

From: [McCann, Brendan](#)
To: [Woods, Michael \(DFE\)](#)
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Subject: FW: ID794749 - RHI Inspections - Specification
Date: 28 February 2017 17:02:54
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Michael,

This is the latest version of the specification which martin and Michelle are both content with. Grateful for any further thoughts you might have. Thanks for agreeing in principle to be part of the evaluation process. I will ask Stephen to pick this up with Michelle.

Brendan

From: Caves, Carol
Sent: 28 February 2017 15:06
To: McCann, Brendan
Subject: ID794749 - RHI Inspections - Specification

DfE – Site Inspections of 100% Installations under the Renewable Heat Incentive Scheme Site Inspection (ID:794749)

1. Introduction and Background

The Non Domestic Renewable Heat Incentive Scheme “the Scheme” was introduced in Northern Ireland in November 2012 through the Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012¹, following the introduction of a parallel scheme in the rest of the UK. The Scheme is a financial incentive scheme designed to increase the uptake of renewable heat technologies. Approved installations receive a fixed amount for every kilowatt hour of heat energy produced by various renewable technologies for a period of twenty years after installation. A similar Renewable Heat Incentive Scheme for domestic properties was introduced in December 2014.

The Scheme Regulations (2012) have been revised with amendments to the tariffs in 2015 and 2017 and the introduction of a suspension to new applicants in February 2016.

The Scheme is administered on behalf of the Department for the Economy (DfE) by the Office of Gas and Electricity Markets (OFGEM). Anyone wishing to take advantage of the Scheme was required to purchase a suitable system from an approved installer and once installed apply to OFGEM, who reviewed the application. If approved, OFGEM manage quarterly payments to the applicant (based on meter readings submitted by the applicant) and recover these payments from the Department. OFGEM also carry out site inspections on behalf of the Department.

In the summer of 2016, the Minister for the Economy commissioned additional site inspections. The findings from the exercise identified that further inspections were required and it was decided that a programme of 100% site inspections should be carried out.

This Specification must be read in conjunction with the Scheme Regulations and Guidelines (see Annex A for links to this information).

¹ <http://www.legislation.gov.uk/nidsr/2012/9780337989193>

2. Purpose

The purpose of the Programme of Inspections is to:

Assess installation compliance with the Non-Domestic RHI Regulations and Scheme Guidance and where non-compliance is identified recommend remedial action (including enforcement), supporting the Department, where necessary, with enforcement activity.

Report strategically, providing analysis and trend information, findings, conclusions and recommendations for future action to inform future policy and strategy.

3. Scope of the Contract

The scope of this assignment is to conduct a programme of onsite inspections of **all** installations in the Scheme and provide formal reports to the Department for each Inspection as well as providing a Final Report covering the whole assignment summarising the findings, conclusions and making recommendations for future action.

At the time of writing this specification there are **2,102** installations in the Scheme located at **approximately 1,200** sites across Northern Ireland. Approximately 800 sites are single installations, 200 are twin installations and the remainder are multiple installations. The number of required inspections may reduce should applications be rejected or withdrawn.

It is anticipated that the inspections will be prioritised based on a risk assessment which will be developed and undertaken by the Contractor and agreed with the Department.

The Contractor will schedule site inspections taking account of the risk assessment, with higher risk installations prioritised. The Contractor may need to revisit the risk assessment to take account of any new issues that emerge during the course of the inspections.

The Inspection will include a technical check and business analysis of each installation to assess:

- Compliance with the Scheme Regulations and Guidelines and the participant's ongoing obligations and, in particular, assess:
 - If the heat is being used for an eligible purpose;
 - If the heat use is economically justifiable (based on the amount of heat used for the purpose undertaken);
 - whether there is an observed or potential waste of heat; and
 - If the energy management practices in place conform to industry standards and best practice.
- The Business operation of each installation including cost incurred, income received / generated and the rate of return.

4. Detailed Requirements and Outputs

Project Management

The Contractor will be required to attend a Project Planning and Initiation Meeting with the Department within 2 working days of the contract being awarded. This meeting will cover project management arrangements and address the immediate priorities of the assignment. The Department anticipates a Joint Action Plan (JAP) will be developed which will cover the management of the entire project and include a list of activities, timetable and key milestones.

The Department will appoint a Project Manager (DfE PM) who will have overall responsibility for the delivery and management of the project. The Contractor will designate a Project Manager (PM) to take responsibility for the delivery of the Contractor's elements in the Joint Action Plan.

The Contractor's PM will attend weekly meetings (or on an ad-hoc basis as required) with the Department providing updates on progress against their elements of the JAP including the Programme of Inspections, emerging findings, non-compliance and any other issues arising. The report on the Programme of Inspections must

include a list of site visits conducted and when the report is completed assign a 'status' as agreed with the Department. Any significant issues identified must be brought to the Department's attention immediately.

Site Inspections

The Contractor must commence onsite *Inspections* within two weeks of the Award of Contract and complete **all** inspections by the **31 October 2017**.

Each Inspection Report must assess compliance with the Regulations and Scheme Guidelines and include each of the following points:

- **Eligibility and Analysis of Heat Usage** - verify the continuing eligibility of the installation through a site inspection. The inspection should:
 - I. determine whether the heat generated is for an eligible purpose;
 - II. determine whether the heat use is economically justifiable² (assess heat need, actual heat usage and justification);
 - III. determine whether there is an observed or potential waste of heat; and
 - IV. provide an assessment of energy management practices.

Where heat is being generated unnecessarily the excess heat (and the associated value) must be quantified. This could include using industry information, standards and best practice;

- **Validity of Approval** - confirm that the installation is operating as originally applied for and approved and where changes have been made confirm that OFGEM has formally approved the change, the change is consistent with the Scheme and is operating as described to Ofgem;
- **Other Approvals** – where other approvals are required, e.g. Planning / Building Control, ensure these were obtained prior to application;
- **Ongoing Obligations** - verify that the participant is complying with all applicable and ongoing obligations, including the obligation to submit timely annual declarations, submit timely quarterly/monthly meter readings and keep records of fuel usage (if applicable) etc;

² a heat load that would otherwise be met by an alternative form of heating.

- **Fuel** - confirm that evidence of fuel purchase is consistent with fuel usage and heat need. Collect details of the type of fuel being used (for example: pellets or chips), source of fuel, cost per tonne and the alternative considered by the owner (for example: LPG or oil);
- **Funding** – identify all sources of funding for the investment of the installation (and associated costs) and, in particular, confirm there is no evidence of public grant funding or other public support for any costs of purchasing or installing the eligible installation (for example: grant income or other public support in bank statements, accounts or business case);
- **Meters and Meter Readings** - verify the correct installation, maintenance and operation of meters and the accuracy of meter readings submitted against fuel usage and fuel purchased;
- **Samples** - take samples of fuel (if necessary) and remove them from the premises for analysis;
- **Evidence** - gather evidence to support the findings such as copy documents, photographs, measurements or video or audio recordings sufficient to support any enforcement process;
- **Compliance** - ensure that there is no other contravention of the Regulations and Scheme Guidelines (ref: Annex A); and
- **Business Analysis** – Including the Business Model used and an assessment of the costs and income associated with EACH installation (calculate the rate of return for EACH installation).
- **Other Information** – to be recorded includes the following:
 - installer name(s) and company name;
 - Sector installation is operating in.

5. Reporting

A number of reports will be required as part of this exercise:

(1) An Installation Report for each site inspection;

(2) An Interim Report – a summary report of the findings, analysis and trends at key milestone 3;

- (3) A second Interim Report on the second set of visits (key milestone 5);**
- (4) A Final Report which provides an analysis and comprehensive view of the work undertaken, findings and suggested next steps (key milestone 6).**

Installation Report

An Installation Report (accompanied by a completed checklist and all supporting documentation) must be provided to the Department for each installation. The Report and accompanying documentation must address each of the points above and include a professional opinion on the installation which includes business and technical analysis. Where unnecessary heat is being generated the Report must quantify the amount of excess heat being generated and its associated value to date.

For all installations where, in the opinion of the Contractor, there is a likelihood of breach of the regulations/guidelines, the Inspection Report must be supported by sufficient evidence to enable enforcement action to be taken and for the Department to recover monies (if appropriate) through civil action (if required). *The Contractor may be required to support the enforcement process put in place by the Department. This may require the Contractor, Sub-Contractor and / or Inspector giving evidence in a court of law. This will require the Contractor to ensure that the site inspectors, or representative of the Contractor or Sub-Contractor are available and prepared to act as an expert witness or witnesses, as necessary, after the inspection process is complete.*

Installation Reports will be sent to the Department, using the secure transfer method agreed, within two weeks of the site visit or within three weeks where the Contractor is required to allow the participant seven days to provide information requested that is not available on the day of the site visit.

Interim and Final Reports

The Contractor will be required to complete three summary reports as part of this exercise, two Interim Reports and one Final Report. The Final Report must be

submitted to the Department by 30 November 2017 and must cover the entire assignment.

Each of the above reports should include an analysis of the work completed (including trend analysis), findings, conclusions and recommendations and be accompanied by sufficient supporting evidence. The Final Report agreed with the Department will be made available to a range of stakeholders at the Department's discretion.

The table below provides a summary of the anticipated key milestones for the inspection regime.

Milestone Summary		Date
M1	Project Initiation	May 2017
M2	Complete 1,051 Installation Reports (phase 1)	31 July 2017
M3	Complete Interim Report (1)	31 July 2017
M4	Complete remaining Installation Reports (phase 2)	31 October 2017
M5	Complete Interim Report (2)	31 October 2017
M6	Complete Final Report	30 November 2017

6. Additional Work

Should additional work be required such as to support the Department in enforcement, or other activity as determined by the Department, this will be agreed with the Contractor based on a daily rate fee. Any additional work must be agreed with the Department's Project Manager before any additional work is undertaken.

7. Management of Services

This assignment MUST be undertaken by inspectors with sufficient technical knowledge and experience to express a professional opinion on the installation and its compliance with the Regulations and Scheme guidelines.

8. Project Management

The Contractor will establish project management arrangements (broadly in line with PRINCE II methodology) to deliver the assignment in line with the agreed plan and reporting arrangements. The Department may wish to attend project meetings with the Contractor and their staff.

9. Contingency Arrangements

This assignment must be completed within the deadlines specified. The Contractor must have contingency arrangements in place to ensure that work progresses as planned including, for example, periods when key staff are not available.

10. Site access and Contact with Participants

The Contractor will need to gain access to RHI installations to deliver this service. The Department will empower the Contractor and its inspectors to gain access in line with Part 9 of the 2012 Regulations for the Scheme. For the purposes of this inspection process 'high' and 'medium' risk site inspections, based on the Contractor's risk assessment, **MUST be unannounced**. With the agreement of the Department, Installations that have been assessed as low risk may be scheduled (at a maximum of 3 days notice) to improve site access rates. Full details of site access failures must be documented. The Department requires a Programme of 100% site inspections to be completed. This means that a Contractor may have to undertake a number of visits to a site to achieve access. It is anticipated that the risk of site access failure is low due to the powers in the Regulations and previous experience. A strategy for dealing with repeated failure will be agreed with the Department (re more than 3 times).

Where the site inspection involves visiting a farm, the Contractor must comply with DAERA general biosecurity guidelines.

If during the course of an inspection inspectors become concerned about their safety / welfare the site inspectors should leave the site immediately and report the matter to the Project Manager who will in turn report to the Department immediately.

Management of the programme of inspections will require contact with scheme participants. To this end, the Contractor will maintain a contact phone number and

email address for participant's queries about the inspection process for the duration of the assignment.

11. Quality Assurance

The Contractor must have arrangements for ensuring that quality exists throughout the inspection process including the collection of evidence, reporting to the Department, management and scheduling of site inspections, communication and data management.

12. Information Management and Data Protection

The Department will provide the Contractor with information electronically for each of the installations to be inspected. The type of information held can be determined from the RHI Scheme Regulation 2012. Liaison with OFGEM, or other government bodies, will be through the Department.

The Contractor must give full consideration to the secure handling of sensitive information and all data protection matters. The Contractor will also be required to sign a Confidentiality and Data Sharing Agreement. The Data Sharing Agreement will set out the requirements in relation to the secure management, handling, storage, transfer, retention and destruction of documentation.

All information and supporting documentation, photographs and/or video gathered as part of the inspections will be the property of the Department and must be handed over at the end of the contract. ALL evidence xxx must be of a standard that can be used to support enforcement proceedings which may include presentation in court.

All electronic equipment including mobile phones (if used to collect evidence or to communicate information in relation to this assignment) used during this assignment MUST be returned to the Department when it is no longer required for the assignment. All information and electronic equipment used during the assignment must be held securely for the duration of the assignment and be inaccessible to anyone not named in the contract.

Any security breach must be brought to the attention of the Department immediately.

The Contractor will provide all the equipment necessary for the collection of evidence including laptops, tablets, cameras and scanners etc as required.

No information, in any form, may be retained by the Contractor at the end of the contract.

13. Payment

Payment for the Installation Inspections will be made on the basis of a fixed price, as agreed in the contract, for the satisfactory completion of the following stages:

Stages		Amount
M1	Project Initiation	10%
M2	Phase 1 Inspections	20%
M3	Interim Report (1)	10%
M4	Phase 2 Inspections	20%
M5	Interim Report (2)	10%
M6	Final Report	25%
M7	Six months after completion	5%

Payments will be made following Departmental review and confirmation of the quality of the reports and satisfaction that the evidence is complete.

14. Conflict of Interest

A major purpose of this 100% inspection is to help restore public confidence in the operation of the Scheme. In order to restore this confidence it is particularly important that the public can be satisfied that there are no actual or perceived conflicts of interest.

It is particularly important, therefore, that each inspection is performed by persons with no connection to the owner of the installation, to the original installation or previous inspection of that installation although this would not rule out those with previous experience from involvement in auditing installations with which they have no previous connection.

This means the Contractor must demonstrate to the Department's satisfaction that steps will be taken to ensure this risk is avoided.

15. Security Clearance

Staff conducting the site inspections must be cleared to the enhance security clearance level. Other staff must be cleared to the baseline security level.

Annex A

The Regulations and Scheme Guidance

Regulations relating to the Non Domestic RHI Scheme are as follows:

- The Renewable Heat Incentive Scheme regulations (Northern Ireland) 2012
- The Renewable Heat Incentive Schemes (Amendment) Regulations (Northern Ireland) 2015
- The Renewable Heat Incentive Scheme (Amendment) Regulations (Northern Ireland) 2016
- The Renewable Heat Incentive Scheme (Amendment) Regulations (Northern Ireland) 2017

The RHI regulations can be found at the following link:

<http://www.legislation.gov.uk/all?title=northern%20ireland%20renewable%20heat>

Guidance for the Renewable Heat Incentive Scheme can be found at the following link:

<https://www.economy-ni.gov.uk/publications/guidance-non-domestic-rhi-applicants>

Note: The Scheme Guidelines are being revised and the successful Contractor will be provided with the latest version of the guidance

List of RHI installations / applications		Personal information redacted by the RHI Inquiry	phase 1 of PWC inspections.		Successful = site visited unsuccessful site not visited.
Moore Concrete Products Ltd	Commercial		15/08/2016	Successful	
Moore Concrete Products Ltd	Commercial		15/08/2016	Successful	
Moore Concrete Products Ltd	Commercial		15/08/2016	Successful	
Moore Concrete Products Ltd	Commercial		15/08/2016	Successful	
Moore Concrete Products Ltd	Commercial		15/08/2016	Successful	
Moore Concrete Products Ltd	Commercial		15/08/2016	Successful	
Moore Concrete Products Ltd	Commercial		15/08/2016	Successful	
Moore Concrete Products Ltd	Commercial		15/08/2016	Successful	
Dennison Commercials Ltd. (DCL CA)	Commercial		16/08/2016	Successful	
Dennison Commercials Ltd. (DCL CA)	Commercial		16/08/2016	Successful	
Dennison Commercials Ltd. (DCL CA)	Commercial		16/08/2016	Successful	
Dennison Commercials Ltd. (DCL CA)	Commercial		16/08/2016	Successful	
Dennison Commercials Ltd. (DCL CA)	Commercial		16/08/2016	Successful	
Dennison Commercials Ltd. (DCL CA)	Commercial		16/08/2016	Successful	
Dennison Commercials Ltd. (DCL CA)	Commercial		16/08/2016	Successful	
Dennison Commercials Ltd. (DCL CA)	Commercial		16/08/2016	Successful	
Dennison Commercials Ltd. (DCL CA)	Commercial		16/08/2016	Successful	
Dennison Commercials Ltd. (DCL CA)	Commercial		16/08/2016	Successful	
Dennison Commercials Ltd. (DCL CA)	Commercial		16/08/2016	Successful	
Dennison Commercials Ltd. (DCL CA)	Commercial		16/08/2016	Successful	
Dennison Commercials Ltd. (DCL CA)	Commercial		16/08/2016	Successful	
Dennison Commercials Ltd. (DCL CA)	Commercial		16/08/2016	Successful	
Stewart Law	Agriculture - Po		16/08/2016	Successful	
Stewart Law	Agriculture - Po		16/08/2016	Successful	
Stewart Law	Agriculture - Po		16/08/2016	Successful	
Stewart Law	Agriculture - Po		16/08/2016	Successful	
Stewart Law	Agriculture - Po		16/08/2016	Successful	
Stewart Law	Agriculture - Po		16/08/2016	Successful	
Stewart Law	Agriculture - Po		16/08/2016	Successful	
Colm Kane	Agriculture - Po		17/08/2016	Unsuccessful	
Colm Kane	Agriculture - Po		17/08/2016	Unsuccessful	
Colm Kane	Agriculture - Po		17/08/2016	Unsuccessful	
Colm Kane	Agriculture - Po		17/08/2016	Unsuccessful	
Colm Kane	Agriculture - Po		17/08/2016	Unsuccessful	
Colm Kane	Agriculture - Po		17/08/2016	Unsuccessful	
Colm Kane	Agriculture - Po		17/08/2016	Unsuccessful	
Colm Kane	Agriculture - Po		17/08/2016	Unsuccessful	
WT Mrs S. Arnold	Agriculture - Po		17/08/2016	Successful	
WT Mrs S. Arnold	Agriculture - Po		17/08/2016	Successful	
WT Mrs S. Arnold	Agriculture - Po		17/08/2016	Successful	
WT Mrs S. Arnold	Agriculture - Po		17/08/2016	Successful	
WT Mrs S. Arnold	Agriculture - Po		17/08/2016	Successful	
WT Mrs S. Arnold	Agriculture - Po		17/08/2016	Successful	
WT Mrs S. Arnold	Agriculture - Po		17/08/2016	Successful	
WT Mrs S. Arnold	Agriculture - Po		17/08/2016	Successful	
WT Mrs S. Arnold	Agriculture - Po		17/08/2016	Successful	
WT Mrs S. Arnold	Agriculture - Po		17/08/2016	Successful	
Aaron Newell Biomass	Commercial		18/08/2016	Successful	
Alexander Biomass	Agriculture - Po		18/08/2016	Successful	
Ballyrobert Service Station	Commercial		18/08/2016	Successful	

		Personal information redacted by the RHI Inquiry		
maxwell farms	Agriculture - Pot		23/08/2016	Successful
maxwell farms	Agriculture - Pot		23/08/2016	Successful
MD Electrical	Commercial		23/08/2016	Successful
MD Electrical	Commercial		23/08/2016	Successful
Mr & Mrs P F Rafferty	Agriculture - Pot		23/08/2016	Successful
Sean & Kathleen Kerr Ltd	Agriculture - Pot		23/08/2016	Successful
Sean & Kathleen Kerr Ltd	Agriculture - Pot		23/08/2016	Successful
Sean & Kathleen Kerr Ltd	Agriculture - Pot		23/08/2016	Successful
Sean & Kathleen Kerr Ltd	Agriculture - Pot		23/08/2016	Successful
The Terrace Hotel	Commercial		23/08/2016	Successful
B.McCaffrey & Sons Ltd	Commercial		24/08/2016	Successful
Barry Mcmanus	Commercial - Joi		24/08/2016	Successful
conor teague	Agriculture - Far		24/08/2016	Successful
McGinley Poultry	Agriculture - Pot		24/08/2016	Successful
McGinley Poultry	Agriculture - Pot		24/08/2016	Successful
NA logs	Commercial		24/08/2016	Successful
NA logs	Commercial		24/08/2016	Successful
NA logs	Commercial		24/08/2016	Successful
Original Heating Ltd	Commercial		24/08/2016	Successful
PM Processing Ltd	Commercial		24/08/2016	Successful
PM Processing Ltd	Commercial		24/08/2016	Successful
PM Processing Ltd	Commercial		24/08/2016	Successful
PM Processing Ltd	Commercial		24/08/2016	Successful
The Valley Hotel	Commercial		24/08/2016	Successful
Tony McDermott & Marie McDermott T/A Strule Valley Refrigeration	Commercial		24/08/2016	Unsuccessful
Viscount Brookeborough	Commercial		24/08/2016	Successful
Viscount Brookeborough	Commercial		24/08/2016	Successful
Derek Gordon Hanna	Agriculture - Far		25/08/2016	Successful
Derek Gordon Hanna	Agriculture - Far		25/08/2016	Successful
Derek Gordon Hanna	Agriculture - Far		25/08/2016	Successful
Derek Gordon Hanna	Agriculture - Far		25/08/2016	Successful
BMS Technology Ltd	Commercial		26/08/2016	Unsuccessful
Chrysler Jeep Boucher	Commercial		26/08/2016	Successful
Chrysler Jeep Boucher	Commercial		26/08/2016	Successful
Chrysler Jeep Boucher	Commercial		26/08/2016	Successful
Chrysler Jeep Boucher	Commercial		26/08/2016	Successful
Chrysler Jeep Boucher	Commercial		26/08/2016	Successful
Chrysler Jeep Boucher	Commercial		26/08/2016	Successful
Chrysler Jeep Boucher	Commercial		26/08/2016	Successful
Chrysler Jeep Boucher	Commercial		26/08/2016	Successful
Chrysler Jeep Boucher	Commercial		26/08/2016	Unsuccessful
Chrysler Jeep Boucher	Commercial		26/08/2016	Unsuccessful
Chrysler Jeep Boucher	Commercial		26/08/2016	Unsuccessful
Creative Logic Sol Limited	Commercial		26/08/2016	Successful
Green Biomass Ltd	Commercial		26/08/2016	Successful
Green Biomass Ltd	Commercial		26/08/2016	Successful
NMC Haulage	Commercial		26/08/2016	Successful
NMC Haulage	Commercial		26/08/2016	Successful
NMC Haulage	Commercial		26/08/2016	Successful
ROL Testing Ltd	Commercial		26/08/2016	Unsuccessful
ROL Testing Ltd	Commercial		26/08/2016	Unsuccessful