

From: [Hepper, Fiona](#)
To: [Cooper, Trevor](#); [Murphy, Shane](#)
Cc: [McCutcheon, Joanne](#); [Hutchinson, Peter](#); [Hepper, Fiona](#)
Subject: RHI : Update to Casework Committee
Date: 21 December 2012 11:29:23
Attachments: [RHI update to casework.DOC](#)
Importance: High

Trevor
Shane

See attached and grateful if you could confirm that you are content

Regards
Fiona

Fiona Hepper

Head of Energy Division
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9215 (ext: 29215)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

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

www.ni2012.com

Please consider the environment - do you really need to print this e-mail?



From: Fiona Hepper

Date: 21 December 2012

To: RHI Casework Committee members: Trevor Cooper
Shane Murphy

Copy Distribution List Below

Update on the NI Renewable Heat Incentive Scheme Administrative Costs

Background

You met as a Casework Committee on 9 March 2012 to consider the NI Renewable Heat Incentive Scheme. The forecasted costs presented at that time were as follows:-

Year	Development Costs	Operating costs	Total Costs
2012-2013	£386K (plus £386K contingency)	£136K	£522K (plus £386K contingency)
2013-2014		£157K	£157K
2014-2015		£198K	£198K
2015-2016		£249K	£249K

Para 38 of the Synopsis provided for the meeting stated (when referring to the Feasibility Study undertaken) :

'The study concluded that Ofgem had the operational structures in place to deliver an administrative system, tailored specifically for NI, following a development phase of approximately 4 months. The cost of the development work would be £386K. Forecasts of operating costs for the next four years are £136K, £157K, £ 198K and £249K based on NI accounting for a 3% share of the workload. In any case, Ofgem has confirmed that it will only pass through actual costs to DETI.'

Current Position

1. The original feasibility study which was what was presented to Casework was based on the NI RHI launching in April 2012 (and no later than June 2012). However, the commencement of the scheme was delayed due to time taken to secure State Aid approval and the need to lay legislation in the Assembly. As a result, the testing of the NI system no longer dove-tailed with work on the GB system and this has impacted on both the development and operational costs for this year and has meant that some of the contingency has had to be used. The

updated costs for 2012/13 are given in the following table.

Development and Operational costs 2012/13

Delivery Component	Cost (£)
New Scheme Development delivery team (including: Band C Operational Manager – recruitment process & Stakeholder engagement costs)	£96,000
Internal Ofgem legal costs	£67,000
IT delivery costs	£190,000
Independent risk assessment	£5,000
Overheads	£75,000
Total:	£433,000
Operational Costs	Cost (£)
Revised 2012/13 operational costs (pre IT delay)	£121,000
Additional 2012/13 operational costs due to delay to IT launch	£19,000
Total:	£140,000
Total 2012-13 forecast costs:	£573,000

- You will wish to note that the £433K development costs are inclusive of £49K contingency.
2. Ofgem has also recently provided updated forecasts of the operational costs for the years 2013/14 to 2015/16 and they are as follows:

Financial years	2013/14	2014/15	2015/16
NIRHI Estimated costs	£164,636	£223,809	£341,639

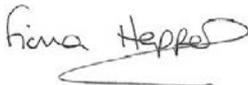
- The above figures are current estimates and are still based on NI accounting for 3% of the total scheme operating costs.
- The higher forecasts are due to the fact that Ofgem now has a clearer idea of the times taken to process applications (the GB scheme has now been running for over a year).

3. Ofgem has always said it will charge NI a proportion of the actual costs of running the two schemes, including apportioned overheads. The forecasts above have used 3% as an approximation of the NI share of costs based on the anticipated volume of installations.
4. The uptake of the scheme is unpredictable and neither we nor Ofgem can be sure at this stage whether NI will comprise more or less than 3% of the volume of applications. However, it is likely given the nature of the heat market that the average NI installation will be smaller than the average GB one.
5. The Ofgem resource required to administer an installation is closely correlated with the size of the installation and for this reason Ofgem has proposed that the most equitable way to apportion the costs is to charge DETI according to the following formula (rather than a straight 3%).

DETI costs = Total RHI operating cost* Value of NI tariff payments / Value of Total (NI+GB) tariff payments.

The value of tariff payments will therefore depend on both the volume and the size of the installation rather than simply the volume and I am of the view that this offers the best option for NI.

6. As stated above the current figures are only forecasts and the actual figures will be calculated annually on the basis of the formula given. We will work closely with DECC to ensure that the total RHI operating cost each year is closely monitored; I would anticipate that colleagues in DECC will be particularly keen to ensure these costs are kept to a minimum given that they will be contributing in the region of 97%. You will also wish to note that our Agreement with Ofgem is such that we can terminate the administrative arrangement with 60 days notice.
7. I would be grateful if you could consider this further clarification on funding and indicate if you are content. I am of course happy to discuss further.



FIONA HEPPER
Ext 29215

cc: Joanne McCutcheon
Peter Hutchinson

From: [Hepper, Fiona](#)
To: [Hutchinson, Peter](#)
Cc: [McCutcheon, Joanne](#)
Subject: RE: Audit arrangements with Ofgem
Date: 21 December 2012 11:41:57
Attachments: [OTOP.png](#)
[image001.png](#)

Peter

I am content with the proposed changes - they are relatively minor and all the key points seem to be retained. Also content with the proposal to put in an annex to the agreement - this is preferable to having in a cover letter

Thanks

F

Fiona Hepper

Head of Energy Division
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9215 (ext: 29215)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

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



www.ni2012.com

Please consider the environment - do you really need to print this e-mail?

From: Hutchinson, Peter
Sent: 21 December 2012 11:03
To: Hepper, Fiona
Cc: McCutcheon, Joanne
Subject: Audit arrangements with Ofgem

Fiona,

Have been speaking to Keith this morning, Ofgem lawyer's have considered Joanne's paragraphs on audit and made a couple of minor changes, the new paragraphs are below;

- Ofgem shall notify DETI immediately in writing if any financial irregularity in relation to the NI RHI is suspected, and indicate the steps being taken in response. Irregularity means any fraud, theft or other impropriety, mismanagement, or use of funds for purposes other than that approved.
- Ofgem will communicate with DETI regarding the Terms of Reference for the audit activity undertaken by Deloitte/AEA, and endeavour to ensure that any DETI concerns

regarding the NI RHI are adequately addressed. Upon completion of the audits, Ofgem will share the outcomes where they relate to the NI RHI.

- While being consistent with the obligations set out in the arrangements, including the requirement to comply with any legal contracts, Ofgem will provide any records, information, or explanations which may reasonably be required to enable DETI to follow scheme payments, including but not limited to information relating to accredited installations, calculation of payments and transfer of funds from Ofgem to the installer. If DETI has any issue requiring further consideration, Ofgem will provide DETI, or the Northern Ireland Audit Office, with access rights relating to the payments made to accredited installations.

The only changes appear to be replacing the word “consult” with “communicate” in the second bullet point above and they have combined two of the previous points to create the final point above. They have removed the words “DETI needs to be able to ‘follow the Northern Ireland money’” however the words in bullet three do provide the general principal of this point. I have attached Joanne’s original wording for ease of reference.

In addition, Keith has advised that they are proposing to put the section on Audit as an Annex to the admin arrangements, rather than in the actual body – again this comes from the lawyers after suggesting the wording of the audit sections does not fit with the rest of the arrangement. This is proposed as a compromise between having it in the arrangement or having it in the cover letter, it will therefore sit in the Annex of the Admin Agreement.

Grateful if you would consider and advise whether you are content with the wording above and the proposal to include it as an Annex in the admin agreement.

Thanks,

Peter

Peter Hutchinson

Renewable Heat
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9532 (ext: 29532)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

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



www.ni2012.com

From: [Cooper, Trevor](#)
To: [Hepper, Fiona](#); [Murphy, Shane](#)
Cc: [McCutcheon, Joanne](#); [Hutchinson, Peter](#)
Subject: RE: RHI : Update to Casework Committee
Date: 21 December 2012 11:42:18

Fiona

As discussed content.

Trevor

Trevor Cooper

Head of Finance Division
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9423 (ext: 29423)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

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

www.ni2012.com

Please consider the environment - do you really need to print this e-mail?

From: Hepper, Fiona
Sent: 21 December 2012 11:29
To: Cooper, Trevor; Murphy, Shane
Cc: McCutcheon, Joanne; Hutchinson, Peter; Hepper, Fiona
Subject: RHI : Update to Casework Committee
Importance: High

Trevor
Shane

See attached and grateful if you could confirm that you are content

Regards
Fiona
<< File: RHI update to casework.DOC >>

Fiona Hepper

Head of Energy Division
Department of Enterprise, Trade & Investment

Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9215 (ext: 29215)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

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

<< OLE Object: Picture (Metafile) >>

www.ni2012.com

Please consider the environment - do you really need to print this e-mail?

From: [Murphy, Shane](#)
To: [Cooper, Trevor](#); [Hepper, Fiona](#)
Cc: [McCutcheon, Joanne](#); [Hutchinson, Peter](#); [McCoy, Laura](#)
Subject: RE: RHI : Update to Casework Committee
Date: 21 December 2012 12:17:56

I too am content.

Shane Murphy

Analytical Services Unit
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9250 (ext: 29250)
Mob: Personal information redacted by the RHI Inquiry
Textphone: 028 9052 9304
Web: www.detini.gov.uk

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

www.ni2012.com

Please consider the environment - do you really need to print this e-mail?

From: Cooper, Trevor
Sent: 21 December 2012 11:42
To: Hepper, Fiona; Murphy, Shane
Cc: McCutcheon, Joanne; Hutchinson, Peter
Subject: RE: RHI : Update to Casework Committee

Fiona

As discussed content.

Trevor

Trevor Cooper

Head of Finance Division
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9423 (ext: 29423)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

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

<< OLE Object: Picture (Metafile) >>

www.ni2012.com

Please consider the environment - do you really need to print this e-mail?

From: Hepper, Fiona
Sent: 21 December 2012 11:29
To: Cooper, Trevor; Murphy, Shane
Cc: McCutcheon, Joanne; Hutchinson, Peter; Hepper, Fiona
Subject: RHI : Update to Casework Committee
Importance: High

Trevor
Shane

See attached and grateful if you could confirm that you are content

Regards
Fiona
<< File: RHI update to casework.DOC >>

Fiona Hepper

Head of Energy Division
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9215 (ext: 29215)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

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

<< OLE Object: Picture (Metafile) >>

www.ni2012.com

Please consider the environment - do you really need to print this e-mail?