

To: Gareth John[Gareth.John@ofgem.gov.uk]; Sajith Sasikumar[Sajith.Sasikumar@ofgem.gov.uk]; Teri Clifton[teri.clifton@ofgem.gov.uk]
Cc: Wayne Reid[Wayne.Reid@ofgem.gov.uk]; Peter Rice[Peter.Rice@ofgem.gov.uk]; Jacqueline Balian[Jacqueline.Balian@ofgem.gov.uk]
From: Paul O'Donovan
Sent: 2014-08-01T16:39:46Z
Importance: Normal
Subject: RE: RHI Administration
Received: 2014-08-01T16:39:48Z

Gareth,
 Following our conversation yesterday, I had a follow up with Sajith.
 We agreed that IT support could be considered core, but were concerned about the relative impact that applying 3% of the development costs could have on the budget. Since then, I spoken with Jacqueline, who has explained that in the absence of this, DETI would be free-riding on the back of changes to the user-interface that benefit both GB & NI applicants. She also thought that Teri's note previously about IT/development costs being subject to prior agreement was in reference to changes brought about through NI-specific legislative changes. On that basis, it does seem more appropriate to allow 3% of the total IT costs to be applied.
 Sajith has said there if you want to go ahead with this, it will require a change to the amount billed to DECC during the first quarter. He can pick this up with you next week.
 Regards
 Paul

From: Gareth John
Sent: 31 July 2014 10:32
To: Sajith Sasikumar; Teri Clifton
Cc: Wayne Reid; Paul O'Donovan; Peter Rice
Subject: RE: RHI Administration

All,
 As per the discussion at the pre month end mtg – it appears that IT was excluded last year to enable the numbers to work. The IT costs (support & dev) are part of the core operating costs and should therefore be levied at 3% both DETI / DECC benefit from this as the IT as a core is used to process both DETI & DECC accounts.
 I've also got a question on legal ? – is this included in the below – we need to ensure that is covered too.
 Sajith – can we

1. please allocate the IT costs as per above
2. Confirm what we charge for legal costs and if Cathyrn's team can provide an actual figure?

Rgds
 Gareth

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From: Sajith Sasikumar
Sent: 31 July 2014 10:24
To: Teri Clifton
Cc: Gareth John; Wayne Reid; Paul O'Donovan; Peter Rice
Subject: RE: RHI Administration

Teri
 Further to the emails below I am providing details of Q1 RHINI costs to be recovered from DETI.

	April	May	Jun	Q1 Total
Staff Costs	5,803	7,921	6,760	20,484

Consultancy	326	1,180	2,350	3,856
Total Pre Overheads	6,129	9,101	9,110	24,340
Overheads	1,254	1,862	1,864	4,980
Total Inc. Overheads	7,383	10,963	10,974	29,320

This is calculated on the same basis as last financial year whereby we have taken 3% of the core operational team staff costs. The staff costs also include 3% of the operational element of any costs generally referred to as "Other", ie Training, Recruitment and T&S etc. In addition to this 3% of the operational consultancy costs have also been charged to the RHINI scheme.

Overheads are calculated at 20.46%.

Let me know if you would like to discuss.

Thanks

Sajith

From: Teri Clifton

Sent: 28 July 2014 16:38

To: Sajith Sasikumar

Cc: Gareth John; Wayne Reid; Paul O'Donovan; Peter Rice

Subject: RE: RHI Administration

Hi Sajith

I spoke to Gareth today following our discussion and he is happy that we charge DETI on the same basis as last year. 3% against ops staff and ops consultancy. Any IT/development costs will be charged separately and we will get agreement between ourselves and DETI before any work starts in this area. There are no plans for any development work specifically for DETI at this stage.

This should alleviate your concerns about back-tracking on DECC figures for April – June.

Please can you advise me of the actual costs for DETI from April – June as I need to advise them so that they can raise the purchase order.

As Gareth mentioned we gave them indicative costs but we will only charge against actuals incurred.

Regards

Teri

From: Gareth John

Sent: 23 July 2014 09:55

To: Teri Clifton

Cc: Peter Rice; Sajith Sasikumar; Wayne Reid; Paul O'Donovan

Subject: RE: RHI Administration

Hi Teri,

After discussion with Peter/Paul – I suggested it would be simpler to apply the 3% against the £6.9m figure rather than allocating against different staff as 99% of staff worked on both GB & NI.

Peter was going to investigate this – although his note below suggest that may be a problem.

The original figure we gave to DETI for budgeting purposes was £264,715 this was based on 3% of a higher view of the budget at the time (£7.116m) + indicative view of overheads (24%)

Next steps:

1. Change Control indicative view @3% : In terms of the change control , if Peter's team is able to confirm that 3% can be applied (however the calc works – e.g. 100/97 * £6.9m = total pot (£7.113m) and difference is £213k + 20% overheads = £257,730?
2. In terms of actual costs – then assuming this is charged on actual costs for apr – jun then I'd assume that this would be done by applying the same methodology (once confirmed) – this will look like a lower run rate – but will pick up as our costs pick up.

Sajith are you able to confirm – the points 1 & 2 above for us? –

Rgds

Gareth

From: Teri Clifton

Sent: 23 July 2014 08:21

To: Gareth John

Subject: FW: RHI Administration

Hi Gareth

I need to go back to DETI this week with the amount we are charging for the first quarter.

I know that you have had a chat with Peter, but I'm not sure where we are with this now.

Received from OFG on 23 July 2014 at 12:05 PM
Annotated by RHI Inquiry

I have let Amy know that we will cover the costs of the audits that they are arranging with Ricardo as that forms part of their annual number of audits.

Can we grab 5 minutes to have a chat about this so I can speak to Peter again about giving me the costs for DETI for the last 3 months.

Thanks

Teri

From: Peter Rice

Sent: 15 July 2014 17:15

To: Teri Clifton

Cc: Sajith Sasikumar; Paul O'Donovan; Gareth John

Subject: FW: RHI Administration

Teri

Thank you for your e-mail, I assume Gareth has talked to you today since much of this was discussed with him this morning.

Last year costs were charged at 3% of Consultancy, 3% of OPERATIONAL staff and an appropriate proportion of 'other' costs. So that excluded all Development staff and all costs from support teams. That is not in line with charging 3% of the total for the GB Scheme which seems to be being suggested by yourself and Gareth. Gareth asked me earlier today if I could change all the models so that DETI is charged at 3% of the costs of running the Non-Domestic RHI schemes. I have been looking into it but it looks like something that cannot be done in that way, I will write back to Gareth when I am sure of the situation.

In relation to the Audits, is that within the figures provided by Tasfin previously? Or is it in addition to the audit consultancy costs provided? Can you please confirm with Tasfin and let me know asap.

I will provide information on how we are tracking when we have cleared up the points in this e-mail because, depending on the outcome, this is going to change the amount we are tracking by.

I understand that you have just asked Sajith whether the £207k figure that you/Gareth agreed included overheads. That, of course, depends on the basis on which you/Gareth agreed those figures, however;

- if you had asked us in advance of your negotiation we would have told you it should have included overheads, but
- if it has been calculated as 3% of the £6,900k charged to DECC (which is an incorrect calculation anyway if you were looking for a 97%/3% split – see below) then it didn't include overheads, but again,
- the RHINI scheme will be expected to contribute overheads at the same rate as other schemes (20.42% I believe).
- If the person agreeing £207k with DETI did not consider overheads then we must assume they are included which leaves just £172k for E-Serve and IM&T spend on the NI scheme. If that is the case then,
- 3% across the board is not appropriate anyway and another resolution needs to be found.

It's disappointing that we were not kept informed of the negotiations as we could have dealt with a lot of these issues at the start. This have prevented a lot of the misunderstanding that has been going on and the additional work this situation is going to require to resolve. Best regards as always

P

p.s. WHY IS THE 3% FIGURE NOT £207k?

If the total costs of the scheme to be split 3% DETI and 97% DECC and we know the DECC figure should come out at £6,900 then the DETI figure should be.

$$£6,900 \times 3\% / 97\% \text{ which equates to } £213.4\text{k}$$

The total cost of both schemes would be £6,900k plus £213k which equals £7,113k

The proportion of the total costs of both schemes attributable to DETI would therefore be 213.4/7113 which equals 3%

The DETI scheme as a proportion of the DECC scheme would be 213.4/6,900 which equals 3.1%

From: Teri Clifton

Sent: 15 July 2014 15:34

To: Sajith Sasikumar

Cc: Peter Rice

Subject: RE: RHI Administration

Hi Sajith

The funding which has been agreed is £207,000. B We originally agreed a higher amount with DETI which was based on 3% of the overall DECC budget at the time we agreed it. Now the DECC budget has been confirmed, we are working with £207,000.

We are happy that we should be charging at 3% in line with last year. I have agreed with DETI that we won't charge for anything outside of the 3% that they are not aware of ahead of the work starting.

I have had a request for 5 audits to be completed at a cost of £6,844, which I am assuming will sit within the 3% overall. Please let me know if you think that this is not covered.

Please can you send me details of what you have been tracking for 2014/15 so that I can see how they are doing against this budget.

Thanks

Teri

From: Sajith Sasikumar

Sent: 14 July 2014 12:51

Received: from [redacted] on 22.05.2017

Annotated by RHI Inquiry

To: Teri Clifton
Cc: Peter Rice
Subject: FW: RHI Administration

Teri
I have received the email below. Although I am not quite sure how to respond to this as I am uncertain about what has been agreed with DETI in terms of funding and how this figure was arrived at.
In the absence of any clear instructions surrounding the cost for 14/15 we have been calculating costs consistent to last year ie 3% of operational staff and consultancy costs only.
Please can you let us know where we are with this before we can be in a position to give them any numbers.
Regards
Sajith

From: McCay, Davina [<mailto:Davina.McCay@detini.gov.uk>]
Sent: 10 July 2014 11:01
To: Sajith Sasikumar
Cc: Thompson, Sandra
Subject: FW: RHI Administration

Sajith
I have taken your email address from previous correspondence with DETI re administration costs of the Northern Ireland RHI.
As you will see from emails below to Teri Clifton, we have been trying to establish the invoice total for quarter ending June 2014 so that we can raise a purchase order. I understand that Teri is on leave at the moment and wondered if you would be able to provide us with this figure?
Many thanks
Davina

Davina McCay

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Please consider the environment - do you really need to print this e-mail?

From: McCay, Davina
Sent: 01 July 2014 10:51
To: 'teri.clifton@ofgem.gov.uk'
Cc: Thompson, Sandra
Subject: FW: RHI Administration

Teri
As per my email of late last week, we really need to get sight of the admin costs for quarter ending June 2014 so that we can raise a purchase order in advance of your invoice arriving.
I'd be grateful if you could come back to me with this as soon as possible.
Regards
Davina

Davina McCay

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From: McCay, Davina
Sent: 27 June 2014 13:38
To: 'teri.clifton@ofgem.gov.uk'
Cc: Thompson, Sandra
Subject: RHI Administration

Teri
I'd be grateful if you could confirm the amount for RHI admin for June so we can raise a purchase order.
Many thanks

Davina

Davina McCay

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