



Fiona Hepper
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*Promoting choice and value for
 all gas and electricity customers*

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Date: 23 August 2012

Dear Fiona

Northern Ireland Renewable Heat Incentive (NI RHI)

We have progressed with the development of the administrative options and processes for the NI RHI and have been in regular contact with you to discuss emerging issues, provide progress reports and highlight approaching milestones.

The original Feasibility Study, published in December 2011, was scoped and developed with an intended launch date of 1 April 2012. Following the delay of this launch, now expected October/November 2012, it was appropriate that Ofgem revisit the proposed activities and revise costs where needed.

Due to the delay in launching the NI RHI scheme it has not been possible to capitalise on the cost savings available by making changes to the online RHI register in conjunction with changes being implemented by the GB scheme. As a result the IT development costs have increased by 25%. The legal costs have also increased from the estimate stated in the original Feasibility Study due to a variety of factors detailed in Chapter 5 of the attached report. The current legal cost projections are still within the original contingency but have increased by 127%.

The current cost breakdown is set out in Table 1 below and follows the:

Delivery Component	Cost (£)
New Scheme Development delivery team	£96,000
Band C Operational Manager – recruitment process	£2,000
Stakeholder Consultation	£700
Internal Ofgem legal costs	£140,817
IT delivery costs	£178,565
Independent risk assessment	£10,000 (excluding £10,000 deferred from feasibility study)
Overheads	£75,000
Total:	£467,517

I look forward to receiving your response to our revised development phase funding forecast, and would be delighted to discuss any of these matters with you.
 Yours Sincerely,

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Robert Hull
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