

To: Jacqueline Balian[Jacqueline.Balian@ofgem.gov.uk]
From: Peter Rice
Sent: 2013-01-15T12:27:38Z
Importance: Normal
Subject: RE: NIRHI COSTS
Received: 2013-01-15T12:27:00Z

You know I am cheap, I am anyone's for a cup of tea!

P

From: Jacqueline Balian
Sent: 15 January 2013 12:18
To: Peter Rice
Cc: Keith Avis
Subject: RE: NIRHI COSTS

Hi Peter,

I understand your point of view but having some lack of clarity over some areas of the charging policy feels very risky from my point of view. Would you two be able to spare the time to get together to discuss this? I know you have already given your views Peter but I would like to be sure that you have the info you need and that we are all clear at least among ourselves how this is going to be managed. I will send a meeting invite – hope you will feel able to come...

Jacqueline

From: Peter Rice
Sent: Tuesday, January 15, 2013 12:01 PM
To: Jacqueline Balian
Cc: Keith Avis
Subject: RE: NIRHI COSTS

Jacqueline

Sorry to be pain on this but my view is that I would prefer not to have anything documented too formally in relation to our internal processes. This is based on our assumptions until now that the NI costs were likely to be greater than the funding provided. I don't seem to be getting updates on NI like I do for GB but the latest I heard was that there were no applications yet so Matthew's comments to DETI, if they are correct in your e-mail suggest we might have to look at underspending against funding after all!!

For me, everything is too fluid and I am not up to date on what is happening to be comfortable with what you seem to be suggesting. Can you let me know figures for number of applications to date and number on enquiries for NI and a comparison with GB please.

My view is that we should be being smarter in our communication with DETI and not be committing to figures like 3%. I don't understand whether there has been any consideration of what costs are fixed and what at flexible (and what are between the two). Our communications with DETI should take into account some proper analysis in my view and if that has been done it hasn't been shared with me as far as I know.

Thanks

P

From: Jacqueline Balian
Sent: 15 January 2013 11:26
To: Keith Avis; Peter Rice
Cc: Michelle Murdoch
Subject: NIRHI COSTS

Hi Keith and Peter,

We recently discussed how we are going to charge for NIRHI and I am keen to get something down in writing that we are all signed up to. I set out below my understanding of how it is meant to work, but also some questions and risks which may need to go onto the risk register. Keith, I would be very grateful if we could identify and set down in one place all that we have said to DETI about charging ie, I believe we have agreed with them the 3% of overall operational costs figure, but I also understand that Matthew gave them some form of words such that if they did not meet 3% of applications we would reduce the fees. Could you let me know?

How we will charge for NIRHI administration?

2012/13

Development costs – all development costs are to be charged at an amount agreed with DETI. If we actually incur costs greater than this, IT will provide a cost schedule matching the costs agreed with DETI. Any further work will be attributed to GBRHI.

Operational costs – as there has been a good deal of staff resource required to set up operations in this year, 3% of the cost of GBRHI will be charged to DETI for operations in this year.

2013/14

Development costs – these will be costed and agreed with DETI. There will be sufficient contingency to ensure that we cover all developmental costs.

Operational costs – these will be charged at 3% of the overall costs of the RHI unless the number of applications is significantly higher or lower than 3%.

Questions

What if the number of enquiries from NIRHI is out of proportion with the number of applications and represents a significant additional cost or cost reduction from 3%?

What if the number of applications is not exactly 3% (as will almost inevitably be the case)?

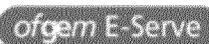
The likeliest outcome in this scenario is that DETI will wish to have a charge closely matching their number of applications. However, it is possible that the work associated with running the DETI scheme (for separate procedures, reviews of guidance, different information provision, different testing, different support costs etc may well be greater than the proportion of applications. In this case, we may need to provide detailed workings of how much NIRHI has really cost, or risk substantial cross-subsidy from DECC. This may not be a problem but there is a risk that DECC would question this. We have decided that to account separately for the NIRHI work would entail cost which would be hard to justify, so how, short of that, can we guard against any risk of being asked to produce information which we do not have?

Further, if DETI diverge from GB at the phase 2 consultation stage, how will we devise and present the costs of this divergence?

Apologies that some of this has been raised before but I would like to get our process established and down on paper so we all know where we are.

Jacqueline Balian

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