

Further to my previous statements, I wish to bring the following information before the Inquiry:

VFM & Casework Committee – Economist Role

1. In relation to my involvement and comments to the Casework Committee, it is important to recognise that for any project, and the RHI was no different, a Value for Money statement ('VFM statement') represents the final stage of an economist's participation in a project, and the main building block that contributes towards that point is the challenge/quality assurance, taking on board the NIGEAE guidance, that an economist applies to an appraisal during its development.
2. Ordinarily a VFM statement is written after the final draft of an economic appraisal has been produced. Therefore this means that the VFM statement is produced **after** the stage when the economist has identified whatever comments or queries (such as those which I sent previously **WIT 10387 – WIT 10393**) have been considered by the relevant business area (e.g. energy branch, tourism branch) and a final version will have been issued to take on board these points.
3. This VFM statement is also often referred to as "sign off". This is not a formal approval or endorsement of the appraisal per se, but simply reflects the economist's view that he is content that the appraisal reflects the NIGEAE guidance, that he has no further queries, and that the conclusions contained therein appear reasonable.
4. For the RHI project, the main building blocks of my involvement were the comments I produced on the draft CEPA reports in April 2011 and June 2011 (**WIT 10387 – WIT 10393**), that were informed by the much closer engagement I had, as a result of having met CEPA and other Energy Division personnel. The aim of these meetings was to facilitate a better and much earlier understanding of what was regarded as a complex project.
5. In respect of the RHI proposal for the Casework Committee, I was only in a position to produce my VFM note at the end of a long appraisal process having been undertaken by Energy Division. This process began with the production of the 2011 CEPA report; it was followed by the consultation process, and thereafter by the development of the addendum report. Finally the synopsis paper [**WIT - 02231**] was produced by Energy Division, which in my view, was being used to summarise the key parts of this entire appraisal process. As noted in my previous witness statement, I received these papers (including the final version of the addendum report that first mentions the 5.9p tariff) on Tuesday 28th of February 2012 and was requested to provide VFM comments one day later by Thursday 01st March 2012.
6. Furthermore, I wish to add that economists' comments to a Casework Committee should and could only ever be viewed as an opinion of the material being considered, and not as some sort of established fact. In my view, this opinion or assessment is open to the same scrutiny as the views that were made to the Casework Committee panel by Energy Division. Consequently any VFM advice should be subject to the same reasoned judgement by decision makers as any of the other material being presented. Despite being asked to confirm that I was content from a VFM perspective, at no time did the Casework Committee panel ask me to offer a more in depth explanation of my thoughts on the RHI project.

The Choice of RHI rather than Challenge Fund

7. It is a matter for the relevant business area (namely Energy Division) to justify why it decided to select the RHI type of scheme as its preferred option to the Casework Committee panel, taking account of the balance between need, costs, benefits and risks. It was not my role as the economist to endorse the decision to select one type of project over another, or in producing the VFM statement for a project to “sell it” to the Casework Committee Panel. The economist’s role at a Casework meeting is simply to provide an independent view on any issue, if the Casework Committee Panel requests one, or to respond to technical queries around how the project aligns to the NIGEAE guidance. In my experience of attending Casework Committee meetings, questions were rarely posed to the economist, as the economic appraisals at that stage were usually of a sufficient quality to remove any doubt or ambiguity in relation to the issues being considered. This point is evidenced by the fact that I was not called upon to contribute to the discussions or consideration, as is reflected in the recorded minutes.

Inquiry Clarification

8. I also note that the Inquiry, in the course of its hearings to date has suggested that there is an apparent contradiction with statements in the business case to engage CEPA, that Departmental Economists would not have the expertise to undertake the project but would be involved in quality assuring the consultants’ work. This process of quality assurance would be better described as being a critical review of their report, rather than having the ability to bring any particular policy insights, analysis or testing to the work that the CEPA consultants were tasked with. The output from this critical review or quality assurance process was submitted previously to the Inquiry (**WIT 10387 – WIT 10393**). Examples of quality assurance include points made under paragraphs 2, 3 and 4 of the comments in April 2011, which concern issues such as market failure, additionality, displacement and SMART objectives. These are all key issues that need to be addressed as part of the NIGEAE 10 step process and are necessary to help inform decision makers.
9. Furthermore, the general role and the distinction with working with experts/consultants is alluded to in section 12.1 of the NIGEAE guidance (Using Expert Advice) that states:

12.1.1 Appraisal and evaluation often require and generally benefit from a multi-disciplinary approach, calling on the expertise of a range of specialists. It is important that the right skills and advice are sought and applied as appropriate to the case in hand.

12.1.2 Departmental economists can provide general advice on economic appraisal and evaluation. DoF Supply Officers can advise on general issues concerning approval procedures. In particular cases, advice and support may be required from a variety of other experts on specific issues including, for example, statistics, procurement, finance and land and property services. The need for expert advice should be considered at an early stage in the development of appraisals and evaluations. (Emphasis added)

10. I consider that the manner in which the economist's role is referred to in the NIGEAE guidance demonstrates that it is expected that the type of advice that will be provided is that it will be generalist in nature.

Scrutiny Process

11. Since my last statement, I have now had the opportunity to review files on TRIM, and arising from that exercise, I wish to highlight three instances relating to the RHI scrutiny process that may be of interest to the Inquiry.

The Strategic Outline Case

12. The first instance relates to the consideration of a Strategic Outline Case ('SOC') that was prepared by Energy Division for approval by DFP. This approval was necessary as the project was above internal Department Delegated limits. The SOC is a very brief preliminary document, usually consisting of no more than 10 or 12 pages long that introduces the basic project concept and contains enough detail to support an informed decision on whether to proceed to an outline business case ('OBC'). Please see Annex 1 for a link to relevant section of the NIGEAE guidance and Annex 2 for details of the email correspondence received.
13. The SOC document was sent to me by Peter Hutchinson on 25th November 2011, with an accompanying email (see Annex 2) noting that it had already been sent through to DFP. In addition, Peter suggested that if I had any comments on this document, I could let him know and he would address them at the stage of drafting the OBC. However, I responded to Peter's email by stating that I would consider the SOC once the OBC had been drafted. I declined the opportunity to comment on the SOC at the time (Annex 2), as the document had already issued and there would have been no opportunity to suggest amendments or add value to its content.
14. However the email correspondence in Annex 2 between Energy Division and Accountability and Casework Branch some two weeks later suggests that I had actually considered the SOC. Whilst this SOC would not be considered particularly significant in the wider context of the project, and whilst (with hindsight) I have to admit that I would have been unlikely to raise any substantial issues, I am of the opinion that my email to Peter sent on 02/12/11 (which I sent at 11.20 am) should not have been interpreted as my having considered and been satisfied with the SOC. For the avoidance of any doubt, I wish to confirm that at no stage did I review this document prior to it issuing to DFP.
15. Furthermore, I wish to point out that I am uncertain as to whether there was any formal procedure that required an economist's consideration of such a document prior to submission to DFP, and Energy Division may have been perfectly entitled to submit it without any wider consideration. In my view it would have been the responsibility of DETI Finance Branch/Accountability and Casework branch to advise and issue guidance in relation to this issue. In my view, consideration of this document by an economist would have been fairly routine and would have been undertaken to ensure that it was of sufficient quality to secure swift DFP approval, without the need to deal with a significant number of queries or requests for clarification.

The Business Case

16. Secondly, the Business Case [WIT – 02248] that was submitted to DFP (which had been drafted by Energy Division) contained paragraphs at section 2.68 and 2.69 that were a direct cut and paste of my earlier economist’s comments for the Casework Committee meeting. I am unclear as to whether these comments were included in the draft version of this business case document that I examined on 21/03/12 (I am unable to locate the original draft version of this document that I reviewed on TRIM), which I provided the comments in [WIT – 10401], however I have no reason to doubt that it did contain this information and it is likely that I would have seen it.
17. Notwithstanding this, I now realise the significance of these comments in the context of the document that was drafted. This suggests that the VFM comments that I had provided on 01 March 2012 to the Casework Committee Panel applied to the Business Case [WIT – 02248] that had been prepared after that meeting (as is my current understanding), and that by the inclusion of those comments, this was to be interpreted as me being satisfied with the content of the Business Case, or that I had provided what was sometimes referred to as a “sign off”. This is potentially misleading, as I had not been requested to reconsider the issues afresh for the Business Case sent to DFP, or to express that I was satisfied with its content.
18. Indeed, my comments [WIT – 10401] to Peter Hutchinson in response to the draft business case document he sent me, was heavily caveated and clearly state that “*due to time constraints I was only able to focus on the high level structure and issues that need to be included*”. Despite making a small number of minor suggestions I did not receive an updated version or final draft of this document for further review or “sign off”. As noted in the email, the reason I was unable to give this document a full detailed consideration was due to time constraints. This situation would not have struck me as being particularly unusual and I was happy to assist were I could. However the email clearly outlines to Peter Hutchinson the limitations of the review/scrutiny that I was able to subject this business case to. The final version of this document, along with other documents that were annexed making up the entire business case, was sent to Accountability and Casework Branch the same day at 17.23 and forwarded to DFP on 22/03/11 (see Annex 3).
19. I also wish to make it clear that in my recollection of working within DETI, it was never an economist’s responsibility to ensure that the “sign offs” or procedures around the submission of business cases to DFP (if required) were actioned. This is the reason that I did not request a final draft or seek more time to give the document a more detailed consideration. In my view it is up to either Finance branch or Energy Division to decide whether or not to submit a case to DFP, taking account of the level of scrutiny that the document had been subjected to.
20. As an economist, my role was simply to: offer advice on the 10 step appraisal process; perform a challenge/quality assurance role; and advise whether or not the issues required in an economic appraisal were sufficiently addressed in a proportionate way. If “sign off” or expressions of contentment were required from an economist, this was at the instruction of either the relevant policy branch or accountability and casework branch, which was the coordinating branch for casework submissions within the Department.

Clarification from DFP

21. Thirdly, I wish to make reference to the request that came through from DFP seeking clarification on issues raised within the Business Case documentation, specifically the point that states, *"Please confirm that DETI is satisfied that the assumptions underpinning this model are robust"*.
22. This request (Annex 4) was received by Accountability and Casework branch at 14.17 on the 26/04/12 and the ensuing email chain (in respect of which I was not copied into) culminates at 16.02 with Peter Hutchinson stating that DETI was content with the assumptions and that in addition, *"DETI economists were involved at all stages of the process and were also content with the assumptions, as was the DETI casework Committee"*.
23. I have no recollection of being asked to confirm this and have been unable to find records on Trim that indicate that I was asked in or about April 2012 for my input as to whether I considered that the underpinning assumptions were robust. It is possible that Peter rang me to confirm this point, however it would have been normal working practice out of courtesy for him to have then copied me into the email response to Accountability and Casework branch, as he in essence would have been speaking on my behalf.
24. However, in fairness, I wish to point out that if this request for clarification had been sent to me, it is likely that I would have expressed a similar sentiment to the one Peter Hutchinson expressed, although I may have sought to caveat it by stating the basis upon which the assumptions had been derived and considered.
25. Indeed, in relation to this point, I wish to state that an economist is not in a position to, nor would he be expected to somehow independently verify cost or other key assumptions within an economic appraisal. In approaching this issue an economist will consider whether the cost description is appropriate and justifiable in the circumstances, and will consider the basis upon which assumptions have been derived. In relation to the RHI Scheme, the tariff was designed to compensate for the additional cost of a renewable system, taking account of capex, opex, fuel costs, barrier costs and hassle costs. Of these, only barrier costs and hassle costs would have appeared questionable to me, however having understood what they were intended to compensate, I was persuaded that they were reasonable costs to include in the process of settling the tariffs.
26. However when considering the quantum of these costs e.g. capex, opex etc. as well as the precise technical assumptions around the different technologies e.g. load factor, size, banding, efficiency, etc., I was entirely reliant on the data provided by the consultants and had no awareness of any alternative credible source of this information, from which to make a comparison. Furthermore, I was reassured by AEA Technology who was CEPA's partners in this project, and had provided technical inputs to the modelling, as AEA were recognised experts in this field. Indeed, their tender documents stated that:

"AEA has advised DECC and the Committee on Climate Change throughout 2009 and 2010 on the design and development of the Renewable Heat Incentive for Great Britain".

27. Furthermore the document states (WIT- 105411) that:

*“AEA reviewed the technical Renewable Heat Incentive consultation responses received by DECC, highlighting key issues raised by the consultees and investigating these further through reviewing the evidence base and speaking with the relevant industry stakeholders. The reviews focus was on four renewable heat technologies, Air Source Heat pumps, Ground source heat pumps, solar thermal and **Biomass**. This data improved the accuracy lead of **technology costs** for the RHI economic model. AEA’s role also involved advising DECC on the technical eligibility criteria and providing independent technical advice on the structure of the **tariff banding** and **appropriate levels of support** (emphasis added).*

28. As I had sat on the tender evaluation panel that had considered this information, I was aware of how suitable AEA Technology was as a partner in this project. In my view it is unlikely that there would have been a more suitable organisation that would have been in a better position to advise the Department in relation to these technical issues. I was therefore content that the advice was coming from a robust, credible and recognised source.

29. Furthermore, in my view, the Energy Division was reliant upon CEPA/AEA to offer guidance and advice in relation to potential risks around assumptions that had been used. It is only with the benefit of hindsight that these risks have become apparent to me, and I would not have had the knowledge to anticipate the significant variations in e.g. load factor that occurred. Indeed the only experience that I would have had with heating systems is the one I use at home, and as I do not experience significant increases in my heating bill from one year to the next (and definitely not near a 500% increase) I had no expectation that load factors were something that could vary to the extent that they did. Moreover, based on the advice of CEPA, I had an expectation that likely recipients of the incentive would be commercial premises (e.g. offices/shops) and at no time did I envisage that large agricultural processes (e.g. mushroom farming and poultry sheds) could have benefited from the small commercial tariff that had been derived. Indeed I expected that larger premises would simply avail of the larger commercial tariff that the consultants had derived.

30. In the particular circumstances, and based on what I knew of at the time, I maintain that I advised Energy Division adequately, particularly in my comments on 04/04/2011, when I suggested in para 35 that *“the appraisal should also include a section on risk/uncertainties as per NIGEAE”*. This would have included sensitivity analysis, and if Energy Division or CEPA were unsure what this meant, they could have raised this point with me (although I am confident that they did fully understand this point, having had experience drafting business cases previously). Subsequent to this, Energy Division was reliant on CEPA, who were engaged in the detailed policy analysis, to make appropriate suggestions in this regard, alongside AEA who stated in their tender documentation that they had an understanding of the practical application of these technologies.

31. The response from CEPA to my point on uncertainties on page 84 of the 2011 report suggests that some of the uncertainties can only be considered “qualitatively”. Recognising the considerable task that this would involve including potential sensitivities to approximately 10 assumptions for each of 7 different technologies as well as the same for

the counterfactual technology, (including multiple variations across different bands and customer segments, in addition to different combinations of assumptions within one sensitivity) I was persuaded by this response at the time (as was Energy Division), as well as the advice being provided that risks around incorrect subsidies/assumptions could and would be managed by having regular planned reviews.

32. Furthermore, I do not believe that it was my role, nor was it expected at the time, that I would test this analysis. Ordinarily an economist involved in the appraisal process will simply consider the merits of the sensitivity analysis undertaken by others, and at no time is he expected to insert his or her own analysis into the economic appraisal that is being drafted.
33. Having been directed towards additional information by the Inquiry on 24 November 2017, I have noticed that papers in that documentation revealed that I had been copied into an important email on 04 May 2011 from Alison Clydesdale concerning funding (DFE – 05413). I immediately remarked that on that date I was on annual leave for three weeks, as I got married on 22 April 2011. In total I was on leave from 16/04/11 to 08/05/11.
34. I have no recollection of dealing with this email upon my return and I would add that Energy Division took the lead with all issues concerning funding, and I would not have been involved in resolving any aspect of this for the project (i.e. establishing the funding position or liaising with DECC concerning longer term funding profiles). However this email (addressed to Peter Hutchinson) refers to the issue needing to be addressed within the Economic Appraisal, which could be the reason why I was copied in. I have absolutely no recollection of how this was taken forward.
35. Finally, I wish to add as far as I was concerned (and as was understood by Energy Division) my participation in the project at that stage had ended with the receipt of the final CEPA report at the end of June 2011 and I had no subsequent contact of any significance with this project until the following year and the production of the addendum that CEPA and Energy Division had been engaged in.

Response to oral evidence heard on 28/11/17

36. I understand that on 28 November 2017 Alison Clydesdale was questioned about a point in I made in my witness statement (WIT-10343, para 50). I would like to confirm that my assertion at paragraph 50 was based on the content of an email chain on Trim DT1/10/0108715 in relation to a discussion on funding between Alison Clydesdale and my assistant economist at the time Carmel McConville. I attach a copy of this email chain below (Annex 5). My understanding of this point was that Alison had advised Carmel that there was no funding for options such as “grant support” (see point 2 on email sent 29 October 2010 18:07pm). This was the basis of my point in para 50 of my statement. I have no recollection of this and readily accept I could be mistaken and that the grant support referred to could be related to something totally different to a challenge fund. However this is the basis upon which my point was made. Although from perusal of documents after Alison Clydesdale’s evidence, it is also clear that I was copied into subsequent emails in May 2011 that may have indicated that other options were being considered, alongside a specific RHI scheme. However, it is clear that at the time of drafting my witness statement I did not recall this email or indeed its potential significance.

Annex 1 – Details of Strategic Outline Case (see section 8.2)

<https://www.finance-ni.gov.uk/articles/business-case-development-process>

Annex 2 – Email chain concerning Strategic Outline Case



Scanned from a
Xerox Multifunction

Annex 3 – Emails concerning submission of business case to DFP



Business Case sent
to Accountability an



Business Case sent
to DFP.pdf

Annex 4 – DFP query regarding RHI assumptions



Scanned from a
Xerox Multifunction

Annex 5 – Email chain concerning RHI Options



Adobe Acrobat
Document

Department of
FinanceAn Roinn
Airgeadais[Home](#) [Topics](#) [Publications](#) [Consultations](#)
[Contact](#)

Business case development process

Topics: [Finance](#) , [Northern Ireland Guide to Expenditure Appraisal and Evaluation \(NIGEAE\)](#)

This page provides an overview of business cases for economic appraisal.

8.1 Introduction to business cases

8.1.1 Appraisals should be undertaken and presented within a wider business case. Business cases should provide assessments of strategic fit, option appraisal, achievability, value for money and affordability. A business case should contain an economic appraisal and other information including the proposed arrangements for financing, management, marketing, procurement, monitoring and evaluation of the relevant policy, programme or project. The effort to be put into business cases should be in proportion to the scale and importance of the proposal.

8.1.2 Documentation of the business case is required at various stages to inform key decisions. Prior to each key decision point, the business case document should be treated as a living document, to be revisited and updated regularly as information and assumptions are developed and refined. It is not just to be prepared for purposes of obtaining approval and then shelved.

On this page

- [8.1 Introduction to business cases](#)
- [8.2 Strategic outline case \(SOC\)](#)
- [8.3 Outline business case \(OBC\)](#)
- [8.4 Full business case \(FBC\)](#)
- [8.5 Business cases and expenditure approval](#)
- [8.6 PPP/PFI projects](#)
- [8.7 External consultancy business cases](#)
- [8.8 ICT supported projects](#)
- [8.9 Business cases and gateway reviews](#)
- [8.10 Business cases for contract awards, contract extensions and procurement projects](#)
- [8.11 Further advice and guidance](#)

8.1.3 The terms business case and business plan are not interchangeable. DoF uses the latter term in the context of financially-assisted or commercially-oriented projects, for which a business plan is required in addition to an economic appraisal in order to establish project viability. Business plans are explained at [section 4.5.6](#).

8.1.4 Development of the business case for any proposal should be a continuous process from inception to implementation. Proportionate and appropriate effort should be applied in all cases.

8.1.5 For large procurement projects, DoF generally advocates developing the business case through three stages:

- strategic outline case (SOC)
- outline business case (OBC)
- full business case (FBC)

8.1.6 For proposals involving assistance to the private or voluntary sectors, this three-stage approach is not usually required, and the terms SOC, OBC and FBC are not generally used. In such cases, the business case should be developed through as many iterations as are judged necessary to cover all of the issues set out in [section 4](#) of NIGEAE.

8.1.7 Departments should document the development of business cases at all key stages of project life. For procurement projects, this means documentation of the SOC, OBC and FBC in all cases. Until they have been finalised and served their purpose, business case documents should be regarded as living documents to be reviewed regularly and updated to reflect significant changes to key assumptions.

8.1.8 It is important to consider potential State aid implications at an early stage in the business case development process, in relevant cases. State aid refers to forms of public assistance

Related articles

- [Appraisal advice, training and use of consultants](#)
- [Appraisal and evaluation of small expenditures](#)
- [Appraisal of accommodation projects](#)
- [Appraising assistance to the private, voluntary and community sectors](#)
- [Appraising information communication technology projects](#)
- [Approval procedures for departmental expenditure](#)
- [Comparison of economic and commercial appraisal](#)
- [Economic appraisal glossary and abbreviations](#)
- [Evaluation guidance for economic appraisal](#)

More related
articles



that have the potential to distort competition and affect trade between Member States of the European Union. Where proposals to provide financial or non-financial assistance to an undertaking have potential State aid implications, appropriate action must be taken to ensure that the proposals comply with State aid legislation. For more details, see [sub-section 4.8](#) on State aid.

8.2 Strategic outline case (SOC)

8.2.1 The SOC is a very brief preliminary document, usually no more than 10 or 12 pages long, that introduces the basic project concept and contains enough detail to support an informed decision on whether to proceed to an OBC. It should include a preliminary assessment of strategic fit, options, value for money, affordability and achievability. Key elements in a SOC include:

- the project concept and rationale for government intervention
- initial statements of strategic aims, business need and project objectives
- relevant management considerations, including necessary stakeholder consultations, legal issues and consideration of any State aid implications
- high level consideration of possible options
- very preliminary assessment of costs, benefits, risks and funding and affordability

8.2.2 Analysis at SOC stage is broad and indicative - too broad and indicative to determine a preferred solution, but sufficient to judge whether it is worth committing resources to the more substantial work of an OBC.

8.2.3 DFP has issued a template which indicates the core content expected in a SOC and is designed to facilitate documentation of a SOC with suitable and proportionate effort. See the [SOC template](#).

8.3 Outline business case (OBC)

8.3.1 The OBC requires a much more comprehensive analysis. It should be completed prior to the commencement of formal procurement and normally provides the basis for formal DoF Supply approval, when it is required. The OBC should include thorough coverage of the 10 Steps of appraisal in accordance with [Section 2](#) of NIGEAE to provide fuller assessment of strategic fit, option appraisal, achievability, assumptions about costs, benefits, risks and funding. The OBC should determine the preferred option in terms of the level and form of service provision, and should recommend a particular procurement route.

8.3.2 When approval has been granted on the basis of an OBC, irrespective of the chosen procurement route, the principles of appraisal should continue to be applied until a contract is awarded. For example, private sector bids obtained through a tendering process should be subjected to the principles of option appraisal, and this process should be fully documented in a FBC.

8.3.3 In some cases, the OBC may be developed in two stages, referred to as the OBC1 and the OBC2. DoF is prepared to be flexible about the precise approach in individual cases, but it is advisable to agree the details with DoF Supply in advance. For example, some OBCs have been staged as follows:

Outline business case 1

The OBC1 includes a full economic appraisal and provides a basis for approval of the project need, objectives and preferred option. This approval may permit funding to be released for exemplar design and, if necessary, for land purchase or option to purchase land; and/or enabling works. The OBC1 includes:

- full statement of need and objectives
- detailed option appraisal and determination of preferred option in terms of e.g. nature, scale and location of service provision

- high level affordability analysis
- if appropriate, justification for up-front costs including land purchase/option to purchase land; and/or enabling works
- section covering business case as per [FD\(DFP\)07/12](#) (and the accompanying [guidance note](#)) and [FD\(DFP\)13/12](#) to justify external consultancy input to OBC2, including exemplar design

Outline business case 2

The OBC2 reports key changes since OBC1 and provides a basis for DoF approval to initiate the formal procurement stage.

The OBC2:

- assesses alternative procurement options in accordance with NIGEAE paras [5.4.3](#) to [5.4.5](#)
- develops exemplar design and output specification for preferred option prior to formal procurement
- refines affordability analysis including detailed cash projections, funding statement and estimated year-by-year capital and revenue DEL implications
- does not usually re-visit the OBC1 options; but may examine variations on the preferred option eg alternative phasings
- includes a draft benefits realisation plan
- includes a section covering a business case as per [FD\(DFP\)07/12](#) (and the accompanying [guidance note](#)) and [FD\(DFP\)13/12](#) if any external consultancy input to FBC is required

8.4 Full business case (FBC)

8.4.1 The FBC is documented prior to financial closure and award of contract. It should provide all the information needed to support a decision to award a contract and commit actual funding, and should provide a basis for the necessary project management, monitoring, evaluation and benefits realisation.

Key components of the FBC include:

- an update on key changes and developments since the OBC
- full details of the procurement process
- thorough appraisal of bids received from suppliers and a conventional procurement option
- final review of strategic fit, options, value for money, affordability and achievability
- plan and timetable for final negotiations and award of contract
- final plans for monitoring, evaluation and benefits realisation

8.5 Business cases and expenditure approval

8.5.1 In approving any project, policy or programme, there should be an early opportunity for approving authorities to consider and influence the choices made. This could take the form of a formal submission of a SOC for approval or, on some occasions, informal contacts between the project sponsor and the approving authority.

8.5.2 Where expenditure proposals exceed the department's delegated limits, DoF Supply will act as the approving authority.

8.5.3 For all major projects and high profile cases, Departments are required to submit a SOC to DoF Supply for approval in accordance with [FD\(DFP\)12/11](#) before proceeding to develop an OBC. Relevant cases in this context are:

- capital projects with a capital value of £20m or more
- all revenue projects which fall above the department's delegated limits and for which total central government costs will be £20m or more over the project's life
- all projects, irrespective of cost, that set precedents, are novel, are potentially contentious, could cause repercussions elsewhere in the public sector, or are potentially politically sensitive

The £20m thresholds refer to costs expressed in real terms (that is, in prices held constant at their current level), undiscounted.

8.5.4 OBCs must be formally submitted to DoF Supply for all investments over delegated limits, prior to the commitment of resources and commencement of procurement.

8.5.5 DoF approval of FBCs is currently required only for PPP/PFI cases.

8.6 PPP/PFI projects

8.6.1 There are particular requirements for OBCs and FBCs in PPP/PFI cases, as set out in NIGEAE [Section 5](#).

8.6.2 All PPP (including PFI) projects normally require DoF approval at the following stages:

1. at strategic outline case (SOC) stage, in the case of major projects and high profile cases as defined above
2. prior to commencement of procurement, based on submission of an outline business case (OBC)

In addition, all PFI projects (but not generally other PPP projects)* require DFP approval at the following stages:

3. prior to appointment of a preferred bidder, based on an appointment business case (ABC) providing an update on key developments since the OBC and including a detailed BAFO or final tender evaluation and an updated affordability assessment
4. prior to financial closure, based on submission of a full business case (FBC)



DoF reserves the right to require approval at ABC and FBC stages for individual non-PFI PPP cases. This

may occur, for example, where the PPP is considered novel, contentious, repercussive or in some other sense significant.

8.7 External consultancy business cases

8.7.1 All proposals for the use of external consultants must be justified by a suitable business case. There are specific requirements for these business cases, as currently stated in an [attachment to FD\(DFP\)07/12](#). (Updated on 16th October 2017, [FD \(DoF\) 08/17](#) refers)). This requires a full, but proportionate, business case to be completed for all external consultancy contracts expected to cost in total £10,000 or over.

8.7.2 The business case should cover the following issues:

1. The purpose of the assignment.
2. A reasoned assessment of the alternatives to external resources, and particularly the justification for using External Consultants. Where it is decided not to use internal consultants a full explanation must be provided for this decision.
3. The immediate and long-term outputs and benefits expected from the External Consultancy resources, when they are likely to accrue and how they will be measured.
4. The proposed project management arrangements, including management of deliverables, expectations and risks.
5. The means by which skills/expertise will be transferred to 'in-house' staff and/or internal consultants if appropriate. If not appropriate, the business case should state the reasons why it is not appropriate.
6. The proposed division of work between the External Consultants and any 'in-house' staff and/or internal consultants who will be assisting them.
7. The expected costs of both the external and the 'in-house' effort.

8. Potential risks and uncertainties associated with the assignment.
9. The performance review arrangements.
10. How the results of the External Consultancy will be implemented and monitored.
11. Any other considerations specific to the assignment.

8.8 ICT supported projects

8.8.1 Previously, a separate body of guidance specifically for ICT-related expenditures was given in DAO(DFP)33/03.

However, that guidance was withdrawn when the [Centre of Expertise for Programme and Project Management](#) website was introduced.

8.8.2 Business cases for ICT proposals should be developed through the stages of SOC, OBC and FBC in accordance with the general guidance in NIGEAE and should be managed following the [Centre of Expertise](#) guidance.

8.9 Business cases and gateway reviews

8.9.1 All programmes and projects in central government are subject to gateway reviews. The gateway process examines programmes and projects at critical stages in their lifecycle to provide assurance that they can progress successfully to the next stage.

8.9.2 The following table highlights the gateway review that corresponds with each business case stage. Gate 0 applies only to programmes and may be repeated at key stages throughout the programme. Gates 1-5 apply to projects within a programme.

Business Case Stage	Gateway Review
High-Level	0: Strategic Assessment
SOC	1: Business Justification

OBC	2: Procurement Strategy
FBC	3: Investment Decision
Implementation	4: Readiness for Service
Benefits Realisation	5: Benefits Evaluation

8.9.3 Further guidance on the gateway process is contained in [section 10.5](#) and on the DoF Central Procurement Directorate [gateway review process](#) web page.

8.10 Business cases for contract awards, contract extensions and procurement projects

8.10.1 All contracts, including direct award contracts, all contract extensions and all procurement projects should be supported by suitable appraisals and business cases; and the advice of CPD, or if appropriate, another designated CoPE, must be sought before commencing any procurement.

8.10.2 There is a need for suitable and proportionate appraisal of options and completion or update of a business case before signing any contract (including direct award contracts) or taking up any permitted/legitimate contract extension or commencing any procurement involving commitment of expenditure and/or changes in the use of public resources.

8.10.3 Procurements and contracts involve commitment of expenditure and/or changes in the use of public resources. Decisions to proceed with them must therefore be supported by appropriate and proportionate appraisals within similarly proportionate business case documents. This includes all decisions to award or extend contracts.

8.10.4 New contracts should only be awarded after a suitable appraisal has been undertaken, a proportionate business case has been completed and any necessary approvals obtained. The

same applies to contract extensions.

8.10.5 Where a contract is currently in operation, and there is a desire to consider contract extension, the process of re-appraising service requirements should commence sufficiently in advance of the end of the current contract to allow time for the necessary analysis to be undertaken and the required approvals to be obtained. This should help to ensure a smooth contract extension process.

8.10.6 There should be no presumption that a contract extension will be taken up. It should be treated simply as one of the options to be appraised before contract expiry. The uptake of a contract extension which has been provided for within the original contract should be actioned only with approval of the appropriate CoPE on the basis that there is a continued business need, that contract extension is the best option of all the available alternatives, that the supplier has provided satisfactory performance, and that the additional expenditure is within the scope of the original business case.

8.10.7 Proportionate effort should be applied at all times. The resources devoted to appraisals and business cases should be in proportion to the scale or importance of the objectives and resource consequences in view. Each contract decision must be judged on its merits, depending on factors such as the scale of the resources that will be committed by the decision. However, the following rules of thumb should normally apply:

- the effort required for a substantial new contract should generally be significantly greater than that for a contract extension
- a new contract will generally require a more substantial business case document than a contract extension; the latter may only require an addendum to the original business case

8.10.8 It is important to recognise that DoF Supply approval of a contract does not generally include approval to proceed with a

contract extension. Accordingly, departments must return to DoF Supply for fresh approval before proceeding with any contract extension that lies outside the appraisal period upon which the original business case and Supply approval was based, in the form of a new or suitably updated appraisal and business case

8.10.9 All contract decisions require justification and need to be thought through beforehand, whether they concern contract awards, extensions, modifications or variations. It is always right to think through what is required, consider the alternatives available, weigh up the pros and cons of each alternative, and make the decision that offers the best VFM. That is what appraisal means – thinking decisions through beforehand. Thus every decision should be subject to appraisal. However, business case documentation is not generally required for minor contract modifications or variations that lie within the scope of the original business case.

8.10.10 Nevertheless, substantial modifications or variations may give rise to a need for updated business case documentation in some circumstances. For instance, regarding projects that require DoF approval, the standard approval conditions require re-submission to DoF where total capital or revenue costs rise by more than 10% or where there are substantial changes to the approved project, broadly defined as any variance of 10% or more from an assumption in the approved business case. Where a substantial contract modification or variation will lead to a breach of these conditions, it will be necessary to revert to DoF for re-approval and this is likely to require updated business case documentation. In such cases, the precise requirements should be discussed and agreed with the relevant DoF Supply Division. In all cases where substantial modifications or variations are in view, the need to update business case documentation should be considered.

8.10.11 Continued use of a supplier after the end of a contract should be treated as a direct award without competition in line with CPD Guidance 03/11.

8.10.12 Contracts should not be signed, nor should any procurement be commenced, nor any expenditure committed until a suitable appraisal and business case have been completed and all the necessary approvals have been granted formally in writing. There are no exceptions to this rule. For example, it applies to direct award contracts as much as to all others.

8.10.13 It is vital to consult CPD, or if appropriate, another designated CoPE, from an early stage in the procurement process, and their advice must be sought before commencing any procurement. DoF Supply will normally require evidence of suitable CPD/CoPE involvement when its approval is sought for relevant cases.

8.10.14 CPD provides detailed guidance on the procurement options that are available, and how to conduct the relevant procurement process. The [CPD website](#) contains a variety of relevant resources including, for example, several [Procurement Guidance Notes](#) and various other items of relevant guidance. Enquiries concerning relevant procurement issues should be made to the Head of Centre of Procurement Expertise who is responsible for the contracting authority's procurement services.

8.11 Further advice and guidance

8.11.1 Departmental economists can provide general advice on the content of business cases and specialist advice on the relevant appraisal and evaluation techniques and procedures.

8.11.2 A template summarising the expected content of OBCs and FBCs is provided in [Summary of DoF OBC/FBC Requirements](#). A copy of a flow chart showing the [business case approvals process](#) can be found on the [resources page](#).

8.11.3 DoF business case guidance is broadly consistent with

the relevant HM Treasury guidance. The latter is based on a '5 case model' - the strategic case, the economic case, the commercial case, the financial case and the management case - and HM Treasury's recommended presentation is based around these issues. DoF expects business cases to cover similar issues, but has its own specific requirements for the content and presentation of business cases as indicated above.

nidirect

nibusinessinfo.co.uk

GOV.UK

© Crown Copyright | [Terms and Conditions](#) | [Privacy](#) | [Cookies](#)

Connolly, Samuel

From: Hawthorne, Jill
Sent: 15 December 2011 11:51
To: McAvera, Gerry
Subject: FW: RHI SOC

Gerry,

Could you TRIM this on our RHI folder please?

Thanks,

Jill

Jill Hawthorne

Accountability and Casework
 Department of Enterprise, Trade & Investment
 Netherleigh
 Massey Avenue
 Belfast, BT4 2JP
 Tel: 028 9052 9616 (ext: 29616)
 fextphone: 028 9052 9304
 Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?

From: Hutchinson, Peter
Sent: 15 December 2011 11:50
To: Hawthorne, Jill
Subject: RE: RHI SOC

Yes – Sam C considered it.

Peter

Peter Hutchinson

Sustainable Energy
 Department of Enterprise, Trade & Investment
 Netherleigh
 Massey Avenue
 Belfast, BT4 2JP
 Tel: 028 9052 9532 (ext: 29532)
 Textphone: 028 9052 9304
 Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?

From: Hawthorne, Jill
Sent: 15 December 2011 11:50
To: Hutchinson, Peter
Subject: RHI SOC

Peter,

Was the RHI SOC cleared by our Departmental Economists?

Jill

Jill Hawthorne

Accountability and Casework
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9616 (ext: 29616)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?

Connolly, Samuel

From: Connolly, Samuel
Sent: 02 December 2011 11:20
To: Hutchinson, Peter
Subject: RE: NI RHI - Strategic Outline Case

Peter,

Happy to consider this once the OBC has been drafted.

Sam

Samuel Connolly

Strategic Planning & Economics
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9287 (ext: 29287)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?

From: Hutchinson, Peter
Sent: 25 November 2011 15:58
To: Connolly, Samuel
Subject: NI RHI - Strategic Outline Case

Sam,

Unsure if you ever saw the Strategic Outline Case that was drafted on the Northern Ireland RHI – it is largely based on the CEPA analysis and was used to inform DFP of the policy proposal in advance of a much more detailed Outline Business Case being developed when a final policy position is agreed.

This was finalised when I was off and it has already been signed off by Fiona and sent through to DFP for consideration – however if you have any comments let me know and we can address for the OBC.

Thanks,

Peter

Peter Hutchinson

Sustainable Energy
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9532 (ext: 29532)
Textphone: 028 9052 9304

Please consider the environment - do you really need to print this e-mail?

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Connolly, Samuel

From: Hawthorne, Jill
Sent: 22 March 2012 10:32
To: McAvera, Gerry
Subject: FW: Business Case for DFP - Northern Ireland Renewable Heat Incentive
Attachments: RHI - Business Case for DFP.DOCX; Annex A - Study into the potential development of the NI Renewable Heat market - AECOM and Poyry 2010.pdf; Annex B - Economic Appraisal of the NI RHI - CEPA and AEA 2011.pdf; Annex C - Addendum to Economic Appraisal - CEPA 2012.pdf; Annex D - Ofgem Feasibility Study.docx; Annex E - RHI Risk Register.ppt; Annex F (i) - NI RHI State Aid notification paper.doc; Annex F (ii) - Northern Ireland Renewable Heat Incentive scheme - ADDENDUM - revised tariff values - issued to UKREP.DOC; Annex G - NI RHI Strategic Outline Case - 21 Oct 2011.pdf; Annex H - Domestic biomass tariff.xlsx; Annex I - Small commercial GSHP tariff.xlsx; Annex J - Biogas tariff.xlsx

Gerry,

Could you save this on TRIM please?

Thanks,

Jill

Jill Hawthorne

Finance Accounts/Accountability/Invest NI Casework
 Department of Enterprise, Trade & Investment
 Netherleigh
 Massey Avenue
 Belfast, BT4 2JP
 Tel: 028 9052 9616 (ext: 29616)
 Textphone: 028 9052 9304
 Web: www.detini.gov.uk



www.ni2012.com

Please consider the environment - do you really need to print this e-mail?

From: Hutchinson, Peter
Sent: 21 March 2012 17:23
To: Hawthorne, Jill
Cc: Hepper, Fiona; McCutcheon, Joanne; Connolly, Samuel; Sinton, Dan; Stewart, Susan
Subject: Business Case for DFP - Northern Ireland Renewable Heat Incentive

Jill,

Please see attached business case and accompanying Annexes outlining the proposals relating to the introduction of the Northern Ireland Renewable Heat Incentive (to be administered by Ofgem) and the *Renewable Heat Premium Payment* Scheme. This follows on from the Casework Committee meeting of 9 March 2012.

Grateful if you would forward to DFP Supply for consideration.

Thanks,

Peter

Peter Hutchinson

Renewable Heat
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9532 (ext: 29532)
Textphone: 028 9052 9304
Web: www.detini.gov.uk



www.ni2012.com

Please consider the environment - do you really need to print this e-mail?

Connolly, Samuel

From: Hawthorne, Jill
Sent: 22 March 2012 15:22
To: Stevenson, Stuart; Sands, Sylvia
Cc: McAvera, Gerry; McFarlane, Iain; McAteer, Ronnie
Subject: Renewable Heat Incentive

Stuart, Sylvia,

Please see attached, for your consideration, which relates to a proposal for a Renewable Heat Incentive (RHI) for Northern Ireland to be administered and delivered by OFGEM. It also covers the rollout of an interim grant scheme for the domestic sector in respect of support for RHI technologies.

You will be aware that DFP approval for the Strategic Outline Business Case (SOC) was sought in 2011 and subsequently secured. Paragraph 3 of the DFP approval letter highlighted a number of areas to be addressed as part of the Outline Business Case stage. Pages 25 - 26 of the attached appraisal provide further detail on how each of these points has been addressed.

The proposal has been approved by the DETI Casework Committee and endorsed by the Departmental economists. The Department is therefore content to support the proposal. A completed DFP proforma is attached.

You may wish to note that DETI Energy Division is, in parallel, seeking Accounting Officer and Ministerial approval for the appointment of OFGEM through a Direct Award Contract and authorisation for their appointment as a Third Party Organisation.

Jill



RHI - Business
Case for DFP.DO...



Annex A - Study
into the poten...



Annex B -
Economic Appr...



Annex C -
Addendum to E...



Annex D - Ofgem
Feasibility St...



Annex E - RHI Risk
Register.pp...



Annex F (i) - NI
RHI State Aid...



Annex F (ii) -
Northern Irelan...



Annex G - NI RHI
Strategic Out...



Annex H -
Domestic bioma...



Annex I - Small
commercial GS...



Annex J - Biogas
tariff.xlsx



Supply -
Integrated Moni...

Jill Hawthorne

Finance Accounts/Accountability/Invest NI Casework
 Department of Enterprise, Trade & Investment
 Netherleigh
 Massey Avenue
 Belfast, BT4 2JP
 Tel: 028 9052 9616 (ext: 29616)
 Textphone: 028 9052 9304
 Web: www.detini.gov.uk



www.ni2012.com

Please consider the environment - do you really need to print this e-mail?

Connolly, Samuel

From: Hutchinson, Peter
Sent: 26 April 2012 16:02
To: Hawthorne, Jill; Hepper, Fiona
Cc: McCutcheon, Joanne; Stewart, Susan; McAvera, Gerry
Subject: RE: Renewable Heat Incentive NI

Jill,

In regards to the query on the RHI tariffs query, we can confirm that DETI is content with the assumptions underpinning the CEPA model and view the CEPA/AEA research as robust and accurate. In addition, DETI economists were involved at all stages of the process and were also content with the assumptions, as was the DETI Casework Committee.

If you need anything further or more detail please let me know.

Thanks,

Peter

Peter Hutchinson

Renewable Heat
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9532 (ext: 29532)
Textphone: 028 9052 9304
Web: www.detini.gov.uk



www.ni2012.com

Please consider the environment - do you really need to print this e-mail?

From: Hawthorne, Jill
Sent: 26 April 2012 15:48
To: Hepper, Fiona
Cc: McCutcheon, Joanne; Hutchinson, Peter; Stewart, Susan; McAvera, Gerry
Subject: RE: Renewable Heat Incentive NI

Fiona,

Thanks - I have everything I need on the approvals point so will just require input on the RHI tariffs query.

Jill

Jill Hawthorne

Finance Accounts/Accountability/Invest NI Casework
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9616 (ext: 29616)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

<< OLE Object: Picture (Metafile) >>

www.ni2012.com

Please consider the environment - do you really need to print this e-mail?

From: Hepper, Fiona
Sent: 26 April 2012 15:47
To: Hawthorne, Jill
Cc: McCutcheon, Joanne; Hutchinson, Peter; Stewart, Susan; McAvera, Gerry
Subject: RE: Renewable Heat Incentive NI

Thanks Jill - we'll answer. But, on the approvals point, we do have Ministerial approval and I sent this through a few days ago to you. We can send again in answering below.

Thanks again

F

Fiona Hepper

Head of Energy Division
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9215 (ext: 29215)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

<< OLE Object: Picture (Metafile) >>

www.ni2012.com

Please consider the environment - do you really need to print this e-mail?

From: Hawthorne, Jill
Sent: 26 April 2012 14:33
To: Hepper, Fiona
Cc: McCutcheon, Joanne; Hutchinson, Peter; Stewart, Susan; McAvera, Gerry
Subject: FW: Renewable Heat Incentive NI

Fiona,

DFP Supply is seeking clarification on two points, detailed below.

With regards to the second point, I am aware that the appointment of Ofgem has been endorsed by the AO, but formal Ministerial approval has not yet been secured.

Jill

Jill Hawthorne

Finance Accounts/Accountability/Invest NI Casework
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9616 (ext: 29616)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

<< OLE Object: Picture (Metafile) >>

www.ni2012.com

Please consider the environment - do you really need to print this e-mail?

From: McAteer, Ronnie
Sent: 26 April 2012 14:17
To: Hawthorne, Jill
Cc: Stevenson, Stuart; Sands, Sylvia
Subject: Renewable Heat Incentive NI

Jill,
As discussed, grateful for confirmation/clarification on the following points.

RHI Tariffs

The proposed approach is largely consistent with the GB scheme. The method of calculating the tariff rates is the primary difference between the NI and GB schemes. Moreover, the economic analysis used to design support levels under the NI scheme is based upon a financial model developed by CEPA (section 7.44). Please confirm that DETI is satisfied that the assumptions underpinning this model are robust.

Delivery

It is proposed that Ofgem are given responsibility for the administration of the NI RHI via Direct Award Contract. This is based upon their experience in effectively and efficiently developing and administering other Government environmental schemes including the GB RHI and NIRO (section 13.6). Delivery by Ofgem appears to offer the most cost-effective delivery solution. Section 13.29 states, "*Central Procurement Directorate have been kept informed throughout the process and are content with this course of action.*" **Importantly, please provide clarification as to whether approval has been obtained from the DETI Accounting Officer and DETI Minister for the appointment of Ofgem via Direct Award Contract (section 13.30 of the appraisal refers).**

Regards

Ronnie

Connolly, Samuel

From: McConville, Carmel
Sent: 02 November 2010 16:08
To: Clydesdale, Alison
Cc: Connolly, Samuel; Montgomery, Paul; Hepper, Fiona
Subject: RE: TOR for EA for Renewable Heat Incentive

Alison

I am content that the revised ToR satisfactorily addresses all the comments previously made by Economics Branch on 28/10/10.

I have made one small amendment to the attached ToR which I have included as a tracked change for ease of reference.

Kind regards

Carmel



TOR - EA RHI V2
(2).doc

Carmel McConville

Strategic Planning & Economics
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9564 (ext: 29564)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?

From: Clydesdale, Alison
Sent: 02 November 2010 13:22
To: McConville, Carmel
Cc: Connolly, Samuel; Montgomery, Paul; Hepper, Fiona
Subject: RE: TOR for EA for Renewable Heat Incentive

Carmel, Sam

<< File: TOR - EA RHI V2.DOC >> << File: TOR - EA RHI V2.tr5 >>

I have tried to address your comments in this revised version of the TOR - you will see my additions are as tracked changes for ease of reference (they also include some minor modifications that Fiona Hepper asked for).

Grateful if you could take a final look over it.

We intend to provide all tenderers with the full report which details the heat demand etc as it would be too big to include within the TOR.

Grateful for any final comments by COP tomorrow (Wednesday) to allow us to get this down to CPD on Thursday.

Many Thanks

Alison

Alison Clydesdale

Sustainable Energy
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9248 (ext: 29248)
Mob: 07799 867 819
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?

From: McConville, Carmel
Sent: 01 November 2010 14:46
To: Clydesdale, Alison
Cc: Connolly, Samuel; Montgomery, Paul
Subject: RE: TOR for EA for Renewable Heat Incentive

Alison

In response to your email received on Friday, I have tried to address your queries below:

With regard to the market failure/need section the economic appraisal should establish whether this is essentially policy driven, however there maybe additional issues that should be considered within the appraisal e.g. there maybe prohibitive costs, limited pay back etc... which may necessitate government intervention. In relation to potential demand, it would be useful to include the information from the study you have identified to assess the potential demand for renewable heat.

With regard to the options section whilst it makes sense to only consider the option relating to the Renewable Heat Incentive (RHI); the appraisal may need a small paragraph to explain why this is the case. This may include why this money has been ring fenced and what are the rules governing the funding. Carrying on from this the appraisal should then look at the various options for delivering the RHI.

Happy to discuss

Carmel

Carmel McConville

Strategic Planning & Economics
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9564 (ext: 29564)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?

From: Clydesdale, Alison
Sent: 29 October 2010 18:07
To: McConville, Carmel

Cc: Connolly, Samuel; Montgomery, Paul
Subject: RE: TOR for EA for Renewable Heat Incentive

Carmel

Many thanks for your comments.

I just wanted to check a couple of things:-

(i) Market failure/need - the need for the RHI is driven by having to comply with an EU Directive - how do we address this in our EA ? Doing nothing is not an option but we can identify the implications of doing nothing I guess. The potential demand for renewable heat has been identified in our study and I would not expect the economic appraisal to revisit that (it took 9 months at a cost of £200K) so we intend to provide all the demand figures etc to the tenderers - is that acceptable. ?

(ii) Options - when I spoke with Sam we agreed that since the funding was only being made available for an RHI that this essentially meant that our other options could not proceed - so we have limited the EA to only looking at the RHI option. The previous study has identified various options (such as grant support, industrial sector support only etc) but there is no funding for these as the HMT funding is ring fenced for us to deliver an RHI . Do you mean for us to look at these other options in the EA or do you mean to look at various options for delivering the RHI only - I'm hoping its this second point.

Happy to discuss on Monday.

Alison

Alison Clydesdale

Sustainable Energy
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9248 (ext: 29248)
Mob: 07799 867 819
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?

From: McConville, Carmel
Sent: 28 October 2010 14:43
To: Clydesdale, Alison
Cc: Connolly, Samuel; Montgomery, Paul
Subject: RE: TOR for EA for Renewable Heat Incentive

Alison

Please see attached comments in relation to the Renewable Heat Incentive terms of reference.

<< File: NIRHI Terms of Reference.doc >>

Kind regards

Carmel

Carmel McConville

Strategic Planning & Economics
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue

Belfast, BT4 2JP
Tel: 028 9052 9564 (ext: 29564)
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?

From: Clydesdale, Alison
Sent: 22 October 2010 16:02
To: Connolly, Samuel; McConville, Carmel
Cc: Hutchinson, Peter; Hepper, Fiona
Subject: TOR for EA for Renewable Heat Incentive

Sam / Carmel

Further to our telephone conversation, were we agreed that now that funding has been confirmed for an RHI we can simplify the Economic appraisal to look at the RHI only.

Attached therefore re-drafted economic appraisal on RHI, for your comment.

We are keen to get this out to tender as soon as possible so grateful for comments by 29 October.

<< File: TOR - EA RHI V2.tr5 >> << File: TOR - EA RHI V2.DOC >>

Best Regards

Alison

Alison Clydesdale

Sustainable Energy
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast, BT4 2JP
Tel: 028 9052 9248 (ext: 29248)
Mob: 07799 867 819
Textphone: 028 9052 9304
Web: www.detini.gov.uk

Please consider the environment - do you really need to print this e-mail?