

To: Matthew Harnack[Matthew.Harnack@ofgem.gov.uk]
From: Hutchinson, Peter
Sent: 2011-08-12T13:15:36Z
Importance: Normal
Subject: RE: TRIM: RE: NI RHI - Feasibility Study
Received: 2011-08-12T13:15:39Z

Thanks for the Matthew, will take a look through the proposal and if I have any questions I will give you a call next week.

We have approval from our Minister and Perm Sec to begin this work and now just need approvals from our procurement advisors and finance team re payment, hopefully this will be straightforward and be in place before work is scheduled to begin.

Thanks,
Peter

Peter Hutchinson

Sustainable Energy
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From: Matthew Harnack [mailto:Matthew.Harnack@ofgem.gov.uk]
Sent: 11 August 2011 18:58
To: Hutchinson, Peter
Cc: Robert Hull
Subject: TRIM: RE: NI RHI - Feasibility Study

Hi Peter,

Please find attached our proposal to undertake a feasibility study on the proposal for Ofgem to administer the Renewable Heat Incentive in Northern Ireland. As mentioned, as part of this we are also proposing to undertake a legal and development team review of the related draft regulations.

I will need to get back to you to confirm costs of the GB RHI, though I can recall that it was at least £130,000, and that the cost *excluded* any review of draft regulations. The proposal we are putting forward is therefore significantly lower cost than the GB RHI feasibility study. Please contact me if you have any questions on this.

Regards,

Matthew Harnack

From: Hutchinson, Peter [mailto:Peter.Hutchinson@detini.gov.uk]
Sent: 09 August 2011 15:07
To: Matthew Harnack
Cc: Jonah Anthony
Subject: RE: NI RHI - Feasibility Study

Matthew,

Thanks for this, very helpful.

Have received a query from Senior Management on the cost of the DECC feasibility study – would you be able to provide an indication of what DECC's costs were for this initial piece of work?

Thanks,
Peter

Peter Hutchinson

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From: Matthew Harnack [mailto:Matthew.Harnack@ofgem.gov.uk]

Sent: 08 August 2011 18:08

To: Hutchinson, Peter

Cc: Jonah Anthony

Subject: RE: NI RHI - Feasibility Study

Hi Peter,

I hope the following description is adequate. Let me know if you need more.

Regards,

Matthew

A focused feasibility study will provide a detailed evaluation of preferred options to implement the NIRHI. In doing so we will deliver the following:

- A high level reporting and governance structure between E-Serve and DETI
- Use a cost/benefit analysis to identify the most effective internal options for developing and operating the scheme, focusing on those elements which are different from the GB RHI
- High level process maps showing how the processes will be carried out in practice
- Risk analysis of risks associated with Ofgem E-Serve taking on this role in addition to operating GB RHI - and proposed mitigation
- Identified key workstreams and deliverables for development, and resources (staff, IT, legal, technical support etc) required
- Evaluation of resources required for operations
- Detailed costs for the development and implementation phase
- A full timetable of the scheme delivery

In addition our legal advisors and development staff will also carry out one full review of the draft regulations, and will advise DETI on Ofgem's ability to implement the regulations as drafted, what changes may be needed to enable us to implement them in practice, and what changes we may be able to identify to streamline or improve their implementation.

From: Matthew Harnack

Sent: 08 August 2011 13:59

To: 'Hutchinson, Peter'

Cc: Jonah Anthony

Subject: RE: NI RHI - Feasibility Study

Sure Peter,

Jonah should be able to send 5 or 6 lines through this afternoon. Also, a rough estimate of costs at this stage is £100k.

Regards,

Matthew

From: Hutchinson, Peter [mailto:Peter.Hutchinson@detini.gov.uk]

Sent: 08 August 2011 12:23

To: Matthew Harnack

Cc: Jonah Anthony

Subject: RE: NI RHI - Feasibility Study

Matthew,

Sorry to bother you but just wondered if you would be able to send me through 5/6 lines on the expected deliverables from the feasibility study (analysis of options, cost/benefit assessment, determination of technical/administrative requirements, cost estimates etc) so I can begin work on getting necessary approvals. Only need some short wording that I can expand on for briefing prepared for our Perm Secretary and Minister.

Also, if you are able to give a rough estimate of costs at this stage (80-120k?) that would also be useful.

Many thanks,

Peter

Peter Hutchinson

Sustainable Energy

Department of Enterprise, Trade & Investment

Netherleigh

Received from OFGEM on 22.05.2017

Annotated by RHI Inquiry

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From: Hutchinson, Peter
Sent: 05 August 2011 09:57
To: 'Matthew Harnack'
Cc: Jonah Anthony
Subject: RE: NI RHI - Feasibility Study

Thanks for this Matthew – yes can revisit the upfront cost issue as part of the study.

If you able to send me through the proposals next week that would be great, the earlier the better so we can engage with our Perm Sec and Minister.

Thanks again for your work on this.

Peter

Peter Hutchinson

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From: Matthew Harnack [mailto:Matthew.Harnack@ofgem.gov.uk]
Sent: 04 August 2011 12:35
To: Hutchinson, Peter
Cc: Jonah Anthony
Subject: RE: NI RHI - Feasibility Study

Thanks Peter, that's helpful.

I'm content with almost all that you've proposed. However, we may need to revisit or clarify the treatment of the up front cost of development as I didn't mean to imply that we could split the charge for this to DETI over a number of years (I don't think we can do that), but rather that your accountants might be able to treat the cost as a capital cost and depreciate it in your books over a number of years. The only reason being that it might help spread the costs for you in your books given the potential size of the upfront cost compared to the uptake which starts off small and then grows. But I think we can safely leave the consideration of this until we're doing the feasibility study.

By the way, I've also had a very good discussion with our head lawyer and expect the legal costs for the feasibility study and initial review of draft regulations to come down significantly compared to the figure I indicated yesterday.

Jonah will work on updating our feasibility study proposal tomorrow so that we can discuss it with our MD on Monday/Tuesday next week, so I would hope (touch wood) to get a proposal to you around Wednesday/Thursday next week.

Regards,
Matthew

From: Hutchinson, Peter [mailto:Peter.Hutchinson@detini.gov.uk]
Sent: 04 August 2011 12:03
To: Matthew Harnack
Subject: NI RHI - Feasibility Study

Matthew,

Following on from our conversation yesterday I have spoke to the Director of Energy Division in DETI to get her view on how we should proceed.

We have agreed that the feasibility study should consider the incentivisation of all the technologies listed in consultation barring bioliquids (ASHPs should be considered in the feasibility study). When the study completes it would be useful that in the introduction/pre-ambule that reference is given to bioliquids to demonstrate that following preliminary consideration it was determined that the cost of introducing bioliquids from the beginning of the NI RHI would have been prohibitive and not provided value for money given that modelling suggests no uptake until 2013. A recommendation can be included that bioliquids are introduced in the future, possibly in line

with the GB RHI OFGEM on 22.05.2017

Annotated by RHI Inquiry

In regards to ASHPs, the feasibility study should consider how/if this technologies could be included from the outset. If, following the study, it is determined that the costs of incentivising this technology from the start of the scheme are prohibitive and not vfm then a recommendation can be included similar to the one outlined above for bioliquids.

In terms of the spreading of upfront costs over a number of years it will be dependent on the actual costs. We may have sufficient budget to cover this issue this year, although if costs were higher than anticipated we would be happy to consider spreading these costs over 3-5 years, as suggested. This is something we will need to agree following the feasibility study and once actual costs are known. If the feasibility study could include options for payment (i.e. one off payment will be £ Xk or payments over 3/5 years will be £ Xk per annum) that would be appreciated.

Hope you are content with what I have outlined above. If you require further clarification please give me call or email.

If you are content grateful if you could finalise your proposals for the feasibility study and send through.

Thanks for your help with this.

Peter

Peter Hutchinson

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