

4: POST PROJECT EVALUATION TEMPLATE

POST PROJECT EVALUATION

Title of Consultancy Assignment:

Phase 2 of the NI Renewable Heat Incentive

Name of Consultant Appointed:

CEPA in conjunction with AEA

Date of Completion of Assignment

12/06/2013

Cost of Consultancy:

£84,200

Prepared By:

Peter Briggs

Approved By:

John Mills

Signed:

Peter Briggs

Signed:

J. Mills

Date:

29 January 2014

Date:

*27/5/14***Section 1: Background**

Provide a brief description of the assignment including:

- What was the purpose of the assignment?
- What was the need for the assignment?
- Who was the appointed consultant and when were they appointed?

Purpose of the assignment

The purpose of this assignment was to appoint external consultants to carry out an assessment of a range of issues relating to a second phase of the Northern Ireland Renewable Heat Incentive (RHI). The RHI is an incentive scheme that will reward those who install eligible renewable heat technology with a set tariff to be paid over a number of years.

Need for the assignment

The RHI is the main UK policy driver to satisfy obligations under the EU Renewable Energy Directive and to support the achievement of their renewable heat target of 12% by 2020. Northern Ireland is expected to contribute to this target by achieving a 10% target. This target would not be met without government intervention.

The level of tariff and length of payment is determined by the size and type of technology involved. The tariffs are set in order to cover the capital, operating and other non-financial costs of installing such technologies. This is a specialist / technical task that requires the advice of specialist heat economists. These skills are not available within DETI. The advice of specialist heat economists was therefore

required. The assignment also had to give consideration to the alternative methods of support. This is to ensure that the heat market is encouraged in the most cost-effective way possible.

Appointed Consultants

DETI conducted a competitive tender process and contracted external consultants, Cambridge Economic Policy Associates Limited (CEPA), in conjunction with AEA to carry out this work from February 2013 with the aim for completion by May 2013.

Section 2: Assessment of Costs

This section should provide a comparison of the actual costs of the external consultancy with the agreed contract value.

Where there is a variation (upwards or downwards) between agreed contract value and actual costs DFP must be informed. In cases where the actual cost exceeds the cost approved by DFP an explanation must also be provided.

Initial Approval Cost	£80k-£120k	Contract Award Cost	£84,200
		Actual Cost	£84,200
Percentage variation between Contract Award cost and actual cost.			0%

Explanation of variation in costs

N/A

Section 3: Assessment of Deliverables

This section should provide detail on what was delivered by the consultants. The extent to which projected deliverables, as outlined in the Terms of Reference, were met by the consultants, and the quality should be assessed.

The project deliverables, as specified in the Terms of Reference, were as follows:

- i. Advise on the introduction of tariffs for additional technologies, to include direct air biomass heating, biogas above 200kw, biomass CHP, air source heat pumps (air to air and air to water), solar thermal above 200kw, deep geothermal energy, bioliquids (including microgeneration and bioliquid CHP) and landfill gas.
- ii. Advise on the extension of the RHI scheme to the domestic sector.
- iii. Assess the need for financial support for large biomass installations (over 1MW) (including Combined Heat and Power systems).
- iv. Consider the need for an additional 'uplift' for renewable heating applications that service more than one building or dwelling i.e. community or district heating.
- v. Provide a detailed analysis of the expected costs of each of the additional measures under phase 2 and the expected benefits in terms of renewable heat delivered and wider impacts.
- vi. Make recommendations on the implementation of phase 2 of the Northern Ireland RHI based on analysis carried out, the expected costs of additional measures and the monetary and non-monetary benefits.

The terms of reference stipulated that the successful consultant would provide a draft report for consideration by Sustainable Energy Branch followed by submission of a final report. These reports were delivered to a good standard. Some changes were required but these were incorporated into the final report. CEPA/AEA worked closely with Sustainable Energy Branch staff, providing regular updates on their research throughout the contract and were also available to answer questions or discuss certain issues further.

The project provided a detailed economic analysis of the options for introducing a domestic RHI and for extending the non-domestic scheme. In relation to the introduction of a domestic RHI it considered:

- Tariff structure design
- Eligibility Standards and requirements
- Tariff bands and capacity limits
- Model developments for domestic heating; and
- Tariffs for recipients of the RHPP

In relation to the expansion of the non-domestic RHI, it considered tariff options, eligibility standards and requirements, tariff bands and life, and possibilities for including additional technologies.

The external consultant's work was deemed to be consistent, sufficiently detailed, and in keeping with what was asked for in the tender document.

Section 4: Assessment of Benefits

This section should provide detail on the benefits provided by the consultancy assignment. For example:

- Were the deliverables achieved within the timescale specified in the contract?
- Reasons for any delays and the impact on expected benefits should be explained.
- Was the consultancy assignment used for the purpose originally intended?
- How were the outputs delivered by the assignment used?

The contract was originally meant to begin in February 2012 and was expected to be completed within 2 to 3 months. The final version of the report was received from the consultants on 12 June 2013. This was due to the complex nature of the analysis and the need for extended correspondence between DETI and the consultants on key issues. This had limited impact and the final report is of a good standard with excellent detail. No additional cost was incurred as a result of the delay.

Various funding options were also considered in relation to both domestic and non-domestic RHI. The appraisal assessed the cost/benefit of each policy option to ensure that the most appropriate scheme for Northern Ireland and so that funding secured will be sufficient for the expected demand.

The report has informed decisions on future renewable heat strategy and has formed the basis of the Department's Phase 2 RHI consultation exercise launched on 22 July 2013. The report was also published on the Departmental website along with the consultation for more detailed information.

Section 5: Division of Work

This section should provide details of the division of work between in-house staff and the consultants. Evidence should be provided of whether the in-house assistance provided matched what was in the business case.

The business case stated that in-house staff would be used to manage the delivery of the project, assisting consultants with minor queries if appropriate and providing the consultants with full and supporting background documentation to give contextual awareness of renewable heat in Northern Ireland. In addition, the business case estimated that 2-3 meetings would be held with G7/Deputy Principal throughout the project.

Progress meetings were held throughout the project in order to discuss progress, assess options and quality assure of findings. Regular update reports were submitted throughout the project. Key issues were also discussed via telephone and email. The consultants and officials from DETI also held meetings with key stakeholders in relation to large biomass, deep geothermal and the potential of bio-liquids on 5 March 2012. A draft outline report and final draft was submitted and considered before the final draft was agreed.

Section 6: Skills Transfer

- What mechanisms were put in place to allow the transfer of skills and knowledge to happen?
- Assess the extent to which transfer of skill and knowledge to in-house staff has taken place and what impact has this had on in-house capability?
- Has the need for future consultancy support diminished as a result of skills transfer?

The economic appraisal required specialist and technical skills within the field of energy economics. There has been some opportunity for the transfer of knowledge within the Department, as the final assessment has been made available to other staff. However, it must be recognised that research at this level was completed by technical consultants, and opportunity for transfer of much of the technical knowledge must therefore be somewhat limited within the general Civil Service. However it is envisaged that the study conclusions will benefit many key sustainable energy industry players and policy makers in relation to the recommendations.

It is envisaged that future detailed technical work for large energy projects or studies would be carried out by external consultants due to a lack of Departmental staff, qualified to a sufficient level in specialist energy economics related fields.

Section 7: Assessment of Project Management Arrangements

This section should provide an assessment of the project management arrangements. For example:

- Were the monitoring arrangements put in place to manage the consultant's satisfactory?
- Was there an opportunity to influence performance interim stages?
- Was the project managed effectively?

The Department managed the progress, objectives, and financial monitoring of the RHI economic appraisal. The consultants, CEPA/AEA, reported to the Department on progress and provision of the appraisal reports. Representatives from DETI were engaged in monitoring progress of the economic appraisal report through e-mail and telephone correspondence with the consultants and contract progress meetings to ensure that the work was completed in accordance with the study terms of reference and to try to ensure that the economic appraisal would be completed on schedule. This system worked well and the Department was kept informed of progress, advised of difficulties and were

able to offer appropriate support and advice as appropriate. Departmental staff also kept senior officials informed about the study progress.

There were no issues with project management – appropriate levels of staff from CEPA and AEA were made available to work on the project and good contingency arrangements were in place where required.

The final Study report was deemed to be comprehensive, consistent and sufficiently detailed and was accepted by Sustainable Energy Branch.

Section 8: Conclusions and Recommendations

Conclusions

Provide a summary of what value was added by this assignment and assess whether, on balance, value for money was achieved.

The economic appraisal has been used to consider how best to take forward future Northern Ireland renewable heat strategy. It also formed the basis of the Department's consultation exercise that was launched on 22 July 2012. The appraisal recommendations were provided to the Minister and the Departmental Committee. They have been relayed to key representatives from the sustainable energy industry and the wider public through the consultation. The report has also been published on the Departmental website along with the consultation to provide more detailed information to stakeholders.

The procurement was completed through a competitive tendering exercise and assessed by representatives from the Department. A representative from Central Procurement Directorate oversaw the procurement exercise. CEPA and AEA had the most competitive and value for money bid which met the requirements of the tender document and, specifically, the study Terms of Reference.

Utilising external consultants was deemed to be the only feasible option as there was no sufficient expertise within either the Department or the Utility Regulator to successfully undertake and complete the economic appraisal within the necessary timescales and to the required standard.

The Department is content that the RHI economic appraisal was satisfactorily completed with sufficiently detailed costs and benefits for each of the policy options and recommendations. As noted above, the Department has since disseminated the findings of the report to the Minister, the Departmental Committee, and through consultation with sustainable energy industry stakeholders, and the wider public.

The RHI economic appraisal report is informing policy decisions for the Department. The report will be used to identify how best to develop renewable heat in Northern Ireland. It is considered that the project has been successfully concluded and will form a solid basis for further consultation by the Department into developing renewable heat technologies in Northern Ireland.

Recommendations

Provide a summary of the lessons learnt and provide details on how and to whom these will be disseminated.

CEPA's and AEA's work in completing the economic appraisal was deemed to be consistent, sufficiently detailed, and in keeping with what was asked for in the Terms of Reference.

The consultants' report is helping to advise on policy for the Department and has been used to identify how best to develop Phase 2 of the Renewable Heat Incentive in Northern Ireland.

The lesson learnt from this assignment is to ensure that sufficient consideration is given to the complexity of work to be undertaken when setting out the timescales for completion.

The lessons learnt will be disseminated through Divisional Heads of Branch meetings and through interaction with Departmental colleagues.