

From: [Clydesdale, Alison](#)
To: [Coyne, Terence](#); [Hawthorne, Jill](#)
Cc: [Hepper, Fiona](#); [Hutchinson, Peter](#)
Subject: Urgent DFP approval required for renewable heat incentive economic appraisal.
Date: 30 December 2010 12:43:50
Attachments: [Submission - Business Case for Economic Appraisal of RHI.DOC](#)
[Submission - Business Case for Economic Appraisal of RHI.tr5](#)
[DFP proforma.DOC](#)
[DFP proforma.tr5](#)
Importance: High

Terry/ Jill

We have recently tendered for an economic appraisal of a renewable heat incentive (RHI) - something which the Minister has publicly committed to having completed by end March.

Our budget was £40K - the winning tender is Sensitive Commercial Information - so both Ministerial and DFP approval are now required. We have secured finance branch approval for the additional budget required.

We need to get the contract awarded as soon as possible to ensure the work is completed by end March - so I am wanting to enlist your help to see if we can seek DFP approval in parallel to getting the Minister's approval.

I attach the draft submission that will shortly go to the Minister (AC&B are on the cc list so it will issue to you in any case in final form), with the business case appended at Annex A of the submission. Also attached is the DFP proforma.

Would there be any chance of getting DFP to look at it , while we are seeking Ministerial approval - we need to be awarding as early as possible in January.

HMT Treasury has allocated £25m of funding for an RHI and if we are to stand any chance of spending any of it in 2011/12 we need to get this economic appraisal completed as soon as we can. Any delay will result in NI losing HMT funding and NI falling behind progress in the rest of the UK on renewable heat.

All the background is in the submission - but Peter Hutchinson or myself can provide more information if necessary.

Might you be able to indicate a timescale for the DFP approval ?

Best Regards

Alison

Alison Clydesdale

Sustainable Energy
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9248 (ext: 29248)
Mob: Personal information redacted by the RHI Inquiry
Textphone: 028 9052 9304
Web: www.detini.gov.uk

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From: Fiona Hepper
Energy Division

Copy Distribution List Below

Date: ~~30~~ December 2010

To: 1. David Sterling
2. Andrew Crawford
3. Arlene Foster MLA

**BUSINESS CASE FOR THE APPOINTMENT OF CONSULTANTS TO
CARRY OUT AN ECONOMIC APPRAISAL OF A RENEWABLE HEAT
INCENTIVE (RHI) FOR NORTHERN IRELAND**

Issue: The submission seeks the mandatory internal approvals, ahead of an approach to DFP Supply, to appoint external consultants to carry out an economic appraisal of a Renewable Heat Incentive (RHI) for Northern Ireland.

Timing: **Desk Immediate:** As DFP approval is required and the appraisal completed to ensure spend is 2011/12 is achievable.

Need for referral to the Executive: The RHI scheme will be a DETI initiative and therefore will not require referral to the Executive. However the Executive will need to be consulted on a future Renewable Heat Strategy, which will be cross-cutting in nature. Issues regarding legislation may also require Executive approval.

Presentational issues: Not at this stage, however there is likely to be increased interest from MLAs, industry and media as this work progresses.

FOI implications: This submission is exempted under Section 35 of the Freedom of Information Act.

Financial Implications: This assignment will cost Sensitive commercial information redacted by the RHI Inquiry Her Majesty's Treasury (HMT) has advised that funding of £25m will be available over the spending period for a Northern Ireland RHI scheme, should one be

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introduced.

Legislation Implications: DETI does not hold primary powers for renewable heat, however, Energy Division officials are in contact with DECC colleagues in order to explore the possibility of amending the current Green Energy and Energy Security Bill to include renewable heat powers for Northern Ireland. I will write to you separately on this issue in January 2011.

PSA/PFG Implications: None at present, but it is likely that new PSA targets in relation to renewable heat will have to be developed.

Statutory Equality Obligations: None.

Recommendation: That the Departmental Accounting Officer and Minister consider and approve the business case for the appointment of consultants, at a cost of Sensitive commercial information redacted by the RHI Inquiry to undertake an economic appraisal of a RHI scheme for Northern Ireland. Once approval has been obtained, DFP Supply approval to incur the expenditure will be sought.

Background

My submission of 9 August 2010 (**SUB 364/10**) informed you of the completion of a study into the potential development of renewable heat in Northern Ireland and secured your approval to undertake an economic appraisal of a Renewable Heat Incentive (RHI) scheme for Northern Ireland.

Renewable Heat – Drivers and Potential

2. The key driver for developing the renewable heat market in Northern Ireland is the EU Renewable Energy Directive (RED), which sets challenging renewable energy targets for all EU Members States. The UK renewable energy target is 15% consumption from renewable sources by 2020, in order to support this target the Department of Energy and Climate Change (DECC) has adopted a target of 12% renewable heat by 2020. You will be aware that in order to achieve this target DECC intend to introduce a RHI in GB from June 2011 that will reward new renewable heat installations by a tariff depending on the size and type of technology installed.
3. The recent AECOM / Pöyry study into the potential development of renewable heat in Northern Ireland has indicated that the current level of renewable heat in Northern Ireland is 1.7%, with the vast majority of

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Northern Ireland's heating demand being met by imported fossil fuels. The study also demonstrated that the share of renewable heat could realistically be increased to 10% by 2020. However, significant Executive support in terms of policy levers and financial incentives would be required to make this a reality.

4. As a result of this study a target of 10% renewable heat by 2020 was officially adopted within the Strategic Energy Framework (SEF). DETI also committed to undertaking an economic appraisal of a specifically tailored RHI for Northern Ireland to ensure that the policy was both cost-effective and could be appropriately funded. Increasing the amount of renewable heat to 10% will not only contribute to the UK target, it has the potential to also support other energy policy goals in terms of increasing security of supply, reducing carbon emissions and creating opportunities for new green jobs in employment within the renewable heat supply chain.

Need for Consultants

5. DETI Energy Division now wishes to appoint external consultants to carry out an economic appraisal for a Northern Ireland RHI. This is a specialist one off task that requires the advice of specialist heat economists. DETI Economics Branch has confirmed that they do not have these skills at present.
6. The Chancellor of the Exchequer's statement on the Spending Review in October 2010 provided £860m of funding for the GB RHI over the spending review period. Following this, the Chief Secretary to the Treasury informed the First and deputy First Minister that £25m (£2m/£4m/£7m/£12) would be available for a Northern Ireland RHI over the spending period. DETI now wishes to appoint a service provider to undertake an independent economic appraisal of a Northern Ireland specific renewable heat incentive.
7. This work is therefore essential to ensure that the target adopted as part of the SEF is met in the most appropriate way. Previous research carried out has highlighted that the GB RHI, as it currently stands, could be ineffective in Northern Ireland as it does not take account of the specific elements of the heat market here and therefore to effectively incentivise the local market a Northern Ireland RHI should be developed.

Objectives of the Assignment

8. This assignment will refine the need for a RHI in Northern Ireland, will outline the objectives for introducing such a scheme, advise on possible structures of a RHI and assess the cost/benefit. The assignment will also involve considering a range of methods for developing the heat market, either through the RHI structure or other means. This will ensure that the most cost-effective method of developing renewable heat is implemented.

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9. The key objectives of this assignment are;

- Identify the strategic context within which this policy sits, specifically identifying the particular EU, UK and NI policy that is relevant.
- Determine the need for Government intervention in the renewable heat industry in Northern Ireland.
- Outline the objectives of Government's support of the renewable heat industry and the associated benefits.
- Identify a full list of potential options for future delivery of a Northern Ireland Renewable Heat Incentive.
- Provide a detailed analysis of the economic cost/benefit of implementing a renewable heat incentive in domestic, non-domestic and the large industrial sector in NI.
- Identify and quantify the monetary costs and benefits for each option.
- Assess and identify the potential risks in delivery in a future support scheme.
- Outline the non-monetary costs and benefits of delivering a RHI support scheme and increasing renewable heat levels to 10% by 2020.
- Calculate net present values and assess uncertainty.
- Make recommendations, based on the evidence gathered and the economic analysis carried out, on the most cost effective structure of a Northern Ireland RHI to increase the level of renewable heat to 10%.

10. The terms of reference, drafted with input from DETI Economics Branch, is appended to the full Business Case attached at **Annex 1**.

Tender Process

11. The initial cost of this piece of work was estimated to be between £40-50k, this is in line with standard economic appraisals. Therefore, following my approval, Sustainable Energy Branch engaged with Central Procurement Directorate (CPD) and began a competitive tender process for this work. Four service providers submitted bids for this work, these bids were as follows;

- AECOM Ltd, partnering with Pöyry Energy Consulting Sensitive commercial information redacted by the RHI Inquiry
- Cambridge Economic Policy Associates (CEPA), partnering with AEA Sensitive commercial information redacted by the RHI Inquiry
- Europe Economics, partnering with Cyril Sweett and Scott Wilson Sensitive commercial information redacted by the RHI Inquiry
- Element Energy, partnering with Cambridge Econometrics Sensitive commercial information redacted by the RHI Inquiry

12. Only one of the proposed service providers was within the expected price range. The higher than expected prices is due to the specialised technical nature of this economic appraisal. On Friday, 10th December 2010, Alison

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Clydesdale, Peter Hutchinson (both Sustainable Energy Branch) and Sam Connolly (Economics Branch) met to evaluate the tenders and award the contract. Following an assessment of each of the tender applications based on methodology, resource allocation and contract management the markings were as follows;

- i) Cambridge Economic Policy Associates (CEPA), partnering with AEA, **72.2**
- ii) Europe Economics, partnering with Cyril Sweett and Scott Wilson, **63.2**
- iii) Element Energy, partnering with Cambridge Econometrics, **61**
- iv) AECOM Ltd, partnering with Pöyry Energy Consulting, **53.9**

Cost and Timing

44.13. As the expected cost of this piece of work is higher than anticipated, and above the threshold which I can approve, I am now seeking your approval to proceed with this project. Providing you are content I will then seek approval from DFP Supply. The price quoted by CEPA for this work is valid until 28th February 2010.

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~~43.14.~~

~~44. This project will be part-financed (50%) by the European Regional Development Fund under the European Sustainable Competitiveness Programme for Northern Ireland. The remaining Sensitive commercial information redacted by the RHI Inquiry will be provided from the existing Energy Division budget. This project will be part-financed (50%) by the European Regional Development Fund under the European Sustainable Competitiveness Programme for Northern Ireland. The remaining Sensitive commercial information redacted by the RHI Inquiry will be provided from the existing Energy Division budget. EU programmes has confirmed that a further £21k of activity can be accommodated in the Programme under Priority 3. In addition Finance branch has confirmed they are content and that an internal reallocation between EU Receipts and EU Expenditure will be required as part of February Monitoring.~~

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45.14. It is essential that this project goes ahead as soon as possible.

DECC intend to have the RHI in place in GB from June 2011 and the continued absence of firm policy proposals for Northern Ireland is causing uncertainty in the market place. This work will advise on the appropriate next steps and inform a consultation process on the design and implementation of Northern Ireland incentive scheme; this will ensure that domestic consumers and businesses have the confidence to begin investing. Further to this, HMT has allocated £2m of funding for a Northern Ireland RHI in 2011/2012. To ensure this money is utilised this economic appraisal must go ahead.

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Recommendation

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| **46.15.** The Department does not have the relevant technical expertise to carry out an in-depth economic analysis of an incentive method for renewable heat. Whilst this project will be managed by Sustainable Energy Branch, with input from Economics Branch, it is necessary to appoint an external consultant to take this work forward and advise on the appropriate incentive scheme for Northern Ireland.

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| **47.16.** I therefore recommend that the Departmental Accounting Officer and Minister:

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- i) approve the attached business case for the appointment of consultants at Sensitive commercial information redacted by the RHI Inquiry and
- ii) note the approval will subsequently be sought from DFP Supply to incur the expenditure.

| **48.17.** I am happy to discuss.

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**FIONA HEPPER
ENERGY DIVISION
(Ext 29215)**

Distribution List:

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Annex 1

BUSINESS CASE FOR PROPOSAL TO ENGAGE A CONSULTANT

Project Title: ECONOMIC APPRAISAL OF A NORTHERN IRELAND
RENEWABLE HEAT INCENTIVE

Prepared By: PETER HUTCHINSON **Date:** 10th November 2010 and revised
17 December 2010 to include
information from tender process

Approved By: FIONA HEPPER
(Director of DETI Energy Division)

Signed: _____ **Date:** _____

Section 1: NEED FOR THE ASSIGNMENT

Background - Purpose of the assignment

- 1.1 This paper is prepared in line with the DFP Guidance for the use of external consultants (22 December 2009).
- 1.2 The purpose of this assignment is to appoint external consultants to carry out an economic appraisal for a Northern Ireland Renewable Heat Incentive ¹(RHI). This is a specialist one off task that requires the advice of specialist heat economists – these skills are not available within DETI. Consideration will also be given to the alternative methods of support to ensure that the heat market is encouraged in the most cost-effective way possible.

Strategic / policy context

- 1.3 In December 2009, DETI appointed AECOM Ltd and Pöyry Energy Consulting to carry out a significant piece of research into the nature of the heat market heat, the current levels of renewable energy, the potential development of the market and potential support measures to assist the reaching of a 10% renewable heat target.

¹ An 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, 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.

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- 1.4 This followed the Department of Energy and Climate Change (DECC) announcement in July 2009 that it intended to introduce a RHI to support the deployment of renewable heat technologies. Details on the design, implementation, tariff levels and eligibility were later consulted on in February 2010.
- 1.5 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, and as such Northern Ireland is expected to contribute to this target.
- 1.6 The RHI, as it stands, only applies to England, Scotland and Wales and not Northern Ireland. The significant differences between the heat markets here and Great Britain meant that a separate assessment on the nature and growth potential of the Northern Ireland market was needed.

What is the need for the assignment?

- 1.7 The report produced by AECOM and Pöyry showed that whilst the current level of renewable heat in Northern Ireland is relatively low (1.7%) that there was potential to develop the market by using technologies such as biomass, biogas, biofuels, heat pumps, deep geothermal etc. The report demonstrated that 10% renewable heat by 2020 was achievable, however substantial Government support, in terms of policy and financial incentives, would be required. The research also highlighted that the GB RHI, as it stood, could be ineffective in Northern Ireland as it did not take account of the specific elements of the heat market here and **therefore to effectively incentivise the local market a Northern Ireland RHI should be developed.**
- 1.8 The DETI Minister, Arlene Foster MLA, made a statement to this effect on 20th September 2010, committing to developing and implementing a Northern Ireland RHI, should it prove economically viable to do so. In addition, a target of 10% renewable heat by 2020 was formally adopted by the Northern Ireland Executive as part of the DETI Strategic Energy Framework.
- 1.9 Following the Chancellor of the Exchequer's statement on the Spending Review in October 2010, that £860m of funding will be available for the RHI over the spending review period, the Chief Secretary to the Treasury informed the First and deputy First Minister that £25m of this (£2m/£4m/£7m/£12) would be available for a Northern Ireland RHI over the spending period.

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- 1.10 Therefore, DETI now wishes to appoint a service provider to undertake an independent economic appraisal of a Northern Ireland specific renewable heat incentive. This is essential to ensure that the most cost effective structure of a RHI is implemented in Northern Ireland.
- 1.11 It has been demonstrated that a Northern Ireland RHI, developed with the local heat market specifically in mind, has the potential to support the deployment of renewable heat and assist in reaching the Executive endorsed target of 10% renewable heat by 2020. In order for the RHI to be designed and implemented it is necessary to carry out an Economic Appraisal to determine the most cost-effective structure for the scheme. This work will assess the RHI in comparison to other support measures, will develop possible scenarios for tariff levels, advise on the potential uptake and overall cost of a scheme and allow for a decision to be taken on the future design.
- 1.12 As detailed at para 1.9, HMT has indicated that funding will be available to Northern Ireland for a RHI, should one be developed. Without this piece of work it will not be possible to design such a scheme and would result in this funding being lost.

What is the scope of the assignment, i.e. tasks anticipated to provide desired outcomes?

- 1.13 This assignment will determine the need for a RHI in Northern Ireland, will outline the objectives for introducing such a scheme, advise on possible structures of a RHI and assess the cost/benefit. The assignment will also involve considering a range of methods for developing the heat market, either through the RHI structure or other means. This will ensure that the most cost-effective method of developing renewable heat is implemented.

Timing of assignment – when is the information required and is there any possibility of deferring the assignment?

- 1.14 There is no possibility in deferring this assignment. DECC intend to roll-out a RHI in GB from June 2011, by deferring this project there would be a significant delay in rolling out similar policy in Northern Ireland and therefore disadvantaging the renewable heat market here. Further to this HMT has indicated that funding for a Northern Ireland RHI is available from 2011/12, delaying this project would also lead to this money being unspent.
- 1.15 Following the completion of this assignment there will be a need for Executive approval, public consultation and development of legislation, therefore the Economic

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Appraisal must be completed as soon as possible. This will allow the Minister to make a final decision on renewable heat policy and enable a Northern Ireland RHI to be rolled out as close to June 2011 as possible.

Description of previous similar consultancy assignments, including an analysis of past expenditures (corresponding evaluations must be appended)

- 1.16 No economic appraisals of a Northern Ireland RHI have previously been undertaken. A post project evaluation (PPE) of the report into the potential for deployment of renewable heat (AECOM Ltd / Pöyry Energy Consulting 2010) is attached at **Appendix I**.

Section 2: BENEFITS AND THEIR TIMING

What are the projected outputs from the assignment?

- 2.1 The immediate output of the external consultancy exercise is the completed economic appraisal with the necessary level of independence and within the required short timescale.

What are the expected benefits to be delivered from the assignment and give an indication of when they are likely to accrue?

- 2.2 The immediate benefits of the consultancy appointment are the independent assessment of the need for Government support in the renewable heat market, the associated benefits and a detailed economic appraisal of implementing support mechanisms (namely a RHI). This approach will ensure that future policy decisions in respect of supporting the renewable heat market will be based on firm evidence with the expected costs and benefits known in advance. The immediate benefits will accrue initially from 2012 onwards as the number of installations begin to increase.
- 2.3 The long term benefit of undertaking this piece of work will be the development of the renewable heat industry in Northern Ireland. By increasing the uptake of renewable heat in Northern Ireland there are opportunities to reduce Northern Ireland's dependence on fossil fuels and therefore increasing fuel security and cutting carbon emissions. The development of the renewable heat industry also presents significant opportunities for 'green jobs' in the period 2012-2014 and beyond.

What are the implications of the assignment not going ahead?

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- 2.4 If this work did not go ahead then decisions on the future shape of a policy to incentivise renewable heat in Northern Ireland would either be taken without a firm evidence base or not taken at all.
- 2.5 If a RHI went ahead without economic analysis then the most cost effective method may not be implemented and the tariff levels initiated may not be the most appropriate for Northern Ireland. This could lead to a costly, ineffective system which would not support the achievement of the 10% target.
- 2.6 If no decision on supporting renewable heat was taken then there would be significant criticism on the Department for renegeing on previous statements. Further to this the Executive endorsed 10% would not be achieved and the funding allocated to Northern Ireland for this scheme would be lost.

Section 3: ASSESSMENT OF ALTERNATIVES OPTIONS

- 3.1 A number of alternative options to external consultancy have been considered;

i) Option 1 – Do nothing

Doing nothing would result in the Department making a non-evidence based decision in regards to supporting and developing the renewable heat market. This could result in an ineffective and costly option being employed or no decision on heat incentivisation being taken at all and therefore would have a detrimental impact on the Northern Ireland renewable heat market.

ii) Option 2 – Complete the analysis in-house

The necessary resources and technical expertise do not currently exist in-house in Energy Division as specialist heat economist input is required.

iii) Option 3 – Partial completion of assignment using in-house resources

The necessary resources and technical expertise to develop appropriate support mechanisms for renewable heat and to advise on the potential cost / benefit do not currently exist in-house. In-house economists will be utilised in

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the quality assuring of the work by consultants, however they do not have the necessary technical experience in renewable heat to undertake this task.

iv) Option 4 – Short/Medium term secondment of industry experts

Whilst the secondment of industry experts would provide the necessary technical expertise the resources do not exist within energy division to either manage this secondment on a day-to-day basis or to house the seconded experts.

v) Option 5 – Use of External consultants

This is our preferred approach. This will ensure the appropriate level of expertise is available for this project and that it can be completed in a timely and cost-effective manner. This approach would also ensure that the assessment is independent and the conclusions based on economic analysis and evidence.

Section 4: EXPECTED DELIVERABLES

Please provide details on the deliverables expected from consultancy. If available, a copy of the draft terms of reference for the proposed consultancy should be attached.

- 4.1 The successful consultant will be expected to undertake an independent economic appraisal of a Northern Ireland specific renewable heat incentive. The Economic Appraisal will make recommendations, based on evidence gathered and the analysis carried out, on the most cost effective structure of a Northern Ireland RHI to increase the level of renewable heat to 2020. The economic appraisal will be carried out using the 10 steps outlined within the Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE) guidelines.
- 4.2 A copy of the terms of reference for the proposed consultancy is attached at **Appendix II.**
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RESTRICTED - POLICY**Section 5: SKILLS TRANSFER*****Outline the potential for skills transfer***

- 5.1 This piece of work requires a combination of both economic and energy, specifically renewable heat, expertise to understand the current heat market in terms of supply and demand and to assess the effectiveness and cost of the various support measures that will be considered. This expertise will be required to analyse the market and provide the evidence base for a way forward on an appropriate financial support mechanism for renewable heat.

What arrangements have been put into place to facilitate the transfer of skills from the consultants to departmental staff to the extent that this is a benefit of the consultancy?

- 5.2 Throughout the project there will be some opportunity for skills transfer to Departmental staff, specifically in relation to energy economics and the cost/benefit of the various options considered. This knowledge and understanding will increase through close contact with the appointed consultants and can be maintained following the successful completion of the project.

When is it anticipated that knowledge and skills delivered by the consultancy will be transferred to internal staff?

- 5.3 Knowledge and skills delivered by the consultancy will be transferred to internal staff throughout the project through meetings and discussions about the elements of the project. This will be increased further on delivery of the draft report through the process of quality assurance. The final report will assist in in-house knowledge and support the development of a RHI and renewable heat route map.

What are the implications of skills transfer for future consultancy support?

- 5.4 Due to the highly technical nature of renewable heat, specifically the economics surrounding the various technologies, the skills transfer involved in the project will not mean that future consultancy won't be required. However, the transfer of skills, knowledge and understanding during this assignment will ensure that this work can be developed further in-house and that any future consultancy will be monitored and quality assured by knowledgeable and experienced staff.

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Section 6: PROPOSED DIVISION OF WORK

What in-house support will be given to the consultants e.g. technical/specialist inputs, accommodation, photocopying and typing services etc?

- 6.1 The external consultants will be required to provide the delivery of specific objectives as described in the terms of reference within the tender documentation.
- 6.2 In-house staff will 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. It is estimated that 2-3 meetings will be held with G7/DP throughout the project. The Departmental economists will provide a quality assurance check before the EA is signed off.

Provide indicative estimates of the number of consultancy days by consultancy grade.

- 6.3 The assignment is estimated to take up to 85 consultancy days as follows:-
- Principal Consultant – 15 to 20
 - Senior Consultant – 10 to 15
 - Principal Economist – 15 to 20
 - Technical Consultant – 15 to 20
 - Economist / Researcher – up to 10

Provide indicative estimates of the expected number of in-house staff days by staff grade.

- 6.4 The assignment is estimated to take up to 20 in-house staff days, estimated at 10 days at DP, 5 days at G7 and 5 days at Deputy Economist.

Section 7: EXPECTED COSTS OF THE ASSIGNMENT

External Consultancy Costs

- 7.1 It had initially been expected that the external consultancy costs for this project would be in the region of Sensitive commercial. This analysis was based on costs of other economic

appraisals carried out. However, following a competitive tender process four tenders were received at the following costs:

- [Redacted] AECOM Ltd, partnering with Pöyry Energy Consulting)
- [Redacted] Europe Economics, partnering with Cyril Sweett and Scott Wilson)
- [Redacted] Cambridge Economic Policy Associates, partnering with AEA)
- [Redacted] Element Energy, partnering with Cambridge Econometrics)

7.2 The evaluation panel met to assess the four tenders and marked each bid on the basis of methodology, contract management and resource allocation. These marks were then added to the marks allocated for cost with the result as follows;

- 72.2, Cambridge Economic Policy Associates, partnering with AEA
- 63.2, Europe Economics, partnering with Cyril Sweett and Scott Wilson
- 61, Element Energy, partnering with Cambridge Econometrics
- 53.9, AECOM Ltd, partnering with Pöyry Energy Consulting

7.3 Therefore, Cambridge Economic Policy Associates (CEPA), partnering with AEA, was provisionally awarded the contract at a cost of [Redacted]. There is no time to retender for this piece of work as not proceeding would leave the Northern Ireland renewable heat market disadvantaged in comparison to GB and create further uncertainty within the market. Further to this, HMT has allocated £2m of funding for a Northern Ireland RHI in 2011/2012, to ensure this money is utilised this economic appraisal must proceed with further delay.

7.4 Budget is available from the Energy Division Budget and the ERDF Competitiveness Programme.

In-House Costs

7.5 The in-house cost of 3 meetings, reading time and project management (detailed at para 6.4) for a G7, DP and Deputy Economist is in the region of £4000.

Section 8: PROJECT MANAGEMENT / PERFORMANCE REVIEW ARRANGEMENTS

What are the proposed project management arrangements, including details of monitoring officers, draft reports, Steering Groups etc?

- 8.1 The project will be managed by Sustainable Energy Branch with the successful consultants expected to liaise closely with the Head of Branch and Deputy Principal on a regular basis. A Deputy Economist will also provide support throughout the project, specifically quality assuring the work of the consultants.

Proposed arrangements for on-going monitoring of consultancy performance and expected deliverables. The project managers should ensure that appropriate mechanisms are in place for influencing performance at interim stages.

- 8.2 Regular meetings will take place throughout the project with the consultants obliged to submit regular update reports (at agreed intervals) to enable the review of progress. A draft report will be required by 18 February 2011 with a final report due by 28 February 2011.

Identify person/persons responsible for managing/delivering skills transfer.

- 8.3 The progress of the assignment will be monitored closely by the Deputy Principal to ensure that the project is completed on time and within budget.

What are the performance review arrangements for the assignment, e.g. the quality assurance employed from Departmental specialists?

- 8.4 Payment will only be on completion of a satisfactory EA, which has been approved by dept economists.

Skills transfer should be pro-actively managed and monitored like any other consultancy benefit.

- 8.5 The appointed consultants will be expected to attend project management meetings, provide regular update reports and be contactable throughout the contract. Consultants will be expected to explain the analysis carried out and the evidence gathered so skills and knowledge will be transferred.

Section 9: IMPLEMENTATION AND EVALUATION PLAN

How will the results of the consultancy be implemented?

- 9.1 The results of this consultancy will be to provide an evidence base on the economics of a RHI in NI. This information will be used to advise the Minister in advance of a final policy decision in respect of a RHI rollout.

Proposed arrangements for evaluating the outputs delivered by the consultancy assignment. This should include information on who is the responsible officer for ensuring the evaluation takes place and also information on when it is proposed to carry out the evaluation. Whilst ideally the evaluation should be independent of the project promoters, in most instances, evaluations should be carried out by internal resources, i.e. in-house staff or internal consultancy.

- 9.2 Following the completion of this assignment a Post Project Evaluation on the work of the consultants will be carried out by Energy Division, to be completed within 6 months of the satisfactory conclusion of the project.

DRAFT