



Department for the  
**Economy**  
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# **NON-DOMESTIC RENEWABLE HEAT INCENTIVE SCHEME**

## **2020 RHI TARIFF REVIEW CONSULTATION REPORT**

**11 FEBRUARY 2021**

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## 1. INTRODUCTION

- 1.1. The Northern Ireland Renewable Heat Incentive Scheme (the Scheme) for non-domestic use was introduced in 2012 to incentivise generation of heat from renewable sources rather than fossil fuels with the objective of reducing carbon emissions. Installations accredited to the Scheme receive periodic payments for eligible heat generated from renewable sources, calculated based on tariffs which are dependent upon the renewable technology being used to generate heat and the size of the installation.
- 1.2. The tariffs were calculated with the intention of compensating for the additional costs of renewable heat compared to a fossil fuel alternative. They aimed to contribute towards any difference in fuel and maintenance costs, and additional administrative “hassle” associated with the renewable technology. It was also intended that they would provide a typical installation on the Scheme with a specified annual internal rate of return, over 20 years, on the additional capital investment in the renewable technology in comparison with the costs of an equivalent oil boiler.
- 1.3. The Non-Domestic Scheme is a notifiable Scheme under State aid regulations. It was approved by the European Commission on the basis of intended typical annual internal rates of return of 12% for all technologies other than solar thermal, for which 6% was intended. It transpired that the original tariffs for small and medium biomass installations delivered internal rates of return significantly in excess of that intended.
- 1.4. The Northern Ireland Non-Domestic Scheme was an adaptation of a Scheme already operational in Great Britain, however, as documented in the report of the RHI Public Inquiry, aspects of the design of the NI Scheme were critically flawed. These flaws, including the absence of cost control measures such as tariff tiering and degression, together with incorrect assumptions underpinning the tariffs for small and medium biomass, resulted in a financial incentive to operators to produce excess heat, higher than expected uptake by participants, expenditure in excess of the Scheme’s annual AME budget allocation with long term budgetary concerns, and overcompensation of many participants when compared with the internal rate of return agreed in the Scheme’s 2012 State aid approval.
- 1.5. In order to return costs within budget, and to realign the Scheme with the principles upon which State aid had originally been granted, it was necessary to amend the Regulations under which the Scheme operated.

- 1.6. The Renewable Heat Incentive Schemes (Amendment) Regulations (Northern Ireland) 2015 introduced both tariff tiering and an annual cap on the level of heat generated that would attract RHI payments for those small and medium biomass installations accredited after 18 November 2015. There was an unprecedented spike in applications immediately prior to the introduction of the new regulations which resulted in a further increase in the projected cost of the Scheme.
- 1.7. The Renewable Heat Incentive Schemes (Amendment) Regulations (Northern Ireland) 2016 gave the Department the power to suspend the Scheme to new applicants. This step was taken on 29 February 2016.
- 1.8. All installations accredited before 18 November 2015 continued to receive untiered and uncapped payments, creating ongoing unacceptable pressures on public expenditure within Northern Ireland. Additionally, many small and medium biomass installations continued to receive internal rates of return significantly above the 12% target.
- 1.9. The Renewable Heat Incentive Scheme (Amendment) Regulations (Northern Ireland) 2017 subsequently applied the same tiered tariff and annual cap set out in the 2015 Regulations to installations accredited before 18 November 2015. The provisions of the 2017 Regulations were to cease to have effect on 31 March 2018, but were extended to 31 March 2019 in accordance with the Northern Ireland (Regional Rates and Energy) Act 2018.
- 1.10. The Department recognised that these changes represented only an interim solution to fundamental errors in the assumptions underpinning the original tariffs. In order to inform a longer term solution the energy consultancy firm Ricardo Energy & Environment (“Ricardo”) was commissioned to undertake a review of the costs involved in installing and operating a small or medium sized biomass installation (up to 199kW) in comparison with a fossil fuel alternative, and the tariff structure applicable to those technologies. Ricardo reported in May 2018.
- 1.11. Following a public consultation, the Northern Ireland (Regional Rates and Energy Act) 2019 (“the 2019 Act”) introduced new tariffs for small and medium biomass boilers from 1 April 2019. The tariffs were based on Ricardo’s evidence and set at a level to provide a typical 12% prospective annual internal rate of return over the remainder of the Scheme.

## TARIFF REVIEW

- 1.12. Following the enactment of the 2019 Act, the Northern Ireland Affairs Committee (NIAC) conducted an inquiry into the 2019 changes to the Scheme. NIAC published its report<sup>1</sup> on 30 June 2019. The Committee requested that the Department review again the tariffs in light of a number of factors including comparison with renewable heat schemes in GB and Ireland. NIAC also made recommendations about the proposed Hardship Unit which the Department committed to establishing during passage of the 2019 legislation in the House of Lords.
- 1.13. The Department's response to NIAC recognised that there are costs in the operation of renewable heat installations which change over time, most notably the price of biomass relative to the counterfactual fuel. The Department committed to carrying out a further independent review of the variables that underpinned the medium biomass tariffs and confirmed that this work would include consideration of the assumptions within the GB and RoI schemes.
- 1.14. On this basis, Cornwall Insight was appointed to undertake this independent, comprehensive assessment. The Cornwall Insight Report was provided to the Department in late February 2020. It contained a recommendation for revised tariffs and a detailed comparison between NI, GB and RoI schemes.
- 1.15. In addition the Department appointed independent energy expert Andrew Buglass of Buglass Energy Advisory to research hardship through direct engagement with participants, and to make recommendations to the Department.
- 1.16. The Buglass report<sup>2</sup> was published by the Department in April 2020, shortly after commencement of the public consultation on the Cornwall report.

## CONSULTATION

- 1.17. On 28 April 2020, the Department published the Cornwall Insight Report in full and launched a public consultation on the tariffs recommended within it.
- 1.18. The consultation exercise was announced by a press release on the Department's website<sup>3</sup> and on social media. A link to the consultation was distributed by email to key stakeholders, including Scheme participants, on 28 April 2020.
- 1.19. Stakeholders were given the option to either respond online, by email or in hard copy. Responses to the consultation were invited by 26 May 2020.

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1 <https://publications.parliament.uk/pa/cm201719/cmselect/cmniaf/2070/2070.pdf>

2 <https://www.economy-ni.gov.uk/news/minister-publishes-buglass-report>

3 <https://www.economy-ni.gov.uk/news/minister-announces-consultation-non-domestic-rhi-tariff-review>

- 1.20. The purpose of the consultation process was to take views and receive evidence in relation to the proposal to implement the revised tariffs in line with Cornwall's recommendation.
- 1.21. This report summarises the responses to the public consultation. The responses covered a wide range of issues in varying degrees of detail. It would not be possible in this paper to cover in detail every issue that was raised but every effort has been made to provide a summary of the key topics which have been put forward. The presentation of the comments and views within this document does not constitute agreement with the views expressed.
- 1.22. The Department is grateful to those who took the time to respond.

### **IMPACT OF GLOBAL EVENTS**

- 1.23. Since the Cornwall Insight tariff review there have been major fluctuations in global oil prices, impacting on the appropriate tariff to incentivise generation of heat from biomass fuel. This was observed by many who responded to the consultation.
- 1.24. The price of oil has a direct bearing on the RHI tariffs as a key component in the tariff setting calculation is the price of the "counterfactual fuel" which in the case of the NI Non-Domestic RHI Scheme is kerosene (heating oil). The tariff review carried out by Cornwall Insight considered fuel prices during 2019 and proposed revised medium biomass tariffs based on those fuel prices.

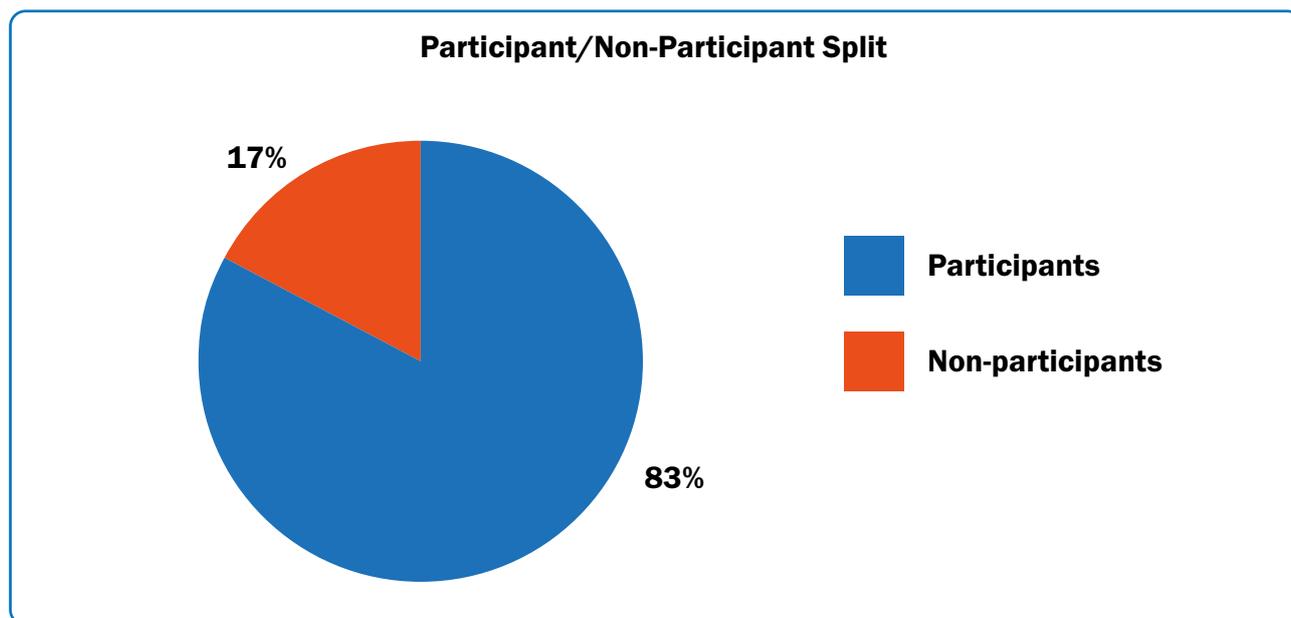
### **JUDICIAL REVIEWS**

- 1.25. The primary changes to the Scheme have been subject to legal challenge. The 2017 Regulations are currently before the Court of Appeal after the High Court Judgment of 21 December 2017 found that the interim tariff changes introduced by the 2017 Regulations were not beyond the Department's legal power or contrary to the ECHR property rights of participants.
- 1.26. The 2019 Act is also subject to a separate legal challenge. A hearing is scheduled to commence on 19 April 2021.
- 1.27. In June 2020 the Department entered into a formal legal mediation process with the Applicants in the 2017 and 2019 legal proceedings, including the Renewable Heat Association for Northern Ireland (RHANI). Following a request from those parties, the Department suspended work to implement revised tariffs pending the outcome of the mediation process. Mediation concluded in December 2020. This has resulted in a delay in publication of this report.

## 2. OVERVIEW OF RESPONSES

### WHO RESPONDED?

- 2.1. A total of 127 individual responses were received. Multiple responses from the same person have been counted as a single response. An additional seven emails were received in the Consultation mailbox, however these were duplicates or were not related to the Non-Domestic RHI Scheme consultation and were therefore actioned accordingly or forwarded to the relevant team. Analysis throughout this document does not include these additional seven unrelated emails.
- 2.2. Respondents were asked to identify whether or not they were participants in the Scheme. 105 (83%) of the 127 indicated they were (either in direct answer to the question, or in their narrative provided) and 22 (17%) indicated they were not participants, as per Figure 1 below.



**Figure 1**

### FORMAT OF RESPONSES

- 2.3. Of the 127 individual responses received:
- 52 responded via the Citizen Space online consultation form
  - 63 responded using the answer template available with the consultation document
  - 11 responded via email, not using the available template
  - 1 responded via both Citizen Space online form and email.

## ONLINE RESPONSES

- 2.4. 52 of the consultation responses received were through Citizen Space, the online survey tool used by the Northern Ireland Civil Service.
- 2.5. The online consultation form included six numbered questions of which four requested information about the respondent.
- 2.6. The next question was a mandatory “Yes/No” question. This required a response before the respondent was able to progress to the sixth question which related to confidentiality.

## ANSWER TEMPLATE

- 2.7. An answer template setting out the questions in the consultation was published by the Department along with the consultation document. This is available on the consultation page on the Department’s website<sup>4</sup>. 63 of the consultation responses used this template.
- 2.8. Additional responses, not using the online form or the template were accepted and included in the analysis.

## NOTE TO READER

- 2.9. The Department’s analysis accurately summarises and reflects the responses that were received. However, the presentation of the comments and views within this document does not constitute agreement with the views expressed.

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4 <https://www.economy-ni.gov.uk/consultations/northern-ireland-renewable-heat-incentive-scheme-2020-tariff-review>

### 3. SUMMARY OF RESPONSES AND COMMENTS

- 3.1. The purpose of the consultation was to seek the views of stakeholders on the Department’s preferred option for implementing an increase in tariffs in accordance with the recommendations in the Cornwall report. The substantive question which sought to obtain this information is set out below:

**Question:**

Do you agree that the medium biomass tariffs should be amended to the levels recommended in the Cornwall Insight tariff review? (Yes/No)

If your answer to this question is no, please provide reasons and any evidence or information you believe is relevant.

#### SUMMARY

- 3.2. Table 1 below sets out responses received by participants and non-participants in the Scheme.

**Table 1**

	Yes	No	Implied No*	Unknown	Total
<b>Total</b>	4	114	8	1	127
<b>Participant</b>	1	96	7	1	105
<b>Non-participant</b>	3	18	1	0	22
<b>Unknown</b>	0	0	0	0	0

\*"Implied No" includes the following:

- Where a “No” answer was not provided expressly, but the narrative response made clear that the person did not support the recommended tariff.
- Where a “Yes” answer was provided, but the narrative response made clear that the person did not support the recommended tariff.

### **COMMENTS RECEIVED**

- 3.3. While the majority of respondents to this question disagreed that the tariffs should be amended to the levels recommended in the Cornwall tariff review, there was a clear difference in the reasoning between those who are scheme participants and those who are not. The main reasons given by each group are summarised in the table below.

	Issue Raised	DfE Response
<b>Disagreed with recommended tariff – Participants and Stakeholders (Renewable heat related organisations)</b>		
<b>a.</b>	<b>Respondents want to return to original “grandfathered” rates or the previous 2017 tariffs – they stated that previous tariff reductions were unacceptable, unfair, mismanaged and several responses advised they believed them to be unlawful.</b>	The tariffs contained in the Northern Ireland (Regional Rates and Energy) Act 2019 were introduced after a thorough independent tariff review. The revised tariffs were needed in order to bring the Non-Domestic RHI Scheme back into line with the relevant State aid approvals, with a target internal rate of return of 12%. In respect of State aid, the European Commission has made clear to the Department that its decisions adopted on the Scheme authorised an average internal rate of return of 12% for medium biomass.
<b>b.</b>	<b>Respondents want to align rates to GB or Rol tariffs.</b>	Differences between the schemes mean that the tariffs are not expected to align. These differences include: <ul style="list-style-type: none"> <li>• Differences in capital costs incurred, potentially caused by the timing of boiler purchases being different between the schemes and also size of boilers with the typical installation on the GB Scheme being substantially larger than on the NI Scheme</li> <li>• Fuel prices vary across jurisdictions</li> <li>• Counterfactual fuel used: in GB this is a mixture of natural gas and kerosene and in Rol this is natural gas.</li> </ul>

	Issue Raised	DfE Response
c.	<p><b>Respondents advised that the proposed tariff does not adequately reflect current fuel costs. They have advised that the costs are out of date and several have stated that they already have or will revert to other sources of fuel such as oil or LPG.</b></p> <p><b>Respondents have also advised that the tariff calculations should have been based on the analysis of commercial quantities of kerosene.</b></p>	<p>DfE is aware of actual biomass prices incurred by participants from the inspection process. It is also aware that global oil prices have fallen further since the completion of Cornwall's analysis. These changes in relative fuel costs have been taken into consideration by the Department. It has therefore prepared a revised tariff which is different to that recommended by Cornwall and which is more generous to participants. The revised tariff reflects more recent fuel prices by using a 12 month fuel reference period of July 2019 to June 2020, rather than the period January 2019 to December 2019 which was used by Cornwall. This revised fuel reference period covers biomass prices (obtained from invoices provided to the Department as part of the Inspection process) and oil prices (from the Consumer Council NI heating oil archive). This Cornwall adjusted tariff is included in the options for the future of the Scheme. The majority of the kerosene (counterfactual) costs quoted by respondents are consistent with the per litre costs derived from the Consumer Council NI website costs for 900 litres over the period April and May (when the consultation was open).</p> <p>Commercial quantities of kerosene (i.e. over 2,300 litres) would be subject to VAT at 20%. Published prices available from the consumer council website are for 900 litres and include VAT at only 5%.</p>
d.	<p><b>Respondents advised that the proposed tariff does not adequately reflect current servicing/maintenance/repair costs</b></p>	<p>The Cornwall analysis on Servicing and Maintenance was derived from a substantial body of data/invoices obtained during the RHI Inspections process. The differential between these costs for kerosene and biomass installations used in tariff calculations is therefore based upon current servicing and maintenance costs which have actually been incurred by participants.</p>

	<b>Issue Raised</b>	<b>DfE Response</b>
e.	<b>Respondents reported the proposed tariff will not alleviate their financial hardship which has been caused by previous reductions in the tariff. Several referenced the Buglass Report which reports specifically on financial hardship encountered by participants.</b>	The tariffs which were introduced in 2019 were underpinned by a robust independent evidence base and were based upon the recommendations of consultants Ricardo Energy. Nevertheless, the Buglass report made clear that the changes to the Scheme have significantly impacted on cash flow for participating businesses. The Department for the Economy has previously acknowledged the impact of the changes, and that many participating businesses have made wider investment decisions and have ongoing financial obligations beyond the scope of the Scheme’s tariff. Mr Buglass’ report, together with the Cornwall recommendations and recent fuel price movements have been taken into consideration as part of options on the future of the Scheme.
f.	<b>Respondents disagreed with the use of Cornwall Insight as a consultant on the Tariff Review, due to an article written on RHI by a member of the organisation in 2018. They perceived this as a conflict of interest.</b>	The author of the article did not work on this Tariff Review. The article commented only on information available in the public domain at that point in time. Cornwall Insight did not declare this as a conflict of interest. However, the DfE is aware of the issue and does not consider that it undermines the strength or quality of the Cornwall recommendations.
g.	<b>Reference has been made to “irregular spend” by several respondents.</b>	This is an issue which was considered as part of the Public Inquiry. The irregular spend relating to a portion of the RHI installations which received accreditation during a period of time when DoF (previously DFP) approval was not in place has no consequence to the NI block grant or tariffs payable. The total scheme spend is still within the AME allocation (which is provided separately to the NI block grant).

	<b>Issue Raised</b>	<b>DfE Response</b>
<b>h.</b>	<b>Respondents have questioned the legitimacy of the consultation, due to the NDNA commitment to close the Non-Domestic RHI Scheme.</b>	The New Decade, New Approach does contain a commitment to close the Non-Domestic RHI Scheme, however it does not address the issue of timing. The Cornwall tariff recommendations and public feedback provided via the consultation, together with analysis of recent fuel price movements, have been taken into account within the options for the future of the scheme and therefore facilitate alternative decision making options remaining open at this time.
<b>i.</b>	<b>Respondents have referred to budget underspend and suggested it is used to fund higher RHI tariffs.</b>	In relation to the budget made available from HM Treasury to fund RHI tariffs, the Department acknowledges that at present not all of the available budget is being drawn down. However, the Department cannot simply adopt a tariff that maximises use of the available budget. This was an attitude and approach that was criticised by the Public Inquiry. The tariff must be underpinned by the most robust and up to date evidence base available. Tariff levels are also constrained by the requirements of previous State aid guidelines and EU Commission decisions. These place limits upon the types and amount of aid which may be granted. In its most recent communications in November 2018, the EU Commission reaffirmed the requirement that tariffs should not deliver an internal rate of return in excess of 12%.
<b>j.</b>	<b>Respondents have queried the validity of the 2019 tariff as they believe it was not one of the eight options presented in the 2019 consultation.</b>	The 2019 tariffs were implemented following a public consultation. In terms of affordability and compliance with State aid rules, the preferred option in that consultation was assessed as being Option 4 - the Base Case tariff structure from the Ricardo Tariff Review. However, it was recognised that as the negative Tier 2 tariff which was a feature of that option would require clawback of funds from participants, it would give rise to significant administrative complexities and may also produce unfairness/uncertainty for participants. In this context, a variant of Option 4 was developed with the Tier 2 tariff set at zero and the Tier 1 tariff adjusted to achieve an average internal rate of return of 12% for medium biomass. The Department considers that this option was faithful to consultation process/options and the responses received.

	Issue Raised	DfE Response
k.	<b>Respondents have referred to other legal/administrative concerns such as State aid.</b>	<p>Legal advice has been obtained in relation to all amendments to RHI legislation.</p> <p>The Non-Domestic Scheme is a notifiable Scheme under State aid. It was approved by the European Commission on the basis of intended typical annual internal rates of return of 12% for all technologies other than solar thermal, for which 6% was intended. It transpired that the original tariffs for small and medium biomass installations delivered internal rates of return significantly in excess of that which was originally intended.</p>
l.	<b>Reference to Select Committee Inquiry</b>	<p>The NIAC published its report into the tariff changes on 30 June 2019<sup>5</sup>. Two of the recommendations in that report specifically reference the tariff calculations as below:</p> <p>“the Department revisit the tariffs to determine if they should include: Parity with the Great Britain scheme or the Republic of Ireland scheme where costs are comparable; Parity with the Great Britain scheme or the Republic of Ireland scheme on any additional costs that are included; Counterfactuals in different circumstances are considered, rather than just kerosene; That investment decisions made by participants be considered.”</p> <p>“We recommend that the tariff calculation be amended to allow a more realistic cost for servicing and repairs of biomass boilers. This could help prevent participants reverting to fossil fuels if their boiler breaks down and they are faced with upfront costs they cannot afford. We further recommend that the Department track rates of reversion to fossil fuels amongst participants and report any trends to this Committee.”</p> <p>In response to these recommendations, DfE engaged Cornwall Insight to carry out a further review of the tariff, these items are covered in the Cornwall Insight Report.</p>

5 <https://publications.parliament.uk/pa/cm201719/cmselect/cmniaf/2070/2070.pdf>

	Issue Raised	DfE Response
m.	<b>Some suggested that kerosene should be replaced with LPG as the counterfactual fuel used in analysis</b>	This issue was covered in the Cornwall Insight report. Its recommendation was that LPG should not be used as a counterfactual fuel for the entire scheme as it is not representative of the alternative fuel supply which would be used by a majority of participants. In addition, an LPG supply contract is a commercial arrangement outside of the Department's control. There is a lack of transparency surrounding the arrangements under which participants obtain LPG and the prices paid. These private arrangements enable some participants to achieve below typical market prices. Access to this discounted fuel is not available to all customers. The lack of accurate data around LPG prices would also add administrative complexity and uncertainty to the process of tariff review.
n.	<b>Several respondents referred to the NDNA commitment to close the Non-Domestic RHI Scheme.</b>	The New Decade, New Approach does contain a commitment to close the Non-Domestic RHI Scheme but does not address the issue of timing. The outworking of the public consultation on Cornwall's tariff recommendations, together with Buglass' findings, and the analysis of recent fuel price movements, have been taken into account in options in relation to the future of the Scheme.
o.	<b>Several respondents were unhappy that capital costs were not reviewed again under this analysis</b>	An assessment of the values of upfront costs faced by NI Non-Domestic RHI participants (direct capital, indirect capital and upfront hassle costs) was not part of this review as these values were determined following extensive research and analysis carried out by Ricardo. This review considered only variable costs. Capital costs are not variable.

**Disagreed with recommended tariff – Non-participants**

**Some non-participants had the same reasons for disagreeing with the tariff as above, however most non-participants disagreed for the following reasons:**

	Issue Raised	DfE Response
p.	<p><b>Most of the non-participants felt that the Scheme should close for one of the following reasons:</b></p> <ul style="list-style-type: none"> <li>• <b>They believe the Scheme to be flawed</b></li> <li>• <b>Biomass is not a good form of renewable heat</b></li> </ul>	<p>In relation to the NDNA commitment to close the Scheme, the issues surrounding closure and the possible reasons for doing so are set out in the Department's consultation paper on the future of the Scheme.</p>
<p><b>Agreed with recommended tariff</b></p>		
<p><b>Four respondents agreed with the recommended tariff. Reasons were not provided.</b></p>		

## 4. ANALYSIS OF TARIFF OPTIONS

- 4.1. The consultation focussed on the medium biomass tariffs and whether they should be amended to the levels recommended in the Cornwall Insight tariff review.
- 4.2. Respondent's preferences, views and concerns raised throughout the consultation along with documentary evidence received have been carefully considered by the Department.
- 4.3. The options available to the Department in relation to the tariffs are as follows:
  - i. Option A - Do Nothing: Retain the current tariff;
  - ii. Option B - Cornwall Proposed Tariff;
  - iii. Option C - Cornwall Proposed Tariff updated to reflect more recent fuel costs

### Option A - Do Nothing: Retain the current tariff

- 4.4. Under Option A, no action would be taken to implement tariff changes emanating from Cornwall Insight's review of medium biomass tariffs. The Department has previously committed to amending the medium biomass tariffs if sustained and significant changes in the variable costs associated with generation of heat were observed.
- 4.5. Option A, in which tariffs are not amended following Cornwall Insight's recommendations, would be a departure from the Department's prior commitments. Cornwall's work, coupled with the outcome of this public consultation has demonstrated that under Option A, participants are unlikely to be appropriately incentivised to generate renewable heat in the context of present economic conditions.
- 4.6. Additionally, the status quo would not take account of the findings of the Buglass report which detailed financial and economic hardships experienced by participating businesses as a consequence of the tariff changes to date.

### Option B – Cornwall Proposed Tariff

- 4.7. The review undertaken by Cornwall Insight determined that there had been a change in some of the variable elements which make up the tariff. Cornwall calculated a new tariff based on the updated figures.
- 4.8. The changes noted by Cornwall were as follows:
  - a) The difference between the cost of kerosene fuel per kWh and the cost of biomass fuel per kWh had reduced, thereby reducing the fuel savings gained from biomass versus kerosene;

- b) The cost of servicing and maintenance of boilers per kWh had increased; and
- c) The average load factor of participants on the Scheme had reduced, so the tariff was required to achieve a typical internal rate of return of 12% over a lower usage level.

4.9. The changes in variables led to a recommended increase in the tariffs as follows:

	Installation capacity	Tariff (p/kW)
Medium biomass (lower capacity)	20kW and above, up to but not including 100kW	Tier 1: 2.5 Tier 2: zero
Medium biomass (upper capacity)	100kW and above, up to but not including 200kW	Tier 1: 1.4 Tier 2: zero

4.10. Since the Cornwall Insight tariff review analysis was carried out, there have been major fluctuations in global oil prices, impacting on the appropriate tariff to incentivise generation of heat from biomass fuel. This was observed by many who responded to the consultation.

Option C – Cornwall Proposed Tariff updated to reflect more recent fuel costs

4.11. As noted at the end of Option B, since the Cornwall analysis in 2019, there has been a decrease in oil prices which the Department feels should be taken into account to ensure the tariffs are fully representative of the cost differentials experienced by participants.

4.12. Evidence provided in response to this consultation has supported the position that more recent fuel prices should be taken into account when calculating revised tariffs. Whilst Cornwall recommended an increase in tariff due to the 2019 changes in prices, in light of recent fuel market changes, a further tariff increase would be necessary.

4.13. The Department has therefore revised the Cornwall Tariff calculation to reflect more recent fuel prices by using a 12 month fuel reference period of July 2019 to June 2020, rather than the period January 2019 to December 2019 which was used by Cornwall. This revised fuel reference period covers biomass prices (obtained from invoices provided to the Department as part of the Inspection process) and oil prices (from the Consumer Council NI heating oil archive). This revised fuel reference period includes a period of record low oil prices and also a period of lower than average prices. It should be noted that oil prices have been steadily increasing for a number of months and are higher now than they were at the end of June 2020.

4.14. Oil and biomass pricing provided by participants during the consultation were in line with the sources used by the Department.

4.15. Revising the fuel reference period results in the following tariffs:

	<b>Installation capacity</b>	<b>Tariff (p/kW)</b>
Medium biomass (lower capacity)	20kW and above, up to but not including 100kW	Tier 1: 3.6 Tier 2: 0.5
Medium biomass (upper capacity)	100kW and above, up to but not including 200kW	Tier 1: 2.2 Tier 2: 0.4

- Tier 2 would apply after 1,314 hours of usage.

## 5. NEXT STEPS

- 5.1. In January 2020 publication of the New Decade, New Approach document provided the basis for restoration of devolution and the formation of a new Northern Ireland Executive. Annex 1 of New Decade, New Approach, in relation to proposed Programme for Government actions on climate change, stated the following on RHI: *“RHI will be closed down and replaced by a scheme that effectively cuts carbon emissions.”*
- 5.2. The Department is launching a public consultation seeking views on the future of the Non-Domestic RHI Scheme, in light of the commitment within New Decade, New Approach.
- 5.3. That consultation considers four potential options for the future of the Scheme:
- Option 1: Scheme remains operational for current participants with present tariffs for all technologies (status quo);
- Option 2: Scheme remains operational for current participants with all tariffs subject to review and adjustment as necessary;
- Option 3: Scheme closure with no further payments made to participants; or
- Option 4: Scheme closure with compensation paid to legitimate current participants.
- 5.4. The outworking of this public consultation on Cornwall Insight’s tariff recommendations, incorporating analysis of subsequent fuel price movements, has been taken into account in developing some of the above options for the future of the Scheme.
- 5.5. The tariffs used in Option 2 and Option 4 in the future of the Scheme consultation are those as set out in Option C above (Cornwall Proposed Tariff updated to reflect more recent fuel costs):

	Installation capacity	Tariff (p/kW)
Medium biomass (lower capacity)	20kW and above, up to but not including 100kW	Tier 1: 3.6 Tier 2: 0.5
Medium biomass (upper capacity)	100kW and above, up to but not including 200kW	Tier 1: 2.2 Tier 2: 0.4