

To: Andy Luckhurst[Andy.Luckhurst@ofgem.gov.uk]; Matthew Harnack[Matthew.Harnack@ofgem.gov.uk]; Luis Castro[Luis.Castro@ofgem.gov.uk]; Rita Chohan[Rita.Chohan@ofgem.gov.uk]; Paul Heigl[Paul.Heigl@ofgem.gov.uk]; Richard Kayan[Richard.Kayan@ofgem.gov.uk]; Milton James[Milton.James@ofgem.gov.uk]
From: Andy Luckhurst
Sent: 2012-08-24T15:50:42Z
Importance: Normal
Subject: RE: Matthew's surgery - follow on actions
Received: 2012-08-24T15:50:45Z

All,

Following yesterday's meeting, here is a further update.

With regard to comparing the relative sizes of the January release for GB and NI, we still do not have much certainty about what will be in scope for GB. At this stage, I believe we should therefore stick to an assumption of a 50:50 split, although I am happy to model alternative ratios if I can be given further guidance about this.

Table 1 below shows the effect of reducing the contingency level for the release costs only, but leaves other calculations untouched.

Table 2 shows an alternative scenario, based on the marginal costs for NI of a January release. In this scenario, release costs and Penetration testing would be funded by the GB release (hence the contingency level that applies to the remaining items is still 100%).

I am happy to take further questions next week as required.

Regards,

Andy

Andy Luckhurst

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Table 1:

Details	Estimate	Estimate with contingency (100%)	Estimate with contingency (release costs 33%, other costs 100%)
Current Estimate (assumes a single, standalone release for NI)	£178,565	£357,131	£347,591
Effect on costs of initial release if scope reduced	(-£13,902)	(-£27,804)	
Gross increase in costs due to second release	+£40,105	+£80,110	
Increase for DETI if costs shared with GB release	+£28,869	+£57,738	
Overall effect on costs for DETI	(£28,869 - £13,902) = £14,967	(£57,738 - £27,804) = £29,934	

Table 2:

Details	Estimate	Estimate with contingency (100%)
Current Estimate (assumes a single, standalone release for NI)	£178,565	£357,131
Effect on costs of initial release if scope reduced	(-£13,902)	(-£27,804)
Gross increase in costs due to second release	+£40,105	+£80,110
Increase for DETI if costs shared with GB release (Marginal costs only)	+£22,509	+£45,018
Overall effect on costs for DETI	(£22,509 - £13,902) = £8,607	(£57,738 - £27,804) = £17,214

From: Andy Luckhurst

Sent: 23 August 2012 18:51

To: Matthew Harnack; Luis Castro; Rita Chohan; Paul Heigl; Richard Kayan; Milton James

Subject: Matthew's surgery - follow on actions

All,

Following our discussion this afternoon, I am attaching the document which I brought to the meeting.

The following actions were taken by me.

Action Number	Action	Update
1.	Provide further clarity on breakdown of original estimate of £178,565	I am attaching the original Feasibility Study estimate breakdowns (already provided to Paul). Please refer to the 1B Basic option(NI release) tab. I'm happy to provide further explanations if needed
2.	Reduce percentage of contingency from 100% to 33% for release costs, given that these are a known quantity	Will be done when further information is sent
3.	Produce alternative breakdowns showing alternative percentage split of costs for January release, based on size of release (GB release compared to NI) and marginal costs. Paul will provide data taking into account the percentage share of the heat market for NI compared to GB.	I will endeavour to do this by the end of tomorrow

Other points I noted:-

- Matthew is keen to brief Bob by Wednesday next week and agree what position should be taken with DETI. As well as the IT costs, other costs will need to be factored in.
- Matthew will review the briefing which I provided, but is likely to agree to option 3 (once any further clarifications have been obtained).
- Given the likely volumes of NI applications, a manual option until end of November looks to be feasible.
- Other things that need to be factored into discussions with DETI include increase in legal costs, the lack of contingency provision, and (in terms of timescales) the fact that Michelle did not start with Ofgem until 25 July.

I also agreed with Luis that we would accept sign-off of the Vision document by midday next Wednesday (29th August) but that Niketa would continue with the Discovery document work in the meantime, on the assumption that it is correct (Paul and Sophie have confirmed that they are happy that it is).

I also understand that we should have further clarity on when the legislation becomes effective during the Teleconference with DETI on Tuesday.

Regards,

Andy

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