

Friday 14th October 2016

Fiona Hepper Interview Transcript

Attendees:

Name	Initial	Company
Ian McConnell	IM	PwC
Fiona Hepper	FH	Department of Education
Leanne Coy	LC	PwC
Clare Kennedy	CK	PwC
Barry Jordan	BJ	Department of Education

Meeting notes:

CK	<p>It is now 20 past 10 on Friday 14th October 2016, this is the interview of Fiona Hepper.</p> <p>She has chosen to be accompanied by Barry Jordan today as well.</p> <p>In the room from PwC we have Ian McConnell, Leanne Coey and Clare Kennedy. So Fiona just for the record can I just thank you from coming along it is very much appreciated and your willingness to cooperate with us, so thank you for that.</p> <p>Fiona, I make this plea all the time and I never stick to it but we do like to run our interviews for 45 mins if it takes that long and then offer the individual a chance to have a break for 5 or 10 minutes, I am notoriously bad at it once the interview gets going I lose track of time, so if at any time you would like to take a break or if you want to chat to Barry please just let us know and we can certainly pause the tape.</p> <p>You are aware as you know because you've seen the redacted terms of reference, we have a number of interviews to conduct and I would be grateful if you would confirm that you would keep the content of the interview confidential.</p>
FH	I can confirm I will do so
CK	<p>OK thank you very much.</p> <p>So, just at the outset Fiona it's very useful for us to get a context both, to the matters at hand but also to the individual and in particular I guess to their career within the Civil Service and with particular focus on how you ended up having a part to play in the Renewable Heat Scheme, so if you could just maybe set that scene for us, if you just want to start there please.</p>
FH	<p>Ok, I was in the Department of Economic Development followed by the Department of Enterprise Trade and Investment for a number of years. I was originally a statistician on loan from NISRA and I moved into what I loosely call the policy admin side in 2002 and became a member of the Senior Civil Service in 2004. At that point I was the Director of the Strategic Policy Division, I was there until the end of May 2010 and at the beginning of June 2010 I became the Director of Energy and I was there until the 28 November 2013 and I started in the Department of Education as Deputy Secretary on the 3 December 2013. If I just say a little bit about in the time I was in the Directorate looking after energy I had responsibility for a full range of energy matters, operational, legislative and regulatory and that covered gas and</p>

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	electricity and renewables and significant north south dimension, particularly in terms of things like the single electricity market and the gas networks.
CK	Ok, and could you maybe just outline for us – because obviously that’s covering quite a wide range of you know gas, electricity etc., etc. – can you just talk us through how ...those responsibilities would it have been divided up into different branches?
FH	..during the time I was there the division took on extra responsibilities particularly around the renewables side and over a period of time and there was a number of staff that came and went but broadly speaking I had 9 branches with head of principal officer level most full time, some part time and in terms of the issues that we’ll talk about later on in terms of the renewable heat the branch at the time I was there had 1 part time grade 7 in post, 1 full time DP
IM	Joanne
FH	Joanne McCutcheon and if I’m allowed to mention, Peter Hutchinson. They were the staffing on the renewable heat side. They had responsibility for the development of the scheme and a range of other matters. It was much later in the process around late 2012 when we started to operationalise the domestic premium payments that we were able to get extra staffing at the more junior level. We had a half share in the staff officer and we had an EO2 post which was filled by a job-share, so 2 ladies filled that and EO1 post, that was the entire staffing of renewables in my time.
IM	..... renewables The staff officer you refer to so that I can kind of like .....was that Dan?
FH	No, Dan Sinton was a part time deputy principal who worked on other matters in my time, he was on the renewable side much later on he did a small amount of work on the domestic scheme but largely after my time. The staff officer I refer to was a guy called Peter Briggs.....
IM	.....That name hasn’t been mentioned ok, Peter Briggs.
FH	He was supposed to be on the renewable heat side but he needed to be shared with another branch because we were doing very significant transpositions of directives – European Directives – and the Renewable Heat Directive needed his attention. The principal who was working on that was very stretched, so the idea was it would be a 50/50 split between Joanne and the other principal but it never actually ever worked out that way.
CK	...and during your time you basically carved out a separate branch for renewables– did it have a branch title?
FH	Well if you could call half time principal and DP a branch?
CK	If did have a branch title - yes it had a title.
FH	It had a title. I did see in one of the transcripts of evidence given in another place that somebody referred to 6-10 people working on the scheme – that would have been lovely – but it was not factually accurate.
IM	Thank you ok

CK	... and prior to Joanne Alison Clydesdale would have been working..... I know she had a range of responsibilities and I know renewables hadn't been carved out as this branch, but you would have worked then with Alison underneath you?
FH	Yes. Alison was one of my Grade 7s and when I arrived in the branch or in the Directorate in 2010 she did have responsibility for a range of renewable issues on the electricity side and they had done some work with a common inquiry on a study on the feasibility and the potential for a heat market in Northern Ireland. So, she had done that at the point in time we got into 2010, June 2010 I arrived it was ....we were finalising the strategic energy framework and there was a target in there that we would reach a target of 10% heat by 2020 when we came towards that it was looking more that we would have to do something or other around some sort of incentivisation of the market and I carved out and made the case for the resource that underpinned Joanne McCutcheon's part time post, so then Joanne came in to do that team post and Peter moved from underneath Alison to work for Joanne.
CK	OK, and the minister made her announcement it was later on in 2010 wasn't it?
FH	...some time after – around or after – the strategic energy framework was published in September 2010, the Minister made a separate statement because obviously the market was keen to know what we were doing and there were people who saw themselves as early adopters of heat technologies, renewable heat technologies, and were very concerned that if they continued to invest at this point that they would be penalised that who wouldn't be willing to take the risk came in, got the incentive but they'd started before the scheme so the minister made a statement that something to the effect that we would be finalising our approach to Heat, we would undertake the assessments to see if it was economically feasible and that should it be so that there would be a back dating to whatever date it was that she made that announcement and that actually steadied the market and the investors for a period when we did the more detailed work on the feasibility and economic appraisals
CK	OK, ...and that's when CEPA AND AEA were brought in and commissioned..
FH	CEPA and AEA were then commissioned to undertake the further feasibility work and the economic appraisal was commissioned from them and they undertook that work, I can't actually recall exactly when they started it but some time towards the end of 2010 and with them completing their work in June 2011.
CK	...and how involved would you have been in their work?
FH	...the work was led by Peter and Joanne, but, so I didn't see the consultants as often as they did but I did have an involvement with them for several reasons: 1) this was new and 2) it was complex 3) there was only a very small staff resource devoted to it so I had to carve out time and I did so and I would have met with the consultants and I would have made sure I met regularly with Joanne and Peter, to keep the project moving and we did do all of the things that were required in terms of engaging with the consultants and in due course as we worked through the appraisal and the business case setting up the risk register, looking up affordability, all of those sorts of things that you would do were all in place and we would have met weekly or sometimes more frequently, sometimes fortnightly but largely weekly more frequently if needed so that we can keep this piece of work moving.
IM	...with the benefit of hindsight....one of the big issues I guess that's challenging the department at the moment is the fact that the overspend is now going to have an impact on block grant so we have kind of been looking back ...and saying OK, what was the position around funding way back when this was being created, what kind of commitments were given by HMT etc. and I guess to be fair we've then seen then

	some correspondence emails involving Alison who then, to be fair you were saying Alison essentially was a grade 7 during part of your time before she probably left in what 2011, did she move on?
FH	No, no she stayed within the division and she worked on what's called the NIRO the Northern Ireland Renewables Obligation and other electricity matters.
IM	So, we can see correspondence between Alison and Bernie Brankin who appears to be in the finance piece.....
FH	She was the grade 7 and the Finance Directorate
IM	Right, ok, and the Finance Director, plus then correspondence with individual called oh, John, John Parker, yeah he seems to be in HMT and there was a debate about where does this sit. So is it standard AME and if it's not what are the risks? To be fair we can see clearly from that correspondence that basically the answer coming back is saying, 'no, this is not AME' and you'll get £25m which is kind of the profile spend for the first 4 years of this OK, and beyond that you'll get the lag or the contingent liability that creates in terms of people who signed up in those first 4 years but anything that goes beyond the 25 in the 4 year period or anything that then goes beyond that and generates a bigger tail, that's at your risk basically coming out of the block grant, and I'm paraphrasing. Can you recall being part of or aware that kind of discussions at that time because it sets the scene now for, was that risk identified was it seen as important, can you recall anything around that?
FH	Absolute clarity. There was absolutely no ambiguity about what type of money this was. It was absolutely clear we were getting £25m, it was absolutely clear that this was ring-fenced for renewable heat, it was clear in the letter that came from Chief Secretary, to the treasury, that it was time-bound to March 15 and that the profile was to as you said 11/12 £2m 12/13 £4m 13/14 £7m and 14/15 £12m. It was AME but it was absolutely clear it was to be treated as DEL. Which meant that at that stage there could be no carry forward of any under spend and any over spend would be a pressure to the department's budget.
IM	Ok, can I just go back. You said it was AME but it was to be treated as DEL?
FH	There was an email at some point from I think Bernie which said, look it is AME but actually treat it as resource DEL or words to that effect ... so there was absolutely no ambiguity about what type of money this was and that it was ring-fenced and indeed the first thing we did when we were briefing the consultants. As a result of that was we told them that the pot of money was ring-fenced, it was £25m and that they had to develop a model which was constrained to £25m and give us the maximum amount of heat that we could have got for £25m. If you look at the business case this is all spelt out in detail in the business case and if you wish I can give the paragraphs in the business case that refers to it. So, if you like the first cost control that we put in place was in discussions with the consultants and said your model has to be within the framework and ring-fenced to £25m. So the model they developed could only bring forward a basket of tariffs within that £25m cap and it had to set the tariffs at a level that would bring forward the amount of heat that could be delivered for £25m. So that's all covered in the business case and the affordability issue.
IM	So, just to go back a little bit Fiona because there is some language here and maybe I've explained that some email correspondence I referred to between Alison and Bernie I think they are probably in your pack to be fair. It talks about RHI spending is not being treated as standard AME and that's what you are really referring to?

FH	Yes that's what I'm saying. So there was absolute clarity and it is covered in the business case that what we had cover for was those applications and accreditations that came forward up to the period of March 15, they would get their RHI and the commitment was that it was a 20 year programme, those people would get their payments for 20 years. Beyond that at the point that we were developing this that's where the shutter came down and that would have been a negotiation further down the pipe as to what you could do later.
IM	Really useful. OK. So then taking that kind of foundation, what kind of (and you reference one of them) but what kind of cost controls then were put in place to manage the risk of spending going beyond the £25m in that 4 year period?
FH	OK. So the first thing you had was the model itself which was constrained to the £25m.
IM	And do you think that was a cost control? I accept it is fundamental piece of the design but how would that model then have in any way controlled the ultimate outcome?
FH	The model actually set the level of tariffs within that framework so that you couldn't get tariffs that would spring beyond that, it was all worked out....
IM	...but that was based on a lot of assumptions...
FH	It was based on levels of assumptions which were tested and by the consultants and by us and the economist, so all of those discussions were had. The next thing we did was in terms of the consultation between July and October 2013 there was a section which was about cost controls. It mentioned depression as did the business case in March 2012 – it talked about we weren't fitting depression in the minute but that would come was the specific wording there, so the consultation refers to cost control depression was mentioned and the specific triggers were put in place as a mechanism
IM	Yes.....there's a table
FH	...and there's a detailed table which actually shows how that would work and when you got to various levels of percentages from 20/30% right up to 90% what would be the red flags and how they would work and what was the rationale for that?
IM	So, to be fair, we can see that kind of cost control measure a lot simpler than full blown depression but you would have said, look, on the face of it would have been effective had it been implemented but you can kind of see the consultation opened in July closed in October and I know that you left when .....the tail end of 2013 ...
FH	...I left on 28 November
IM	...November 13, so, and again, so this is to be fair maybe I'm asking a question that you can't comment on because beyond your time but we struggle Fiona to understand why we can't see any pull through of that proposal sitting in the consultation paper into policy or reality
FH	As I left the 70+ responses to the consultation were, somewhere about that number were being analysed, so the consultation closed mid-October, so there was about 3 or 4 week before I left the folks were working on all of the different issues that were in there. The next thing that should have happened was that was pulled into a formal response and then agreed with the minister what the response was to the consultation

	<p>and the next steps. So there is no doubt that the next step would have been having consulted on those triggers was 1) to make sure they were formulated put in place and then the next step was the more detailed work on degression and that would have followed very much the model of GB they were 2 years down the line before We were in effect doing the triggers and the cost of the degression discussions aster but they started their scheme in 2011 and didn't start to consider degression until mid-2012 and it wasn't in place until mid-2013 so it was 2 years before they had theirs so there is no doubt in my mind there was a direction of travel here there was clear consultation, my recollection is – from what I did see coming out of the responses to the consultation – nobody had any significant difficulties with the triggers so the next stage would have been in 2014 to put those in place. I wouldn't be prepared to comment as to why that ....I wasn't there so I can't comment on what happened and why that didn't happen.</p>
IM	<p>...and just from....more for my information Fiona.... To try and understand what typically happens post these consultation papers...so as you say, consultation closes, responses are kind of formulated and some kind of reporter output would be agreed internally with the minister and then that would be published, yes? That's kind of how rolled. How would then post-publication you ....what kind of timeframe would you anticipate or expect normally stuff to then translate from consultation into a policy?</p>
FH	<p>In something like this? Within 2 or 3 months</p>
IM	<p>...and would that be atypical of other stuff....so kind of park this, you know, other consultations that you've seen or you've been involved with, is that kind of typical of the timeframes?</p>
FH	<p>Well if you think of the other major scheme that was running on the renewables side, the NIRO, the Northern Ireland renewables obligation, it's reviewed every year, there's consultation on changing of tariffs and what happens is the consultation comes out. Sometimes those consultations run for 4 weeks depending on the speed of turnover you needed and really quickly you got the final response published and the legislation changed and would all of happened within a very short period of time.</p>
IM	<p>Useful just to have a look at more for Clare the domestic scheme and how quickly the outputs of that consultation process because it covered not just non domestic it covered domestic, how quickly the domestic bits were pulled through and implemented. Because we know domestic obviously happened and was put in place summer to autumn 2014 from memory. OK, so we can absolutely see the kind of cost control and the consultation paper what other then kind of things, so again, we can see the issue hadn't been identified and put on a risk register? I.e., kind of risk of overspend and attaching to that risk of tariffs being too generous, ok, so, if you then just may be useful for Fiona to see that sheet Clare – you can give her a page reference?</p>
CK	<p>...actually I will pull it out for you. Can I just ask a question, just before we move on to the risk register obviously cost controls it was considered to be important and you are saying Fiona right from the outset we realised that there was a particular risk a nuance risk to the scheme because it wasn't standard AME and cost controls did come down the line – did you have discussions at the outset about putting those sorts of trigger that, yes, were included in the consultation about after the scheme came in, was there discussions about actually putting them in at the inception when the actual legislation was being designed?</p>
FH	<p>I couldn't .....I mean I'd be misleading you if I said I could remember exactly when the discussions happened but the bottom line is early in the process and in the</p>

	business case, we were talking about the potential for the risks of ...and I mean, you've obviously got the risk register there, I've got the list of risks here, that one of the risks was there wouldn't be sufficient control there was discussions around how that could be managed. We would also have been aware of what DECC were doing and that at a point after they started they talked about the triggers that we put in place. So we were aware of all that and that's why we did start to put those in place and consult on them. So, I mean these were not issues that suddenly came to light in 2015 and 2016, these were issues that were identified and that there was work in train to deal with it.
IM	Yes, that's the risk register, Fiona, what date was that, can you recall?
CK	This was one from the very outset. That's March 2012
IM	March 2012.....
CK	So this was when the risk register was opened, these are the initial entries
IM	So, yes, so again, can you recall Fiona so that's the kind of specific risk register relates to the kind of project the scheme, OK? Can you recall whether that those risks would have been elevated would they have got to a risk register beyond the scheme that was a departmental risk register because when you kind of look at the, when you look at the scheme apparently it was demand led therefore it carried its own risk. As you rightly said was, it wasn't standard AME so that created its own risk, that risk as you rightly say was identified it was on their risk register, to what extent then was that risk known outside of the actual project team yourself and was considered and been managed?
FH	The risk register for the project would then of translated into the divisional risk register – which is the energy division's risk register - and then sitting above that would have been the group and the departments risk register. I couldn't tell you without looking back at the paperwork how far they elevated but don't forget as this scheme started we had cost control within the model that they had the ...consultants had used we were discussing triggers, we were discussing degression and we absolutely knew that there was a finite pot of money that ran out in March 2015. So, you know, there was eyeballs over this, it's not as if this sort of sprang from nowhere we knew what the position was and we had mechanisms in place – and also don't forget when this case started the uptake was very, very low and very, very slow, and there was monitoring in place at branch level of individual applications coming in going to Ofgem and then being modelled through against the budget.
IM	I was going to ask you because obviously another control in those circumstances is monitoring, is a constant review of what's happening so, you couldn't talk to us a little bit about them, what was happening in terms of the monitoring piece Fiona?
FH	Yes, as the applications would come in obviously they went up to Ofgem, Ofgem would have given regular reports through to Peter and Joanne and Peter in particular was able to look at individual – obviously he didn't have the detail of names so but he had information of each broad application and he was able to work that through and keep a track of what that meant in terms of the amount of heat we would get and the impact on the budget. So, I mean those things were place. The other thing.....
IM	.....just to come back to the monitoring we've seen some reports, I don't think we've ever had them in our pack but we can see reports – people have referenced reports back to August 13 etc.
CK	...that came from Ofgem.

IM	<p>...that came from Ofgem, right that, and there's no doubt there were monthly reports, and those reports I guess they would have been focusing on the number of applications and we can understand why given uptake and given targets and all that good stuff, they also I guess were high line usage, OK? So, applications numbers is one kind of trigger the other is, well OK within your applications how was the usage levels vs what the assumptions were within your kind of initial business case. And way back as far as August 13 we can see that the actual usage was much, much higher than the assumed usage in the business case, so that all, I guess that identified the potential risk of well if we are assuming X% in the business case but there's 3 x X% in the actual then we may have a problem here, how do we monitor that, how do we react to it, what do we do? Can you recall that as part of the being identified or being reviewed and what kind of actions were taken?</p>
FH	<p>I don't recall that specifically, but what I do know is that it was being reviewed regularly and the ...that sort of information if you say it was coming through in late 2013 would have been being banked, logged and looked at, why? Because the next thing that was to happen in the early part of 2014 was the full fundamental review of the scheme and that review was to look at .....a number of things that were specifically looked at and it was largely around obviously cost, it would have looked at the technologies and the individual technologies need to be supplemented, did some need to be removed from the scheme, what about the tariffs, what were they looking at, and the usage. So, all of that would have been teed up for the first fundamental review so that information started to come through in late 2013 was exactly the sort of evidence that would have fed the review which would have said maybe now we need to be looking at controlling this tighter.</p>
IM	<p>So, what kind of planning then did you put in place for that review in January 14 given that I guess you only left</p>
FH	<p>January 14?</p>
IM	<p>14, given that you left a few weeks before that date?</p>
FH	<p>Well, what was happening was the consultation was to be finished off and bear in mind we are still sitting here with 1.5 people, maybe a couple more junior people, so the first thing that would have been teed up to be done was complete the consultation and get the triggers etc., in place and then in the first half of 2014 start the planning – early in 2014 start the planning for the review – and the review could have taken place at any point in 2014</p>
IM	<p>...but the review... so we go back to the business case and it stipulates... and look the business case and indeed the consultation paper in 2013 both labour heavily on the importance of the review, right and the importance of monitoring and we get that it was always a volatile scheme lots of assumptions none were going to hold true the way they were assumed, hey that's life. So it labours heavily on a review, the business case specifically stipulates January 14 being their first review, OK, so I guess we have a couple of questions, well why did a review not take place in January 14 – because it didn't – and on the basis that it was stipulated and supposed to happen we would have expected planning to have been in place, planning towards that review, probably October/ November 13?</p>
FH	<p>Yes, what it says is a review in January 14 so the review.... You would have started the review in January 14, so that's where you would .....you would start you planning and get your.....now bear in mind the experience in the division of running the NIRO, we knew how to plan a review, we knew how to do a review and we knew</p>

	how to tee it up, so you are trying to make the point that this wasn't foreseen and it should have been all planned in the autumn..
IM	...well I am trying to understand why there was no review took place?
FH	...it was to start in 2014 so that would have been the start of teeing it up, planning it getting it done and the review could be done quite quickly and you could have had that information that you were referring to coming through towards the end of 2013 to feed into that
IM	...so Fiona, what evidence can we go and find that suggests that people recognised consciously that a review was important and a review was going to start if that's your definition in January 14? Because we are struggling to find anybody who will tell us yes it was in our consciousness that the review was going to happen and that we were going to have....you know it was either planning for, or it was planned in the start of January, it was kind of on our radar? Maybe it exists, I don't know but at the minute I just can't see anything that tells me that that was in the consciousness to actually happen. Then we know that actually it didn't happen in January 14 in fact it didn't happen, it didn't happen right OK. And the first time it was really then looked at in kind of Spring of 15 and by that stage to be honest it was too late to review because...
FH	...it was in the business case, it was in the DFP letter of approval and it was well known throughout all of that and the briefings that would have been going up that there was the review had to be done in 2014 because if nothing else a review had to be done to do a new appraisal to get DFP approval when the approval ran out in March 15.
IM	True yes, because the 4 year period required an updated approval
FH	So this was not something floating in the ether, this was known, it was written down, it was in the key documents, it was there to be done
IM	Right, so, in the key documents, is there anything you can give us, so for example, right, you left in November
FH	...end of November
IM	End of November. Can you recall actually saying to the person to took over in your role – John Mills – you know, John as part of the handover pack the briefing whatever, this thing needs reviewed, or started to be reviewed in January 14 – can you recall anything like that? So, I guess I am trying to see, you know, you moved on OK to what extent then is there evidence suggests well look it was put on the radar of those that were now in situ that this was something that needed to be done?
FH	I can't sit here today and say to you on the day that I handed over to John and we went through the briefing pack of everything that he would be picking up in Energy across the full portfolio that I specifically said and don't forget the review starts in January...
IM	...but there was a briefing pack?
FH	...there was a briefing pack – of course there was – and as well as that there was the team were still there, I was the only moving part at that point
IM	At that point, yes. And just in terms of that handover, so you left in late November, John started in January from memory, so I guess there was no kind of shadowing,

	there was a break and there was a start, so there was a handover pack your saying Fiona and then you met with John on one occasion or a number of occasions?
FH	I met with him he came in and I met with them in the department before I left yes
IM	Just on one occasion?
FH	Just on one occasion, yes, because he was obviously handing over his stuff as well, exiting his role and whatever
IM	OK. So, that I am not misinterpreting I will just say this again. So, your perspective is there was a clear knowledge of acknowledgement of the fact that a review starting in January 14 was a requirement and an expectation that that would happen at the point you left?
FH	A review in 2014 – absolutely
IM	OK, that's fine. I know this isn't necessarily in chronological order my mind wouldn't be as organised as that so I will go back now to October 13, Ok, and Janette O'Hagan, OK? So, again we were given a number of bits of correspondence relating to Janette and again I am trying to understand the context here. So as we can understand it that Janette someone who kind of sold energy efficiency products and was in and around this market trying to pedal her products, you know, was struggling to do that in the market according to her because people weren't interested in driving efficiency they were happy enough to waste heat because the tariffs were set at a level where they could make money by doing so. So she comes in, sorry she makes contact with the minister, the minister refers her to you, can you pick up the story in terms of your sense of, you know.....can you recall any of that, i.e., did the minister speak to you personally? Was it just she said to Janette look there's the name you go track down Fiona, that the first you heard of Janette was you getting your PA or someone getting an email? You couldn't just talk us through then that story to the extent you recall and I accept it's a while ago...
FH	To the extent I recall bear in mind there was lots of people across lots of issues coming in.....
IM	.....I understand that
FH	So, I have no recollections of the minister raising this directly with me and why would she? If she had told this lady make contact with ....she would have been given my phone number or my email address whatever. So, from reading the pack I can see that there was engagement from Janette through my secretary. A meeting was set up and it was only in recent discussions that it triggered this meeting had happened, so I don't remember I couldn't put a face to the name to be candid with you. But she came in she was talking to us about a particular product that she was trying to bring to the market if I recall correctly, it was heatboss, she talked to us about her renewable heat scheme her understanding of it and that she had some anecdotal evidence that as she was trying to sell her product people weren't particularly interested in her product and she had patched this together as to why. She didn't have strong evidence at the time and she did characterise it as anecdotal. Which is all fine. We talked her through what we were doing, the consultation wasn't finished, we talked her through what the consultation was aiming to achieve, what phase 2 was about and the issues we were putting in around cost control and potential for review of tariffs etc. so we talked her all through that I don't recall whether she actually did make a formal response to the consultations but the information, albeit anecdotal, that she gave us at that point was logged and was banked and that would be the very sort of information that we would have then pulled through to the review in 2014 as a level of evidence of what does that

	mean in terms of factoring in potential changes, refinements, refreshments of the scheme.
IM	So, two things. So when you say logged or banked – what do you mean by that?
FH	Well what I am saying is we didn't ignore what she was saying. She was somebody who'd come in with information and that would have been recorded somewhere on the system and it would have been – I would have hoped – utilised in the review, the forthcoming review.
IM	So where could we find that being recorded – where is it likely to have been recorded because outside of the email trails you see that's in your pack Fiona, we haven't been able to find any other evidence of that meeting, meeting notes, something being recorded, something being highlighted, right must consider this as part of a future review....
FH	I doubt there was a minute of the meeting but what there is in – and I suspect this is how this came to come to light – in Peter Hutchinson's handover note there is a specific reference of the meeting with Janette and specific TRIM link to I don't know whether it was the email or whatever, but it's clear from the information that she had logged with us had not been lost to the system, it was in the system...
IM	....well you just differentiate because the reference in Peter's handover note was prompted by Janette O'Hagan chasing the issue down again in May 2014
FH	...well I can't comment
IM	.... I know, so, but I am just
FH	.....but no, no let's just make it clear, I have to differentiate as well between what I know and what I talked to the lady about.....that all happened after I left.....
IM	.....and that I accept OK but it's not unreasonable therefore for us to ask well you say it was recorded, it was primed so we don't have any evidence of that, I guess what we are asking you for is can you recall any evidence of that having been noted and the relevance of that having been noted and it being flagged therefore is something that would be part of the further review?
FH	The information was ....she gave us the information, it's referred to in Peter's handover note, so therefore it was logged
IM	....sorry, so ...Peter's handover note is in May right so park that, so you're saying look – and rightly so – you can't speculate and I am not going to go there in terms of what happened in May you were no part of it right? But in October 2013 someone came in and raised an issue anecdotal as it may have been as you describe it, I guess what we are trying to understand is to what extent was that information taken, was it considered to be relevant, serious, was it logged was it recorded and what was planned – how was it reacted to, if at all? Ok, nothing more than that. It was the action that followed the meeting so what is said like 'that sounds like rubbish' it's not relevant it's not important. The other extreme might have been did someone phone Ofgem and say 'look we've had someone come through the door making some strange suggestions, based on your experience Ofgem do you see – what's the risk of this, we can see nothing from this side to that side'
FH	I can't recall there being a discussion with Ofgem, but what is quite clear is as the time moved on that ....and after my time when Peter was talking to Ofgem in May they were starting to get some signals that maybe there was a bit of over usage. That

	<p>chimed with what had been said and therefore the only thing I can do is say to you that the very fact that it chimed with what somebody had said in October 13 there must have been something in the system somewhere to keep that on record because otherwise you're trying to say was it forgotten about? No, it wasn't</p>
IM	<p>No, I am asking how it was recorded and therefore what actions was taken at the point in time</p>
FH	<p>...and what I'm saying is as head of Directorate I don't know if somebody went down and logged the email onto the system, I assume they did, but what we did was we banked the information that was given and that would have been used in any review.</p>
IM	<p>.....I am trying to understand the process here, so how would recording or banking the email on TRIM, how would that flagged it to have been part of the review?</p>
FH	<p>Because you gathered your information from what comes out at the consultation, you gathered your information from how the scheme was progressing from it start at 2012 through all of their information they had from Ofgem and that would have been your pool of information that you just started to use for you review</p>
IM	<p>So, all information in respect of the scheme would have been stuffed into the review or stuff that was considered to be relevant....again...</p>
FH	<p>You would have used all of your information you have available as part of your review and utilised that depending on what it is you were looking at, if you were looking at tariffs, if you were looking at usage whatever you would have pulled all that into your review and said 'is this scheme working as anticipated?' if there's changes quirks whatever, how's the information – anecdotal or otherwise – to be used</p>
IM	<p>So that I understand and I guess I am going back to, I can absolutely understand their rationale but in that circumstance I would therefore have anticipated that for that to come through, you know the email would need to have been logged and categorised as, you know, to be considered re usage or of some kind of categorisation that then you would have sucked that information and known that number 1 there was something relevant there and it was relevant to maybe look at in that context as part of the review. It's just hard to comprehend that well, yes, ok it was put in the TRIM system does that mean it was ever going to find its way to the review – I don't know? So, I am just trying to understand as to how it was categorised, how it was considered, was it considered relevant? And as you rightly said would have been in the review, well ok can we see any evidence of the fact that it was, yes, noted as relevant and would have been considered or at least was categorised for consideration in their review that was planned to start January 14. Accepting, look not in your daily work that was somebody else's problem to do that, we are struggling with this because literally it seems to have been forgotten about until May when the lady chased again and then there's no doubt at that point in time when that lady chased again and in conjunction with Ofgem as you rightly say having raised some issues around usage then the two things were put together to be fair and we can understand that and then Peter's handover note highlights that fact, so, I don't want to labour it but we are just struggling with, to see where it went. So you were in the meeting, Joanne was in the meeting, Peter..... is that fair, ok .....and one more thing and apologies I was just thinking about the risk register Fiona and I left that without asking you, you referenced project risk divisional and then kind of departmental, can you recall the issue and the project risk register in terms of overspend and tariffs being too high? Can you recall, you putting it on the divisional risk register or it being in the divisional risk register?</p>
FH	<p>I would have to look</p>

IM	No, that's fine we'll have a look that's fine
CK	Obviously Janette was one person Fiona who was bringing that the usage issue amongst other stuff about her product to you, during your time were you aware of anybody else having raised any concerns about usage of the scheme with you or was she a lone voice?
FH	....Not to my recollection
CK	Ok, and I can I ask a very inane question and this is going back, I know I'm jumping back as well to the AME and to the fact of where it actually where it would have sat within the budget. Because what we heard that that was actually you know that £25m actually sat on a budget line marked as AME, like would and should that have been categorised as that or do you know are budgets so generic there actually wasn't a particular budget line to put it to? So, I guess my question is where within their departmental budget which line would you have expected that £25m to have sat against?
FH	That would have been a matter for the finance director to advise you on that, they give us the budget then. But regardless of what line it or what categorisation it is clearly evident from the information trails in the system how we were to treat this money. There is no ambiguity
IM	OK. To pick up on the Janette piece then so prior to her meeting with yourselves Fiona it appears that she had initially actually went to Stephen Agnew of the Green Party and kind of raised her concerns and then Stephen Agnew actually asked a couple of questions in the floor of the assembly of the minister as to the concerns that she was raising. Can you recall being part of or were you part of the team helping prep for those, kind of the minister's answers to that? Does any of that ring a bell?
FH	It doesn't ring a bell, I mean hundreds of AQ's during my time on a range of issues, but the AQ's would have been drafted in the division. The answers would have been drafted.
IM	It would have come out low, it would have been drafted in the division and then made its' way up through a SPAD whatever, yes.... That's fine. It's just the fact that obviously Janette then having coming in to ask I thought it might ring a bell, or it might not, but that's fine. The handover right so, you move on to big and better things so John came in and met you so at that stage then Joanne and Peter were kind of continuity during John's first period, isn't that right...?
FH	That's correct
IM	....they didn't leave until April and May of 2014, Joanne you said she was part time and grade 7 and Peter was a DP full time. And they were covering Fiona both, at that stage then they were covering the non-domestic but at that stage then they were also heavily involved I guess in the domestic planning and planning towards the kind of ultimate implementation of the domestic scheme
FH	...they had been involved in yes, the non-domestic scheme, they worked to tee up the domestic scheme but also had done the premium payments scheme for the domestics as well
IM	Right, OK that's useful.

CK	Can I ask, Fiona and I know Peter's handover note was after your time he obviously specifically refers to tiered tariffs in the context of the fact that if you look at the usage of the scheme it really is not, well it's greater than we would have expected, and certainly was greater than was assumed whenever the consultants were doing their piece of work, you know and he's very much saying look tiered tariffs are the solution to this, during your time can you remember specific discussions about tiered tariffs, was it something that was on your radar to look at, to consider? What do you remember about that particularly?
FH	Well, we were clear that certain of the GB tariffs were tiered, there would have been discussions with the consultants as they were developing the model and what came out of the model and what sort of tariffs came out of the model and in fact if you look at the addendum they did for us at the start of 2012 when they re-run the model post the consultation on the overall scheme, one of the tariffs did come out as a tiered tariff, one for the ground source heat pumps for the domestic, so it was an issue that we were aware of. The model and the consultants did not throw out tiered tariffs for any other of the tariffs but the fact that it did for ground source heat pumps shows that the model was not blind to it, pulled it out when it needed it and the consultants had given us their views and their advice around tiering or not tiering so all of that was discussed in the full framework of the engagement that we had with the consultants.
IM	And to what extent Fiona was, I understand that the GB scheme tiering wasn't in the consultation but tiering ultimately was in the scheme when it was first launched so obviously that may well have prompted a debate as to well it was in the GB scheme from day 1 why would it not be appropriate to be in the Northern Ireland scheme from day 1, can you recall kind of consultants and their rationale for not going there?
FH	The model that was set for Northern Ireland was as you are aware for a different heat market, so it was tailored for our market and the way they would have teed it all up with the heat curves, etc., etc., it would have produced a tiered tariff if that's what was needed. It must have thrown out tiering as an option for the bigger market in GB – I don't know, I don't recall – but we had the model from the consultants the expertise of the consultants and while tiering would have been something that would have been discussed as we worked through the challenge and discuss the model it didn't come out as something that was needed at the time. Now don't forget that this was being set up as a scheme to just sit there, you know for 20 years and not be moved. The market was immature in Northern Ireland the model was to cope with that. As time moved on a year later we run the model – re-run – do the reviews etc., something different may well have come out and actually you may have had quite a number of the tariffs coming out as requiring tiering as things moved on because within the tariffs you would be looking at not only fuel cost but you would be looking at operating costs, capital costs, access to finance all of those things changed as the market matures and technology matures etc., so, you know, year on year you would have been looking at a different framework and envelope to be looking at.
IM	The model is only accurate on the day it was done, in a sense, as it was ever going to be. I am just flicking through seeing if there is anything else really because .....you don't need to answer this right because I am asking you know, I'm asking for your perspective, you now the benefit of knowledge of the scheme and you've the benefit of, kind of, as we do hind sight in looking back in, you were there so I guess you were close to it..... and feel free to answer this or not, OK? What do you think went wrong and where?
FH	OK. I think what went wrong was when the reviews were done in 2014 because you would have been running the scheme for a year, there was a level of cost control in there already, there was monitoring in there already, but what was needed to be done

	<p>was review to see had things moved on and that review in 2014 was very important for a number of reasons, not least that your budget was running out in 2015 and you needed a new economic appraisal. I think if that review had been done it would have maybe tightened things up a little bit, changed things a little bit on the basis of new information coming in and how things were actually working. It is also the case that having done a review in 2014 you would have been teeing up a review in 2015, so from that point of view that...the way we were doing things already and the precedent that we have for doing it in the NIRO where the NIRO was reviewed every year, maybe more, for different tariffs. That model was there and the same thing would have been rolling for the RHI. You also would have been looking at the benefits or the information that you would have been getting from Ofgem as to how things were working, not only in NI but in GB, so you would have been....had a rolling set of information coming through from what was happening in the NI market and wider afield.</p>
IM	<p>...and what's your sense of Ofgem and the kind of value extent of the data that was being produced albeit in your time was going to be a very small data set because the scheme was embryonic. Ofgem as a kind of a partner to produce information that was meaningful to the department – any thoughts.....?</p>
FH	<p>...certainly in my time, by the time I left we were talking about 40/50 applications, there was information flowing from Ofgem, any sort of relationship that you have with an organisation under an agency service agreement that you were having, it builds up over time and you know, maybe could we have more of this, could we have less of that, could we tweak this? All of that would have been maturing at the time...</p>
IM	<p>....can you recall if you personally meeting with Ofgem and if so how frequently would you have been touching base with ...</p>
FH	<p>Er.....I met with Ofgem at Director level quite regularly as we set up the whole system that they were going to use to monitor, so there would have been meetings, conference calls, they came over several times, at director level and they were on conference calls regularly as we worked through what information are we getting, how is it flowing, is it useful etc., and then there would have been much more frequent conversations and engagement at branch level.</p>
IM	<p>So, to what extent can you recall, Fiona, the monitoring regime that ultimately then Ofgem put in place so a kind of audit strategy, the audit samples, the inspections samples all of that, was that discussed and agreed with Ofgem?</p>
FH	<p>It was discussed with them and ....so we could sign the agency service agreement and as part of that I do recall a number of meetings with the finance director in the department and head of internal audit who were helping us shape what we needed to see how often we need to see it and also what rights of access would there be for the DETI internal audit service to access</p>
IM	<p>Who was head of internal audit at that stage?</p>
FH	<p>A girl called Elain Dolan</p>
IM	<p>And the finance director was...?</p>
FH	<p>Trevor Cooper</p>
IM	<p>... and you can recall those two individuals either in meetings or at least part of the discussions with Ofgem?</p>

FH	I don't think they ever met Ofgem but they had detailed discussions with myself, Joanne and Peter...
IM	....as to determine what was required?
FH	What was required, yes
IM	...and was that driven by the department or was it really Ofgem proposed and the department considered?
FH	...No it would have been more driven by the department and what were the needs of the audit function in the department and what would they be expecting see and I do know there was a number of fairly difficult discussions with Ofgem as to we wanted more than what they were prepared to give at the start. Because obviously they had felt they had their position as an organisation to protect the data that was on their systems. So I mean there was fairly lengthy and detailed range of interactions around that before the agreement was signed.
CK	...and what sort of information did you get from Ofgem before that agreement would have been signed – because that agreement was signed I mean you are right it did take quite a long time to come through didn't it?
FH	I can't remember when it was signed it would be a matter of record when it was signed I can't remember
IM	And one last thing from me so, undoubtedly the GB scheme was up and running so there was lessons to be learned, we could see them doing things, they had the benefit of probably 18 months 2 years ahead of you as you referenced ahead of the NI scheme, what kind of formal, or was there formal interaction with DECC around the GB scheme and how were those lessons learned and the kind of numerous different iterations and changes that were being made to the GB scheme, how was that kind of captured and formally sucked into
FH	...there would have been some discussions with DECC but largely our discussions at that time were with consultants – don't forget the consultants were also working from DECC, so you know, we were getting an interchange of information from them and then also from Ofgem because what we were doing was we were from a value for money point of view picking back on a system that they had built for DECC, so we would have been learning through Ofgem as well what DECC was doing and then there would have been discussions – probably as branch level about what DECC were planning next and you know what budget did they have and how they were planning to do things. So there was a number of angles from which that would have come through.
IM	Ok... No more from me
CK	Fiona, just to take us through from the start...
FH	...yes just to give a synopsis, if that would be helpful, you know, up to the 20 November when I left the scheme was working as it intended the uptake was very low and very slow and there was at that point there was no indication that the tariff set in 2011/12 were too high. Indeed there was a lot of arguments around when we were putting this in place and through the consultations and through the various committees that we had to go and present to and actually the market was saying to different people that our tariffs were far too low and it was going to stymie the market and we weren't going to build a market. But nevertheless in January 2013 through to

	<p>October 2013 we did consult on phase 2 and included in that a section on further cost control. Degression is mentioned as something that we would be considering and we were specifically consulting on the cost trigger points and you can see all of the detail in that. We had always been very clear and I reiterate the points I made that at the start of the scheme there was a finite budget that it actually was not only finite in terms of the £25m but it was spread in a certain way, 2, 4, 7, 12. So while the scheme in my time had little uptake it also had finite budget in each individual year which couldn't be breached. So we needed to retain the right to suspend the scheme at any point and if the budget limits were being approached and that's why we moved – probably quicker than DECC – but I'm open to that being checked to put in those triggers. We didn't envisage it would happen, but you know we went ahead we consulted on the triggers and you can see clearly that a sliding scale from 50, 60, 70, 80% of the budget committed what we would do and what the impact that would have and the rationale for doing it, and that when we got to 90% that was the final trigger and the applicants would be told the scheme is closing. Only those who get through all stages with Ofgem would be considered, then be closed until April of next year. So the consultation is absolutely clear that this mechanism would provide DETI with the ability to control the uptake of the scheme and ensure that the budgets were not over committed and it also provided transparency to the applicants of when we would be closing it. We were clearly signalling that degression was next for consideration and bear in mind that DECC didn't have degression in place until approximately 2 years after their scheme. This was a long term approach to developing the heat market I've made that point, it was not something that was going to be set in place and left unchanged, that was absolutely clear, it was reviewed, revised, changed on the basis of the evidence that came through and it was very clear – and we've gone round this a number of times – about the budget being time-lined, ring-fenced and limited, and in bringing the consultants on-board from day one we made it clear what the budget was, and that the model had to deliver the maximum heat possible for that amount of money. The model had a budgetary cost control built in – I would contend from the very start – and that constraint meant that it couldn't select tariffs that would breach the £25m and there was evidence that the model could produce and did produce tiered tariffs so it's not as if tiering from day one was ever off the agenda or not something we considered. We had monitoring in place, the reviews were mandatory, that was clear in the business case, it was clear in the approvals from DFP and you know there was, you can see from the detailed handover note from Peter that he refers to the reviews and he also refers to evidence growing that by August of 2014 particular tariffs need to be reviewed and he offers a solution and the solution would be the tiering should be looked at. So, you know we didn't ignore tiering and as I say it did come through in the model and we talked about the Janette O'Hagan thing – I think I will stop at that point, I may have other things to say at other times</p>
IM	...one thing, just then pick up on the back of that, when you say 'we' ok, kind of a royal 'we', so who above you who is included in 'we', because you do move on OK, so I am interested as to who then was the custodian of that kind of approach, those principles the knowledge of what was required to be done?
FH	Well, I did have a line manager – that was David Thompson was the Grade 3
IM	...and to what extent would David have been familiar – to what extent did you brief up in terms of handover as well as down to John?
FH	Well, I had regular stock take meetings with my line manager.....
IM	.....specifically in relation to this scheme or to everything?
FH	Everything

IM	...but this scheme would have been covered as part of that?
FH	All my areas of work were covered in stock takes. Some more than others, depending on particular point of time, so there was knowledge in the department of what needed done
IM	So, give me a sense of...so you are precis there OK, to what extent in November 2013 would your line manager have been familiar or aware of some of those key issues that you just highlighted to us that were kind of key controls, key things that were required to be done to make sure this was all kept on track?
FH	I can't remember the details of what....I do know there was stock take meetings and key points that we were working on at a time would have been covered but I couldn't tell you that I went over every single detail of every single piece of work with a grade 3 who had a number of other divisions, when there was a handover to the person who was taking my thing and the people, the team below, who were still there
IM	But, I am assuming you've highlighted some really key things from your perspective, i.e. The need for review, the importance of cost control going beyond consultation into reality, that's two for an example. Would it be unreasonable to say that there's a couple of issues that you would have raised with your line manager, or would have been discussed and known about? And if you can't recall that's fine....
FH	...I can't recall so therefore I am not going to give spurious information that may throw people off track, you know so I am not going to speculate I did a handover and I'd had prior to that stock take meetings with my line manager
IM	But the handover was downwards, there wasn't a handover upwards those were stock take meetings?
FH	The handover was sideways – the more detailed handover sideways as it would be.
BJ	Could I please make an observation on Fiona's behalf – how reasonable is the questioning in relation to Fiona's knowledge of what happened in 2014? From my perspective, not immersed in the detail of this, but would it not be an expectation that any senior management team would want to know the matrix and how the budgets were actually operating as soon as they take up post, would they not want to assure themselves of that?
IM	So 2 things Barry, to what extent have we asked Fiona to speculate on her knowledge in 2014?
BJ	Well, what you said earlier is ... you actually said, well look was not that sorted out in late 2013, how much of this was known to the management team? My point is how much would the management team through its own responsibility not have actually made itself aware of the detailed operation of the scheme, I find it quite difficult to get my mind round a concept, where if you are a director in an organisation that you wouldn't know how things work or you wouldn't make it your business to know how things are working?
IM	Well, you know, I am assuming and again you are taking a point of view or having a point of view and that's your point of view and all I would say is I wouldn't be expecting that the handover was the only means by which someone would get themselves up to a point of knowledge, but nonetheless the handover process and us understanding if it happened and if it did happen what was in it is important.

BJ	Well, we're clearly not on a different page, but I am making a point
IM	Point noted
BJ	Thank you
CK	Thank you very much it is now twenty five to twelve and Fiona just thank you very much for coming in and again just to ask you to keep the contents of the conversation confidential.....
FH	Yes, certainly I will do