

To: [Irrelevant information redacted by the RHI Inquiry]
Cc: Andrew Morrall[Andrew.Morrall@ofgem.gov.uk]; Edmund Ward[Edmund.Ward@ofgem.gov.uk]; Catherine Avenell[Catherine.Avenell@ofgem.gov.uk]; Ade Obaye[Ade.Obaye@ofgem.gov.uk]; Karen Wood[Karen.Wood@ofgem.gov.uk]
From: Robert Reid
Sent: 2014-02-24T12:38:22Z
Importance: Normal
Subject: RE: Tiering and banding - Audit / accreditation process
Received: 2014-02-24T12:38:24Z

Hj [Irrelevant information redacted by the RHI Inquiry]

Apologies for the delay. Please see below Ofgem response to your questions regarding boiler sizing. I am leaving Ofgem on Wednesday, so should you have any questions on the below please contact the copy recipients.

Many thanks,
 Rob

We note this topic has some crossovers with related issues, such as the definition of peak capacity for an installation. Our response focuses on the approach to boiler sizing in particular.

Accreditation Process

We accredit installations on the basis that they satisfy the eligibility criteria and we are satisfied they will comply with the ongoing obligations included in the RHI Regulations. This includes satisfying the requirement under Regulation 34(p) that participants must not generate heat for the predominant purpose of increasing their periodic support payments. We satisfy this requirement by requiring the applicant to state the number of plant the installation is replacing in their application form. We require the applicant to state the capacity of each individual plant being replaced. Where there is a significant difference in capacity between the legacy installation and new renewable heat installation, the system generates an exception report that the accreditation reviewer has to then follow up with the applicant to confirm the reasons for the variation. However, as applicants predominantly stated that the reasons were due to additional heat uses (either existing or planned) being added to their heating system, and this would be difficult to dispute, this is not an area we would generally expect to lead to rejection at the accreditation stage.

Audit Process

Our auditors carry out a check that verifies whether the installation appears appropriately sized for the heat load. However, there is limited confidence in the audit findings as there are often factors that can influence heat demand for a particular installation, not least seasonal fluctuations, climatic conditions and how the heat is being used. We also have to take into account that we have limited meter reading data from participants so far to be able to make a clear assessment regarding an installation's heat demand profile and whether it appears plausible.

The main check our auditors carry out relates to checking the periodic data submissions and any meter readings record books the participants may hold. Typically, the formula the auditors use is as follows:

Heat generated during period in kwh / (number of days in period x 24 hours) = average heat output

Our auditors then reconcile this against the installed capacity included on the installation nameplate, commissioning certificate and any other supporting documentation and report on whether the average heat output is above or below the installed capacity.

99% of the time the audit findings state that the average thermal output is lower than the installed capacity. However, we have identified one site with eight installations where the average thermal output has been recorded as seemingly being above the technical capability of the boilers. We had greater confidence in the boilers not being appropriately sized for its uses as the participant provided boiler logs for their installations including the heat generated and installation operating hours over specific periods. Even so, our Fraud & Compliance team are currently investigating this case with our Technical team to better understand the issue before deciding whether any action should be taken. This includes carrying out additional tests on the boilers.

Workable solution

As we gather more periodic data, we will have a better understanding of the heat demand profile for a particular installation and greater confidence in whether the boiler appears appropriately sized for its heat loads. However, each installation will be unique, so we need to weigh up whether we require additional information from participants (e.g. installation operating hours as part of the PDS process) to provide greater accuracy in how an installation is being used and whether that seems appropriate when compared to the installed capacity.

We would be happy to meet to discuss this further.

From: [Irrelevant information redacted by the RHI Inquiry]

Sent: 03 February 2014 11:31

To: Edmund Ward; Robert Reid

Subject: Tiering and banding - Audit / accreditation process

Edmund and Rob,

I work in the DECC RHI strategy team - [Irrelevant information redacted by the RHI Inquiry] kindly passed on you details.

As part of the non-domestic review I am doing some work around tiering and banding in the RHI, looking to see if gaming / incorrect sizing of equipment to maximise profit is a major issue and, if so, what we can do to prevent or discourage it. To help with this I would like to know more about the Ofgem accreditation and auditing processes. Specifically, I am keen to know whether you look for any signs of incorrect sizing of equipment or whether if you came across it in the process would it be easy to spot. I would also like to know if you have

a definition / guidance on correct sizing of equipment?

If our work into tiering and banding indicates that there is an issue which needs addressing what scope would there be to include any workable solution in the audit process in future?

If you have any questions, I am happy to discuss.

Yours Sincerely,

Irrelevant information redacted by the RHI Inquiry

