

To: Marcus Porter[Marcus.Porter@ofgem.gov.uk]
From: Ruth Lancaster
Sent: 2012-06-12T16:01:41Z
Importance: Normal
Subject: FW: ACT URGENT - Points for my oral at GEMA on Thursday
Received: 2012-06-12T16:01:43Z
[NIRHI brief\(2\).docx](#)

Marcus

Please will you have a look at this with a view to us discussing it tomorrow.

Thanks

Ruth

From: Elizabeth Hillman
Sent: 12 June 2012 16:45
To: Ruth Lancaster
Subject: FW: ACT URGENT - Points for my oral at GEMA on Thursday

FYI-not sure if you have been sighted on this information

Liz

From: Keith Avis
Sent: 12 June 2012 16:20
To: Collette Dennis
Cc: Curt Silver; Luke Hargreaves; Milton James; Charles Hargreaves; Elizabeth Hillman; Matthew Harnack; Robert Hull; Stephanie McGregor
Subject: RE: ACT URGENT - Points for my oral at GEMA on Thursday

Collette cc: As above

Please find attached briefing on the Northern Ireland Renewable Heat Incentive scheme for Stuart to cover as part of his oral update to GEMA on Thursday. Matthew has fed into this document.

Rgds

Keith

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 ofgem E-Serve

From: Collette Dennis
Sent: 12 June 2012 09:10
To: Keith Avis
Subject: FW: ACT URGENT - Points for my oral at GEMA on Thursday
Importance: High

From: Stuart Cook
Sent: 12 June 2012 07:41
To: Collette Dennis; Curt Silver; Luke Hargreaves; Milton James; Charles Hargreaves; Elizabeth Hillman; Matthew Harnack; Robert Hull; Stephanie McGregor
Subject: ACT URGENT - Points for my oral at GEMA on Thursday
Importance: High

Please can you let me have any points you want me to raise orally at GEMA on Thursday by close of play today.

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NORTHERN IRELAND RENEWABLE HEAT INCENTIVE: BRIEFING

Headline Messages

- DETI confirmed in May that they wished to enter into an agreement with Ofgem to administer the Northern Ireland RHI scheme.
- We are awaiting sight of the draft regulations that will underpin the scheme (which will be reviewed against the original feasibility study) before agreeing the scope and cost of the 4 month development phase. *[To note: DETI confirmed on 12 June that the regulations should be sent to Ofgem by cop 13 June]*
- The development phase will include the drafting and joint approval with the Northern Ireland Authority for Utility Regulation (NIAUR) of an Agency Services Agreement for the operational phase of the scheme, which will mitigate any risks that could impact on Ofgem.

Key Points:

- In January GEMA agreed to Ofgem administering the Northern Ireland RHI, subject to appropriate funding and resolution of remaining uncertainties.
- DETI formally wrote to Bob Hull on 4 May to confirm that they wished to enter into an agreement with Ofgem for the administration of the NI Renewable heat Incentive Scheme. A short response from Bob Hull confirmed that we need to agree funding and the specific terms of the agreement to enable us to proceed.
- DETI have confirmed that they wish to mirror the detail of the GB RHI scheme. They are unlikely to lay the Statutory Instrument before the Assembly summer recess, which will mean that the legislation is unlikely to come into force until end of September/October at the earliest.
- DETI are still working on finalising the regulations that underpin the scheme. Ofgem have made clear that we will need to review the regulations against the detail of the feasibility study before agreeing the scope, timeline and costs for the development phase of the scheme.
- The development phase will last approximately 4 months – we have flagged to DETI that this may take a few weeks longer than anticipated to accommodate staffing issues around the Olympics.

Background:

In September 2011 the Northern Ireland Department for Enterprise, Trade and Investment (DETI) asked Ofgem to undertake a feasibility study into Ofgem

administering the £25m NI RHI scheme alongside the £860m Ofgem-administered GB scheme which went live in November 2011.

This £87k feasibility study (funded by DETI) was finalised on 16 December 2011 and made clear that if DETI wish Ofgem to proceed to the next phase, detailed funding provisions, terms, and project scope will need to be agreed between the two parties.

The feasibility study emphasised that considerable synergies could be exploited between the development and administration of the GB RHI and the NI RHI. By re-using the existing structure established for GB RHI, DETI can make a cost saving of nearly 90% against the cost of developing a bespoke system.

The Authority provided approval for E-Serve to carry out the development and administration of the NI RHI scheme on behalf of DETI in January 2012. This was subject to the confirmation of final policy decisions and agreeing the proposed funding and an appropriate service agreement for operating the scheme with the Northern Ireland Authority for Utility Regulation (NIAUR) that mitigates risk to GEMA.

To take forward the process highlighted in the Feasibility Study we need DETI to confirm policy and provide the significantly finalised draft legal instruments before any development can commence.

Ofgem and NIAUR need to agree a suitable Agency Service Agreement for the operation (not development) of the scheme, which helps to mitigate the risks we have identified. This agreement will need to ensure that Ofgem can draw down adequate funds from DETI to cover all tariff payments on time.

The key difference between the GB RHI and NI RHI schemes is that under the GB RHI scheme regulations the Authority is named as the scheme administrator. Under the proposed NI RHI regulations, NI AUR will be named as the scheme administrator. However, there are provisions in the Energy Act 2011 that allow NIAUR to enter into arrangements with Ofgem to carry out administrative functions on behalf of NIAUR. This is similar to how Ofgem and NIAUR administer the Northern Ireland Renewables Obligation (NIRO).

Initially the risk of legal challenge was identified as a potential downside risk to the Authority if the administration of the scheme was carried out by Ofgem. However DETI have confirmed that they expect to carry all legal risk of challenge.

The Feasibility Study set a development budget at £386,000, with appropriate contingency (ie an additional £386,000) to cover costs arising from uncertainty around final scheme policy and the extent of IT and legal work that may be required. The forecast costs of Ofgem administering the NI RHI scheme will be between £740,000 and £900,000 over the first 4 years of the scheme. This represents between 3-3.6% of the scheme's £25 million funding envelope over the first 4 years. Assuming that DETI's regulations will mirror the GB RHI we are confident that these costs will be adequate to deliver the scheme, although we reserve our position until we have had sight of the draft final regulations.