

From: [McCutcheon, Joanne](#)  
 To: [Dolan, Elaine](#); [Cooper, Trevor](#)  
 Cc: [Hepper, Fiona](#); [Hutchinson, Peter](#)  
 Subject: Ofgem costs  
 Date: 18 December 2012 14:44:25

Trevor/Elaine

Here are the RHI development and operational costs as provided by Ofgem

#### Development Costs Forecast

New Scheme Development delivery team (including: Band C Operational Manager – recruitment process & Stakeholder engagement costs)	£96,000
Internal Ofgem legal costs	£67,000
IT delivery costs	£190,000
Independent risk assessment	£5,000
Overheads	£75,000
<b>Total:</b>	<b>£433,000</b>
<b>Operational Costs</b>	<b>Cost (£)</b>
Revised 2012/13 operational costs (pre IT delay)	£121,000
Additional 2012/13 operational costs due to delay to IT launch	£19,000
<b>Total:</b>	<b>£140,000</b>
<b>Total 2012-13 forecast costs:</b>	<b>£573,000</b>

IT delivery costs relates mostly to IT staff costs.

Staff costs include recruitment, training plus employment costs.

The IT delivery costs include a 33.3% contingency.

Recruitment costs are £2k per new person

overheads are set at 24% of overall costs.

The operational costs forecast for this year include the costs of operating a manual system for part of the year.

<b>Estimated outyear costs for operation of the Northern Ireland RHI scheme</b>			
<b>Financial years</b>	2013/14	2014/15	2015/16
<b>NIRHI Estimated costs</b>	£164,636	£223,809	£341,639

The above estimates are based on NI being 3% of total scheme operating costs. Ofgem proposes to charge on the basis that DETI costs = Total RHI operating cost\* Value of NI tariff payments / Value of Total (NI+GB) tariff payments.

The operating costs include:-

- RHI operational staffing
- IT business application support costs
- IT infrastructure costs
- Internal legal costs
- Overheads

Elaine – Further to earlier e-mail, I have gone back to Ofgem and sought clarification on the point we discussed earlier re drawing up the ToR with Deloitte.

Regards

Joanne