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**To:** [Cooper, Trevor](#)  
**Subject:** Non Domestic RHI Site Audits and Eligibility Checks  
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Trevor

Further to our earlier discussion about audits/site inspections on the Non Domestic RHI Scheme, I can confirm that 6 NI sites will receive an audit in 2015/16 selected by Ofgem on a risk basis.

In terms of approach, Ofgem develop their procedures/controls etc on the basis of all relevant information – so, for example, this takes account of the issues identified on GB (for which, for reference, they are conducting 200 audits this year). NI administration costs are based on 3% of GB scheme. This is why NI scheme has 3% of the number of audits of the GB scheme. However, going forward we have allowed additional funding to carry additional audits for the NI scheme in light of recent increase in applications.

From the Ofgem audits of NI installations conducted over the period Apr 2013- Mar 2015, a number of non-compliance issues have been identified such as insufficient fuel records and one site was identified as not being eligible as wood was being dried in building that was not fully enclosed. However, heating for commercial processes outside of a building is now eligible.

Ofgem have provided the following clarification around initial and ongoing eligibility.

**Q 1: How does Ofgem check that a new installation has an eligible heat requirement and isn't simply heating an empty building i.e. how do we know the building is being used. Has an accreditation ever been refused over the eligibility of the heat use?**

In general, applications have been refused where Ofgem have had evidence that eligibility would not be complied with. Specifically regarding empty buildings – Ofgem have a range of up-front checks in place including requesting photos, Independent Report on Metering Arrangements (IRMAs), and requesting a questionnaire where it obvious that the installation is in line with the non-single-domestic requirement to be sure heat meets a genuine load. That said, it would be open to applicants to fabricate this, but this would be at the risk of penalties including revocation and recouping of payments – and referral to appropriate authorities where fraud was suspected.

A number of sites (principally those with 'complex' metering arrangements) are required to provide an IMRA as part of their application for accreditation. As well as asking for checks on the way heat meters have been installed, this also provides independent assurance that heat uses are eligible, installations exist, etc.

**Q2: How does Ofgem check that an existing installation isn't being run excessively to claim increased RHI payments i.e. Do Ofgem question large heat users and ask for justification why heat consumption has increased? Has Ofgem ever revoked an accreditation because of 'gaming' or non-compliance?**

Ofgem do question large heat users and a number of their automated and escalated checks of periodic data submissions/quarterly payments relate to patterns regarding heat generation and/or use. That said, to date, no accreditations have been revoked specifically on the grounds that, for example, the heat load post-RHI has been greater than pre-RHI.

This is a complex area and needs to be considered carefully on a case by case basis, but in brief, there are a number of scenarios under which an increase in heat load may be justified under the scheme rules – for example, such as changes in heat uses, change in building purpose, new buildings being constructed on site, removal of legacy heat sources etc. Ofgem treat each case on its merits so the fact that there have been no revocations to date does not mean that there wouldn't be in the future.

## Future Changes

It is worth highlighting that Michael's team are to audit the Non Domestic RHI Scheme in the New Year which provides an opportunity to review Ofgem's current systems of checks.

We also hope to legislate to introduce an annual cap on maximum heat for existing installations although this will be very contentious and will require public consultation. This will help minimise the risk of boilers being run just to generate RHI income. The cap we're introducing now only applies to new installations post November 2015.

Happy to discuss.

Thanks

Stuart

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