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[NI Report 2013-15.docx](#)

Hi Edmund / Teri

Please find attached an report on audit findings for NI Installations scheme to date. I asked Angie to write this partly for development but also it is the first time we have stepped back and looked at NI audit results as a whole. I've attached it for your interest.

The headlines are:

- 16 NI post accreditation audits have been completed scheme to date.
- The material non-compliance rate is 50% (overall non-compliance rate of 56%).
- Our targeting has been largely effective- sites have been selected on the basis of Operational teams recommendations, so we intend to continue with this approach in 2015/16
- Five types of non-compliance have been found at audit (3 of which are material).
- The two most frequently occurring non-compliance's are Lack of fuel records (9 occurrences) and Heat losses not being properly accounted for (6 occurrences).
- One site was identified as not being eligible as they were drying wood chip in a not wholly enclosed building.
- This report doesn't include financial impact (i.e. the cost of NC vs payments made) but it demonstrates estimated lifetime savings of around £13k (bear in mind this doesn't include the 'Not wholly enclosed/ineligible commercial drying' non-compliance as this potential error is in review, so in reality the estimated savings are likely to be more).
- We intend to select 6 sites for audit this FY- Shaneigh has sent an email to Chioma to ask for suggestions.

Teri- Edmund mentioned it might be good to give an overview of this at your next DETI meeting, happy to do so if you agree.

Well done Angie!

Regards

Amy



Briefing

Non-Compliance Report for Northern Ireland NDRHI Audits Scheme To Date (April 2013 – March 2015)

This paper provides a summary of the audit findings for Northern Ireland NDRHI audits carried out scheme to date (April 2013 – July 2015).	From To Date	Angelique Welsh Amy Powell-Tuck 13/08/2015
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Contents

1. Summary.....	1
2. Results for Post-Accreditation NI Audits.....	1
3. Results for Pre-Accreditation NI Audit.....	2
4. Site Selection.....	3
5. Non-Compliances by Occurrence.....	4
6. Observations.....	5
7. NI Audits for 2015/16.....	8

1. Summary

- 1.1. Seventeen audits have been completed scheme to date (April 2013 to March 2015) on NDRHI installations based in Northern Ireland (NI). The number of NI audits per year is around 3% of GB audits. NI sites are targeted on the basis of referrals from NDRHI teams.
- 1.2. Of these 17 audits, 5 were completed in 2013/14 and 12 in 2014/15 (including 1 pre-accreditation audit). The audits carried out in 2013/14 saw no non-compliances. The audits carried out in 2014/15 saw 9 out of the 11 post-accreditation audits having non-compliances, 8 of which had material non-compliances.
- 1.3. The material non-compliance rate for post-accreditation audits is 50% (overall non-compliance rate of 56%).
- 1.4. The 1 pre-accreditation audit carried out in 2014/15 was found to have a material non-compliance. The material non-compliance rate for pre-accreditation audits is therefore 100% but this is based on only one audit so should not be considered representative.

2. Results for Post-Accreditation NI Audits

- 2.1. Nine installations (out of a total of 16) were found to be non-compliant. Of these, 8 installations were found to have material non-compliances. This results in a 50% material non-compliance rate (56% overall non-compliance rate).
- 2.2. Figure 1 shows the breakdown of the Post-Accreditation NI sites audited between 2013 and March 2015 by Assurance Rating along with the estimated lifetime savings.

Protect, Management

Assurance Rating	Audits Finalised	Percentage %	Estimated Lifetime Savings
Good	3	19	£0.00
Satisfactory	5	31	£0.00
Weak	7	44	£13,203.16
Unsatisfactory	1	6	£0.00*
Total	16	100	£13,203.16

Figure 1: Breakdown of Post-Accreditation Audit Results by Assurance Rating.

*Please note this does not include the results of one non-compliance where the potential error is in review. This installation was found to be ineligible according to the NI Regulations as they were drying wood chip in a barn with an open front (commercial drying outside is ineligible under the NI Regulations) and therefore the percentage impact is *likely* to be 100%, however it has not been reviewed by the Compliance Team yet.)

2.3. Figure 2 shows the non-compliance rate for post-accreditation NI sites as well as the non-compliance rate by material impact. Due to the fact that no audits in 2013/14 were found to be non-compliant, the material impact graph is technically only for the 2014/15 sites, but it also corresponds to the total post-accreditation material impact non-compliance rate. This graph shows the non-compliance rate by material impact per installation that was found to be non-compliant.

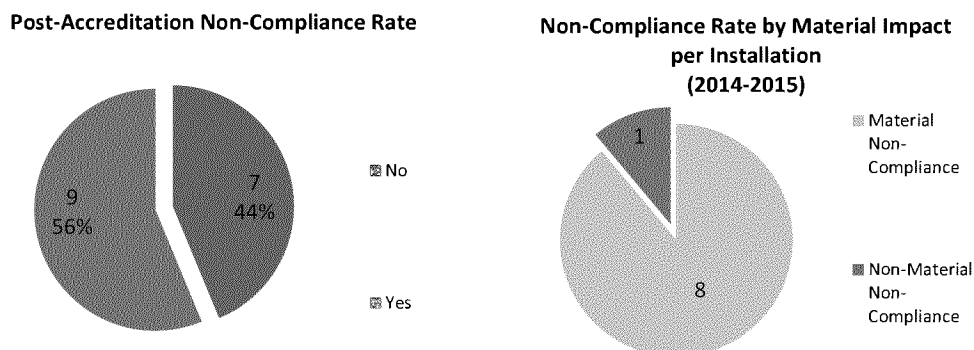


Figure 2: Non-Compliance rate for all Post-Accreditation NI sites and Material Non-Compliance rate of NI sites per installation audited in 2013/15 (Yes = Non-compliant)

3. Results for Pre-Accreditation NI Audit

- 3.1. There was one pre-accreditation audit completed in 2014/15. This site was suggested by OPS. It had an assurance rating of 'weak' and identified 2 non-compliances (lack of fuel records and external pipework not declared) which means that it has a material impact of 1% and a maximum potential loss of £1,793.93. This site also identified the most observations out of all the NI sites audited so far, with 5 observations. Of these 5 observations, 3 were For Action and 1 was For Information and Best Practice each.
- 3.2. This site was selected for a pre-accreditation audit on the basis of operational team recommendations.

4. Site Selection

- 4.1. The following table ([Figure 3](#)) shows the reason for site selection along with the amount of times that reason was used, and the corresponding amount of non-compliances and observations found for all NI sites audited so far (the pre-accreditation was selected by the operations team).
- 4.2. [Figures 3 and 4](#) show that the most effective way of finding the non-compliant sites seems to be by those that are suggested from Compliance, OPS or PDS. The 'Highest payment to date' and 'Random' selected sites have proven to be the least effective way of finding non-compliant sites.

Reason for Selection	Number of audits	Non-Compliances	Observations
Highest payments to date	1	0	0
Random	2	0	0
Suggested by Compliance	2	4	8
Suggested by OPS	8	7	19
Suggested by PDS	4	9	1

Figure 3: Table showing the Reason for Site Selection and the corresponding amount of Non-Compliances and Observations for all NI sites

- 4.3. The 4 sites suggested by PDS were all for the same organisation and on the same site, and therefore the non-compliances found at those sites were similar. 3 of these sites were 'weak' and one was 'unsatisfactory'
- 4.4. The 7 sites suggested by OPS were for a number of reasons- to confirm total installed capacity, to confirm that the biomass and fossil fuel plants cannot operate simultaneously, to verify the heat loss calculations and building requirements, confirm the presence of multiple boilers on site and the removal of another RHI installation, to confirm the change of company name and to confirm that the different RHI installations on site were not hydraulically connected. 5 of these sites were 'satisfactory' and 2 were 'weak'. (3 sites were for the same organisation and on the same site- the pre-accreditation site is one of these as well but its non-compliances are not included in [Figure 4](#)).
- 4.5. The 2 sites suggested by compliance were for the same organisation and were targeted due to meter reading ambiguity. Both of them had an assurance rating of 'weak'.
- 4.6. It is clear that the most effective way of targeting non-compliance is by using recommendations from NDRHI teams, as such this is how we will target NI sites in 2015/16.

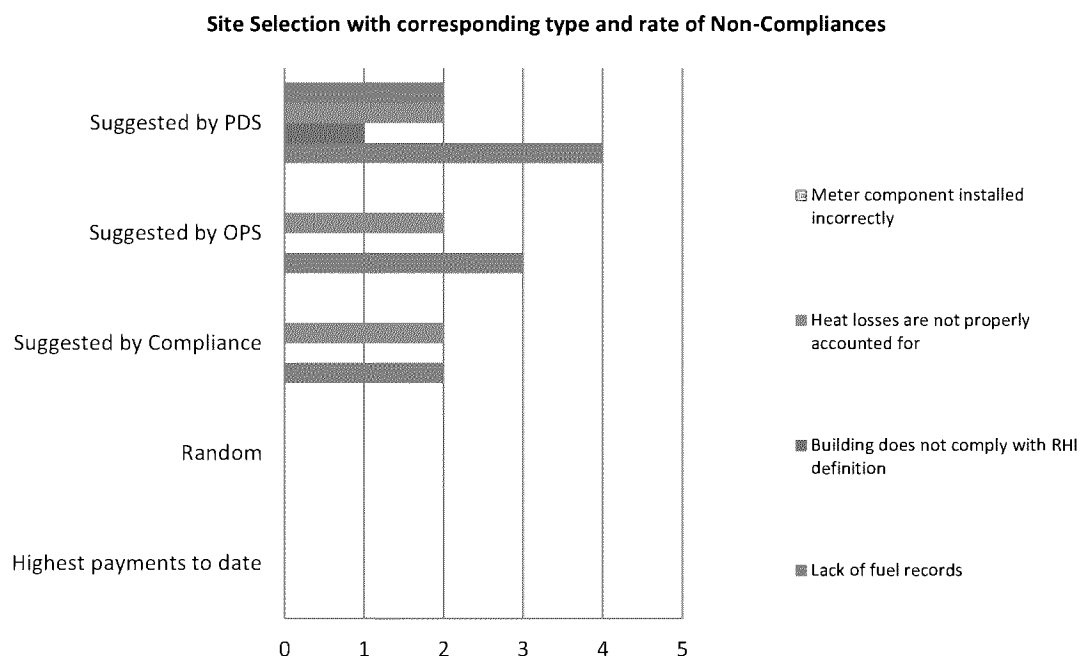


Figure 4: Frequency of non-compliances for all Post-Accreditation NI sites based on corresponding reason for selection

5. Non-Compliances by Occurrence

5.1. [Figure 5](#) shows the breakdown of the types of non-compliances identified in the 9 post-accreditation sites. All of the non-compliances were found in 2014/15, but the figures have been referenced to 'all Post-Accreditation NI Sites Audited' as it remains true.

Summary of Non-Compliances Identified	
Lack of fuel records	9
Building does not comply with RHI definition	1
Heat losses are not properly accounted for	6
Meter component installed incorrectly	2
Total	18

Figure 5: Types of non-compliance identified in all Post-Accreditation NI Audits carried out between 2013 and 2015

5.2. [Figure 6](#) shows the types of non-compliances found for both pre- and Post-Accreditation NI sites, as well as whether the type of non-compliance has a material

impact or not.

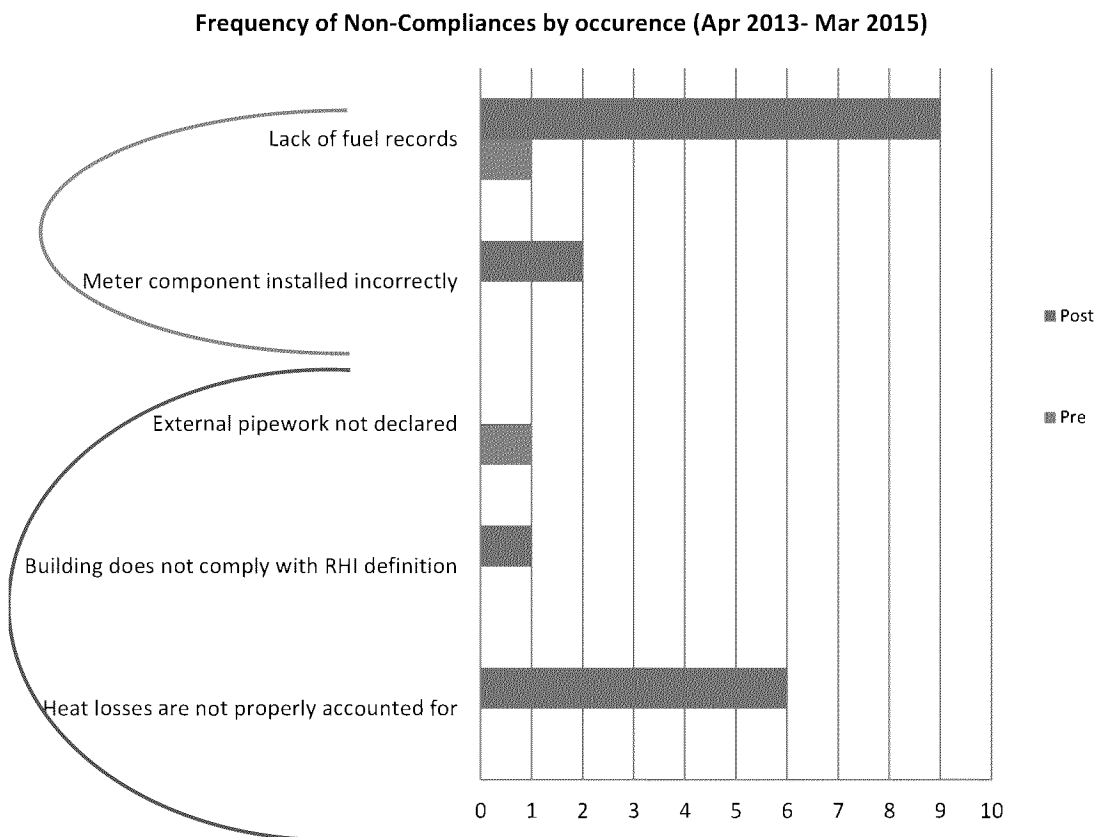


Figure 6: Types of non-compliance identified in all Post-Accreditation NI Audits carried out between 2013 and 2015 (Green banding = material, red banding = non-material).

5.3. Five different types of non-compliances were identified scheme to date, the most common being 'lack of fuel records' (nine occurrences), followed by 'Heat losses are not properly accounted for' (6 occurrences).

5.4. As mentioned above, one site was found to be ineligible according to the NI Regulations as they were drying wood chip in a barn with an open front (commercial drying outside is ineligible under the NI Regulations). The non-compliance for this site has been logged as 'Building does not comply with RHI definition.' The non-compliance case for this site has yet to be opened and so the material impact has not been established yet however we expect it to be 100% given that commercial drying is not eligible under the NI RHI Regulations.

5.5. It is evident from [Figure 6](#) that the 60% of the non-compliances found did not have a material impact and 40% did.

6. Observations

6.1. In addition to recording non-compliances, the external contractor, Ricardo-AEA also reports observations to us. Observations are minor issues which do not affect the eligibility of the installation or contravene ongoing obligations.

6.2. The observations raised refer to the issues that have been identified on site that do not constitute a non-compliance, which means that there is no regulation that the

participant is not adhering to, and there is no monetary impact to Ofgem and the RHI Scheme. These refer to minor issues that relate to the information that the participant has provided to Ofgem in their application, or minor inconsistencies with calculations or the schematic that has been provided to Ofgem. There are also some that relate to the maintenance of the installations and tips for the participant to better adhere to the ongoing obligations that they have for the RHI scheme.

6.3. The following figures relate to observations only, no inference between the rate of observations and non-compliances have been applied.

6.4. Figure 7 shows that 62% of the sites audited had observations recorded. 6 installations had no observations recorded.

Installations with observations recorded at audit

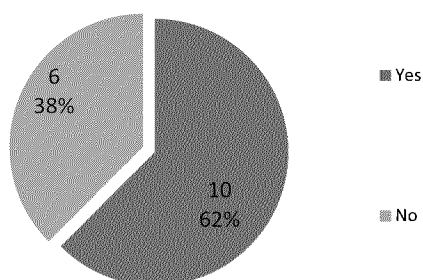


Figure 7: Installations with observations recorded at audit (Post accreditation sites only).

6.5. For all 16 post-accreditation sites audited between 2013 and 2015, 23 observations were raised. There were 2 from 2013/14 and 21 from 2014/15. Figure 8 shows the number of observations identified for all post-accreditation NI sites.

	2013/14	2014/15	Total
Sites with Observations	2	8	10
Sites with No Observations	3	3	6
Total Individual Observations	2	21	23

Figure 8: Rate of Observations for all Post-Accreditation NI sites between 2013 and 2015.

6.6. In 2013/14, the average number of observations was one. In 2014/15, each site had between 0 and 4 observations. This is shown in Figure 9.

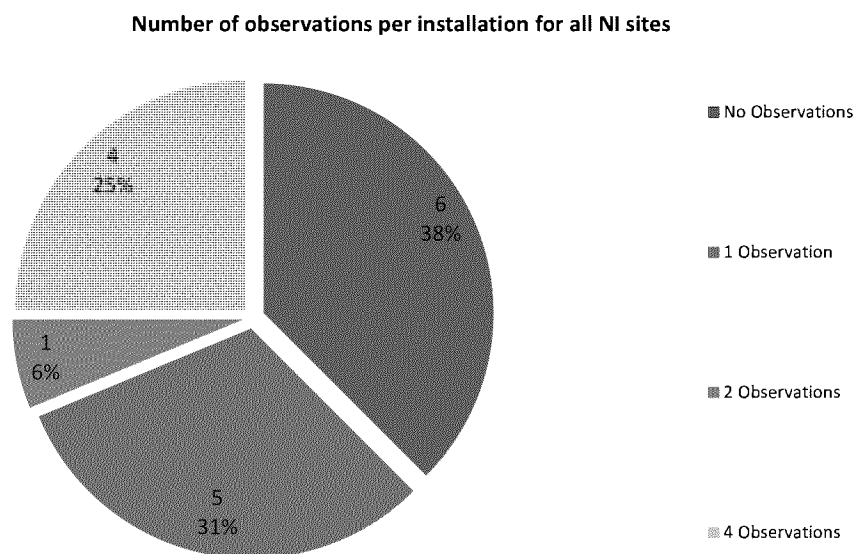


Figure 9: Number of observations per installation for all NI post-accreditation sites between 2013 and 2015.

- 6.7. This financial year, we have adopted a new approach to recording and monitoring the observations that are raised at audit. This means that we have categorised them into three broad categories depending on the action that the participant needs to take. These are: For Action, For Information and Best Practice. [Figure 10](#) shows the occurrences of these categories for all NI sites audited.
- 6.8. For Action- the participant either has to provide information to Ofgem or update their application. These observations relate to the application more often than not, where minor errors were found on their application to what was on site (serial number inconsistencies, minor schematic errors, heating purpose of the installation, minor errors in the HLC, etc.).
- 6.9. For Information- this is mainly for Ofgem's information, the participant does not need to provide anything or amend anything. These observations have no effect on the overall scheme (errors in the commissioning certificate, minor PDS errors that Ofgem was already aware of, where the participant has told the auditor that they plan on changing the installation in the future, how the participant records their meter readings, notes from the auditor explaining to Ofgem why a certain issue that Ofgem may have had with the installation is actually not an issue because of the metering arrangement, etc.).
- 6.10. Best Practice- this has to do with maintenance for the heat meters or for the participant to start taking meter readings to assist in error checking. This also has no effect on the overall scheme, but would be helpful for the participant to ensure that fewer errors could occur and therefore less contact between the participant and Ofgem (the participant is not aware of the maintenance requirements for heat meters, informing the participant that they should take meter readings to assist in error checking, etc.).
- 6.11. For the observations that were found for all post-accreditation NI sites, the following table shows the occurrence rate based on the categories:

Observation Category	Occurrence
Best Practice	9
For Action	7
For Information	7

Figure 10: Number of observations by category for all post-accreditation NI sites.

7. NI Audits for 2015/16

7.1. Six NI audits (3% of 200 GB audits) will be carried out in 2015/16. These sites will be selected on that basis of team recommendations.