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To: [Matthew Harnack](#)
Cc: [McCutcheon, Joanne](#); [Hutchinson, Peter](#); [Keith Avis](#); [Hepper, Fiona](#)
Subject: NI RHI - Outstanding issues with Covering Letter and Admin Agreement
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Attachments: [att3a7a1.png](#)
Importance: High

Matthew

Thank you for the helpful discussion this morning. At the end of the meeting we ran through the list of issues to make sure we all agreed what needed looked at. I appreciate you were working off your lap top and weren't in the office - so, we have pulled these together into a single e-mail which I hope you will find helpful. The issues were :

Covering letter

- The figure of £760k for costs between 2013/2014 to 2015/2016 to be checked in line with figures provided re costs on the powerpoint slides. The slides suggest this figure should be £730k (i.e. £164,636 + £223,809 + £341,639).
- Sub paragraph 1 on KPIs. As discussed this morning and previously with Joanne, it is vital that performance indicators are included at least in the covering letter to demonstrate the expected service that will be provided by Ofgem on receipt of the agreed funding. We discussed the inclusion of an Annex to this covering letter which could set out the following;
 - The proposed costs for the NI RHI scheme
 - The assumptions behind the costs
 - internal performance measures These targets are [list as per page 6 of current feasibility study]
 - The projected volume projections for the NI RHI are as follows (based on 3% of GB RHI forecasts) [add populated table below] – same figs to be used in all documents

	2013/14	2014/15	2015/16
GB Installation Numbers at time of feasibility study	25867	46933	86733
Current GB installation numbers	12800	25000	31200
Project NI installations based on 3% of GB projections	384	750	936

- It has been agreed that the following formula will be used to charge DETI:
 - o $\text{DETI costs} = \text{Total RHI operating cost} * \text{value of NI tariff payments} / \text{value of total (NI + GB) tariff payments}$

- Based on this formula and these assumptions the expected costs are:

	2013/14	2014/15	2015/16
Total scheme operational cost	£5,487,867	£7,460,300	£11,387,967
NI RHI percentage costs (3% of RHI scheme)	£164,636	£223,809	£341,639

- Any incurred costs outside of this agreement will need to be agreed, in advance, by both parties via the Change Control process referenced in the Admin Agreement – more detail to be provided
- Sub paragraph 2 on audit. As discussed, the wording is nearly acceptable but we just need to be clear about what DETI Audit will expect to see. On a high level, we will need to be able to confirm that the monies paid to you on a monthly basis to fund tariff payments for accredited installations is being transferred correctly and accurately to the appropriate installers. To confirm this, we will need sight of records showing this money trail as well as records showing how installations have been accredited and paid, to demonstrate accuracy. This information might be gathered by your own audits but we must be explicit that DETI will have access to this information so we can be satisfied that DETI monies has been paid to actual installations.

Admin Agreement

This has been revised significantly in comparison to previous drafts, including the version considered by our legal advisors. It had been our understanding that your initial version had been drafted by your legal team and therefore we did not expect further 'legal' changes. Given this, we may require our legal advisors to consider this version again, however before that we need to agree a 'final' draft that takes on board the following comments.

- Re 2.1 Administration costs "howsoever incurred". It will be difficult, if not impossible, to agree to paying costs "howsoever incurred" as it reads as a hostage to fortune for DETI. Therefore a new form of words should be included to explain that costs will be agreed in advance and any costs additional to the agreed budget envelope are agreed as per the change control process.
- The previous version this document (sent 24/10 by Mary Smith) included a paragraph at 2 (e) beginning "to take all reasonable steps to ensure" and finishing "public consultation whether formal or informal". This appears to have been removed, don't understand the reason behind this and grateful if it is reinstated.
- Re 4.1 (g) may need to revise this wording to say that DETI will provide reasonable information (obviously we are not in position to advise on all NI local regulations) – Joanne is happy to discuss this point further with Keith.
- Sections on "Payment of Administration Costs" and "Drawdown of Funds" have been removed and placed in updated feasibility study. As these sections explicitly deal with the administration arrangements for making payments and transferring funds it would appear logical they reinstated into the administration agreement.
- Re 6.4, we need to be clear on what information will be available to DETI in the

circumstances that the contract is withdrawn or terminated.

- Re 8.3, understand that this has been discussed on number of occasions, we are content for information to be shared as per 8.3 but wish to be informed when this happens. A line should be added to detail this.

Feasibility study

These points have largely been addressed in comments above.

- As discussed, the KPIs should be included in Annex to covering letter.
- The change control mechanism (and other payment issues discussed above) should be in admin agreement. Change control arrangements needs to be tighter as well with expected timescales added.

On a general point, before these documents (covering letter and annex, admin agreement and feasibility study) are finalised and re-issued for my signature, we must be content that all figures (either relating to agreed costs or projected applications) are consistent across all documents and where figures differ an explanation is provided.

Happy to discuss further early next week and I look forward to seeing revised drafts accounting for these issues.

Best regards Irrelevant information redacted by the RHI Inquiry

Fiona

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The new website for the European Sustainable Competitiveness Programme for NI is now available - visit www.eucompni.gov.uk



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