

To: Stuart Cook[stuart.cook@ofgem.gov.uk]; Matthew Harnack[Matthew.Harnack@ofgem.gov.uk]
Cc: Management Committee[ManagementCommittee@ofgem.gov.uk]
From: Robert Hull
Sent: 2012-09-27T07:37:15Z
Importance: Normal
Subject: RE: update on NI RHI
Received: 2012-09-27T07:37:16Z

Just to add that the negotiation on development cost increase has taken a positive step, and while 13/14 op cost awaits, NIRHI should in theory only be only 3% of total RHI costs. However, DETI are currently expecting a far more aggressive roll out to naturally occur. As a result, costs are still uncertain and we are being conservative, based on GB experience.

The more critical factor for me is the agreement which we need to have signed because this essentially allows pass through of costs going forward and a clear disconnect from challenge costs. This will have a significant impact on our scope, resources and risk, and would allow us to forecast what we think it will cost with volume/complexity drivers.

Perhaps we can agree some final wording that reflects this.

Bob

From: Stuart Cook
Sent: 27 September 2012 08:21
To: Matthew Harnack
Cc: Management Committee
Subject: RE: update on NI RHI

Matthew,

Thank you. A very thorough summary, which I will use to update NEDs on progress.

Of course the challenge is the last bullet: **"We are currently reviewing forecasts of operating costs for 2013/14 and beyond. These costs are likely to be substantially higher than indicated in the feasibility study due to our subsequent experience on accreditation processing time. DETI is aware that this may be the case, and there may be a negotiation that needs to take place in the next month or two."**

I think MgtC needs to be kept in the loop on this. This could be tricky. For example:

- DETI might end up wanting to depart from the GB processes, to reduce the operating costs
- DETI might join DECC in criticism of the way that we administer the regime.

Stuart Cook

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From: Matthew Harnack
Sent: 26 September 2012 20:23
To: Stuart Cook
Cc: Management Committee
Subject: update on NI RHI

Stuart,

You asked for a brief update on NI RHI to be circulated to MC for information:

Scope

DETI have asked us to administer the RHI in Northern Ireland on their behalf under a services agreement arrangement. The NI RHI is expected to go live on 1 November 2012. It will be essentially the same as the GB RHI, but with different tariffs and with a 1MW limit on biomass installations.

Our approach to delivery

Administration to be delivered as part of our overall RHI Operations team. It will be operated on an interim manual basis from 1 November to end January (participants will submit a manual spreadsheet/paper based accreditation application form). IT changes to our existing system will be delivered for end of January, to coincide with a GB RHI IT release and thus avoid additional IT release costs. At that point we will administer the NI RHI in the same way as the GB RHI.

Status of Key Deliverables

- Overall – on track for 1 November go-live and end January IT launch.
- Guidance document – draft completed. DETI is currently consulting on this.
- Operating procedures – minimal changes needed for full operations. Updating of procedures has commenced.

- IT system changes – small changes needed (budget approx £190k). Development is underway.
- Interim manual accreditation approach – underway. This will be an adaptation of the existing manual application form, so is a fairly minor change.

Funding

- Funding has been agreed in principle up to feasibility study level for 2012/13. DETI have since clarified this to mean the base feasibility level (£386k), i.e. not including the 100% contingency which we recommended was needed.
- Revised 2012/13 budget has been reviewed and submitted to DETI:
 - The development cost forecast is now £47k above the original base feasibility study forecast (due to the need for 33% IT contingency; nb 100% contingency was originally recommended in the feasibility study).
 - The operational cost forecast for 2012/13 is now £5k above the original £135k forecast (due to increased staffing needs for accreditation, plus extra staff needed for the interim manual operations, minus the savings from operations only being for part of the year).
 - DETI seem relatively comfortable with these increases and have submitted an internal request for the extra funding. They seem fairly confident they will get it
- The formal request for the full revised 2012/13 budget is expected to be submitted to DETI next week (this will be an update to the feasibility study along with an exchange of letters, so that assumptions, dependencies and conditions are linked to the funding), with a request for DETI to agree this revised budget by the end of October (i.e. before go-live)
- The “Administrative Arrangements”, which is the agreement covering operational activities, has been submitted to DETI in draft form and we are awaiting feedback. We need DETI to agree to this before we start operations too (i.e. by the end of October)
- We are in a better situation than with GB RHI in that we do not have administrative responsibility under the legislation – DETI do. Therefore if DETI do not agree to funding/arrangements by 1 November we have the ability not to go-live with the scheme (though obviously we would want to avoid this).
- We are currently reviewing forecasts of operating costs for 2013/14 and beyond. These costs are likely to be substantially higher than indicated in the feasibility study due to our subsequent experience on accreditation processing time. DETI is aware that this may be the case, and there may be a negotiation that needs to take place in the next month or two. However, the review of forecasts is ongoing and is seeking to both firm up the figures and to identify ways to address this.

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