OFG_00032437-0001

OFG-147119

To: Keith Avis[Keith.Avis@ofgem.gov.uk]
Cc: Mary Smith[Mary.Smith@ofgem.gov.uk]
From: Matthew Harnack
Sent: 2012-10-22T12:51:57Z
Importance: Normal
Subject: RE: NIRHI Outyear Costs
Received: 2012-10-22T12:51:58Z

OK Keith,

Thanks for all the work on this. I understand Peter and Ruth's concerns, though I am still keen to use 3%. Stuart and Bob are both happy with the 3% approach, but obviously they said this without knowing Peter and Ruth's concerns. I think Peter's are easily addressed – we simply need to explain how the mismatch between % of installations and % of payments made can only be due to installations being smaller. Then explain that from experience we have estimated that smaller installations only take 2 hours to process vs 6-7 hours for an average one and 13 hours for a large complex one. When you crunch the numbers you will end up with more or less 3% anyway. As for Ruth's concerns, I think she is worried about development legal spend, and we are only talking about operational spend here, so that should be fine.

I'd suggest you take this to Bob for him to OK before we send the main slidepack to DETI. We should try to get the slides to DETI this week.

Matthew

From: Keith Avis
Sent: 17 October 2012 17:07
To: Matthew Harnack
Cc: Mary Smith
Subject: NIRHI Outyear Costs

Matthew cc: Mary

Attached are the NI RHI outyear costs slides, based on a 3% cut of all GBRHI costs. Also attached (for internal information only) is a slide that sets out how the costs were broken down.

A summary of the position is:

- GBRHI team are content with the costs, based on 3% of the non-legacy Corporate Plan figures.
- IT are content with the costs, again based on 3% of GB RHI.
- Peter has some concerns. He understands what we are doing and why we are using the 3% cut. He has said that he doesn't want to stand in our way, but feels he is not able to give his full blessing as the rationale is not sufficiently robust so as to be absolutely certain that these costs may not be exceeded in the future, putting subsequent pressure on the GB scheme costs.
- Ruth's view is that she feels the 3% figure is well below that which she considers is necessary to cover legal spend over the three outyears. Legal have yet to set out their Corporate Plan costs (and they have been unable to provide us with an indication of when these will be submitted), so the staffing figure was based on 3% of a rough staffing assumption that I was able to get from her for GB RHI, which was based on a fulltime Band D, 20% of a Band C and 10% of a Band E, SCS and PS. The other part of the legal cost is consultancy which formed part of the overall GB RHI costs.

In the short term we need to agree the 3% cut against GB RHI methodology with DETI, so we could flag these costs as an indication of how this would look with a caveat that legal costs may change once they finalise their Corporate Plan costs. Similarly there is the point that the delay in IT release may mean that costs for that could fall into the next fy (if we decide to continue with the manual solution until GB release), but I guess that this would fall under the umbrella of additional costs to be agreed – we are working up options/costs for NI should the GB release be delayed and will provide you with views in the next 2-3 weeks.

This is not the clean scenario that we wanted to put to you, suffice to say a good proportion of time this week has been spent with legal and finance to try and get them to agree a way forward, and as such neither have said don't send this to DETI. But by the same token if costs go over the 3% figure they will undoubtedly refer back to the reservations that they are expressing here."

If you would find it helpful to discuss the above, please let me know and I will arrange a suitable time with Jane.

Regards

Keith