



Making a positive difference
for energy consumers

Gwneud gwahaniaeth gwirioneddol
i ddefnyddwyr ynni

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Dear Alison,

Non Domestic RHI – 2016/17 Budget, NI RHI Joint Review, and Administrative Arrangements

I would like to welcome you to your new role and I look forward to meeting you in due course. I understand you have previous experience engaging with Ofgem and E-Serve schemes, and we'd be happy to welcome you and/or your team to our London or Glasgow offices at any stage.

2016/17 Budget

Further to the change control signed between our departments on 16 April 2014, and our agreement on 2015/16 budgets (confirmed by letter from John Mills on 12 November 2015), I can confirm that the budget figures for 2016/17 have now been calculated based on 3% of actual relevant total scheme costs as agreed.

For 2016/17, our forecast total UK scheme costs including overheads is £6.8m of which DETI will be charged 3% of actual relevant total scheme costs, plus additional NI specific costs. The total amount is £375,895, of which £204,841 is 3% of the relevant scheme costs, and £171,054 is NI specific costs.

The NI specific costs are those costs anticipated to be incurred in:

- processing the additional volume of applications carried over into 2016/17 following the significant spikes in applications last year,
- the additional processing costs associated with servicing those participants,
- and a programme of 50 site audits commensurate with our remit to appropriately monitor and mitigate scheme risks as part of our approach to public administration.

As per our agreement, we will only pass on those costs actually incurred in administration of the scheme, and we will deal with any variations through our existing change request procedures.

I understand that your Department had anticipated the sums involved in this request, but the one outstanding area as discussed between Stuart Wightman and Edmund Ward had been on the approach to audit costs. This was subject to further dialogue between DfE on

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(1) a potential DfE-led audit programme for which details have not yet been confirmed and
(2) ongoing discussions regarding the joint review.

In the absence of clarity on those areas, we are keen to confirm the outstanding funding position for 2016/17. Should these issues have an impact on 2016/17 audit programme, we would then expect to adjust the funding through the change request process.

We will continue to send a monthly breakdown of the NI actual costs, which will be paid quarterly as agreed by change control.

We will also continue to have monthly meetings between Ofgem and yourselves at which prioritisation and budgeting issues may be discussed, and my colleagues Teri Clifton and Edmund Ward are always happy to engage with you in the first instance.

NI RHI Joint Review

[tbc]

Administrative Arrangements

[tbc]

Kind regards,

Chris Poulton

Managing Director
Ofgem E-Serve

Annex A – Breakdown of 2016/17 Costs (for Reference)

Area	3% of relevant total scheme costs	Additional NI-specific costs	Total NI funding requirement	Basis of additional costs
Staff	144,928	98,464	243,392	Application volume of 768 applications due to 15/16 application spike increases NI share of applications processed to c 19% of GB forecast, and participant base to c. 9% of GB participants, impacting on staff resource requirement to process applications and service participants
Other	9,216	21,053	30,269	The increased staff requirement also increases other costs associated with training, recruitment, travel and subsistence and associated costs
Consultancy	3,919	51,314	55,233	Based on the increase in applications, we anticipated conducting around 50 site inspections during 2016/17
IMT	46,778	222	47,000	Small additional IT support cost associated with additional NI staff
Total	204,841	171,054	375,895	