

To: 'McCutcheon, Joanne'[Joanne.McCutcheon@detini.gov.uk]
Cc: Simon King[Simon.King@ofgem.gov.uk]; Karen Wood[Karen.Wood@ofgem.gov.uk]
From: Matthew Harnack
Sent: 2013-08-19T14:03:09Z
Importance: Normal
Subject: RE: NI RHI Phase 2 - Consultation
Received: 2013-08-19T14:03:10Z
[NIRHI Phase 2 Feasibility study proposal.docx](#)

Hi Joanne,

Yes there has been. Attached is a **draft** proposal for the scoping study.

The draft proposal has been reviewed internally at Ofgem by all parties that will be contributing to the study. However it will still need my Deputy MD's endorsement before we can finalise it and commence the study. I should be able to get that on Thursday or Friday. In the meantime it would be helpful if you could look over this draft and let us know if it meets your expectations, and to get the ball rolling on getting the funding ready for the study too.

I'm pleased to say that we've been able to keep costs down by piggybacking on some GB development work, and have also been able to avoid any overheads due to the small size of the work. The budget we expect to need for the scoping study is therefore only £38,000. Note that the budget does not include any contingency. In the unlikely event that we will need more resources to complete the study, we will seek agreement with you in advance of incurring any further costs.

Karen Wood is on leave this week so please contact Simon King (0207 901 7463) or myself in her absence if you have any questions on the draft proposal.

I will chase the invoice and get back to you shortly.

Regards

Matthew Harnack

Associate Director, Commercial

New Scheme Development

9 Millbank

London

SW1P 3GE

Tel: 020 7901 7218

www.ofgem.gov.uk

The logo for 'ofgem e-serve' features the word 'ofgem' in a bold, lowercase, sans-serif font, followed by 'e-serve' in a lighter, lowercase, sans-serif font. Below the text is a stylized graphic consisting of several horizontal lines of varying lengths, creating a wave-like or signal-like effect.

From: McCutcheon, Joanne [mailto:Joanne.McCutcheon@detini.gov.uk]

Sent: 19 August 2013 13:50

To: Matthew Harnack

Subject: RE: NI RHI Phase 2 - Consultation

Matthew

Just wondering if there is any progress on either issue – scoping study or invoice?

Thanks

Joanne

From: Matthew Harnack [mailto:Matthew.Harnack@ofgem.gov.uk]

Sent: 01 August 2013 10:11

To: McCutcheon, Joanne; Hutchinson, Peter

Cc: Karen Wood; Simon King

Subject: RE: NI RHI Phase 2 - Consultation

Hi Joanne,

thanks for the clarification. We're hoping to get the scoping study proposal to you within the next week.

I've asked Teri to look into the invoicing and get back to you today/tomorrow.

Regards,

Matthew Harnack

Associate Director, Commercial

New Scheme Development

9 Millbank

London

SW1P 3GE

Tel: 020 7901 7218

www.ofgem.gov.uk

Received: from [redacted] on 07.06.2017

Annotated by RHI Inquiry



From: McCutcheon, Joanne [<mailto:Joanne.McCutcheon@detini.gov.uk>]

Sent: 01 August 2013 10:05

To: Matthew Harnack; Hutchinson, Peter

Cc: Karen Wood; Simon King

Subject: RE: NI RHI Phase 2 - Consultation

Morning Mathew.

Peter was referring to discussions around Phase 2 non domestic – which would really be part of the scoping study I would imagine. We'll wait to get your proposal and budget for the study.

Just one other thing – could you advise when we can expect to receive next invoice – our Finance colleagues need to know when payment is required.

Thanks

Joanne

From: Matthew Harnack [<mailto:Matthew.Harnack@ofgem.gov.uk>]

Sent: 23 July 2013 16:54

To: Hutchinson, Peter

Cc: McCutcheon, Joanne; Karen Wood; Simon King

Subject: RE: NI RHI Phase 2 - Consultation

Thanks Peter,

I'll wait until next week to discuss with Joanne. In the meantime we'll start putting together a proposed budget for the scoping study we will need to do on this set of changes. You mentioned engagement with us over the next few weeks – if it's any substantial level of engagement we may need to discuss budget for that too, because as you're aware we've not been given any development budget for this year just yet and hence have no spare resources available. I'd be happy to discuss this with Joanne, yourself or with Fiona, whomever you think is most appropriate.

Cheers

Matthew

Matthew Harnack

Associate Director, Commercial

New Scheme Development

9 Millbank

London

SW1P 3GE

Tel: 020 7901 7218

www.ofgem.gov.uk



From: Hutchinson, Peter [<mailto:Peter.Hutchinson@detini.gov.uk>]

Sent: 22 July 2013 17:54

To: Matthew Harnack

Cc: McCutcheon, Joanne; Karen Wood

Subject: NI RHI Phase 2 - Consultation

Matthew,

Please see attached copy of the NI RHI Phase 2 Consultation that has issued today.

We will need to engage with yourselves over the next few weeks on the issues that might arise under Phase 2, specifically on the non-domestic side of things.

Joanne returns next week so it might be useful to hold off on arranging any conference calls until she is back.

Thanks,

Peter

This message may be confidential, privileged or otherwise protected from disclosure. It does not represent the views or opinions of Ofgem unless expressly stated otherwise.

If you have received this message by mistake, please contact the sender and immediately delete the message from your system; you should not copy the message or disclose its contents to any other person or organisation.

This message may be confidential, privileged or otherwise protected from disclosure. It does not represent the views or opinions of Ofgem unless expressly stated otherwise.

If you have received this message by mistake, please contact the sender and immediately delete the message from your system; you should not copy the message or disclose its contents to any other person or organisation.



Northern Ireland Renewable Heat Incentive: Phase 2

DRAFT Scoping study proposal

Issue date: 16 August 2013

Contact: Karen Wood, Policy Manager

Team: RHI Non-domestic Development

Tel: 020 7901 7437

Email: karen.wood@ofgem.gov.uk

Summary:

On 22 July 2013, the Department of Enterprise, Trade and Investment (DETI) published a consultation document outlining their policy intentions for Phase 2 of the Northern Ireland Renewable Heat Incentive (NI RHI). This document outlines proposals to amend the existing scheme for non-domestic installations.

Public consultation on Phase 2 proposals closes on 14 October 2013. DETI have indicated that proposals may change pending consultation outcomes and subject to engagement with the European Commission, if required.

This document outlines Ofgem's proposal to undertake a thorough scoping study based on the Phase 2 consultation document. This scoping study will seek to analyse and recommend implementation options, as well as presenting a plan for how recommended option can be delivered.

1. The scoping study

Our approach

- 1.1. In the absence of detailed regulations, the proposals in the Phase 2 consultation document will form the basis our requirements. In conjunction with an agreed set of development assumptions, we will use these requirements to create and evaluate high level processes for implementing your proposals.
- 1.2. The scoping study will evaluate your proposals in the context of Ofgem's existing operational systems and processes. This specifically includes the NI RHI Register, NI RHI Operational Procedures and Volumes 1 and 2 of the NI RHI Guidance documents.
- 1.3. In order to maximise cost-effectiveness, the scoping study will also evaluate your proposals against the operational framework supporting the GB RHI scheme as appropriate.
- 1.4. Where requirements overlap with existing extensions to GB RHI scheme, we will build on the development work we have already undertaken. Where requirements overlap with proposed extensions to the GB RHI scheme, we will seek to realise efficiencies by scoping and developing changes to both schemes concurrently.
- 1.5. DECC have announced that they intend to introduce their next set of amendments to the GB RHI in spring 2014. Additional savings (primarily through IT development) may be possible by aligning the introduction of compatible functionality to this timetable. We intend to explore this issue in more detail as the scoping study progresses.

Scope

- 1.6. Based on your feedback, it is assumed that the scoping study will only cover proposed amendments to the Non-domestic NI RHI.
- 1.7. Proposals to extend the scheme to Domestic applicants are explicitly out of scope.

Northern Ireland Renewable Heat Incentive: Phase 2

Overlap of requirements with the GB RHI scheme

- 1.8. In line with our intended approach, the scoping study will seek to identify opportunities for alignment with changes made or proposed to the GB RHI as appropriate.
- 1.9. Recent and potentially relevant changes to GB RHI include:
 - Legislative changes introduced on 30 April 2013 introducing a cost control mechanism and changes to additional capacity.
 - Legislative changes planned for possible introduction on 24 September 2013 primarily to simplify metering and introduce air quality criteria. This regulation is also expected to include minor amendments to allow installations to be relocated, allow certain processes to take place outside of a building, MCS accreditation changes and the specification of ground water as a source for heat pumps.
 - Further legislative changes have been proposed for possible introduction in spring 2014. These changes are expected to be made in response to previous consultation proposals¹, as well as a number of minor assorted regulatory amendments.
- 1.10. An evaluation of how these changes relate to the Phase 2 proposals is presented in the following tables.

Table 1: Proposals aligning with next GB RHI regulations

| | |
|---|---|
| Metering simplification | The amendments proposed are largely similar to GB amendments. Final development work is currently underway in relation to heat loss assessments and calculations. Significant overlap in requirements should be expected to provide development efficiencies. This will be explored further as part of the scoping study. |
| Process other than in a building | Some minor deviation from GB RHI regulations (drying and curing v cleaning and drying). Implementation and operational processes expected to be largely similar. Significant overlap in requirements should be expected to provide development efficiencies. This will be explored further as part of the scoping study. |
| Relocation of installations | Phase 2 proposals align with GB RHI amendment regulations. |
| Ground water inclusion for heat | Phase 2 proposals align with GB RHI amendment regulations. |

¹ <https://www.gov.uk/government/consultations/renewable-heat-incentive-expanding-the-non-domestic-scheme>
<https://www.gov.uk/government/consultations/non-domestic-rhi-early-tariff-review>

Northern Ireland Renewable Heat Incentive: Phase 2

pumps

Table 2: Proposals aligning with future GB RHI changes

| | |
|-------------------------------------|---|
| Biomass sustainability | Similar to the GB proposals. |
| New technologies and tariffs | <ul style="list-style-type: none"> ➤ Large biomass (over 1MW), ➤ Biomass and bioliquid CHP (for new and existing CHP converting to renewable) ➤ Biomass direct air heating ➤ Air to water heat pumps ➤ Deep geothermal ➤ Bioliquids (heat only) <p>Some of these technologies will be subject to specific requirements. Different methodology for determining payments rather than meters will be required for some technologies. We are waiting for final confirmation from DECC on which new technologies will be included in GB regulations.</p> |
| RPI adjustment | The NI proposal is similar to that originally proposed for GB which was removed from the degression regulations. DECC have not confirmed whether or in what format this may be included in amendments for spring 2014. This particular change could have a manual and IT impact because of the changes we are now introducing to the register for the GB RHI degression mechanism. |

Table 3: Proposals specific to NI RHI

| | |
|--------------------------------------|---|
| Cost control mechanism | The proposals are for a suspension of the scheme when it reaches specific trigger points. In the consultation this mechanism straddles both the Non-domestic and Domestic proposals. This is a different and much simpler approach than that currently adopted by GB RHI and will be similar to the previous GB interim cost control measure. |
| Definition of an installation | Proposal to revise this definition in line with DECC on what constitutes an installation. DECC are yet to confirm whether or not it is their intention to include this change will in the planned spring 2014 amendment regulations. |
| New technologies and tariffs | Air to air heat pumps (limited to heating only systems). This technology will be subject to specific requirements. Different methodology for determining payments rather than meters will be required. |
| District heating systems | Consideration of a potential tariff for these with stringent eligibility criteria and subject to preliminary accreditation. Alternative option is a 'challenge fund' which would set up |

Northern Ireland Renewable Heat Incentive: Phase 2

| | |
|--|---|
| | <p>funding upfront for large scale projects rather than incentivising their development through payment of tariffs. This 'challenge fund' is also suggested as an alternative option for incentivising deep geothermal.</p> |
|--|---|

Table 4: Potential proposals for future phase of NI RHI

| | |
|---|---|
| Air quality | <p>Consultation seeking views as a future amendment. A key difference will be that the GB RHI scheme will have air quality criterion from 24 September 2013.</p> |
| Enhanced preliminary accreditation | <p>Consultation seeking views as future amendment. DECC are yet to confirm their policy intent in relation to enhanced preliminary accreditation for the GB RHI scheme.</p> |

Contents

1.11. The purpose of the scoping study will be to review the proposals within the Phase 2 consultation document and make recommendations as to how they can be most cost-effectively delivered.

1.12. It can be expected to contain all of the elements in the table below:

| | |
|-----------------------------------|---|
| Scope | <ul style="list-style-type: none"> • Explicitly state what proposals from the Phase 2 consultation document will be evaluated |
| Detailed assumptions | <ul style="list-style-type: none"> • Articulation of the assumptions Ofgem will be using when designing and evaluating individual options |
| Risk assessment | <ul style="list-style-type: none"> • Delivery risks and issues • Legal risks (including possible alignment issues and data protection) • Reputational risks • Fraud and compliance • Independent Assurance |
| Work stream identification | <ul style="list-style-type: none"> • Products and work streams • Project timelines and milestones • Critical paths and decision points |
| High level process design | <ul style="list-style-type: none"> • Using consultation proposals and agreed assumptions to design high-level processes • Incorporate alignment and learnings from GB RHI as appropriate |
| Options analysis | <ul style="list-style-type: none"> • Generate options for implementing designed processes |

Northern Ireland Renewable Heat Incentive: Phase 2

| | |
|--|--|
| | <ul style="list-style-type: none"> Undertake cost assessment and cost-benefit analysis of viable options |
| Resource requirements | <ul style="list-style-type: none"> Identify resource requirements to develop preferred options Identify potential project team/recruitment needs based on skills and experience required |
| Communication and project support | <ul style="list-style-type: none"> Process for communicating information between DETI and Ofgem Internal structure for supporting project decision making |
| Delivery | <ul style="list-style-type: none"> High level plan and timetable for producing key project outputs |
| Budget | <ul style="list-style-type: none"> Itemised break down of cost of proceeding to the development phase |


2. Costs and assumptions

Overview

- 2.1. As outlined in previous sections, in developing the scoping study it is our intention to realise efficiencies by aligning development work with the GB RHI scheme as and where appropriate.
- 2.2. This same approach will be applied to planning the delivery of the outputs the scoping study will recommend. It should be noted that is DECC's intention to introduce changes to the GB RHI in spring 2014. It is likely that further efficiencies can be realised by aligning implementation of the Phase 2 proposals with this delivery date. As mentioned earlier, this will be explored in more detail as the scoping study develops.

Key assumptions

- 2.3. Several key assumptions have been made in estimating the costs of undertaking the scoping study. Changes in any of the following assumptions may require these estimates to be revisited.
- 2.4. Key assumptions include:
 - Scope will be limited to changes proposed to the Non-domestic NI RHI as part of the Phase 2 consultation document. Proposals relating to the introduction of a Domestic NI RHI scheme are explicitly out of scope.
 - Development of the scoping study can begin as soon as confirmation that DETI has agreed in-principle to proceed with this proposal. Cost estimates presume efficiencies from aligning development across the NI RHI and GB RHI schemes. Delaying development may result in significant cost escalation.
 - It is presumed that DECC will proceed with their desire to introduce further regulatory changes in spring 2014 as currently planned.
 - Options will be developed based on our knowledge and understand of the existing framework for administering both the NI RHI and GB RHI schemes.
 - It is presumed that concurrent development across the NI RHI and GB RHI will not create data protection or intellectual property issues that have to be addressed.
 - The scoping study will be finalised and presented to DETI for approval in late October 2013.


 Northern Ireland Renewable Heat Incentive: Phase 2

Estimated costs

- 2.5. Based on the overview and assumptions outlined above, an itemised breakdown of the cost of preparing this scoping study is outlined in the following table:

| Activity | Cost | Description |
|-----------------------|----------------|---|
| Staff costs | £14,000 | Development team/Management support including salary, NI and pensions contribution |
| Business Assurance/IT | £10,000 | IT consideration of feasibility study proposals and options for extending the existing IT systems |
| Legal review | £7,000 | Legal review/input of scoping study |
| Assurance | £5,000 | External independent risk analysis |
| Other costs | £2,000 | Travel and expenses (Ofgem staff only) |
| Total | £38,000 | |

Northern Ireland Renewable Heat Incentive: Phase 2

3. Development timeline

- 3.1 The following table shows the current known NI timelines and potential dependencies with developments on the GB scheme. The highlighted steps are high level outputs for the NI and GB schemes concentrating on consultation and introduction of regulatory changes. The drafting of GB regulations is included; the end date of which is the date when regulations will be submitted to Parliament for consideration.
- 3.2 The preferred option would be to align any changes to the NI and GB RHI, particularly any IT release(s). There are distinct advantages to developing and implementing the proposals as one release, there being a key cost saving for single IT releases.
- 3.3 The current development timescales for GB RHI could prove to be tight deadlines for DETI to develop its final policy proposals and draft regulations. If there are State Aid Rules to consider for the NI RHI proposals this will also add additional time when drafting and before submitting draft regulations for parliamentary consideration.

| Current and proposed timelines | | | | | | | | | | | | |
|--|-------------------|-----------------|---------|--|----------|---------|----------|-------|-------|--|--|--|
| | 2013 | | | | | 2014 | | | | | | |
| | August | September | October | November | December | January | February | March | April | | | |
| NI RHI | | | | | | | | | | | | |
| Consultation | Actual timeline | | | | | | | | | | | |
| Scoping study | Proposed timeline | | | | | | | | | | | |
| Development work | | | | Proposed timeline (if able to align with GB development) | | | | | | | | |
| GB RHI | | | | | | | | | | | | |
| Scoping study | Actual timeline | | | | | | | | | | | |
| Batch 2 regulatory change: Go live | | | | | | | | | | | | |
| Batch 3: Draft regulations | | Actual timeline | | | | | | | | | | |
| Batch 3 regulatory change: Proposed go live | | | | | | | | | | | | |
| Development work | | | | Actual timeline | | | | | | | | |