result in 12 Biomass Boilers at £3,000 / year to maintain plus 12 Oil Boilers at £1,000 / year to maintain resulting in an annual maintenance charge of £48,000 per year, (a four-fold increase in maintenance cost) and this still ignores the significant long-term capital replacement costs.

5. Conclusion

In conclusion, a dispersed heating arrangement may still be regarded as a 'single installation' under the RHI regulations, thus negating the benefits noted within your letter.

We believe that the issues of resilience, access, security, maintenance & operation costs that arise as a direct consequence of your proposal make it inappropriate and unsuitable for this site.

However we (and our design consultants) would still be happy to meet with you, and Mr B Hood) to discuss details of the scheme.

Finally, it is worth remembering that the current scheme of heat provision to the site is one which, through the due process of consultation and discussion, has been evaluated and approved by the client bodies as being both appropriate and meeting the brief for the installation.

Yours sincerely

Colin McCrossan
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 Northern Ireland Community Safety College at Desertcreat
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 PSNI Training College
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Personal information redacted
 by the RHI Inquiry

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SPECIALISTS IN **WIT-40526**
Design & Build
Electrical & Mechanical
Heavy Engineering
Renewables
Warm Air Oil & Gas
Boilers
Office, Bank & Shop Fitting



27th November 2012

Mr D Ford
Department of Justice
Block B
Castle Buildings
Belfast BT4 3SG

Reference:- design weakness and cost overspend on Desertcreat training facility

Dear Mr Ford

Our company was asked to provide cost proposals for a tender submission on the above biomass energy centre. Regrettably, upon reading the documentation we could not comply with the specification as we use solely quality assured fuel sources being wood pellet whereas the consulting engineers had selected wood chip, a non quality assured product.

Quality assurance aside, because we could not meet the tender criteria laid down we had to decline to price the works. Upon our review of the energy proposals, within the documents in our opinion, severe weaknesses in the overall design compelled to explain our concerns. The weaknesses cause a needless and considerable capital expenditure as well as major running costs, the latter in our proposal could be turned into a profit rather than cost.

The biomass boilers selected in tender are 1Mw each therefore they fall outside of present scope for RHI support (we accept that future review of the RHI may encompass larger thresholds for biomass but there is no guarantee of that being raised). The running costs in respect of wood chip used for approximately 3000hrs per annum would be around £199,337.00 + VAT. We estimate the entire energy centre costs + extensive underground heating distribution pipe work but less the energy building itself, will be in excess of £1,500,000.00

Our proposal compliments the RHI (renewable heat incentive) scheme as well as encompassing major energy saving proposals using a quality assured fuel source being wood pellet and is based upon sound and proven engineering. Our proposal is to manufacture 99kw heating plants for ten of the twelve number buildings to be heated via the energy centre currently proposed. According to the engineering data we have received, 99kw will meet the largest proportion of demands for the ten buildings. The 99 models will be small in physical size and fit inside 3 car parking spaces, be of modern cladded construction (review www.bsholdingsltd.com/ppr.html) and therefore not be unsightly to be located adjacent to each building requiring heat. They being small in footprint should not prove insurmountable for planning adjustment and are fully acceptable to building control. The remaining two buildings will require larger heating plants but again similar arrangements can be made. These larger units will again meet the RHI incentive arrangements.

To keep a straight forward basis for calculation we have only dealt with the 99 models herein;

Directors: Stewart Hood Chairman, Brian Hood Managing, Lorna Hood
Staff: Colin Boyd, Robert Brown, Jody Carroll, Edward Allan, Deborah Templeton
Accounts: Tina Campbell & Sharon Hood Financial Controllers

Factoring in the running costs for the RHI systems based again on 3000 running hours we see a fuel cost increase over wood chip of £14,409.00 bringing our total fuel bill to £130,494.00 for the year. The RHI income of £175,230.00 makes an overall profit for the scheme each year of £44,740.00*. The twenty year term for the RHI should yield an income of approximately £894,800.00 in the RHI lifetime. The present system proposed by the consultants (again only dealing with 990kw of heating load) will cost £116,084.00 per annum to run with no means for recovery. This over a 20 year term would see your department spending £2,321,000.00 on heating when it is possible to have made a profit* of £894,000.00, by using a different heat strategy that reflects a commercial world's thinking but retains the department's ability to maintain carbon emissions..

Facts pertaining to our proposal

Ten 99 units will receive maximum RHI funding of 5.9ppkwh

Two larger units will receive RHI funding of 1.5ppkwh

Improved security of heating having multiple modular boiler arrangements in each package plant rather than two boilers as originally designed.

Improved warranties on our proposed biomass boilers (8 years normal extendable to 10 years)

Wood pellet is a quality assured fuel, wood chip is not.

Oil or gas backup/top up has been taken into our proposals

No underground heating pipe work is therefore needed saving circa £200,000.00 + civil works in construction.

No underground heating pipe work means large savings in energy each year which would have been lost over the length of heating pipe work buried in the ground in the consultants scheme.

No large biomass boilers or oil boiler at a cost of £800,000.00 including chimneys

If the consultants scheme energy centre costs circa £1,500,000.00 our scheme, can save in excess of £500,000.00 on that capital amount by using our technological advances.

We urge your department to speak with us for a greater understanding of how we see delivery of heat to this project to make these savings to the public purse.

*subject to reductions which would be future system design dependant

Yours faithfully

For SHERIDAN & HOOD LTD

.....
Brian S Hood

Cc Mr S Wilson finance minister
Mr D Kinahan
Mr P McGlone
Mr R Hussey

Sheridan & Hood

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NORTHERN IRELAND

**Community
Safety College**

At Desertcreat



Police Service of
Northern Ireland



NORTHERN IRELAND
PRISON SERVICE



Northern Ireland
Fire & Rescue Service

Mr Wayne Cullen
BS Holdings Ltd
175 Ravenhill Avenue,
Belfast
BT6 8LE
2013

10th January

Northern Ireland Community Safety College – Biomass Strategy

Dear Mr Cullen

We refer to Mr B Hood's letter dated 27 November 2012, to Mr D Ford of the Department of Justice, (and your email of 21 December 2012) regarding the Biomass Heating Strategy for the above project.

We note the contents and herewith provide you with a response to the issues raised.

It appears to us that the questions in your letter have been raised with reference only to the Invitation to Tender (ITT) specifications and drawings and as such you have not had the benefit of the wider project context, or an understanding of the project brief as developed to balance cost, resilience, security, access and maintenance issues.

The responses below are made against questions/statements raised within the correspondence.

1. Quality Assurance (QA) of Fuel

You state in your letter that wood chips are not **Quality Assured**, when in fact, to the best of our knowledge, neither are pellets.

There are a number of standards from Austria, Sweden and Germany that pellets can be manufactured to, but the existence of a standard does not in itself guarantee their quality.

Supply contracts for Wood Chip, or Wood Pellet, will need to specify the physical properties of the fuel required and all deliveries will still need to be inspected to ensure that the quality confirms to the specification.

A quality standard helps to make it easier to specify fuel only, as it allows the standard to be quoted rather than a (boiler manufacturers recommended) full specification of wood chips / wood pellets. The fuel deliveries will still need to be inspected or otherwise checked for quality on, or before, delivery.



2. Renewable Heat Incentive (RHI) Support

It is correct that the Renewable Heat Incentive (RHI) does not provide support to installations above 1,000 kW in capacity.

The Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012 came into effect on the 1st November 2012, and this was post issue of the ITT documentation to the main Contractors bidding for the project.

Previously RHI's were recoverable on installations of 1 mW and above, as documented by the Department of Energy and Climate Change, which was followed prior to the above document being released.

Our design consultants have advised us that the critical issue here is 'installation'; as it is unclear from their reading of the RHI Scheme Regulations (Northern Ireland) 2012 as to whether multiple boilers on one site would actually still be classed as a 'single installation' for the purposes of claiming the RHI, and hence the project would still not be entitled to financial recovery.

It is certainly more likely that multiple boilers feeding into a single heat distribution network (as with the current design) would be classed as a single installation and so (theoretically) a multiple plantroom option (with no heat distribution network) may be more likely, but by no means certain, to qualify for RHIs. It would however require us to make multiple applications for the same address.

It may be possible to split the circulation to meet the maximum size permitted within the current design but the boilers would need to be re-sized to a maximum capacity of 999kW.

However, whether it is appropriate for a Government funded facility to attempt to exploit possible loopholes in the RHI and recover the benefit is an interesting question.

The principle of deliberately splitting the load over a number of small boilers not linked together, albeit on one site, could be interpreted as a deliberate attempt to circumvent the intent of the RHI, which is to give priority to smaller installations.

—

3. Resilience, Access, Security, Maintenance & Design Issues

Before looking at the Running Cost issues that are at the core of your letter, it is important to cover the design issues (and operational implications) that the provision of 12 Biomass and Oil Fired boiler rooms around the site would give rise to.

3.1 Resilience

We believe that the solution you are proposing is less resilient than the current design. The current design is for two biomass boilers with an oil fired boiler backup. This means that if one biomass boiler fails, or is taken out for unplanned maintenance, then the system will still be in operation and it would require both boilers to fail for system capacity to be reduced, but it would still remain operational at partial load.



To provide the same level of resilience from the proposed installation it would require a second oil fired boiler (at 100% of duty) with associated oil tanks and ancillary filling system to be installed alongside each biomass boiler. Assuming a cost of £10,000 for each oil boiler and £5,000 for the bulk fuel tanks, including the 'bundling' required by regulations, this equates to an additional £180,000 for the number of installations you propose.

We cannot see where this figure is located within your proposal and therefore this would need to be removed from the proposed savings being offered.

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Apart from the additional space for the boilers themselves and the associated biomass and oil storage, there is the space needed for the delivery vehicles to turn and park up without blocking estate roads.

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