

To: Peter Rice[Peter.Rice@ofgem.gov.uk]
From: Peter Rice
Sent: 2012-09-21T05:32:12Z
Importance: Normal
Subject: Fw: NIRHI Outyear Costs slides
Received: 2012-09-21T05:32:12Z
[NIRHI Costs\(3\).pptx](#)

From: Keith Avis
Sent: Wednesday, September 19, 2012 05:23 PM
To: Mary Smith
Cc: Peter Rice; Jacqueline Balian; Lindsay Goater; Andy Luckhurst
Subject: NIRHI Outyear Costs slides

Mary cc: Peter, Jacqueline, Lindsay, Andy

Here is where I have got to on the NIRHI slides, building on the info provided by Lindsay from the GB RHI cost model. I will work on this further tomorrow, ready for the meeting with Matthew on Friday, but for now grateful for the opportunity to talk this through with you to make sure that it makes sense.

Thanks

Keith

Northern Ireland RHI: Contents

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Northern Ireland RHI: Purpose and Aim of Slide set

Purpose :

To review current operational projected costs for NIRHI Scheme; offer revised costs and scope out options for reducing costs further while flagging associated risks.

Aim:

To be in a position to approach DETI with revised costs that we anticipate that they will consider workable.



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Northern Ireland RHI: Background Figures

Set Against Feasibility Study			
	2013/14	2014/15	2015/16
NI Installations Numbers in Feasibility Study.	1,413	2,821	5,423
GB Installation Numbers at time of Feasibility Study	47,100	94,033	180,766
Current GB Installation Numbers	12,800	25,000	31,200
Current NI percentage against GB Installations	11%	11%	17%
Feasibility Study Costs	£102,721	£143,135	£193,714
Total UK scheme cost (2012 CP)	£4,426,939	£5,672,799	£7,470,343
New NI cost % against UK scheme costs	12%	13%	16%

Northern Ireland RHI: GB RHI Cost Model Key Assumptions

Non-dom model includes (“Assumptions & Projections” tab):

25% efficiency improvement 2012/13 to 2013/14 owing to process improvements (inc L3 sampling), IT enhancements

One-off additional 25% process improvement for metering activities 2012/13 to 2013/14

Thereafter, 17.5% imp, then 15% imp for subsequent yrs

Enquiry volumes linked to installation numbers

Domestics take 1hr max for **all** work on accred review

Assumed move to sample checking (50%, then 10% of L2s) to manage volumes – NB could come from various approaches including automation of checks, focusing on just key issues from audits and review experience

Enquiry volumes linked to installation numbers

Deeming, not metering, and so no periodic data to handle (small allowance for issues from monitoring / audits)

10% year on year domestic efficiency improvement on top of move to sampling

Assumes no input into Business Ops team’s audit work by Gen Team (as simple systems)

Assumes no additional reporting need above non-doms (ie data is within same reports)

Training is simpler than for non-doms

Less stakeholder engagement and guidance notes than non-doms



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Northern Ireland RHI: Staffing Breakdown Options

COMBINED	as now (11 - 17% GB)			assume 3% latest GB			no applications (fixed overhead**)		
	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16
installations	1413	2821	5423	386	749	937	2	2	2
FTEs:									
accred	3.3	5.3	8.7	0.9	1.1	1.4	0.0	0.0	0.0
enquiries, guidance and stakeholder engagement	2.3	3.8	6.5	1.2	1.4	1.8	0.8	0.8	0.8
periodic	0.6	1.3	2.5	0.2	0.2	0.4	0.0	0.0	0.0
management	0.7	0.7	0.8	0.4	0.4	0.4	0.4	0.3	0.3
reporting	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
other*	0.7	0.6	0.6	0.7	0.6	0.5	0.7	0.6	0.5
bus ops***	3.5	3.8	6.0	1.6	1.2	1.4	0.9	0.6	0.6
TOTAL FTEs	11.3	15.7	25.2	5.0	5.1	6.1	2.9	2.4	2.2
D	1	1	2	1	1	1	0	0	0
C	3	4	6	2	2	2	1.5	1.5	1.5
B	5	7	11	1	1.5	1.5	1	1	0.5
A	2	3.5	6	1	0.5	1.5	0.5	0	0
COST	0	0	0	0	0	0	0	0	0

*other includes...

**as Ofgem must still maintain an IT system, engage with internal & external stakeholders

*** Business Operations Team conducts manages fraud & compliance, audits, payments

- team size estimated from the size of the accreditation, enquiries and periodic data teams in the model



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Northern Ireland RHI: Revised Cost Projections (11-17% of GB RHI)

Full Operation Costs	2013/14 (FTE)	2014/15 (FTE)	2015/16 (FTE)
RHI Operational Staffing	£515,167 (11.3)	£719,045 (15.7)	£1,200,703 (25.2)
IT business application support costs	£27,000	£27,000	£27,000
IT Infrastructure costs	£23,000	£23,000	£23,000
Internal legal costs	£7,690	£7,998	£8,318
Consultancy (risk assessment)			
CRM Outsourcing Services	£5,500	£5,481	£7,029
Payment Services	£2,255	£2,296	£2,778
Audit Site Inspections	£55,000	£77,000	£99,000
ID & Bank verification checks	£11,746	£20,047	£25,310
Internal Audit	£2,200	£2,200	£2,200
Total	£649,558	£884,067	£1,395,338
Overheads (at 24%)	£155,894	£212,176	£334,881
Total	£805,452	£1,096,243	£1,730,219

* Costs not detailed in
Feasibility Study

* Taken as straight 11% of GBRHI costs



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Northern Ireland RHI: Revised Cost Projections (Assume 3% of GB RHI)

Full Operation Costs	2013/14 (FTE)	2014/15 (FTE)	2015/16 (FTE)
RHI Operational Staffing	£264,783 (5.0)	£277,435 (5.1)	£360,379 (6.1)
IT business application support costs	£27,000	£27,000	£27,000
IT Infrastructure costs	£23,000	£23,000	£23,000
Internal legal costs	£7,690	£7,998	£8,318
Consultancy (risk assessment)			
CRM Outsourcing Services	£1,500	£51,495	£1,917
Payment Services	£615	£6,266	£758
Audit Site Inspections	£15,000	£21,000	£27,000
ID & Bank verification checks	£3,203	£5,467	£6,902
Internal Audit	£600	£600	£600
Total	£343,391	£420,261	£455,874
Overheads (at 24%)	£82,414	£100,862	£109,409
Total	£425,805	£521,123	£565,283

Costs not detailed in
Feasibility Study



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Northern Ireland RHI: Revised Cost Projections (Assume no applications – fixed overheads)

Full Operation Costs	2013/14 (FTE)	2014/15 (FTE)	2015/16 (FTE)
RHI Operational Staffing	£139,730 (2.9)	£127,732 (2.4)	£110,036 (2.2)
IT business application support costs	£27,000	£27,000	£27,000
IT Infrastructure costs	£23,000	£23,000	£23,000
Internal legal costs	£7,690	£7,998	£8,318
Consultancy (risk assessment)			
CRM Outsourcing Services			
Payment Services			
Audit Site Inspections			
ID & Bank verification checks			
Internal Audit			
Total	£197,420	£185,730	£168,354
Overheads (at 24%)	£47,380	£44,575	£40,404
Total	£244,800	£230,305	£208,759

Costs not detailed in
Feasibility Study