

To: Peter Rice[Peter.Rice@ofgem.gov.uk]
Cc: Teri Clifton[teri.clifton@ofgem.gov.uk]; Jacqueline Balian[Jacqueline.Balian@ofgem.gov.uk]
From: Matthew Harnack
Sent: 2013-05-17T07:26:16Z
Importance: Normal
Subject: RE: URGENT - NI RHI COSTS
Received: 2013-05-17T07:26:17Z

I am hoping she's just referring to the £40k extra we spent on IT without getting their permission. You may remember from the meeting that they pointed out that we'd agreed in the baseline scope document not to spend extra on IT without their agreement. More generally we have to get their agreement before we spend more than our budget, and in the meeting with them I said I was happy for development and operations budgets to be treated separately in that respect.

Matthew Harnack

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From: Peter Rice
Sent: 17 May 2013 08:15
To: Matthew Harnack
Subject: FW: URGENT - NI RHI COSTS

Matthew

This is a bit of a worry to me. "deviations in payment profile to follow the change control procedures" can mean a lot of different things and we need to add some materiality check on this, however even if we do that I am concerned this is another pressure on costs that we have not taken into account.

Somewhat more fundamental potentially is that I didn't know we had agreed any specific change control procedures with DETI. Can you please confirm what has been agreed in that respect?

Thanks

P

From: McCutcheon, Joanne [<mailto:Joanne.McCutcheon@detini.gov.uk>]
Sent: 13 May 2013 14:13
To: Sajith Sasikumar
Cc: Matthew Harnack; Peter Rice; Hutchinson, Peter; Thompson, Sandra
Subject: RE: URGENT - NI RHI COSTS

Hi Sajith

I have cleared the payment with Fiona Hepper this morning so a purchase order can now be raised and will be sent shortly.

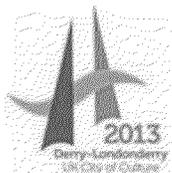
We discussed the 12/13 budget during a teleconference with Matthew on 18/4. Fiona has asked that it be noted that in future we would expect deviations in payment profile to follow the change control procedures. We can discuss this in more detail with Matthew when he comes across shortly for our meeting.

Regards

Joanne

Joanne McCutcheon

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Please consider the environment - do you really need to print this e-mail?

From: Sajith Sasikumar [mailto:Sajith.Sasikumar@ofgem.gov.uk]

Sent: 13 May 2013 10:32

To: McCutcheon, Joanne

Cc: Matthew Harnack; Peter Rice

Subject: RE: URGENT - NI RHI COSTS

Joanne,

Hope you are well. Further to below, we are yet to invoice DETI for work carried out from October'12 – March'13 totalling £349,069. I understand that it is DETI's policy not to pay any invoices unless it quotes a valid purchase order number, therefore if you have no further queries regarding the costs provided for last financial year can you arrange for a purchase order to be provided for this amount please? This will allow us to raise an invoice at our end.

Any queries please let me know.

Many thanks

Sajith

From: Matthew Harnack

Sent: 05 April 2013 18:14

To: 'McCutcheon, Joanne'

Cc: Thompson, Sandra; Peter Rice; Michelle Murdoch; Sajith Sasikumar

Subject: RE: URGENT - NI RHI COSTS

Hi Joanne,

You asked for me to confirm full year administrative charges for NIRHI for 2012/13, and for these to be broken down according to the categories shown in the feasibility study on these items. Please see the attached spreadsheet for these figures.

As you will see we have (with some difficulty) managed our expenditure to match the budget for each line item on the development costs, with the exception of IT expenditure, which was almost £40k over due to the need for the separate IT release. As mentioned, we were unable to absorb this expenditure within the IT budget as we had originally thought we would be able to, however due to the significantly lower operating costs the total expenditure is well within the total budgeted for the year for NIRHI (the total spend is around £498k against a budget of £573k).

Note that we have calculated operating costs of £5,818 in line with the proportion of accredited installations in NI compared to the whole RHI (i.e. GB + NI). I have been advised that there were 5 accredited installations at the end of March 2013, compared to 1243 accredited installations across both schemes. The pre-agreed estimate of £19,000 has also been added to account for the extra resource required for manual handling from November to January.

Regarding your email of 21 March 12:09pm (below), we consider the approach you have quoted to apply to the overall total expenditure only, not to the line by line breakdown. To impose it on a line by line basis would introduce additional restrictions to our ability to manage the development of the scheme on time without any hiatus in funding and therefore resources, and had we agreed to take that approach we would have therefore needed to incorporate additional contingency amounts into each individual line item to mitigate against this risk of hiatus. This, of course, would have significantly increased the budget. If DETI want to take this approach in future then we may need to renegotiate the terms of the agreement as well as the budget/funding formula to address this problem. Regardless of this, I think we will need to renegotiate the funding formula in the near future because, now that we have some experience operating the two schemes alongside each other, I am concerned that there are a number of tasks which we have to undertake for NIRHI which take up much more time than the formula suggests, and am therefore concerned that we will not be recovering our costs in future if we use the existing formula.

I am on leave next week and on Monday 15th, but I'd be grateful if we could pick up these issues on my return from leave after 16th April. I'm also conscious that you are waiting on a reply on the legal question, and I will need to pick this up on my return from leave too.

In the meantime, if you need any more detail on these figures could you please contact Sajith Sasikumar (his email is in the cc line above). Should you have any other queries on the NIRHI operations, please contact Michelle Murdoch.

Regards,

Matthew

Matthew Harnack

Associate Director, Commercial

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Received from OFGEM on 11.05.2017

Annotated by RHI Inquiry