

**BUSINESS CASE FOR ADDITIONAL FUNDING FOR NI SPECIFIC COSTS
RELATING TO THE ADMINISTRATION OF THE NON-DOMESTIC
RENEWABLE HEAT INCENTIVE (RHI) SCHEME BY OFGEM IN 2016/17**

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Date: August 2016

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Signed:

Date: 23rd August 2016

Budget of work: £171,054

1 INTRODUCTION

1.1 This paper sets out the business case for additional funding of £171,054 for NI specific costs relating to the administration of the Northern Ireland Non-domestic Renewable Heat Incentive Scheme (RHI) as set out in the attached change request form at **Annex A**. These additional costs form part of the continuation of an existing agency service agreement that commenced in 2012 allowing for the administration of the Northern Ireland RHI by the Office of Gas and Electricity Markets (Ofgem).

2 PURPOSE OF ASSIGNMENT

2.1 The additional NI specific work is in relation to issues identified for 2016/17 as part of the administration of the NI RHI scheme by Ofgem. The purpose of this additional funding is to permit Ofgem to obtain additional resource to assist with the processing of a backlog of applications carried over into 2016/17 following a significant increase in applications the previous year. The additional work will also cover any additional processing costs

associated with servicing the new RHI participants and provide an additional 50 audits to monitor and mitigate risks associated with the RHI scheme.

3 BENEFITS TO BE DERIVED AND THE TIMESCALE INVOLVED

- 3.1 The main benefits of these additional proposals in 2016/17 will be faster processing of the backlog of applications and enhanced monitoring of the RHI scheme through the proposed additional 50 audits.

4 ASSESSMENT OF THE ALTERNATIVES

- 4.1 The options available to DfE would be;
- a) **Do nothing** – carry on with the current agency service agreement with Ofgem. The current agreement would see Ofgem continuing to process applications using existing resources therefore the application backlog would be processed at a much slower rate. In addition, the number of audits carried out during 2016/17 would be only 7 as opposed to 57 under the NI specific additional costs thereby reducing effective monitoring and mitigation of the RHI scheme risks.
 - b) **Agree to the additional costs for the Ofgem NI specific work for 2016/17 by approving the change request form at Annex A** – This is the proposed approach as it fits best in terms of ensuring faster processing of the backlog of applications and the proposed additional 50 audits will also increase the number of audits overall to 57 therefore improving the monitoring and mitigation of the RHI scheme risks.

5 EXPECTED DELIVERABLES

- 5.1 The main deliverables include the clearing of the backlog of applications from 2015/16 and the improved monitoring and mitigation of RHI scheme risks through the increase of audits by Ofgem and reporting of findings to Renewable Heat Branch.

6 PROPOSED PROJECT MANAGEMENT ARRANGEMENTS

- 6.1 This project is managed by the G7 in Renewable Heat Branch with support from the DP from the same branch. Regular meetings are scheduled between Ofgem and appropriate staff and all key decisions require the approval of the G7 within Renewable Heat Branch.

7 PROPOSED DIVISION OF WORK

- 7.1 Ofgem staff will be expected to provide updates to DfE on the progress of processing the backlog of applications from 2015/16 and report findings in relation to any issues identified as part of the programme of the additional 50 audits. Renewable Heat Branch will be required to manage this work through regular scheduled teleconferences with Ofgem.

8 EXPECTED COSTS

- 8.1 The expected cost of this additional work is £171,054. Budget is available from Energy Renewables Division budget.
- 8.2 This budget has also been approved by the Minister.

9 PERFORMANCE REVIEW ARRANGEMENTS

- 9.1 DfE will continue to review progress through the continuation of established regular teleconferences with Ofgem and by arranging appropriate adhoc meetings if necessary to address any specific issues identified.

10 HANDLING OF IMPLEMENTATION

- 10.1 Renewable Heat Branch have participated in teleconferences to reach agreement on the attached change request form in relation to the NI specific costs as set out in **Annex A**.
- 10.2 When the change request form has been approved Ofgem will be responsible for implementing the NI specific work areas and Renewable Heat Branch will be responsible for monitoring Ofgem's progress and acting on any reported issues.

11 POTENTIAL FOR SKILLS TRANSFER TO DEPARTMENTAL STAFF

- 11.1 There will be limited potential for skills transfer to Departmental staff. However by working closely with Ofgem, DfE staff will become more familiar with the requirements in administering, monitoring and mitigating scheme risks for the non-domestic RHI scheme and will be able to take these skills forward to future similar projects.

**ENERGY RENEWABLES DIVISION
AUGUST 2016**