

To: Matthew Harnack[Matthew.Harnack@ofgem.gov.uk]
Cc: Hepper, Fiona[Fiona.Hepper@detini.gov.uk]; Hutchinson, Peter[Peter.Hutchinson@detini.gov.uk]
From: McCutcheon, Joanne
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Matthew

I mentioned yesterday that I was taking leave. I will be out of the office from today until 4 April. I have updated Fiona following our discussion yesterday i.e you indicating that development costs were higher than the scope, that the overall costs remained within scope, and that you were investigating how the formula to calculate operating costs had been applied. I told her you hoped to get something to us next week.

It would be useful if the figures you provide could be broken down between development/operational as per the table you provided previously in the scoping document

Table 2: Development Costs Forecast

New Scheme Development delivery team (including: Band C Operational Manager – recruitment process & Stakeholder engagement costs)	£96,000
Internal Ofgem legal costs	£67,000
IT delivery costs	£190,000
Independent risk assessment	£5,000
Overheads	£75,000
Total:	£433,000
Operational Costs	
Cost (£)	
Revised 2012/13 operational costs (pre IT delay)	£121,000
Additional 2012/13 operational costs due to delay to IT launch	£19,000
Total:	£140,000
Total 2012-13 forecast costs:	£573,000

As mentioned during our call I am concerned with the mention that the development costs appear to be higher than scope. This was the first time we were made aware that there was increased IT costs over and above the contingency.

You will recall that Bob’s letter to Fiona clearly states that additional costs would be agreed in advance and the scoping study states

The change control process is designed to deal with any changes to the above scope, cost, assumptions or timescales set out in this document. The proposed process is outlined below; where any potential changes are identified, the Ofgem Project Manager (currently Keith Avis) will manage the process. Once agreed, the process may then be amended from time to time by written agreement between DETI and Ofgem.

We consider the above applies to the whole breakdown provided in the document not simply the breakdown total. Furthermore the application of the agreed formula to calculate operating costs would surely result in zero, although I appreciate we would still have to pay the charges we previously agreed in respect of the manual system.

We will await your breakdown of costs and details of how they have been calculated.

Regards

Joanne

PS I also advised Fiona that you hoped to have a response to her on the legal issues in the next week or so.

Joanne McCutcheon

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