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Implementing New Schemes – A Tour of the Process

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2 August 2012

What We Will Cover Today…

•Who New Scheme Development is and what we do
•Why we do it and who for
•What are the stages in developing new schemes or implementing changes to schemes
•What's involved in each stage, and why we do it
•What the outputs are
•A few examples of our work

•This will be a guide only – each scheme is different, each has different circumstances attached to it - there is no one size fits all and often things happen in a different order or are iterative

New Scheme Development's Role

- Set up new environmental and sustainability schemes that Ofgem administers on behalf of Government

- Implement major changes to existing schemes

- Customer interface for operational enhancements to existing schemes

Who We Do This For…

- The Authority
- Internal end users (e.g. Environmental Programmes, RHI team, Ofgem orange)
- DECC
- External end user

It is important to consider the needs of all of these parties when implementing new schemes / major changes (though some will be more important than others!)

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New Scheme Development: Current work

RHI	ECO	FITs	RO	NI RHI?
• World first of its kind • Supporting renewable heat production • Phase 1: Large scale • Phase 2: Domestic	• Part of the 'green deal' for cases where the 'Golden Rule'' cannot be met • Addressing fuel poverty	• To encourage deployment of small-scale low-carbon electricity generation • Organisations, businesses, communities and individual	• Main mechanism for supporting large-scale generation of renewable electricity	• Replicating the RHI in Northern Ireland • A few small differences • To be run on behalf of DETI
Status	Status	Status	Status	Status
•Operational Enhancements •Phase 2 Development •Emergency cost control – July 2011 •Phase 2A (cost control etc) – Jan to March 2013? •Phase 2B (domestics?, other) – Summer 2013	• Conducting Scoping Study for DECC – scheme starts October 2012	•Comprehensive review: •Phase 1 - Changes to tariffs, energy efficiency, multiple installation tariff (April) • Phase 2A – PV cost control, shorten PV lifetime etc. (July 2012) •Phase 2B – non-PV degression, several other changes (October 2012)	•RO Banding review •Introducing sustainability requirements •Both due April 2013	•Not confirmed yet so work hasn't started

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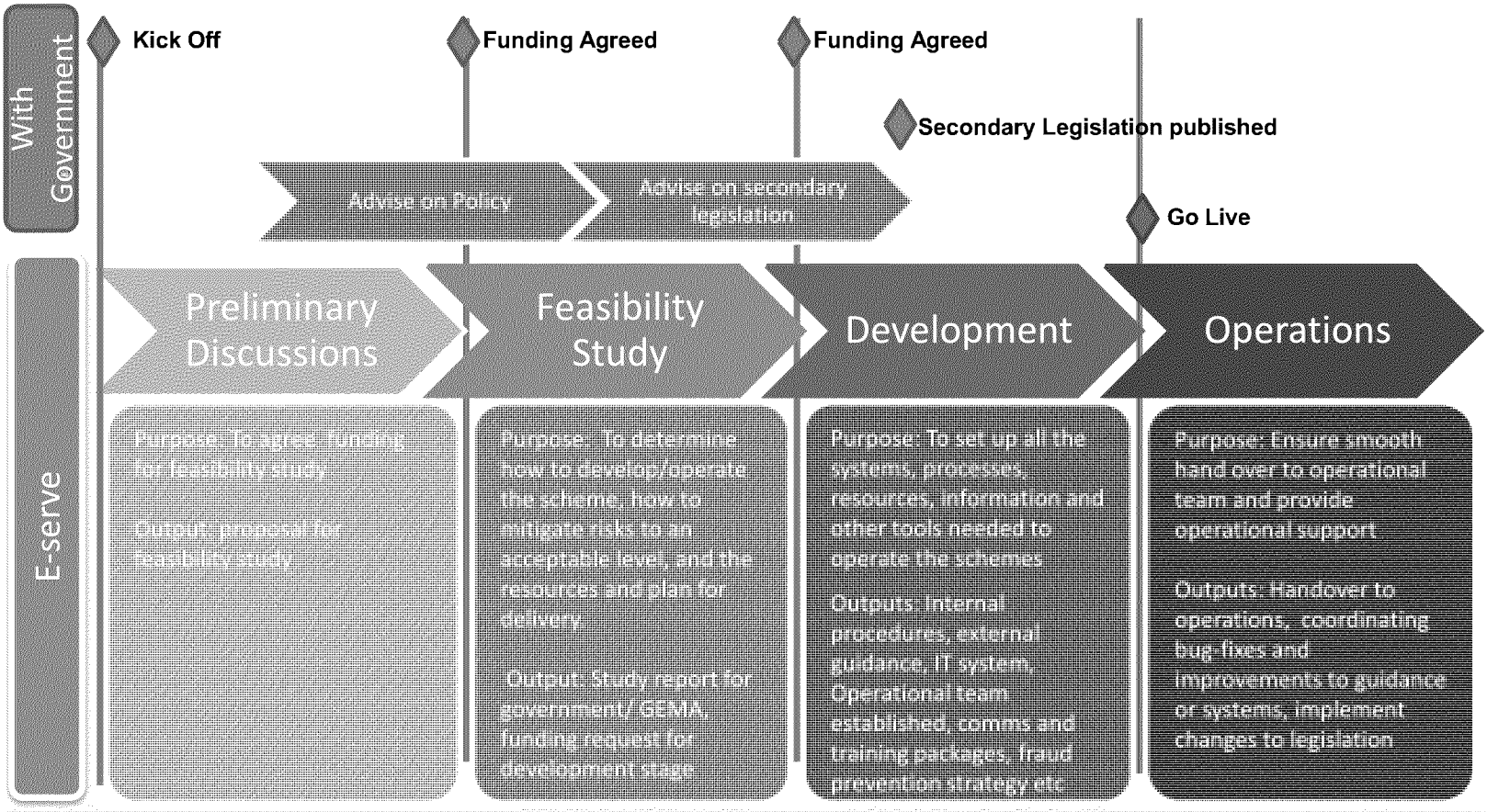
Framework for Developing Schemes



We aim to design and implement the most efficient, effective, value for money solutions to operating the schemes

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Preliminary Discussions

Initial Discussion with DECC → Develop Proposal → Agree Proposal

Inputs:

- Expression of Interest (RFP, ITT, informal request)
- Requirements documents
- Mandate

What we do:

- Initial Discussions with (DECC*) on scope, timescales and funding
- Present opportunity to Authority
- Discussions with Legal, IT and other parts of Ofgem as required
- Evaluation of approach to take for the study

Evaluation of the time, resources, skills and external input needed

*or other government department/organisation.

Outputs:

- Proposal for feasibility study:
  1. Executive summary
  2. Introduction/background
  3. Policy and legislative considerations
  4. Costs and resources
  5. Assumptions
  6. Risk analysis
  7. Proposal for agreement
- Feasibility PID
- Agreed feasibility funding

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Feasibility Study

Confirm Scope and Assumptions → Option Analysis → Recommend solution → High level design → Independent risk assessment → Delivery Plan → Resourcing and Budget

Inputs:

- Proposal
- Recommendations from the Authority
- Feasibility PID
- Legal advice

What we do:

- Assemble team
- Review of policy and draft legislation
- Confirm and document project scope and working assumptions
- Assess different options
- Cost benefit analysis
- High level process design and process mapping
- Independent risk assessment
- Project delivery plan
- Assess resource needs
- Negotiate project budget and interdependencies/conditions

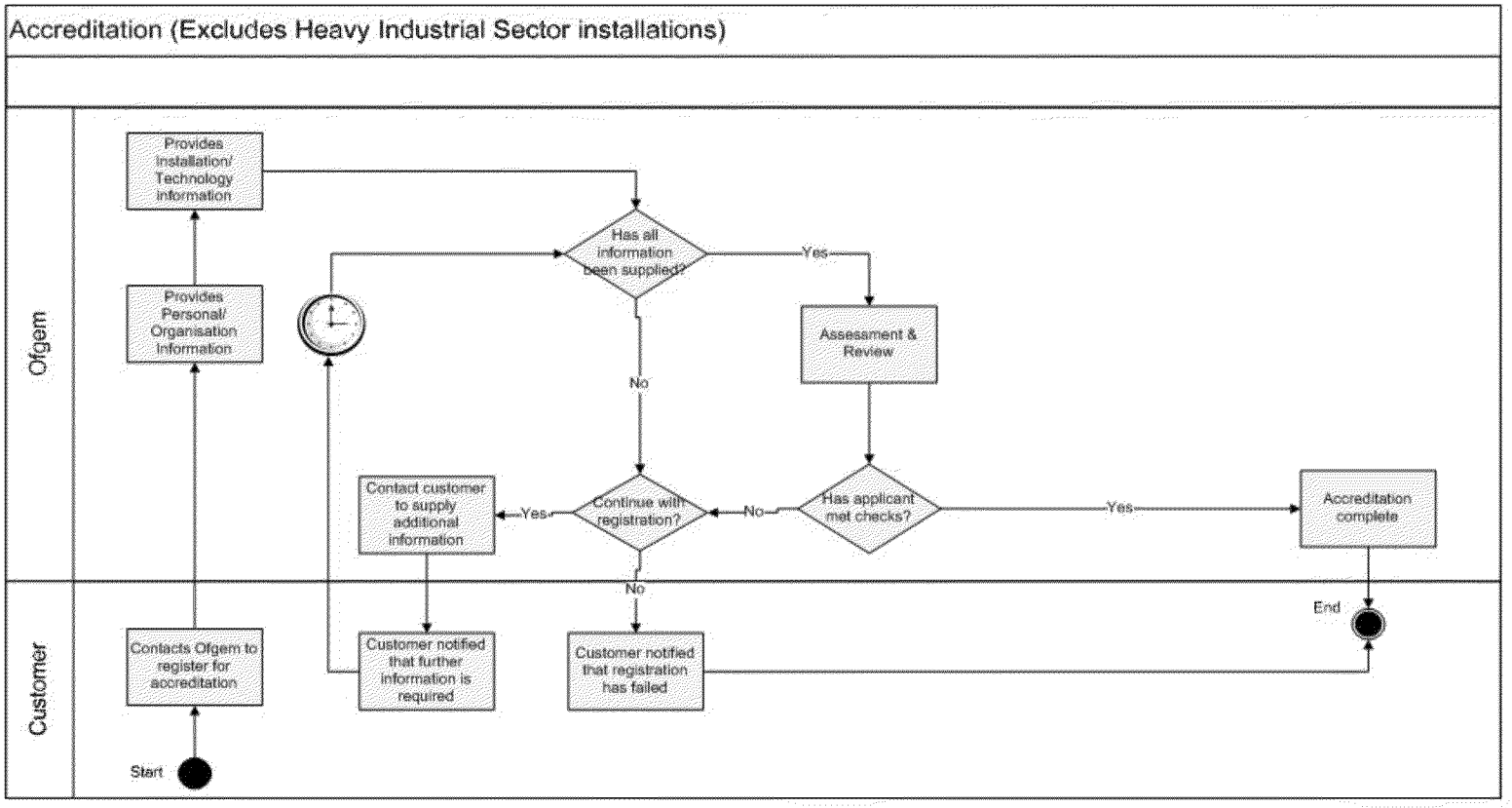
Outputs:

- Feasibility Study:

1. Executive Summary
2. Introduction & Background
3. Scope and Working Assumptions
4. Implementation Options
5. Options Analysis
6. Risk Analysis
7. Process Design
8. IT Solution
9. Resource Requirements
10. Cost
11. Value for Money
12. Development plan
13. Governance
14. Recommendations

- Development PID
- Authority paper with recommendations
- Request for funding development phase

Case studies Process Map (NI RHI)



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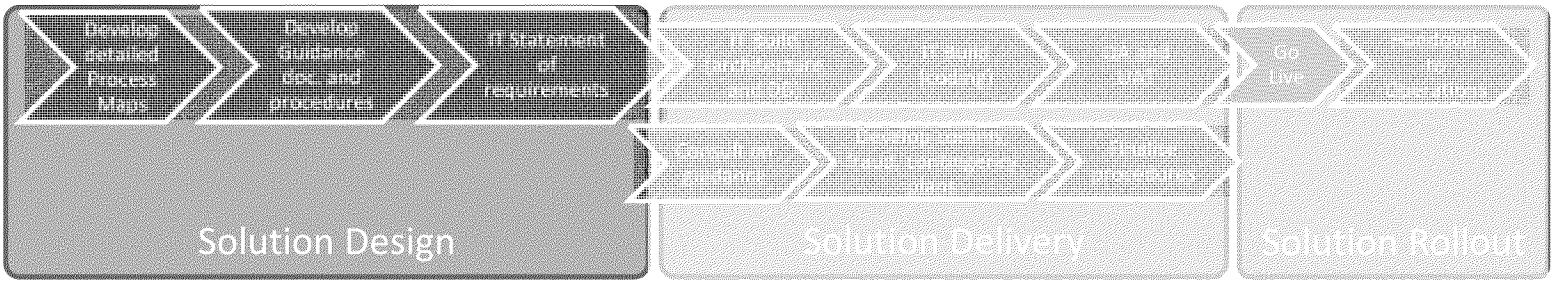
Development Phase



Inputs:

- Feasibility Study
- Development PID
- Authorisation to proceed from the Authority
- Agreement letter from Government

What we do:

- Recruit team
- Consider Authority powers and duties
- Review of government policy and draft regulations – provide advice
- Detailed design of solution to deliver scheme
- Scope IT requirements
- Develop guidance:
  - Evaluate technical/legal issues and options to address – seek external advice if needed
  - Evaluate risks and options to mitigate
  - Engage with other parts of Ofgem to ensure issues identified and solutions appropriate
  - Develop solutions, and get clearance
  - Draft external guidance for participants

Outputs:

- Detailed design of processes
- IT Use Cases
- Draft guidance, including peer review, input from operations teams

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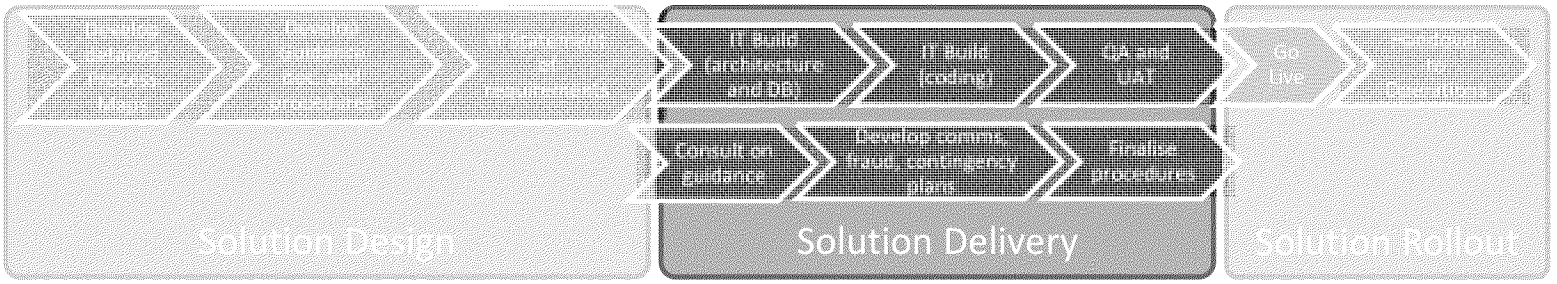
Development Phase



Inputs:

- Statement of requirements
- Draft guidance chapters
- Use Cases
- Finalised design
- Revised cost forecasts

What we do:

- Develop communications strategy and continue to engage with stakeholders (work with Comms Account Manager)
- Public consultation on external guidance
- Set up and engage with Industry Advisory Groups (technical or process experts) on complex issues
- Evaluate consultation responses and update guidance and procedures
- Develop fraud prevention strategy and audit plan
- Build and test IT systems (BA Team)
- Independent assurance of processes
- Recruit operational team

Outputs:

- Operational Business Plan:
  - Internal procedures
  - Comms strategy
  - Fraud prevention strategy and audit plan
  - Contingency plans
  - Management tools(KPIs, reporting, governance, team structure and work allocation etc)
- External guidance
- IT system
- Comms material, web update
- External training
- Operational team established

Case studies: Guidance (FITs)

Contents

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Case studies: Internal Procedure (RO)

Late Audit Reports

3.5. The following steps are to be carried out as necessary in order to deal with audit reports that have not been received by the 31 May deadline or where those that have been received are not to the adequate standard:

Ofgem Internal User

- Step 1: On 1 June of the relevant obligation year: refer to "Fuelled Stations Report" to obtain a list of accredited generators required to submit an audit report
- Step 2: Refer to Excel spreadsheet (as above) highlighting the latest update on audit reports
- Step 3: Use report and spreadsheet to check if any generator has not submitted audit report
- Step 4: *Audit report not yet received:* refer to "Fuelled Stations Report" and RCHP Register to calculate the number of ROCs that the generator would have been entitled to, in accordance with Article 54A(7) of the Orders
- Step 5: Record calculation made in Step 4 on Excel spreadsheet
- Step 6: Log into Renewables and CHP (RCHP) Register
- Step 7: Go to "Accreditation"
- Step 8: Select generating station that has yet to submit audit report from list
- Step 9: Select "Suspend Accreditation" and enter "Bioliquid Sustainability Audit report not received/**or** not to an adequate standard." followed by the initials of Ofgem internal user in comments box
- Step 10: Contact generator to inform them of suspension and request audit report
- Step 11: Record date of contact with generator on Excel spreadsheet
- Step 12: Monitor number of ROCs that are suspended monthly
- Step 13: Unsuspend accreditation in the event that the generator reaches the level of ROCs as estimated by Ofgem in accordance with Article 54A(7) of the Orders (see Step 4)
- Step 14: *Audit report received:* check audit report is compliant in line with procedure as highlighted in process map above (see 3.1.)
- Step 15: *Audit report compliant:* Unsuspend accreditation for relevant generating station
- Step 16: Ok to issue the outstanding ROCs that the generator is entitled to

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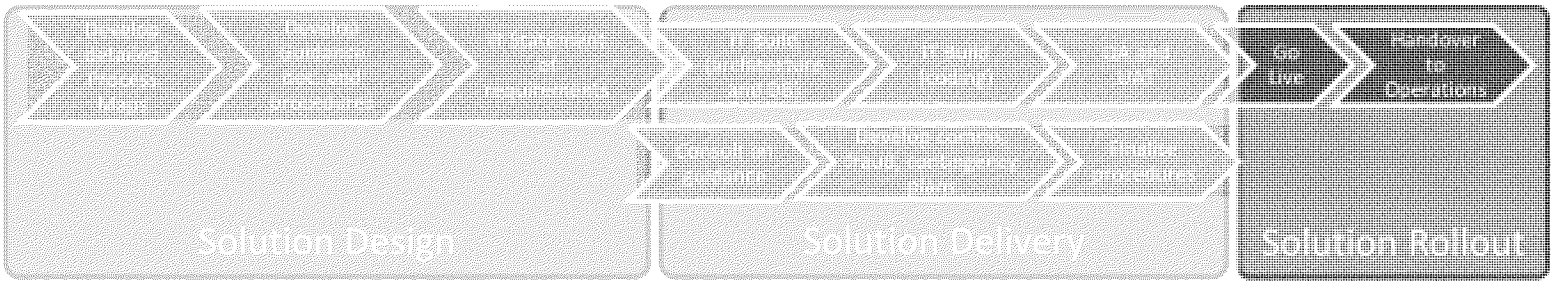
Development Phase



Inputs:

- Finalised solution:
  - Guidance
  - Processes and procedures
  - IT systems

What we do:

•Carry out internal training for operational team
•Finalise comms activity incl. press release, lines for enquiries, external training packages etc
•Update web information
•Pre acceptance IT testing by stakeholders
•Update IT supporting guidance (user manuals)
•Go-live meeting (signoff for go-live)
•Agree outstanding issues and how/whether to address them
•Handover meeting
•Implement transitional plan including post go-live support

Outputs:

•Guidance, comms material and IT user manuals published
•IT system released
•Scheme launch? – comms activity
•External training held
•Operational team in place and operating scheme effectively
•Plans agreed on adressing outstanding items (e.g. IT defects or change requests)

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Operations

Bug fixes | Operational enhancements | Additional requirements

Inputs:

- Operational requirements
- Bugs in IT system
- Deferred development work
- Changes in legislation
- Legal advice

What we do:

For IT changes:
- Option analysis/cost-benefit assessment
- Impact assessment
- IT system development (BA team)
- User Acceptance Testing
- Web content development
- Update IT user manual and internal procedures (if needed)

For legislative changes:
- Full or condensed version of feasibility/development phases

Outputs:

- Updated IT systems
- Revised procedures
- Other outputs as previously listed for legislative changes

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Case study links

Project Proposal:
ECO Proposal
NI RHI Proposal

Project Initiation Document (PID):
ECO PID
NI RHI PID

Feasibility Study:
NI RHI Feasibility
RO Sustainability Feasibility

Guidance Material:
RHI Guidance
FIT Guidance