ofgem E-Serve

Fiona Hepper
Director of Energy
Department of Enterprise, Trade
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Netherleigh
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Promoting choice and value for all gas and electricity customers

Your Ref:
Our Ref:
Direct Dial: 020 7901 7050
Email: Robert.hull@ofgem.gov.uk

Date: 21 December 2012

Dear Fiona

RE: NIRHI – Funding and administrative Arrangements under section 114 of the Energy Act 2011

Further to my letter of 31 October and your subsequent conversations with Matthew Harnack and myself, I am pleased to be able to provide you with the signed administrative arrangements covering the Northern Ireland Renewable Heat Incentive Scheme.

I can confirm that we propose to deliver the administration of the scheme for a cost of £573k in 2012/13 and £730k for 2013/14 to 2015/16. The attached baseline scope document provides details of our deliverables, activities and operational performance that we propose to provide within this budget together with information regarding our operational cost control calculation and payment provisions. We believe this provides a robust, effective and value for money approach, while also providing the flexibility needed for your policy implementation.

In order to meet these funding constraints, our proposal is based on our current assumptions and scope, timing and risks. It does not allow for funding of contingent events and should any of these arise, then this may result in additional costs which we would agree with you in advance. Of course, in the event that we are also able to make savings then we will also ensure that these are also passed to you. All further changes will be dealt with as change events in accordance with the process defined in our baseline scope document.

I appreciate that there were some areas where you required further clarification - in particular regarding performance measures and audit arrangements. In respect of KPIs I know that Matthew has highlighted that there is a legal requirement on us to operate independently of Government. Our duty is to be accountable to the public and as such we consult publicly on KPIs through our Corporate Plan process and report on our performance in our annual report. Our proposed internal performance measures for RHI, which we have decided are appropriate for the scheme, are attached at Annex A to this letter; we will be consulting on these with our stakeholders shortly as part of our Corporate Planning process for next year. As such, DETI and all our other stakeholders, will be able to comment.

I am pleased that we have reached agreement on these areas and I trust that you will be content that they have been reflected accurately in the attached documents.

If you have any further queries, please do give me a call. Alternatively, if, as I hope, you consider everything is in order, I would be grateful if you could duly sign the Arrangements and confirm your agreement for the funding as set out in the attached Northern Ireland Renewable Heat Incentive Scheme Baseline Scope document.

Yours sincerely

Robert Hull

Managing Director – Commercial

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Annex A: RHI performance measures

Ofgem's proposed internal RHI performance measures (to be consulted on as part of our corporate planning process) are:

- 90% of all enquiries answered within 10 working days.
- Follow up with generators outstanding issues on their applications for accreditation, or forward application to the next level of internal review – 90% within 10 working days
- 95% of payments paid within 30 working days of quarterly periodic data submission.
- The on-line application system will be available for a minimum of 99% of the supported business hours (excluding planned down time). Supported business hours are 08:00-17:30 Monday to Friday excluding bank holidays.

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