

Meeting Notes

NI NDRHI Joint Review – Site audit strategy workshop

20 May 2016

Attendees: Tahlee Fong (Deloitte); Mahmoud Abu-ebid, Anna-Liisa Kaar (Ricardo E&E); Shaneigh Turner, Mark George, Edmund Ward (Ofgem E-Serve, NDRHI)

1. Context, specific referrals/findings to date (EW)

- We discussed context including referrals and whistle blower allegations, and discussed headline findings to date as part of the Department for Economy (DFE)/E-Serve Joint Review
- We noted a number of distinctions between policy and administration areas, and clarified that the evidence derived from any audit programme might be relevant to both areas

2. Population available for audit (MG/ST)

2.1. Number of sites by technology and size

- c. 2,129 applicants/participants, of which 1414 approved/704 being processed/11 cancelled or rejected
- Technology split: 2,103 biomass, 19 GSHP, 1 WSHP, 6 solar

2.2. Pre/post approval split

- See 3.2 below

2.3. Any sites already flagged for audit

- See 3.2 below

3. Risk factors and site selection (All)

3.1. Number of sites

- We agreed to utilise a monetary unit sampling (MUS) approach to generate a statistical sample of audits
- We agreed that in addition, it would be appropriate to add targeted sites based on risk factors (see 3.2) to ensure the sample could also address specific concerns as defined in the scope of the review

3.2. Stratification of sites

- The following factors were identified as needing to be appropriately represented across the combined (statistical + targeted) audit sample

Factor	Minimum representation in Phase 2 audit sample	Comments/Rationale
Statistical sample	Sufficient to draw conclusions on overall population	To be proposed using Monetary Unit Sampling as per NDRHI approach developed previously by Grant Thornton
Multiple installations on one site	Audits of at least 5 sites having multiple installations present	To address experience where some practices (e.g. related to boiler sizing/system separation) may be prevalent
High operating hours/high load factor [>85% load factor]	Some sites operating at high loads	To address potential concerns around high usage patterns/artificially high load factors
Capacity close to tariff band boundary	Some sites close to tariff band boundary	To address concerns regarding boiler over/under-sizing
Technology and tariff bands	Some installations in each technology and each tariff band	To ensure the final report can comment on all technologies and is not restricted to certain scales

Referrals	As per assessment of referrals from E-Serve operations teams and to include referrals from whistle blower or suspected fraud allegations where there are specific installations indicated	To address concerns and align with overall review scope
Fuel records	[This is a requirement for all biomass sites]	As this has been a frequent non-compliance identified in audits to date
Heat loss assessments	Some installations likely to be utilising a heat loss assessment/calculation	As this has been a frequent non-compliance identified in audits to date
Heat use/industry sector	Some representation across key industry sectors	To address concerns and align with overall review scope
Prior to approval or post application approval ('pre-accreditation'/'post-accreditation' audits)	A mixture of pre- and post-accreditation audits	We agreed that the other factors should lead any sample, and that we would expect and tolerate a mixture of pre/post-accreditation audits

4. Site audit approach (R- E&E)

- 4.1. Level of checks required to address risk factors
 - Having discussed a number of individual areas, we noted that NI-specific templates would be required for heatpump and solar thermal audits, but that no additional checks would be warranted based on the agreed scope
- 4.2. High-level programme/approach
 - We agreed that: (i) to maximise the possibility for actions arising from any audits conducted/compliance areas found; and (ii) to ensure consistency and approach with previous, current and future years' audit programmes; the same approach to site inspection, report generation and sign-off would be employed
 - We noted that based on the projected time to deliver a full programme of audits, it might be necessary to consider delivering in multiple tranches, with interim reporting being provided – but that the initial approach should be to generate a proposal based on required scope, assuming a single tranche of audits and a single overall report summarising outcomes
- 4.3. Approach to contract
 - We confirmed that we would plan on a contract variation, under the terms of the 2016/17 framework contract, to reflect this audit project
 - An impact of this would be that our forecast number of Northern Ireland site audits under the existing NDRHI framework will be reduced to zero (but with a possibility that we would seek some increase)
 - We agreed that to maximise delivery and value for money, some appropriate re-scheduling across GB/NI NDRHI site audits by Ricardo would be acceptable provided that the milestone of completing GB statistical audits by September was not deferred by more than 2 months

5. Reporting approach (All)

- 5.1. Outcomes of individual audits
 - As noted above, individual audits would be reported on separately
 - We noted the opportunity to realise some efficiencies in the report template/questions asked
 - Anna-Liisa/Shaneigh will share current proposals for template changes that could be implemented for this project, while noting that this will need to be consistent with any wider

package of changes that may be effected on a slower timescale relating to all NI (and potentially GB) NDRHI audits

- 5.2. Summary report on all audits
 - This would be provided by Ricardo, and would be expected to follow a similar scale/scope/format as the current lessons learned reports
 - In addition, Ricardo would summarise outcomes of each individual audit in a spreadsheet to facilitate further interrogation/statistics/findings to be considered
- 5.3. Relationship with Deloitte overall report
 - Deloitte would summarise the findings from the Ricardo site audit report and the Deloitte Phase 1 report into an overall Review report, with a scope to be agreed by E-Serve in discussion with DFE
 - Deloitte and Ricardo would need to provide for suitable contractual agreements to facilitate the report writing and sharing process
- 6. Next steps (All)**
- 6.1. Programme and scope for Ricardo Audits
 - Ricardo to provide summary proposal setting out costs/timings
- 6.2. Draft phase 2 scope for Deloitte review
 - Deloitte to consider approach to consolidation into an overall Review report
- 7. AOB
 - Ricardo offered the opportunity for possible attendance of a DFE attendee at one/several of the site audits in Northern Ireland

Results of sample selection exercise:

- Based on the agreed approach, the following is our proposed split of audits. This results in **72** audits to incorporate both statistical and targeted audits
- We acknowledge this may be adjusted slightly in light of any emerging evidence or as we discuss factors/spread/resources with DFE, but please use this to baseline site audit proposal.
- This selection covers all technologies and a mix of pre/post-accredited sites.
- There are 9 installations suggested by E-Serve operations teams, spread across 5 sites covering off the multiple installations category.
- This also covers a mix of small/medium/large biomass bands.

Statistical selection

33 post-accreditation installations

17 pre-accreditation installations

Tech type	Capacity (kW)	Number Selected
Solid Biomass Boiler	32	2
Solid Biomass Boiler	48	1
Solid Biomass Boiler	49	1
Solid Biomass Boiler	60	1
Ground source heat pump	84	1
Solid Biomass Boiler	90	1
Solid Biomass Boiler	95	2

Solid Biomass Boiler	99	33
Solid Biomass Boiler	199	7
Solid Biomass Boiler	560	1

Targeted**19 post-accreditation installations****3 pre-accreditation installations**

Targeted type	Tech type	Capacity (kW)
Suggested by ops	Biomass	56
Suggested by ops	Biomass	99
Suggested by ops	Biomass	99
Suggested by ops	Biomass	99
Suggested by ops	Biomass	99
Suggested by ops	Biomass	99
Suggested by ops	Biomass	99
Suggested by ops	Biomass	99
Suggested by ops	Biomass	99
Special referral	Biomass	32
Special referral	Biomass	99
Technology type	WSHP	17
Technology type	Solar Thermal	35
Technology type	Solar Thermal	5
Technology type	GSHP	71
Technology type	GSHP	16
Technology type	GSHP	11
Large capacity	Biomass	999
Large capacity	Biomass	990
Large capacity	Biomass	630
Large capacity	Biomass	580
Large capacity	Biomass	580