



Promoting choice and value for all customers

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Your Ref:
Our Ref:
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Date: October 2012

Dear Fiona

RE: Arrangements under section 114 of the Energy Act 2011

As discussed, please find attached a further draft of the arrangements to be entered into under section 114 of the Energy Act 2011.

In accordance with the arrangements we will ensure, on request being made by you and subject to overriding legal requirements (e.g. data protection constraints) that you have relevant information covering the operation of the scheme. We are happy to discuss and clarify the information that could in principle be provided.

I am aware that you are keen to have performance measures agreed. I am afraid that this will not be possible: One reason for this is that it would be difficult to establish meaningful performance indicators at this time, given that we cannot determine in advance what will be the nature, number and quality of applications received under the new scheme. You have mentioned the fact that we currently refer to performance indicators within Ofgem's Corporate Plan. However the plan is currently under review and we will be publishing the new plan following a period of consultation with all our stakeholders at the end of the year.

Ofgem carries out a robust annual audit programme that is approved by Audit Committee and undertaken by Deloitte. The programme is defined by the Corporate Risk Register and focuses on new and emerging risks to the delivery of our schemes. The findings are reported to Audit Committee with clear accountabilities and regular reviews of recommended actions. In addition, Ofgem E-Serve commissions independent risk assessments of new schemes, including for the Renewable Heat Incentive. Independent audits have been carried out on the major components of the scheme before go-live. Ofgem also works closely with the Serious Organised Crime Agency (SOCA) to implement measures to prevent infiltration of organised crime and money laundering gangs.

There are a number of areas where we have agreed to provide further information or which should be covered in conjunction with the arrangements. These are detailed below. These issues are expanded upon in Appendix 1 to this letter (and cover the following areas):

1. Operational Cost Calculation;
2. Change Request Procedure; and
3. Liabilities and Indemnity.

At Appendix 2 are enclosed the forms that we intend to use to support the Change request process.

Finally, in providing you with the attached Arrangements I would also like to take this opportunity to recognise the strong working relationship that has developed between Ofgem E-Serve and DETI in relation to the development of the NIRHI Scheme. I look forward to receiving shortly your confirmation that you are happy with the content of the draft Administrative Arrangements so that arrangements for signature can be put in hand.

Yours sincerely,

Bob Hull

Managing Director - Commercial