

**ofgem e-serve**Making a positive difference  
for energy consumers*Promoting choice and value for all gas and electricity customers*

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Date: 16 February 2016

Dear John,

**ADMINISTRATIVE ARRANGEMENTS FOR THE NON-DOMESTIC RENEWABLE HEAT INCENTIVE SCHEME (RHI)**

Further to our telephone conversation earlier today, I am grateful to you and your colleagues for keeping us updated with your plans to amend the Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012 (as amended) and, following that amendment, to enact a suspension to the scheme for new applications from 23:59 on the 29<sup>th</sup> February.

In line with paragraph 5 of our joint administrative arrangements, I am writing to set out our understanding of the impact of these changes on our administration. Under the terms of those arrangements, should we agree that we have a common understanding of the points below, and given the short timescale before new amending Regulations take effect, our understanding is that the existing arrangements may be maintained.

**Administrative costs**

We would not, at this stage, expect any changes to our agreed administrative costs for 2015/16 associated with ongoing scheme administration, beyond the separate Change Request for £48k upon which our teams have been in discussion and which we expect to sign a formal change request for in coming days. Conscious of the impact of currently proposed regulation changes and our understanding of the intent regarding audits, we will need to manage changes to our operational processes and additional enquiries from participants and applicants as a result of the regulatory changes. There remains a possibility of further specific cost drivers, including a further spike in applications prior to any scheme suspension, and/or an increased audit cost to be borne by Ofgem as part of an agreed revised approach to audits. We would expect to agree a separate change request should expenditure on either of those two areas be raised.

Similarly, our current best view of the indicative budget requirements for 2016/17 remains unchanged. Whilst applications may be less than originally planned, the significant increase in applications previously unplanned for in September to November 2015 mean that the level of work is expected to remain the same.

However, any significant increase in application volumes over the next few weeks may require additional funding.

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### Effecting the suspension

We will process all applications received by 23:59 on 29 February, which are properly made and in line with the regulations. For this purpose, "properly made" means that Schedule 1 requirements have been satisfied and the required evidence is with Ofgem. Based on our current systems and processes, Bank and Identification information is received by post and not automated, so we would not consider that these would need to be with Ofgem at the suspension date, but that they would follow in due course. This is in line with current practice.

We will not process any applications received after this time and/or which are not properly made. It is possible that this will lead to an increase in complaints and challenges. It would be helpful to discuss how some of our current practices in relation to the assessment of applications for accreditation will be affected by the changed environment that the notice will result in.

Installations granted or who have applied for preliminary accreditation will be eligible to apply for full accreditation beyond the 29<sup>th</sup> February. If the Department wished to impose a cut-off date (e.g. 24 months) this may require a further regulation change or potentially, and at DETI's discretion, a change to the arrangements to clarify that this would be an area or function for which decisions would be retained by DETI. Similarly, we will not accept any applications for additional capacity after 23:59 on 29<sup>th</sup> February 2016. We do not propose to make any changes to our current approach in relation to relocations and change of ownership.

### Audit and Compliance

We will continue to act in line with the existing arrangements and in line with the regulations. Any changes (including for example our approach to heat uses) would need additional changes to the regulations. Additional options to progress audits will be progressed via separate correspondence, and I note Stuart Wightman's email of 16/02/2016 in this regard and to which my team will be responding separately.

### Reviews and Disputes

Again, we propose to continue with the current arrangements to manage reviews and disputes and we recognise that volumes could increase in response to the changes to the scheme. Any costs relating to wider legal challenges would require additional administrative funding.

### Consequential amendments to the arrangements

The joint administrative arrangements between us will, going forwards, be agreed as having the following amendments made to them to accommodate the coming into force of the amending regulations. The description of amending regulations in paragraph 1.2, and the definition of "the Regulations", will be regarded as including the 2016 amending regulations mentioned above. Further, the "Retained Functions" will be regarded as including the issue of a notice under regulation 23A.

I hope that what is said above is clear and of assistance, and I look forward to receiving confirmation from you and your colleagues that it reflects our joint understanding with regard to the ongoing operation of the joint administrative arrangements.

Yours sincerely



Chris Poulton  
Managing Director, E-serve

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