

To: James Robinson[James.Robinson@ofgem.gov.uk]; Michael Knight[Michael.Knight@ofgem.gov.uk]
From: Jane Pierce
Sent: 2016-11-29T11:14:19Z
Importance: Normal
Subject: FW: Draft DFE/MOU MOU [OFFICIAL Internal Only]
Received: 2016-11-29T11:14:19Z
[Draft RHI MOU Dfe and Ofgem.DOCX](#)

Apologies – an updated version is now attached.

J

From: Wightman, Stuart [mailto:Stuart.Wightman@economy-ni.gov.uk]
Sent: 29 November 2016 11:07
To: Edmund Ward; Jane Pierce
Cc: Gareth John; Teri Clifton; Marten, Lucy; Hughes, Seamus; Willis, Adele
Subject: FW: Draft DFE/MOU MOU

Apologies, Edmund / Jane

Please find attached an amended draft. I sent an earlier draft by mistake.

Thanks, Stuart

Stuart Wightman

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

From: Wightman, Stuart
Sent: 29 November 2016 10:36
To: 'Edmund Ward'; 'Jane Pierce'
Cc: 'Teri Clifton'; 'Gareth John'; Marten, Lucy; Hughes, Seamus; Willis, Adele
Subject: Draft DFE/MOU MOU

Edmund / Jane

Please find attached draft MOU for your consideration. I have not cleared this with senior management in DFE so please treat this a draft. We will forward an Annex of suggested KPIs later today or tomorrow. The Target Date for PWC Recommendation 7 is 30 November (tomorrow). If possible, can I therefore please ask for comments by close of play tomorrow. My aim is to provide the RHI Steering Group with have an agreed draft by close of play Friday.

As I said at yesterday's NI RHI Board Meeting, the MOU should effectively capture our existing governance arrangements and therefore complement the Agreement. The most important aspect will inevitably be the KPIs. We aim to build on Ofgem's existing KPIs and include a number of new KPIs around governance, communications and audit/compliance to address the PWC recommendation.

I apologise for the short turnaround.

Happy to discuss.

Thanks, Stuart

Stuart Wightman

Energy Efficiency
Department for the Economy
Created by Ofgem on 18/10/2017
Annotated by RHI Inquiry

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[Internal Only]

**MANAGEMENT AND ADMINISTRATION OF
THE NON-DOMESTIC RENEWABLE HEAT
INCENTIVE SCHEME**

**Memorandum of Understanding
Between
The Department for the Economy and
The Gas and Electricity Markets Authority**

DRAFT

1 Introduction

- 1.1 This Memorandum of Understanding (the “MoU”) sets out the governance and reporting arrangements between the Department for the Economy (the “Department”) and the Gas and Electricity Markets Authority (the “Authority”) for administration of the Northern Ireland Non Domestic RHI Scheme (“the RHI scheme”). The Authority was appointed as administrator of the RHI scheme under Section 114 of the Energy Act 2011.
- 1.2 The Authority is supported by Ofgem E-Serve which is a division of the Office of the Gas and Electricity Markets (“Ofgem”). Policy responsibility for the RHI Scheme rests with Energy Renewables within the Department.
- 1.3 This MoU provides a general framework for how the Administrative Agreement will be implemented and is not intended to be legally binding. Nothing in this MoU is intended to in any way replace or affect the legal powers and duties of either the Department or the Authority. However, both parties shall endeavour to comply with the provisions of the MoU.

2 Operational Roles and Responsibilities

- 2.1 The RHI Scheme was established through the Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012 which set out the administrative functions for the Scheme. Many of the key administrative functions are conferred to Ofgem through the Administrative Agreement (the “Agreement”). These include:
 - Accreditation of installations eligible for the RHI scheme;
 - Calculating and paying periodic support payments to participants;
 - Publication of annual tariff rates;
 - General administrative functions needed to operate the scheme, including enforcement auditing provisions and an appeals process; and
 - Providing guidance to participants on the scheme criteria.
- 2.2 The Department is responsible for the development and implementation of renewable heat incentive policy, including the design and financing of

the scheme to deliver environmental, sustainability and value for money objectives. The Department therefore has overall responsibility for the scheme.

- 2.1 Ofgem will assist the Department in scheme development and implementation but is primarily responsible for administering the scheme on a day-to-day basis in line with the direction from the Department.

3 Working Relationship

3.1 The Department and Ofgem will maintain an effective working relationship by:

- being open, straightforward and constructive in our communications and actions;
- working together at all levels, wherever appropriate;
- enabling early engagement on new scheme design or existing scheme changes;
- respecting each other's views, where different, and ensuring a proper understanding of the reasons for any such differences;
- highlighting areas of interaction and setting out what each expects of the other, recognising that each has distinct governance, responsibilities and decision-making arrangements;
- minimising duplication of activity wherever possible; and
- ensuring lessons are learned and an approach of continuous improvement is adopted.

4 Key Performance Indicators

4.1 Key Performance Indicators (KPIs) will be agreed between the Department and Ofgem for the delivery of services. These will include at a minimum:

- Timeliness of turnaround of applications (for the installations that have yet to be accredited);
- Timeframes for processing of information received from applicants and NI Scheme participants.
- Timeframes for responding to requests for information between Ofgem and DfE.

4.2 The reporting frequency against these key performance indicators should be agreed and performance reported at the agreed frequency. Agreed KPIs will be included in an Annex to this MOU.

5 Key Decisions Requiring Departmental Approval

5.1 Although Ofgem is responsible for the day-to-day scheme administration and management, the Department's approval must be sought for:

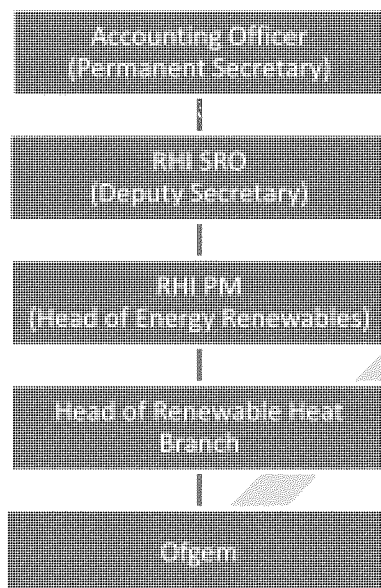
- Any changes to the Administrative Agreement;
- Annual administration costs (at year start) and any subsequent increased expenditure in-year;
- Scheme Guidance and the interpretation of the policy behind the Regulations;
- The Fraud Prevention and Audit Strategies;
- Key Performance Indicators (KPIs); and
- The annual inspection programme (including any changes mid-year) and any proposed enforcement action.

6 Provision of Key Management Information

6.1 To facilitate effective governance and oversight of the scheme, Ofgem must provide the Department with:

- **An immediate summary** on receipt of any whistleblower or third party referrals.
- **Weekly reports detailing:**
 - the technology, size, actual heat usage and payments for all accredited installations;
 - the technology, size, projected heat usage and status of all pending applications including proposed amendments;
 - any suspected cases of fraud or non-compliance.
- **Monthly reports detailing:**
 - the funding needed to meet committed RHI payments for submitted meter readings;
 - the breakdown of actual and estimated administration costs;
 - any whistleblower or third party referrals;
 - a summary of the findings of completed site audits;
 - proposed site audits for the following month;
 - any cases of non-compliance and proposed enforcement action (including an update on the PWC Category 2, 3 & 4 cases);
 - progress with the implementation of the recommendations arising from the (PWC) independent review of the scheme;
 - performance against agreed Key Performance Indicators (KPIs);
- Quarterly Assurance Statements confirming that the scheme has been administered in line with the Regulations, the Agreement, and this MOU.
- A breakdown of estimated administration costs for the following financial year by 31 March;
- Copies of all site audit reports within one month of visit; and
- Timely responses to adhoc requests for scheme information.

7 Project Management and Reporting Structures



- 7.1 The following project management and reporting arrangements are focussed on providing the Department's Accounting Officer with the assurances necessary to demonstrate that the scheme is being effectively managed and administered to ensure value for money is provided for the public funding expended.

Departmental RHI Performance Review Board (Quarterly)

- 7.2 The Department's Head of Energy Renewables Division (PM) will report to the Senior Responsible Owner (SRO) through a quarterly Performance Review Board. Ofgem officials will support the Head of Energy Renewables Division at Board Meetings via teleconference (in person at least once a year).
- 7.3 The role of the Board is to monitor the performance of Energy Renewables Division (and Ofgem) for both schemes against key performance indicators around: Scheme Governance and Oversight; Audit, compliance and enforcement; and payments and accruals.
- 7.4 The Board will also monitor and oversee the Division's implementation of recommendations arising out of the Internal Audit, NIAO/PAC Inquiry and Independent Reviews.

Monthly Energy Renewables / Ofgem Checkpoint Meetings

- 7.5 The Department and Ofgem will hold minuted monthly checkpoint meetings to review the weekly/monthly reports, review current risks/issues and address any other ongoing operational issues as required.

Internal Ofgem NI RHI Scheme Board (Monthly)

- 7.6 The purpose of the board is to provide advice and assurance to the Ofgem SRO and other senior management accountable for formal decision making in relation to the Northern Ireland Non-Domestic Renewable Heat Incentive scheme. The Department's Head of Renewable Heat Branch will participate in Ofgem's monthly internal NI RHI Board Meetings by teleconference.

Fortnightly Tele Meetings

- 7.7 In addition to the weekly reports, the Department's Renewable Heat Branch will schedule a call with Ofgem at least once a fortnight to review the weekly reports, review current risks/issues and address any other ongoing operational issues.

8 Scheme Information

- 8.1 Adequate and timely information exchange between the parties is vital to ensure effective policy and scheme development and delivery. The approach to this is set out in the Administrative Arrangements.

9 Managing Changes

- 9.1 Changes will be managed following an agreed change management process. Whenever possible, Ofgem will provide options for the implementation of changes in order to assist the Department's decision making. The Department will provide early visibility of policy intent and amended legislation in order for Ofgem to produce these options.

10 Cancellation

10.1 Cancellation will be treated in line with the Agreement and other governance mechanisms.

Signed for the Department:

Signature

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Name

Position

Signed for the Authority:

Signature

.....
.....

Name

Position

DATE:

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DRAFT