

answer is no but I just want to be sure. Also, what is the acronym IRMA short for?

Thanks, Stuart

From: Edmund Ward [<mailto:Edmund.Ward@ofgem.gov.uk>]

Sent: 16 November 2015 16:00

To: Teri Clifton; Wightman, Stuart

Cc: Willis, Adele; Katy Read

Subject: RE: Audit Activity - NI RHI Scheme

Stuart

Further to Teri's response, I hope the below may be of further help – we're happy to elaborate on any areas, but conscious of your deadline I've attempted to give an overview that might be most immediately useful.

Kind regards

Edmund

General summary of NI audit programme:

- 6 NI sites will receive a site audit in 2015/16, selected on a risk basis
- In terms of approach, we do develop our procedures/controls etc on the basis of all relevant information – so, for example, this does also take account of the issues identified on GB (for which, for reference, we are conducting c. 200 audits this FY)

The headline findings from the NI audits conducted over the period Apr 2013- Mar 2015 were:

- 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 risk factors identified at the accreditation stage; 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.

Answers to specific questions (as per overall scheme experience, given controls are similar across GB and NI):

- A new installation has an eligible heat requirement and isn't simply heating an empty building i.e. how do we know the building is being used. Has an accreditation ever been refused over the eligibility of the heat use?

In general, applications have been refused where we have had evidence that eligibility would not be complied with. Specifically regarding empty buildings – we have a range of up-front checks in place including requesting photos, IRMAs, and requesting a questionnaire where heat uses are not obviously in line with the non-single-domestic requirement, to be sure heat meets a genuine load. That said, it would be open to applicants to fabricate this, but this would be at the risk of penalties including revocation and recouping of payments – and referral to appropriate authorities where fraud was suspected.

- An existing installation isn't being run excessively to claim increased RHI payments i.e. Do Ofgem question large heat users and ask for justification why heat consumption has increased? Has Ofgem ever terminated an accreditation because of 'gaming'?

Yes, we do question large heat users and a number of our automated and escalated checks of periodic data submissions/quarterly payments relate to patterns regarding heat generation and/or use. That said, no, we have not terminated (revoked) an installation specifically on the grounds that, for example, the heat load post-RHI has been greater than pre-RHI. This is a complex area and needs to be considered carefully on a case by case basis, but in brief, there are a number of scenarios under which an increase in heat load may be justified under the scheme rules – for example, such as changes in heat uses, change in building purpose, new buildings being constructed on site, removal of legacy heat sources etc). We treat each case on its merits, and so the fact that we have not revoked a case to date does not mean that we could not do so in the future – but it's important for DETI to understand the difference between 'gaming' and 'non-compliance'.

We'd be happy to follow up by sharing the template approach followed by our auditors in conducting site audits, if that would be of value, as this most tightly defines the scope of the audits and acts as the terms of reference regarding what they check. However, I'm conscious this may be at a level of detail beyond that which you are interested in/need at this stage?

From: Teri Clifton

Sent: 16 November 2015 15:52

To: Wightman, Stuart

Cc: Willis, Adele; Edmund Ward

Subject: RE: Audit Activity - NI RHI Scheme

Importance: High

Hi Stuart

Edmund will be in contact with you about this as he leads the audit & compliance team for us here. I've also copied Katy in as she has worked closely with DECC colleagues on 'gaming' and our ability or not to prove it as she mentioned at our last catch up.

Received from OFGEM on 25.05.2017

Annotated by RHI Inquiry

We have a rigorous process at the start of the process to prove eligibility at outset. We also ask for expected heat use. From that we monitor usage through their PD submissions and identify if there is extreme high generation. From this we contact the participant to better understand why this might be the case. If we have further concerns, controls are in place to refer to compliance for further investigation.

I hope that helps give some reassurance. We are currently completing very basic eligibility checks on the new cases that have been submitted to determine whether we have what we need to start the review.

Regards

Teri

From: Wightman, Stuart [mailto:Stuart.Wightman@detini.gov.uk]

Sent: 16 November 2015 15:20

To: Teri Clifton

Cc: Willis, Adele; Edmund Ward

Subject: FW: Audit Activity - NI RHI Scheme

Teri

Further to my query below, I've just spoken to my Finance colleagues who have confirmed that they are particularly interested in what checks are carried out to ensure that:

- (i) A new installation has an eligible heat requirement and isn't simply heating an empty building i.e. how do we know the building is being used. Has an accreditation ever been refused over the eligibility of the heat use?
- (ii) An existing installation isn't being run excessively to claim increased RHI payments i.e. Do Ofgem question large heat users and ask for justification why heat consumption has increased? Has Ofgem ever terminated an accreditation because of 'gaming'?

I need a brief explanation on the 2 queries above. I apologise for landing this with you. Due to the large increase in applications and associated NI expenditure, finance officials are interested in the controls we currently have in place.

Stuart

From: Wightman, Stuart

Sent: 16 November 2015 13:29

To: 'Teri Clifton'

Cc: Hughes, Seamus; Willis, Adele; 'Edmund Ward'

Subject: Audit Activity - NI RHI Scheme

Teri

Would it be possible to please have a copy of the TOR for the Ricardo AEA Audit work? Is there any chance I could have something this afternoon? In light of the recent surge in applications, we're **urgently** being asked by our Finance colleagues what checks are being done.

The Annex in the Admin Agreement states that **Ofgem will communicate with DETI regarding the Terms of Reference for the audit activity undertaken by Deloitte/AEA, and endeavour to ensure that any DETI concerns regarding the NI RHI are adequately addressed. Upon completion of the audits, Ofgem will share the outcomes where they relate to the NI RHI.**

Effectively we're being asked what frequency of audit inspection has been agreed. I therefore want to go back providing assurance that the eligibility requirements (MCS accredited installer, photographed Serial No, Meter Reading, etc) reduce fraud risk and that Ofgem (through Ricardo) carry out a sample of site checks based on

I will also refer to my recent letter requesting increases audits for NI.

Happy to discuss.

Thx, Stuart

Stuart Wightman

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