

To: Peter Rice[Peter.Rice@ofgem.gov.uk]
Cc: Martin Crouch[Martin.Crouch@ofgem.gov.uk]; Sajith Sasikumar[Sajith.Sasikumar@ofgem.gov.uk]
From: Matthew Harnack
Sent: 2013-05-08T16:55:04Z
Importance: Normal
Subject: RE: RHINI
Received: 2013-05-08T16:55:05Z

Peter,

I can ill afford a long email debate, nor do I think it is productive (in fact very much the opposite). That being the case I don't think I should respond to your points by email, even though there are several that I either disagree with (and for that matter don't think are fair either), or need discussion, or need clarification. Instead I truly hope we can meet tomorrow to resolve this and get back on good terms. But in the meantime due to the apparent urgency of the situation I need to stress that unless I review and agree otherwise, we should certainly **not** be charging DETI for any development work on NIRHI in April (nor May for that matter). It was a real surprise to me that you're proposing to charge DETI for development in April, for several reasons. Firstly development on NIRHI essentially finished in January so we should not have incurred any development costs in April. Secondly DETI will not be expecting us to charge them for development from now on (and we gave no indication of any further development costs when we sent them the reconciliation of development expenditure a few weeks ago), and with the fragile nature of the relationship this would be very damaging. Thirdly, and importantly, there is no agreement with DETI to cover any development costs this financial year, so there is no ability for us to charge this. Fourthly as said before no-one below me has delegated authority to sign off any budget/charging for NIRHI development, and I haven't signed off the figures, so I can only conclude that this charge has not been authorised. You mentioned that Luis and Mary signed the figures off back in February and I'm certainly happy for them to have done that back then (it wasn't clear from your earlier email that the current figures are these figures as signed off by them). However, firstly if that was for NIRHI development in 2013/14 then it was a provisional estimate, not a firm expected and agreed expenditure. And secondly Luis hasn't had responsibility for NIRHI since September and Mary hasn't worked here since early March. So as said before no-one below me currently has delegated authority to sign off any NI development charges.

Regarding NIRHI charging going forward, I'm sorry that you don't seem to be fully consulted on this. Jacqueline has been putting together the assessment and recommendation for me and as said I was given assurance that she had consulted you. I have not sent it yet so we can go through it tomorrow.

As said, though I disagree with other points in your email I think it's best to talk through them, so I hope we can meet tomorrow to go through them as well.

Matthew

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From: Peter Rice
Sent: 08 May 2013 06:55
To: Matthew Harnack
Cc: Martin Crouch; Sajith Sasikumar
Subject: RE: RHINI

Matthew

Thank you for responding so quickly, since we have an audience and you have chosen to move the issues on I feel I have to respond. I will take each of your points in turn as best I can.

I do not think it is reasonable that I am expected to take all of the MC members through the numbers each time I present them. That would be, in my view, too time consuming, particularly if those figures have been presented before. If you feel that should be the case can I ask that you suggest that to MC and I will of course comply with the wishes of that group.

The numbers are based on staff allocations and consultancy spend agreed by Luis and Mary back in February which you assured me in March that you had reviewed and agreed so the basis of the numbers certainly has been reviewed by you. As for the actual costs my point remains that they do not differ from those provided three weeks earlier. I feel I should counter your comments about the April 16 meeting by reminding you that you have had a further 3 weeks to review those numbers but have not made any comment on them that I am aware of.

I do not think it is fair for you to ask who is agreeing the figures with me, I repeat they were agreed by Mary and Luis as you are well aware and were reviewed by you months ago. If you were not happy for Luis and Mary to provide the information to build up the

budgets I really think February was the time to make that point, not May. In my view they are highly paid enough that they should be capable of undertaking the work required to produce the figures for your overview of resources required and cost forecasts based on that. I would appreciate clarification of how you expect this to work in future.

Yesterday was the first time you mentioned to me that you were only going to request Operational Costs from DETI. I am of course disappointed that I was not informed when that decision was made and I ask that in future you ensure that happens.

Can you please confirm therefore whether or not you are going to be asking for the legal support costs, your time, Martin's time and what rate of overheads you are intending to ask for.

Can you please confirm what you want to request we do with the rest of the RHINI costs included in budgets currently. If they are subject to later decisions then they should be moved to MD's Contingency. The effect of that will be further committed resources within the NSD team for which we have no funding, in addition to that already identified. This puts the division at even greater risk of not being able to recover all its costs.

I feel I should also point out at this point that some of the development resources are allocated to RHINI in both April and May. Those in April we expect to bill to RHINI. If you want to amend that you will need to let me know very quickly what you want done with those resources and I suggest we talk to Martin or Bob about what to do next.

As far as I am aware I have not been sent the RHINI proposal. Can you please clarify what the position with it is (has it been sent? If not when do you intend to send it? Has Martin reviewed?) and send me a copy asap. I am of the view that no proposals should be leaving this organisation without myself or my team agreeing the cost figures. I have stated this at MC previously and as part of the PIP review I asked Ashley to ensure that systems and processes were put in place to ensure that happens. If you disagree then I feel this is something that should be taken to Martin or to MC for clarity asap.

I look forward to the opportunity to discuss on Thursday (I am not in on Friday)

Thanks

P

From: Matthew Harnack
Sent: 07 May 2013 20:32
To: Peter Rice
Cc: Martin Crouch; Sajith Sasikumar
Subject: RE: RHINI

Peter,

I was asked at the meeting today if I agree with the numbers and I'm sorry but I do not so I had to mention this. The numbers were not run through me for approval prior to submitting them to MC. I don't know who is agreeing the numbers with you, but none of my budget holders holds the budget for NIRHI development, so no-one but me is authorised to agree that part of the figures.

Regarding specifics, the only thing we are asking DETI for funding for right now is operational costs. This is forecast to be around £160k and hasn't changed from the baseline scope that we agreed with DETI back in December (though the formula used to calculate how much we charge DETI might be tweaked). I don't recall seeing the £398k figure in the 16 April MC pack – though you may recall that I just returned from leave that day, and I had a 3 hour workshop with my senior managers that morning, so I really wasn't in a position to scrutinise the MC pack in detail, nor was I asked whether I agreed with the figures included.

I suspect the problem is that you are including some forecast development spend in the numbers, which we may have made provision for when we put the corporate plan together. But at the moment DETI have not put any proposal to us to do any development work, and it certainly hasn't been scoped out, so we can't possibly ask DETI to agree to provide us any development funding. That being the case I think it would be misleading to show a funding shortfall for the development spend component. I'm also not sure we should show any funding shortfall for operating spend either, because DETI have agreed to the existing formula which provides us with enough funding if volumes turn out as expected, but that is a different matter.

I would have loved to have explained in MC today why I didn't recognise the figures – the problem was that Bob cut things short so I wasn't able.

Also, I was given the impression that you or Sajith had reviewed the revised NIRHI proposal. If that's not the case you will need to.

My diary is too full for a meeting tomorrow but perhaps Jane can find some time later in the week.

Matthew

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From: Peter Rice
Sent: 07 May 2013 16:19
To: Matthew Harnack

Received from OFGEM on 11.05.2017
Annotated by RHI Inquiry

Cc: Martin Crouch; Sajith Sasikumar

Subject: RHINI

Matthew

I was a little surprised by your comment at MC today, I understood you were aware of the order of the figures being proposed for RHINI for 13-14. The figures are all based on staff allocations and consultancy costs that are well established by now and provided by your teams. I would be incredibly surprised if you were really expecting a cost of below £200k for the running of the whole scheme as you seem to be suggesting. You will remember that the previous paper to MC for 16 April included a figure of £398k excluding overheads, i.e. within a whisker of the figures we are now including, and they were not questioned at the time.

I would appreciate it in future if you could be more specific in your comments about why you 'don't recognise' figures to give me an opportunity to explore and answer your queries rather than leave the impression I had done something to change them as happened today. I thought it better to take this off line that to react to your comment in the meeting.

I have not been asked to provide any numbers for any negotiation with DETI to date except on some minor points requested by Jacqueline. It is clearly time I was involved so we can tie the funding request with the resource requirements.

I would appreciate it if you would set up a meeting tomorrow (Wednesday) to discuss

Thanks

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Peter Rice

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