



Making a positive difference  
for energy consumers

Gwneud gwahaniaeth gwirioneddol  
i ddefnyddwyr ynni

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Date: 4<sup>th</sup> August 2016

Dear Andrew,

**Northern Ireland Non Domestic Renewable Heat Incentive (RHI)**

Thank you for your letter of 11<sup>th</sup> July 2016 and follow-up of 21<sup>st</sup> July. Following the approach taken in your letter of 11<sup>th</sup> July, I am also copying this letter to Clive Maxwell.

I am grateful for your reassurances that Ofgem will be kept fully up to speed on all developments going forward and note that an administrative oversight led to us not being informed about the publication of the Northern Ireland Audit Office (NIAO) report. Going forward, I am assuming that we will have the opportunity to engage prior to the release of information into the public domain, including your preparations for the NI Assembly PAC meeting currently scheduled for 28 September.

I note your update on the Steering Group concerning governance controls over RHI. I can confirm that we remain happy to provide input into this or any other initiatives you may have in place in regard to the RHI, in line with the Administrative Arrangements under which we operate.

You refer to Ofgem colleagues advising of constraints around what will be provided in respect of the joint review. Following discussions between officials at Ofgem and DfE, I understand that this refers to the additional requests that have been raised in dialogue since May about increases in scope beyond the agreed terms of reference previously discussed and agreed with DETI. At the time of the original agreement to proceed with a joint review, we were clear that this is something that we could support, under our existing framework, and that this (a) would not result in a publishable report, and (b) would likely rely on Ricardo E&E and Deloitte, and (c) would focus on findings in line with the regulations as drafted, rather than commenting on wider policy matters. DETI agreed to this at the time, and confirmed that this provided the required level of independence. It is therefore not helpful to describe this approach as Ofgem having subsequently imposed constraints or restrictions on the approach to the review, when an agreed approach was clearly agreed as set out above.

In terms of our engagement with DfE on any joint review actions as well as continued business as usual activity, I can confirm that we have continued and will continue to act in line with the Arrangements, while taking proper account of appropriate provisions and controls around issues such as data sharing which is controlled in line with our Data Sharing Protocol.

You note concern that you have not been able to secure a satisfactory approach through the established arrangements. The Arrangements set out our responsibilities, and we have

engaged regularly with DfE colleagues on planning and to secure agreement for us to continue our programme of audits which are an essential element of our administration in determining and acting upon any non-compliance on the scheme. When we discussed this in February, we made clear that we would progress reasonable steps and we're happy to continue to do so.

You have stated that 'the fact that OfGEM has not been able to commit to a process that would provide the clarity of opinion that I have been seeking as Accounting Officer has had the effect of delaying the start of on-site inspections'. While I respect that your current requirements may differ from those agreed with DETI in February, I must assert that we have progressed the joint review swiftly in line with agreed terms of reference. The change in approach has resulted in a delay in us deploying our ongoing site audit strategy. The phase 1 activities were undertaken in line with an agreed timetable, with Deloitte completing process review activities for Phase 1 during March 2016. We progressed on the planning for Phase 2 including holding workshops with Deloitte and Ricardo to which DfE were invited but elected not to attend. We also sought to alter and extend the agreed review process in light of more recent requests from DfE, and promptly alerted DfE when it became clear that the full scope of the additional requirements could not be accommodated.

The agreed scope for Phase 2 included a programme of 72 site audits, which was planned to deliver the requirements of both the Phase 2 review and our ongoing site audits for the 2016/17 audit programme. DfE decided not to proceed with Phase 2, and we note that this decision introduced a delay in our ongoing site audit administration. However, we have now restarted deployment of audits during June/July 2016 and have so far completed 25.

For background, Grant Thornton completed an external review of our GB scheme audit strategy in Feb 2015 which ratified our approach to the 2015/16 audit year on the GB scheme. This GB NDRHI audit strategy, included agreeing the proportion of installations to be included in the sample in order to provide an appropriate and proportionate set of checks and controls. This resulted in site audit levels of 1.38% of the total GB population. Given the increased application volumes to the NI scheme from September, we ramped up audits in the second half of 15/16 resulting in site audit levels of 1.1% of the total NI population. We have adopted our NDRHI methodology from GB to implement NI Audit strategy for 16/17 which equates to 2.4% of the c2100 installations we expect to be accredited by the end of 2016/17.

As part of our ongoing engagement, we attended a meeting at your offices on 1 August with DfE officials and auditors to support your new review of the Northern Ireland RHI. At this meeting, we confirmed that we will respond to all ongoing data and engagement requests promptly. We continue to be willing to provide support to DfE and their auditors and welcome our continued helpful dialogue with officials. I can confirm that we have already shared a range of data, including information regarding audits undertaken as part of our audit programme in June/July 2016 and application, metering and payments data to enable your auditors to perform their analysis and support the new independent review.

I would also like to repeat my offer to meet with you or your colleagues at your offices to progress any of the wider matters identified above and to avoid any further misunderstandings.

Kind regards,



Chris Poulton

Managing Director  
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