

To: Stuart Cook[stuart.cook@ofgem.gov.uk]
Cc: Matthew Harnack[Matthew.Harnack@ofgem.gov.uk]
From: David Fletcher
Sent: 2012-01-18T14:23:20Z
Importance: Normal
Subject: RE: One number I am a little nervous about
Received: 2012-01-18T14:23:20Z

DETI specifically asked us to strengthen the value for money section of our feasibility study, as they wanted to use this as a key argument for the use of Ofgem as administrator.

The 10% figure is based on using existing systems in comparison with setting up bespoke systems. These figures were taken from the development costs of the GB RHI and the 10% cost is fairly close to the bottom end of the range of costs identified.

This is detailed in the feasibility study as:-

"By utilising the existing CRM software, the savings for Northern Ireland will be approximately £100,000 - £150,000 in IT systems development costs.

By utilising the RHI Central Register instead of commissioning the development of a bespoke IT system, the savings will be approximately £2 - £3 million.

By building on the policy development work that was performed by Ofgem in developing the RHI scheme including Guidance material, Fraud, Audit and Compliance Strategies and Standard Operating Procedures, as well as technology-specific policy development work, the savings will be approximately £1 - £1.5 million.

By utilising Ofgem's SUN system to make generator payments instead of using a Payment Service Provider (PSP), preliminary research suggests that savings could range from £100,000 to £500,000 for set up and initial running costs.

1.1. The total development costs based on these figures could range from **£3.2 million – £5.15 million**. The estimated cost of utilising Ofgem's existing systems, processes and staff for scheme development based on our assumptions is estimated to be £386,000 excluding contingency – around 10% of the possible scheme development cost.

Arguably given the scale of the NI RHI they might be able to manage without the CRM system but unless they were to use an off the shelf IT package the scale of uptake would not significantly change the cost of developing a bespoke system, similarly SOPs and stand alone guidance would probably require a similar amount of resource as for GB RHI.

Kind regards

David Fletcher

Senior Manager
 New Schemes Development
 9 Millbank
 London
 SW1P 3GE
 Tel: 020 7901 3061
www.ofgem.gov.uk

From: Stuart Cook
Sent: 18 January 2012 13:03
To: David Fletcher
Cc: Matthew Harnack
Subject: One number I am a little nervous about
 Are we sure the savings from our implementation of NI RHI are 90%? How did we derive this figure?

Stuart Cook

Managing Director
 E-Serve
 9 Millbank
 London
 SW1P 3GE

To: David Fletcher[David.Fletcher@ofgem.gov.uk]
Cc: Matthew Harnack[Matthew.Harnack@ofgem.gov.uk]
From: Stuart Cook
Sent: 2012-01-18T14:28:31Z
Importance: Normal
Subject: RE: One number I am a little nervous about
Received: 2012-01-18T14:28:44Z

Perfect. Thanks.

Stuart Cook

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