

To: Peter Rice[Peter.Rice@ofgem.gov.uk]; Ruth Lancaster[Ruth.Lancaster@ofgem.gov.uk]; Mary Smith[Mary.Smith@ofgem.gov.uk]; Andy Luckhurst[Andy.Luckhurst@ofgem.gov.uk]; Jacqueline Balian[Jacqueline.Balian@ofgem.gov.uk]
Cc: Sajith Sasikumar[Sajith.Sasikumar@ofgem.gov.uk]
From: Keith Avis
Sent: 2012-10-15T16:03:02Z
Importance: Normal
Subject: NIRHI Costs
Received: 2012-10-15T16:03:02Z
[NIRHICosts \(9\).pptx](#)

All

Please find attached the updated version of the NIRHI slides. These include the costs taken as a 3% cut against the GB RHI scheme. I appreciate that you have all fed into this protracted process, so assume that you are now happy with the figures. These figures do need to go to DETI tomorrow.

Peter – grateful if you could confirm that you are happy with the process and are happy for the slides to be passed to DETI.

Ruth – Following our discussion yesterday, the legal costs are based on 3% of the GBRHI staffing allocation that you passed on yesterday. Finance have subsequently added costs to the allocation. Grateful if you could let me know if you are OK with this. I should say that the consultancy cost for legal was part of the GB RHI Corporate Plan bid, so formed part of that figure.

Mary – In Matthew's absence, and assuming that we achieve sign-off here, I am guessing that you would be happy to send this to DETI with a covering email.

Rgds
Keith

From: Sajith Sasikumar
Sent: 15 October 2012 15:35
To: Keith Avis
Cc: Peter Rice
Subject: RE: NIRHI Costs

Their bid on other costs for next fy is £87500 with 25 FTE's forecast. So the allocation of other costs should be $((1.5/22)*£87500)$. Making the RHI element £5250.

S

From: Keith Avis
Sent: 15 October 2012 15:28
To: Sajith Sasikumar
Cc: Peter Rice
Subject: RE: NIRHI Costs

Thanks. Are there any 'other costs' to add to these.
Keith

From: Sajith Sasikumar
Sent: 15 October 2012 15:27
To: Keith Avis
Cc: Peter Rice
Subject: RE: NIRHI Costs

Keith
Please see below:

Band	Allocation	Staff cost	Allocated Cost
Band E	0.10	106,708	10,671
Band D	1.00	81,525	81,525
Band C	0.20	55,620	11,124
SCS	0.10	144,200	14,420
PS SCS	0.10	40,582	4,058

Total	428,635	121,798
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Any queries please let me know.

Regards

Sajith

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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

Set Against Feasibility Study (16 December 2011)			
	2013/14	2014/15	2015/16
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
Total NI numbers from Feasibility Study and NIRHPPS legacy	931	1,562	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
- Industry immaturity and system competence leads to 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 on average accreditation times by approximately one hour per accreditation
- Further efficiency gains are expected to 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 range from 7- 8% of GB's applicant figures. Either:
 - Actual tariff payment budget will exceed budget. We assume that this will no be the case for purpose of this methodology, but will revisit in a year;
 - Actual volumes are lower than assumed, justifies using 3% – current GB figures are significantly lower than originally anticipated, demand could also be actively reduced with less awareness raising carried out.
- Based on current installation figures we anticipate costs for RHI will be closer to 3% GB figures, based on the assumption that NI Installations are expected to be almost all smaller Installations, which are quicker to process, resulting in reduced accreditation time and resources required.
- Costs based on 3% of GB RHI are detailed in the following slide.
- Costs will be based on the amount paid rather than the number of installations - and secondly that there are no fundamental differences to GB scheme.
- 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: Costs based on 3% of GB RHI Scheme

Set Against current GB RHI scheme operational costs (without legacy cost)			
	2013/14	2014/15	2015/16
Total UK scheme operational cost (2012 CP as it currently stands)*	£5,487,867	£7,460,300	£11,387,967
NI RHI Percentage costs (3% of GB RHI scheme)**	£164,636	£223,809	£341,639

* Figures based on GB RHI Corporate Plan estimate as at 10/10/2012, without legacy spend but includes legal staffing costs, IT operational costs and 24% contingency.

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Supplementary Slide (for internal info only)



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Northern Ireland RHI: Background slide for info only detailing how costs were achieved.

Full Operation Costs	2013/14	2014/15	2015/16
IT business application support costs	£15,600	£20,700	£25,926
Internal legal costs	£3,812	£3,812	£3,812
Operational costs – 3% of GB RHI operational costs without legacy spend	£113,359	£155,979	£245,777
Overheads 24% of total costs	£31,865	£43,318	£66,124
Total Costs	£164,636	£223,809	£341,639