

From: [Matthew Harnack](#)
To: [Hutchinson, Peter](#)
Subject: RE: NI RHI - Feasibility Study
Date: 24 August 2011 19:07:40

Hi Peter,

Here is a more detailed breakdown of our projected costs for the feasibility study. It's our policy not to give out salary details for individual staff members (for privacy reasons) so I haven't listed these, but I have provided expected pay bands for the various staff and hourly rates for IT contractors.

Note that Jonah Anthony will be the junior Band D leading the project (the 66% FTE). Jonah has extensive experience setting up the FITs scheme and Warm Home Discount scheme for Ofgem, and prior to that working for the Micropower Council advising industry on both the FITs and the GB RHI scheme. The Band C core team staff is expected to be a contractor who we have already identified as part of a recent recruitment process. Other individuals will be confirmed once we receive funding approval and gear up to commence the project (it will depend in part on workload allocation at the time).

I trust this is sufficient information, but please let me know if you need to clarify anything further. I hope to hear from you shortly regarding the funding approval.

Regards,
 Matthew

	2011-12		2011-12 Total	Basis of Calculations
	Sep	Oct		
Staff Costs			£0	
Core Team Costs	Sensitive commercial information redacted by the RHI Inquiry			1*Senior Manager (junior Band D) at 66% FTE, plus 1*Development Manager (Band C) at 100% FTE, plus 1* support staff (Band B) at 20% FTE. Also provision for a small amount of senior management oversight (Band E, MD, Head of Finance). All staff budgeted for full 2 months. Work to cover Feasibility Study plus a review of draft regulations.
Legal Team Employment Costs	Sensitive commercial information redacted by the RHI Inquiry			September: 2*lawyers at 100% FTE for 1/2 month to review regulations, October: 2* lawyers at 100% FTE for 1/2 month and 1* lawyer at 100% FTE for a further 2weeks and 3 days to provide input to feasibility study (review and advise on recommended business processes, review and advise on risks, assess further legal resourcing and timeframe allocations, legal dependencies, requirements etc). Lawyers paid at Band D rate.
Recruitment	£0	£0	£0	Assume no recruitment costs for feasibility stage due to use of internal staff plus contractors.
Total	Sensitive commercial information redacted by the RHI Inquiry			
Consultancy			£0	
Consultancy Actual (See table L for breakdown)	£0	Sensitive commercial information redacted by the RHI Inquiry		Provision for independent risk analysis
Consultancy Accruals	£0	£0	£0	
Total	£0	Personal information redacted by the RHI Inquiry		
IT	Sensitive commercial information redacted by the RHI Inquiry			.5 Business Analysts at 100% FTE for 1.5 months (to develop delivery options, assess costs, design business processes, establish high level delivery plan etc). BA's are contractors hired at approximately £[redacted]
Events	£0	£0	£0	
Other	Sensitive commercial information redacted by the RHI Inquiry			provision for travel, training, incidentals
Subtotal: Pre Overheads	Sensitive commercial information redacted by the RHI Inquiry			
Overhead Charge	Sensitive commercial information redacted by the RHI Inquiry			25% overhead rate to cover corporate overheads (building services, IT support, HR, finance, procurement, senior management etc). NAO approved overhead rate.
Total: Including Overheads	Sensitive commercial information redacted by the RHI Inquiry			

From: Hutchinson, Peter [mailto:Peter.Hutchinson@detini.gov.uk]
Sent: 19 August 2011 16:36
To: Matthew Harnack
Cc: Robert Hull
Subject: RE: NI RHI - Feasibility Study

Matthew,

In regards to the table of costs set out within your proposal at page 9, would you be able to provide a more detailed breakdown i.e. staff member responsible, number of days allocated, cost per day etc. Also would you be able to detail clearly any costs which are not based on staff time, i.e. actual physical costs of IT infrastructure or programming.

Thanks,

Peter

Peter Hutchinson

Sustainable Energy
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9532 (ext: 29532)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

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From: Matthew Harnack [mailto:Matthew.Harnack@ofgem.gov.uk]
Sent: 11 August 2011 18:58
To: Hutchinson, Peter
Cc: Robert Hull
Subject: TRIM: RE: NI RHI - Feasibility Study

Hi Peter,

Please find attached our proposal to undertake a feasibility study on the proposal for Ofgem to administer the Renewable Heat Incentive in Northern Ireland. As mentioned, as part of this we are also proposing to undertake a legal and development team review of the related draft regulations.

I will need to get back to you to confirm costs of the GB RHI, though I can recall that it was at least £[REDACTED], and that the cost *excluded* any review of draft regulations. The proposal we are putting forward is therefore significantly lower cost than the GB RHI feasibility study.

Please contact me if you have any questions on this.

Regards,
Matthew Harnack

From: Hutchinson, Peter [mailto:Peter.Hutchinson@detini.gov.uk]
Sent: 09 August 2011 15:07
To: Matthew Harnack
Cc: Jonah Anthony
Subject: RE: NI RHI - Feasibility Study

Matthew,

Thanks for this, very helpful.

Have received a query from Senior Management on the cost of the DECC feasibility study – would you be able to provide an indication of what DECC's costs were for this initial piece of work?

Thanks,

Peter

Peter Hutchinson

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From: Matthew Harnack [mailto:Matthew.Harnack@ofgem.gov.uk]
Sent: 08 August 2011 18:08
To: Hutchinson, Peter
Cc: Jonah Anthony
Subject: RE: NI RHI - Feasibility Study

Hi Peter,

I hope the following description is adequate. Let me know if you need more.

Regards,

Matthew

A focused feasibility study will provide a detailed evaluation of preferred options to implement the NIRHI. In doing so we will deliver the following:

- A high level reporting and governance structure between E-Serve and DETI
- Use a cost/benefit analysis to identify the most effective internal options for developing and operating the scheme, focusing on those elements which are different from the GB RHI
- High level process maps showing how the processes will be carried out in practice
- Risk analysis of risks associated with Ofgem E-Serve taking on this role in addition to operating GB RHI - and proposed mitigation
- Identified key workstreams and deliverables for development, and resources (staff, IT, legal, technical support etc) required
- Evaluation of resources required for operations
- Detailed costs for the development and implementation phase
- A full timetable of the scheme delivery

In addition our legal advisors and development staff will also carry out one full review of the draft regulations, and will advise DETI on Ofgem's ability to implement the regulations as drafted, what changes may be needed to enable us to implement them in practice, and what changes we may be able to identify to streamline or improve their implementation.

From: Matthew Harnack
Sent: 08 August 2011 13:59
To: 'Hutchinson, Peter'
Cc: Jonah Anthony
Subject: RE: NI RHI - Feasibility Study

Sure Peter,

Jonah should be able to send 5 or 6 lines through this afternoon. Also, a rough estimate of costs at this stage is £[REDACTED].

Regards,
Matthew

From: Hutchinson, Peter [mailto:Peter.Hutchinson@detini.gov.uk]
Sent: 08 August 2011 12:23
To: Matthew Harnack
Cc: Jonah Anthony
Subject: RE: NI RHI - Feasibility Study

Matthew,

Sorry to bother you but just wondered if you would be able to send me through 5/6 lines on the expected deliverables from the feasibility study (analysis of options, cost/benefit assessment, determination of technical/administrative requirements, cost estimates etc) so I can begin work on getting necessary approvals. Only need some short wording that I can expand on for briefing prepared for our Perm Secretary and Minister.

Also, if you are able to give a rough estimate of costs at this stage ([REDACTED]?) that would also be useful.

Many thanks,

Peter

Peter Hutchinson

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From: Hutchinson, Peter
Sent: 05 August 2011 09:57
To: 'Matthew Harnack'
Cc: Jonah Anthony
Subject: RE: NI RHI - Feasibility Study

Thanks for this Matthew – yes can revisit the upfront cost issue as part of the study.

If you able to send me through the proposals next week that would be great, the earlier the better so we can engage with our Perm Sec and Minister.

Thanks again for your work on this.

Peter

Peter Hutchinson

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From: Matthew Harnack [<mailto:Matthew.Harnack@ofgem.gov.uk>]
Sent: 04 August 2011 12:35
To: Hutchinson, Peter
Cc: Jonah Anthony
Subject: RE: NI RHI - Feasibility Study

Thanks Peter, that's helpful.

I'm content with almost all that you've proposed. However, we may need to revisit or clarify the treatment of the up front cost of development as I didn't mean to imply that we could split the charge for this to DETI over a number of years (I don't think we can do that), but rather that your accountants might be able to treat the cost as a capital cost and depreciate it in your books over a number of years. The only reason being that it might help spread the costs for you in your books given the potential size of the upfront cost compared to the uptake which starts off small and then grows. But I think we can safely leave the consideration of this until we're doing the feasibility study.

By the way, I've also had a very good discussion with our head lawyer and expect the legal costs for the feasibility study and initial review of draft regulations to come down significantly compared to the figure I indicated yesterday.

Jonah will work on updating our feasibility study proposal tomorrow so that we can discuss it with our MD on Monday/Tuesday next week, so I would hope (touch wood) to get a proposal to you around Wednesday/Thursday next week.

Regards,
Matthew

From: Hutchinson, Peter [<mailto:Peter.Hutchinson@detini.gov.uk>]
Sent: 04 August 2011 12:03
To: Matthew Harnack
Subject: NI RHI - Feasibility Study

Matthew,

Following on from our conversation yesterday I have spoke to the Director of Energy Division in DETI to get her view on how we

should proceed.

We have agreed that the feasibility study should consider the incentivisation of all the technologies listed in consultation barring bioliquids (ASHPs should be considered in the feasibility study). When the study completes it would be useful that in the introduction/pre-amble that reference is given to bioliquids to demonstrate that following preliminary consideration it was determined that the cost of introducing bioliquids from the beginning of the NI RHI would have been prohibitive and not provided value for money given that modelling suggests no uptake until 2013. A recommendation can be included that bioliquids are introduced in the future, possibly in line with the GB RHI.

In regards to ASHPs, the feasibility study should consider how/if this technologies could be included from the outset. If, following the study, it is determined that the costs of incentivising this technology from the start of the scheme are prohibitive and not vfm then a recommendation can be included similar to the one outlined above for bioliquids.

In terms of the spreading of upfront costs over a number of years it will be dependent on the actual costs. We may have sufficient budget to cover this issue this year, although if costs were higher than anticipated we would be happy to consider spreading these costs over 3-5 years, as suggested. This is something we will need to agree following the feasibility study and once actual costs are known. If the feasibility study could include options for payment (i.e. one off payment will be £ Xk or payments over 3/5 years will be £ Xk per annum) that would be appreciated.

Hope you are content with what I have outlined above. If you require further clarification please give me call or email.

If you are content grateful if you could finalise your proposals for the feasibility study and send through.

Thanks for your help with this.

Peter

Peter Hutchinson

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