



# **Department of Enterprise, Trade and Investment – Energy Division**

## *Risk Register – Northern Ireland Renewable Heat Incentive and Premium Payment Scheme*

# Document Review History

Date of Review	Change
1/3/2012	Risk Register opened – initial entries

# Project Risks

This section outlines the key risks facing the introduction of the Renewable Heat Incentive (RHI) scheme and the *Renewable Heat Premium Payments* for domestic customers. These risks have been identified by the Renewable Heat Branch, Energy Division, during the planning and development of the scheme.

This register details the assessment of the key risk areas; the associated controls; and actions required to mitigate these risks. Each risk has been assessed for its severity to the business and for the effectiveness of the controls currently operating.

This risk assessment has been undertaken by considering:

- the impact that each risk would have on the project should it occur; and
- the likelihood of the risk materialising

Each risk has then been assessed against a risk assessment chart to show its relative significance to the project. Further analysis of each risk is detailed including :

- the controls currently in place to manage/mitigate the risk; and
- any additional actions considered necessary to fully manage the risk.

Finally, each risk is assigned a risk owner

The Register is a dynamic document. As the scheme progresses, any newly identified risks will be added to the Register and any initially placed on the Register, but no longer considered appropriate, will be removed. The Register will be held by the Project Manager who will be responsible for its upkeep.

The approach to assessment of the risks attaching to the project mirrors the DETI corporate approach to risk management.

# Department of Enterprise, Trade and Investment – Renewable Heat Incentive Branch – Renewable Heat Incentive Scheme

Annotated by RHI Inquiry

## Risk

A. Incorrect tariff levels set (either too high or too low)

## Risk owner

Fiona Hepper

## Specific Objective

- To develop an appropriate incentive mechanism to increase the levels of renewable heat in Northern Ireland, to a level of 10% by 2020.

## Risk Indicators

- Lack of interest/uptake amongst consumers (indicating tariffs are too low).
- Higher than expected uptake or overspending on profiled budget (indicating tariffs are over generous).

## Potential root causes

- Incorrect assumptions made in tariff-setting methodology i.e. underestimating or overestimating the capital/operating/fuel costs of renewable technology or fossil fuel counterfactual.

## Additional actions required to fully manage the risk

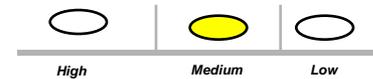
- Ongoing engagement with key industry stakeholders to assess uptake and monitor energy costs.
- Liaison with administrator to assess uptake levels and expected spend against profiled budget.
- Planned reviews of the scheme so tariffs can be revised depending on market conditions.

## Risk rating

### Impact



### Likelihood



## Potential business implications

- Low uptake of renewable heat incentive – renewable heat industry stalls and opportunities for 'green jobs' lost.
- Technologies are over-incentivised, forces a cut in tariffs at a later date and a loss of confidence in the incentive scheme.

## How is this risk currently managed: partially managed to an acceptable level of risk

- Economic Appraisal consistent with NIGEAEA guidelines has supported the development of appropriate tariff levels.
- External consultants have advised on technology assumptions and appropriate methodology for determining tariff levels.
- Economic model developed to assess future potential uptake and expected costs.
- Tariff levels consulted on (July 2011) with stakeholders offering advice and evidence where changes were necessary.
- Additional economic analysis carried out and tariffs amended to ensure they are appropriate for the Northern Ireland market place.

## Criticality (H,M,L)

## Name

## Target Date

H

Joanne McCutcheon / Peter Hutchinson

Ongoing

H

J McC / PH

Ongoing - monthly

H

J McC / PH

2014

DFE-79912

# Department of Enterprise, Trade and Investment – Renewable Heat Branch – Renewable Heat Incentive Scheme

Annotated by RHI Inquiry

## Risk

B. Low uptake

## Risk owner

Fiona Hepper

## Specific Objective

- To develop an appropriate incentive mechanism to increase the levels of renewable heat in Northern Ireland, to a level of 10% by 2020.

## Risk Indicators

- Lack of uptake amongst consumers.
- Low number of applications to Ofgem or enquiries to DETI.
- Lack of awareness or awareness of scheme.
- Concern from stakeholders about success of incentive.

## Potential root causes

- Incorrect assumptions made in tariff-setting methodology i.e. setting tariff levels too low.
- Not enough advertising or marketing to promote the scheme.
- Application process or the scheme itself being overly complicated.
- Renewable heat suppliers not providing opportunities for uptake.

## Additional actions required to fully manage the risk

- Ongoing engagement with key industry stakeholders to assess uptake and monitor energy costs.
- Liaison with administrator to assess uptake levels and expected spend against profiled budget.
- Planned reviews of the scheme so tariffs can be revised depending on market conditions.
- Promotion and marketing initiatives carried out to raise awareness.
- Work with stakeholders to identify opportunities for ESCo's.

## Risk rating

### Impact



### Likelihood



## Potential business implications

- Low uptake of renewable heat incentive – renewable heat industry stalls and opportunities for 'green jobs' lost.

## How is this risk currently managed: partially managed to an acceptable level of risk

- Economic Appraisal consistent with NIGEAEA guidelines has supported the development of appropriate tariff levels.
- External consultants have advised on technology assumptions and appropriate methodology for determining tariff levels.
- Tariff levels consulted on (July 2011) with stakeholders offering advice and evidence where changes were necessary.
- Planned promotion and marketing, potentially through the Executive endorsed 'Energywise' campaign

Criticality (H,M,L)	Name	Target Date
H	JMcC / PH	Ongoing
H	JMcC / PH	Ongoing – monthly
H	JMcC / PH	2014
H	JMcC / PH	Ongoing
H	JMcC / PH	Ongoing

DFE-79913

Annotated by RHI Inquiry on 12/01/2017 from DFE on 06/01/2017

**Risk**

C. Harm to other sectors

**Risk owner**

Fiona Hepper

**Specific Objective**

- To develop an appropriate incentive mechanism to increase the levels of renewable heat in Northern Ireland, to a level of 10% by 2020.

**Risk Indicators**

- Widespread changing from existing gas installations to renewable heat technologies.
- Increased gas prices.

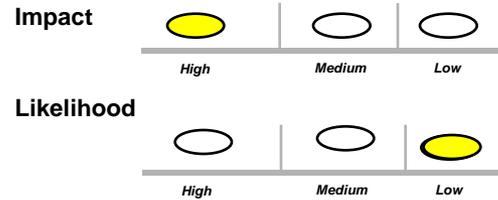
**Potential root causes**

- Renewable heat will, of course, displace existing fossil fuels, however if this displacement disproportionately impacted on the gas network the impact could be more significant. Tariffs incorrectly set against a lower cost base could cause this.

**Additional actions required to fully manage the risk**

- Ongoing engagement with key industry stakeholders to assess uptake and monitor energy costs.
- Liaison with administrator to assess uptake levels.
- Planned reviews of the scheme so tariffs can be revised depending on market conditions.

**Risk rating**



**Potential business implications**

- Increased gas/oil/coal prices.

**How is this risk currently managed: partially managed to an acceptable level of risk**

- Economic Appraisal consistent with NIGEAEA guidelines has supported the development of appropriate tariff levels.
- External consultants have advised on technology assumptions and appropriate methodology for determining tariff levels.
- Economic model developed to assess future potential uptake and expected costs.
- Tariff levels consulted on (July 2011) with stakeholders offering advice and evidence where changes were necessary.
- Additional economic analysis carried out and tariffs amended to ensure they are appropriate for the Northern Ireland market place.
- Establishment of a cross-departmental group to consider renewable heat.

Criticality (H,M,L)	Name	Target Date
H	JMcC / PH	Ongoing
H	JMcC / PH	Ongoing – monthly
H	JMcC / PH	2014

# Department of Enterprise, Trade and Investment – Renewable Heat Branch – Renewable Heat Incentive Scheme

Annotated by RHI Inquiry  
 Date from DFE on 12/11/2017

## Risk

D. Failure of renewable heat supply

## Risk owner

Fiona Hepper

## Specific Objective

- To develop an appropriate incentive mechanism to increase the levels of renewable heat in Northern Ireland, to a level of 10% by 2020.

## Risk Indicators

- Lack of supply of renewable heating fuels or technologies.
- Lack of skills in terms of renewable heat installations.
- Demand for renewable heat technologies outstripping supply.

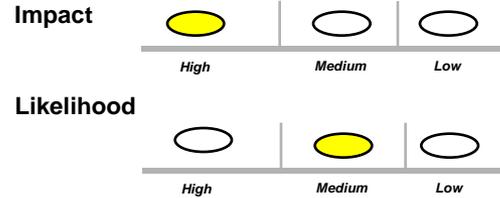
## Potential root causes

- Presence of an immature renewable heat market.
- Lack of developed supply chains for key fuels.
- Businesses unable to meet increased demand associated with introduction of RHI.
- Lack of available training / awareness for potential installers.

## Additional actions required to fully manage the risk

- Ongoing engagement with key industry stakeholders.
- Promotion of RHI opportunities.
- Liaison with relevant Departments and Agencies to develop skills in this sector.

## Risk rating



## Potential business implications

- Low uptake of renewable heat incentive – renewable heat industry stalls and opportunities for ‘green jobs’ lost.
- Confidence in renewable heat market drops due to lack of supply.

## How is this risk currently managed: partially managed to an acceptable level of risk

- Work of the Cross-Departmental group on renewable heat, including representatives from DARDm DEL and Invest NI.
- Phased approach of RHI.
- Using MCS for <45kw installations to ensure standards.

Criticality (H,M,L)	Name	Target Date
H	JMcC / PH	Ongoing
H	JMcC / PH	Ongoing
H	JMcC / PH	Ongoing and biannual meeting of cross departmental group.

Annotated by RHI Inquiry on 12/01/2017

**Risk**

F. Insufficient budget secured for the RHI payments or for the administration of the scheme.

**Risk owner**

Fiona Hepper

**Specific Objective**

- To develop an appropriate incentive mechanism to increase the levels of renewable heat in Northern Ireland, to a level of 10% by 2020.

**Risk Indicators**

- Higher than expected uptake.
- Overspends in annual budget.
- Higher administration costs.

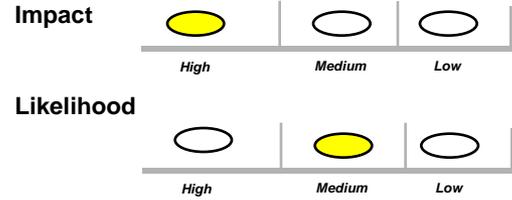
**Potential root causes**

- Tariffs set at too high/generous a level leading to a higher than expected uptake.
- External circumstances making the tariffs more generous i.e. increase in oil costs, reduction in renewable heating costs.

**Additional actions required to fully manage the risk**

- Ongoing engagement with key industry stakeholders to assess uptake and monitor energy costs.
- Liaison with administrator to assess uptake levels and expected spend against profiled budget.
- Planned reviews of the scheme so tariffs can be revised depending on market conditions.

**Risk rating**



**Potential business implications**

- A forced cut in tariffs or delays to payments creating a loss of confidence in the incentive scheme.

**How is this risk currently managed: partially managed to an acceptable level of risk**

- Economic Appraisal consistent with NIGEAEA guidelines has supported the development of appropriate tariff levels.
- External consultants have advised on technology assumptions and appropriate methodology for determining tariff levels.
- Economic model developed to assess future potential uptake and expected costs.
- Tariff levels consulted on (July 2011) with stakeholders offering advice and evidence where changes were necessary.
- Additional economic analysis carried out and tariffs amended to ensure they are appropriate for the Northern Ireland market place.
- Liaison with DECC finance team regarding future financing and correspondence from HMT relating the budget for existing commitments.

Criticality (H,M,L)	Name	Target Date
H	JMcC / PH	Ongoing
H	JMcC / PH	Ongoing – monthly
H	JMcC / PH	2014

# Department of Enterprise, Trade and Investment – Renewable Heat Branch – Renewable Heat Incentive Scheme

## Risk

F. Failure to meet EU and Executive set targets.

## Risk owner

Fiona Hepper

## Specific Objective

- To develop an appropriate incentive mechanism to increase the levels of renewable heat in Northern Ireland, to a level of 10% by 2020.

## Risk Indicators

- Lack of uptake amongst consumers.
- Low levels of renewable heat delivered.
- Interim targets missed.

## Potential root causes

- Tariffs set at too low a level to generate required uptake.
- Lack of qualified installers in renewable heat market.
- Lack of awareness or understanding in regards to renewable heating opportunities.

## Additional actions required to fully manage the risk

- Ongoing engagement with key industry stakeholders to assess uptake and monitor energy costs.
- Planned reviews of the scheme so tariffs can be revised depending on market conditions.
- Promotion of RHI opportunities.
- Liaison with relevant Departments and Agencies to develop skills in this sector.

## Risk rating

### Impact



### Likelihood



## Potential business implications

- Opportunities for renewable heat market missed.

## How is this risk currently managed: partially managed to an acceptable level of risk

- Economic Appraisal consistent with NIGEAEA guidelines has supported the development of appropriate tariff levels.
- External consultants have advised on technology assumptions and appropriate methodology for determining tariff levels.
- Economic model developed to assess future potential uptake and expected costs.
- Additional economic analysis carried out and tariffs amended to ensure they are appropriate for the Northern Ireland market place.
- Work of the Cross-Departmental group on renewable heat, including representatives from DEL and Invest NI.

## Criticality (H,M,L)

## Name

## Target Date

H	JMcC / PH	Ongoing
H	JMcC / PH	2014
H	JMcC / PH	Ongoing
H	JMcC / PH	Ongoing – including biannual cross-departmental meeting

Annotated by RHI Inquiry from DFE on 12/01/2017

**Risk**

H. Failure to receive State Aid approval

**Risk owner**

Fiona Hepepr

**Specific Objective**

- To develop an appropriate incentive mechanism to increase the levels of renewable heat in Northern Ireland, to a level of 10% by 2020.

**Risk Indicators**

- EU Commission refuse to approve the NI RHI scheme.

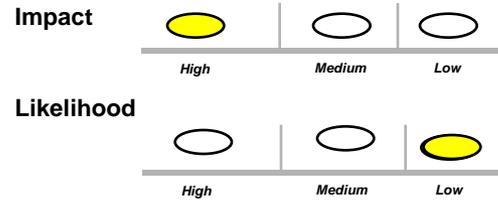
**Potential root causes**

- Lack of information provided to Commission.
- Inability to justify the need for, or the design of, the NI RHI scheme.
- Tariffs set at too high a level and amounting to over-incentivisation.

**Additional actions required to fully manage the risk**

- Commission kept informed of proposed changes to the Scheme.
- Lessons learned from the GB application.

**Risk rating**



**Potential business implications**

- Scheme delayed or postponed.
- Creates uncertainty amongst renewable heat sector.

**How is this risk currently managed: partially managed to an acceptable level of risk**

- Detailed submission made in December 2011 outlining RHI proposals.
- Submission based on GB application that was approved in November 2011.
- Addendum to December application submitted in February 2012 advising on proposed changes.

Criticality (H,M,L)	Name	Target Date
H	JMcC/PH	Ongoing
H	JMcC/PH	Ongoing

# Department of Enterprise, Trade and Investment – Renewable Heat Branch – Renewable Heat Incentive Scheme

Annotated by RHI Inquiry  
 Date from DFE on 12/01/2017

## Risk

Inadequate resource to deliver project/separate key functions including staff

## Risk owner

XXXXXXXXXXXX

## Specific Objective

- To develop an appropriate incentive mechanism to increase the levels of renewable heat in Northern Ireland, to a level of 10% by 2020.

## Risk Indicators

- Small team.
- Complex and technical issues.
- Varied requirements i.e. policy development, legislation, resource management, programme management, liaison with Ofgem, liaison with stakeholders etc.

## Potential root causes

- Lack of resources.

## Additional actions required to fully manage the risk

- Clear programme management structures.
- Monitoring of progress and reporting on slippage.
- Additional resource needed.

## Risk rating

### Impact



### Likelihood



## Potential business implications

- Inadequate monitoring and auditing of RHI and RHPP.
- Failure to fully implement scheme.
- Delays in launch date.
- Criticism from stakeholders.

## How is this risk currently managed: partially managed to an acceptable level of risk

- Some additional resource secured (1/2 DP)
- Adequate separation of functions achieved within existing resource
- Phased approach of RHI.
- Development of realistic timescales.

## Criticality (H,M,L)

## Name

## Target Date

H  
H  
H

JMcC / PH  
JMcC / PH  
JMcC / PH

Ongoing  
Ongoing  
Immediate

Annotated by RHI Inquiry

**Risk**

J. Instances of fraud

**Risk owner**

Fiona Hepper

**Specific Objective**

- To develop an appropriate incentive mechanism to increase the levels of renewable heat in Northern Ireland, to a level of 10% by 2020.

**Risk Indicators**

- Duplicate applications
- Unusual meter readings (too high for expected output)
- Lack of information provided to administrator.
- Use of unregistered installers

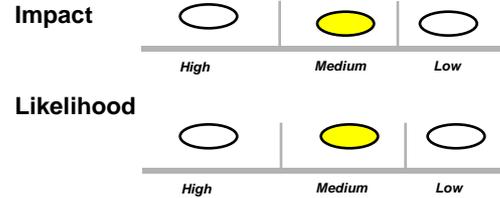
**Potential root causes**

- Desire to de-fraud for financial gain.

**Additional actions required to fully manage the risk**

- Assessment of applications and verification of installations and meter readings.
- Liaison with Ofgem on instances of suspected fraud.
- Suspension of RHI payments

**Risk rating**



**Potential business implications**

- Scheme is de-frauded.
- Target missed because of overpayments where no heat generated.
- Confidence in market affected.

**How is this risk currently managed: partially managed to an acceptable level of risk**

- Checks to applications.
- Physical verification of sites under RHPP scheme
- Random checks to sites and meters under RHI scheme
- Requirements of detailed information for each installation
- Use of MCS under 45kw installations
- Meter readings assessed against expected output
- Instances of suspected fraud investigated and payments stopped.

Criticality (H,M,L)	Name	Target Date
H	JMcC / PH	Ongoing
H	JMcC / PH	Ongoing
H	JMcC / PH	Where necessary

Annotated by RHI Inquiry from DFE on 12/01/2017

**Risk**

K. Failure in administration of RHI.

**Risk owner**

Fiona Hepper

**Specific Objective**

- To develop an appropriate incentive mechanism to increase the levels of renewable heat in Northern Ireland, to a level of 10% by 2020.

**Risk Indicators**

- Delays in dealing with applications, accreditations and payments.
- Stakeholders complaining about application process.
- System overly complicated.
- Lack of data being collected.

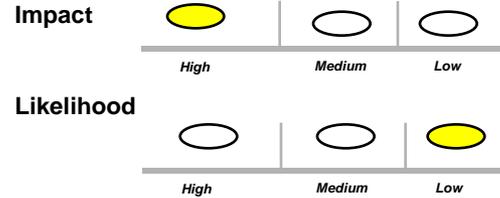
**Potential root causes**

- Lack of resources in Ofgem.
- Difficulties in IT systems.
- Lack of communication between Ofgem and DETI.

**Additional actions required to fully manage the risk**

- Joint project team with Ofgem / DETI as scheme is implemented.
- Identification and monitoring of risks specifically for the administration system.

**Risk rating**



**Potential business implications**

- Lack of confidence in scheme.
- Potential applications lost.
- Target not achieved.

**How is this risk currently managed: partially managed to an acceptable level of risk**

- Lessons from GB implementation learned.
- Robust and detailed feasibility developed.
- Sufficient resources earmarked.
- IT systems well developed and tested (through GB scheme).
- Proposed management systems between DETI and Ofgem.

Criticality (H,M,L)	Name	Target Date
H	JMcC / PH	Ongoing
H	JMcC / PH	Ongoing