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Date: 28 September 2012

Dear Colleague,

Response to comments made on the 'Consultation on Ofgem's costs for administering the Renewables Obligation'

We published our consultation letter concerning Ofgem's costs for administering the Renewables Obligation scheme in 2012-13 on 6th August 2012. We received three responses to the consultation; this letter will address the comments made.

The comments were largely directed at two areas of our proposed costs:

- **The overspend of £425,091 brought forward from 2011-12**
 - Asking for more detail on what this was for
 - Requesting reassurance that this will not be a reoccurring cost
 - Asking what the consequences of the overspend are

- **IT Development and Ongoing costs**
 - Requesting further detail on what IT work this covered and the reasons for the increase from last year
 - Asking what future development is planned for the Renewables and CHP Register and whether this will have an impact on the end user

Overspend

The prior year adjustment of £425,091 was made to encompass additional costs pertaining to legal challenge. This included additional internal legal team support costs, external Counsel costs in respect of advice on complex legal issues, and the cost of defending legal proceedings. The proceedings are described in the High Court's judgment of last year, which is a matter of public record¹. The legal case is currently ongoing and we cannot comment further at this stage.

IT Development

The Renewables and CHP Register, the main platform for our administration of the RO, requires constant maintenance and development work to ensure that it runs as efficiently as possible with optimum user experience. IT development costs are higher this year than in previous due to extensive work being done to prepare for the changes to the RO Orders (currently under consultation) in April 2013. Work has been done to upgrade the system to ensure it can accommodate the changes that will need to be made once decisions on the legislation have been finalised. All of these changes will ultimately have an impact on the

¹ <http://www.bailii.org/ew/cases/EWHC/Admin/2011/1873.html>

end user, although not all are visible at the user end of the Register as they are to do with rules that govern internal functions of the Register.

Final administration cost

The final and total amount being withdrawn from the RO, ROS and NIRO buyout funds at the end of September 2012 to cover Ofgems administration of these schemes is **£3,529,853**. This is the same amount that we consulted on in August.

Yours sincerely,

Charles Hargreaves
Associate Director Environmental Programmes