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**From:** Keith Avis  
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[NIRHICosts \(8\).pptx](#)

All

Please find attached a copy of the slide set on the NIRHI outyear costs as it currently stands. It needs to be updated, based on your contributions, but I do need to clear this Wednesday so that I can discuss at Matthew's surgery on Thursday. The input I would like is as follows:

**Jacqueline** – can you confirm the GBRHI Corporate Plan baseline costs that I should be using.

**Ruth** - can you please confirm the legal costs from the Corporate Plan that I should be using.

**Andy / Richard** – Grateful if you could confirm legal costs (final slide), which are based on the costs that you previously offered. I am assuming that there are no corporate plan costs here

**Peter** – I will pass the final document for you approval before it goes to Matthew, but happy to take any general comments that you may have now.

I should say that Matthew has asked for internal sign-off on this before he sees it on Thursday, so I will be bringing around the form for your signature Wednesday morning.

I hope that this is all acceptable to you. If there are any problems in providing content and/or securing your sign-off then do give me a call as soon as you are able.

Rgds

Keith

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# **Northern Ireland Renewable Heat Incentive Scheme**

## **Analysis of 2013/14 – 2015/16 Outyear Costs**

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## Northern Ireland RHI: Background Figures against original Feasibility Study

<b>Set Against Feasibility Study (16 December 2011)</b>			
	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
NI Installations Numbers in Feasibility Study.	776	1,408	2,602
GB Installation Numbers at time of Feasibility Study	25,867	46,933	86,733
Current GB Installation Numbers	12,800	25,000	31,200
Current NI percentage against GB Installations	7%	6%	8%

The logo for ofgem E-Serve, with 'ofgem' in a lowercase sans-serif font and 'E-Serve' in a larger, bold, lowercase sans-serif font.

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## **Northern Ireland RHI: Reasons for change in costs since Feasibility Study**

Time taken for us and applicants to achieve accreditation of installations is greater than anticipated due to:

- Complexity of regulations and checks to ensure appropriate targeting
- Need for checks to ensure robustness against fraud and error
- Poor quality applications lacking in the necessary detail
- Some poor quality installations
- Time needed to implement initiatives to address emerging issues e.g. Heat losses in pipe work and treatment of ground source heat pumps

More time is having to be spent on:

- Communications
- Industry training and knowledge
- Actions to address metering error, enable industry best practice

Improvements have been identified to address the above

- We have already cut accreditation times by approximately one hour per accreditation
- Further efficiency gains will be achieved and these have been built into staffing models

## Northern Ireland RHI: Reducing costs against projections

- Current potential mismatch between budget and projections – budget is 3% of DECC's but current projections are at 11% of GB's figures. Either:
  - Actual costs will exceed budget;
  - Assumptions on volumes prove inaccurate and costs decrease – current GB figures are significantly lower than originally anticipated, demand could also be actively reduced with less awareness raising carried out.
- We are able to reduce costs and maintain the figure of 3% against the DECC budget by employing the following assumptions:
  - Base case factors in 30% efficiency savings
  - Smaller Installations, easier to process
    - Reduced accreditation time = reduced operational services.
- Important to note that these costs **do not** include development costs or any supplementary operational costs for phase 2 of the Northern Ireland RHI scheme. These will be scoped out once you make known your intentions for phase 2 to us.



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## Northern Ireland RHI Option 1: Costs based on current volumes

<b>Set Against Feasibility Study (16 December 2011)</b>			
	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
Total UK scheme operational cost (2012 CP as it currently stands)* <b>[To be updated by GB RHI]</b>	£4,426,939	£5,672,799	£6,820,426
NI RHI Percentage costs (3% of GB RHI scheme)**	£132,808	£170,183	£204,612
<b>Total Cost</b>	<b>£739,794</b>	<b>£911,410</b>	<b>£1,583,865</b>

\* Figures based on GB RHI Corporate Plan estimate as at 29/09/2012

\*\* Figures also include IT costs, Legal costs and overheads – as covered as slide on Supplementary Costs

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## Northern Ireland RHI: Costs to be added to GB RHI percentage operating costs

Full Operation Costs	2013/14	2014/15	2015/16
IT business application support costs	£59,000 (tbc)	£61,000 (tbc)	£68,000 (tbc)
Internal legal costs	tbc	tbc	tbc
Overheads	24% total cost	24% total cost	24% total cost

Notes Summary:

No speaker notes are contained in this presentation.