

FROM THE PERMANENT SECRETARY
Andrew McCormick



Chris Poulton
Managing Director
Ofgem E-Serve
9 Millbank
London
SW18 3GE

Adelaide House
39-49 Adelaide Street
Belfast BT2 8FD
Tel: 028 90529441
email:
andrew.mccormick@economy-ni.gov.uk

11th July 2016

Dear Chris

NON DOMESTIC RENEWABLE HEAT INCENTIVE

Thank you for your letter of 26 May 2016 setting out the proposed arrangements for the phased review of the non domestic Renewable Heat Incentive, (RHI). I have just seen your letter of 8 July, and I will reply more fully to that as soon as possible – but I can say straight away that I accept that you should have had fuller information about the NIAO Report and for that I apologise. I would like to update you regarding our investigation into the allegations of abuse that have been received.

A Steering Group has now been established within DfE to formalise governance controls over RHI and there have been useful and productive discussions around the second phase of the review, involving site audits.

The NI Audit Office has addressed the RHI issue in its Report qualifying the DETI Resource Accounts for 2015-16. An evidence session at the NI Assembly PAC has been scheduled for 28 September.

You will understand, as outlined in my letter of 9 May 2016, that it is of paramount importance that any investigation provides a robust analysis of the information and fully addresses and concludes on the allegations received. Ofgem colleagues have now advised us that there are constraints around what will be provided in terms of providing an independent view on the potential for recipients to take advantage of the scheme and the extent to which they are taking advantage of the scheme at present; expressing an opinion over the allegations of abuse; and providing an independent view which can be provided to NIAO and PAC as evidence. There is a strong concern here, not only from my perspective as Accounting Officer, but also from the Minister, that it is essential that we can secure a clear assessment of the allegations and an approach to investigation that is proportionate and fit for purpose. I would ask you to note my concern that we have not been able to secure a satisfactory approach through the established arrangements, which is not a point I make lightly. The fact that OFGEM has not been able to commit to a process that would provide the clarity of opinion that I have been seeking as Accounting Officer has had the

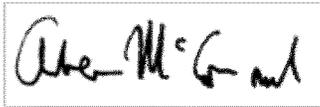
effect of delaying the start of on-site inspections, and while it is still possible that the allegations we received were overstated, it is now increasingly likely that we will face criticism from the PAC here that we have for too long allowed potential abuse to be continued.

In this light, the Steering Group has decided not to proceed with Phase 2 and instead it has been agreed to appoint an independent auditor to carry out a series of detailed site audits. Naturally it will be vital that Ofgem facilitates our appointed agent and provides access to relevant data and, where appropriate, Ofgem staff. I believe that this is covered under the Administration Arrangements between Ofgem and the Department and I would ask Ofgem to give this an absolute priority.

I acknowledge the work that has been carried out on Phase 1 via Deloitte on behalf of Ofgem. My officials will be in touch in relation to finalising the Phase 1 work as soon as possible. This decision about Phase 2 will not impact on the normal 'business as usual arrangements' as per Ofgem's contract as the scheme's administrators.

Please do not hesitate to contact me should you wish to discuss further.

I am copying this letter and our previous exchanges to Clive Maxwell in DECC.

A handwritten signature in black ink, enclosed in a thin black rectangular border. The signature appears to read "Andrew McCormick" in a cursive style.

Yours sincerely

ANDREW McCORMICK
Permanent Secretary

To: 'McEvoy, Colette'[colette.mcevoy@economy-ni.gov.uk]
Cc: 'Clydesdale, Alison'[Alison.Clydesdale@economy-ni.gov.uk]; Chris Poulton[Chris.Poulton@ofgem.gov.uk]; Gareth John[Gareth.John@ofgem.gov.uk]
From: Edmund Ward
Sent: 2016-07-11T07:45:05Z
Importance: Normal
Subject: RE: 9.5.16 Andrew McCormick's letter to Chris Poulton Ofgem re Deloitte RHI review [OFFICIAL]
Received: 2016-07-11T07:45:00Z
[Poulton to McCormick July 2016.pdf](#)

Colette
Please see attached correspondence for Andrew McCormick from Chris Poulton, Managing Director, Ofgem E-Serve, dated 8 July 2016.
I'd be grateful if you could kindly confirm receipt.
Kind regards
Edmund

Dr Edmund Ward

Head of Technical & Compliance, Renewable Heat Incentive
9 Millbank, London SW1P 3GE
Tel: 0845 200 2122 (RHI Team); 0207 901 7168 (Direct)
www.ofgem.gov.uk/rhi

ofgem e-serve

[]