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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
NI Renewable Heat Premium Payment Scheme (NIRHPPS) legacy (total of 309 applications, split over first two outyears)	155	154	0
<b>Total NI numbers from Feasibility Study and NIRHPPS legacy</b>	<b>931</b>	<b>1,562</b>	<b>2,602</b>
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

The Feasibility Study did not include the anticipated legacy applications from the Northern Ireland Renewable Heat Premium Payments Scheme – applications as at 10 October 2012 number 309.

## 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.
- Even including the installation figures anticipated for NI RHI we will keep to 3% figures based on the following assumptions:
  - Base case factors in 30% efficiency savings
  - NI Installations expected to be almost all smaller Installations, which are quicker to process
    - Reduced accreditation time = reduced resources required.
- Having considered the most appropriate way to determine costs, we believe that it is most appropriate to split on the amount paid rather than support payments - which is on the basis that there are no fundamental differences to GB scheme.
- Based on the assumptions above we can keep to 3% of GB RHI costs as detailed in the following slide.
- 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 current GB RHI scheme operational costs (without legacy cost)</b>			
	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
Total UK scheme operational cost (2012 CP as it currently stands)*	£3,778,633	£5,199,300	£6,820,426
NI RHI Percentage costs (3% of GB RHI scheme)**	£113,359	£155,979	£245,777

\* Figures based on GB RHI Corporate Plan estimate as at 10/10/2012, without legacy spend.

\*\* Does not include legal staffing costs, IT operational costs and 24% contingency (detailed at next slide)

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## **Supplementary Slides**

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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	£62,000	£75,000	£96,000
Internal legal costs	tbc	tbc	tbc
Operational costs – 3% of GB RHI operational costs without legacy spend	£113,359	£155,979	£245,777
Overheads 24% of total costs	£42,086	£55,434	£82,026
<b>Total Costs</b>	<b>£155,445</b>	<b>£211,413</b>	<b>£327,803</b>



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## Northern Ireland RHI: Legal Costs

Full Operation Costs	2013/14	2014/15	2015/16
Legal staffing*	£167,000	£167,000	£167,000
Other costs	£4,500	£4,500	£4,500
Total	£171,500	£171,500	£171,500

\* Based on 0.5 of SCS, 15% of Band E, 1 Band D, 5% PA



Notes Summary:

No speaker notes are contained in this presentation.