

From: [Hutchinson, Peter](#)
To: [McFarlane, Iain](#)
Cc: [Hepper, Fiona](#); [McCutcheon, Joanne](#); [Hawthorne, Jill](#); [McAvera, Gerry](#)
Subject: FW: DFP Approval required for a feasibility study into the administration arrangements for a NI RHI
Date: 22 August 2011 12:28:21
Attachments: [Signed Business Case - feasibility study - Aug 11.pdf](#)
[SUB 1155 Minister content.pdf](#)
[DFP proforma - feasibility study into RHI admin.doc](#)
[DAC form - signed by D Sterling.PDF](#)
[TRIM RE DAC Form - RHI administration and engagement with Ofgem.msg](#)

Iain,

In Jill's absence please see response to the queries she had raised;

- **Corporate Governance arrangements:** DETI will work with Ofgem to ensure that appropriate governance structures and reporting arrangements are considered as part of this feasibility study and put in place in any future contract. Ofgem will advise on appropriate structures based on previous experience of dealing with DECC on the Renewables Obligation, the Feed-in-Tariff and GB Renewable Heat Incentive (RHI), as well working with DETI on the NI Renewables Obligation. DETI will ensure that proposed structures are fit for purpose and suitable for DETI. Energy Division is happy to work with Accountability and Casework Branch on this aspect to make sure the agreed structures are appropriate.
- **Resource requirement:** Energy Division will require robust evidence on the rationale for resources (both staffing costs and non-staffing costs) for delivering the NI RHI. The ongoing resource costs will also need to be subject to review as this will be dependent on the uptake of the RHI i.e. low uptake should result in lower resource costs. DETI can also utilise costings provided by Ofgem to DECC for the GB RHI as a benchmark figure.
- **Direct Award:** It is Energy Division's view that Ofgem are the only organisation that can successfully deliver the RHI and also present the best value for money considering the work carried out previously on the GB RHI. This is a view shared by DECC who contracted directly with Ofgem also. Ofgem, in its role as Energy Regulator in GB, has the expertise and understanding of the energy market to implement and run the RHI, Ofgem is also a trusted industry body with a track record of delivery. It is difficult to identify other suitable organisations that could deliver the NI RHI successfully or in the timeframe required. The expertise already built up by Ofgem in this area is vital for DETI, especially the development of specific IT systems that could be utilised by DETI for the NI RHI. Ofgem are described as the 'authority' under the [primary legislation](#) which underpins the RHI scheme and grants them powers to run the scheme, make payments and seek information from consumers.

I hope this covers the queries to date.

I have received confirmation from CPD that they are content with the DAC on the basis that the DAO has approved and that there *"would seem to be minimal risk in engaging Ofgem"*. I have asked CPD to add their signature to the attached pro forma already signed by David Sterling but in advance of receipt of this I have attached the confirming email.

Thanks,