

Internal Only

**RHI (domestic and non-domestic) administration – cost risks and opportunities for remainder of 2016/17**

**E-Serve RHI Team, October 2016**

**Summary**

At this stage, we continue to expect to be able to deliver the scope on both Heat schemes within the E-Serve budget for 2016/17. There are significant cost risks, as identified in our previous correspondence and papers, led by the Reform package and changing technology mix, but also opportunities through efficiencies and synergies across the common heat portfolio. Our current assessment is that these risks are balanced, and therefore we would not be expecting to propose any change control relating to expenditure on the heat schemes for the second half of 2016/17. This also reflects the increased impact pooling of resources across E-Serve will have on our ability to meet our commitments across schemes.

We are currently updating our feasibility studies for the Reform package, but at this stage we do not expect to incur additional costs between the current resource allocation as per our current forecasts for staff and legal resource. However, a possible outcome of those feasibility studies will be increased costs for 2017/18 onwards and we will continue to engage and advise on impacts as part of this work.

We have also summarised in Annex 1 our latest high-level volume forecasts based on market intelligence and knowledge of application technology splits; this will be reviewed in more detail as part of performance reviews at the monthly RHI Boards.

**Background**

Ofgem E-Serve delivers the RHI scheme in line with the regulations and looks to deliver cost efficiencies wherever possible. The cost per transaction is monitored on a monthly basis and discussions at Executive Delivery Board (Non-Domestic) and Joint Working Group (Domestic) support informed decision-making on costs risks and opportunities.

On both schemes we have a programme of continuous improvement activity, improving our processes and systems. Much of this aims to increase our efficiency through increasing automation of activity or reducing the time taken to carry out manual tasks (as well as improving the customer journey).

**Examples of recent activities supporting cost efficiency in 2016/17**

Recent key highlights with an impact on administration costs in 2016/17 have included:

- automation of the annual declaration process to reduce manual steps (DRHI, 1FTE admin saving and customer experience improvement)
- streamlining the periodic data submission process (NDRHI, 2FTE admin saving and customer experience improvement) and updated communication when making payments to customers to reduce queries (DRHI)

As represented by the examples above, as the scheme matures we will need to place greater emphasis on the costs of servicing existing participants as distinct from the costs of accrediting new applicants.

In 2016/17, we will continue to take opportunities to refine these processes, and focus on communications outputs which guide participants through each stage of their participation more easily.

**Challenges and cost risks**

In 2016/17, we will need to prepare to implement some significant changes to the scheme which are due to be in place from April 2017 for both domestic and non-domestic applicants and participants. This will incur costs for IT development; legal review; changing processes; training staff; and communications.

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