

ofgem E-Serve

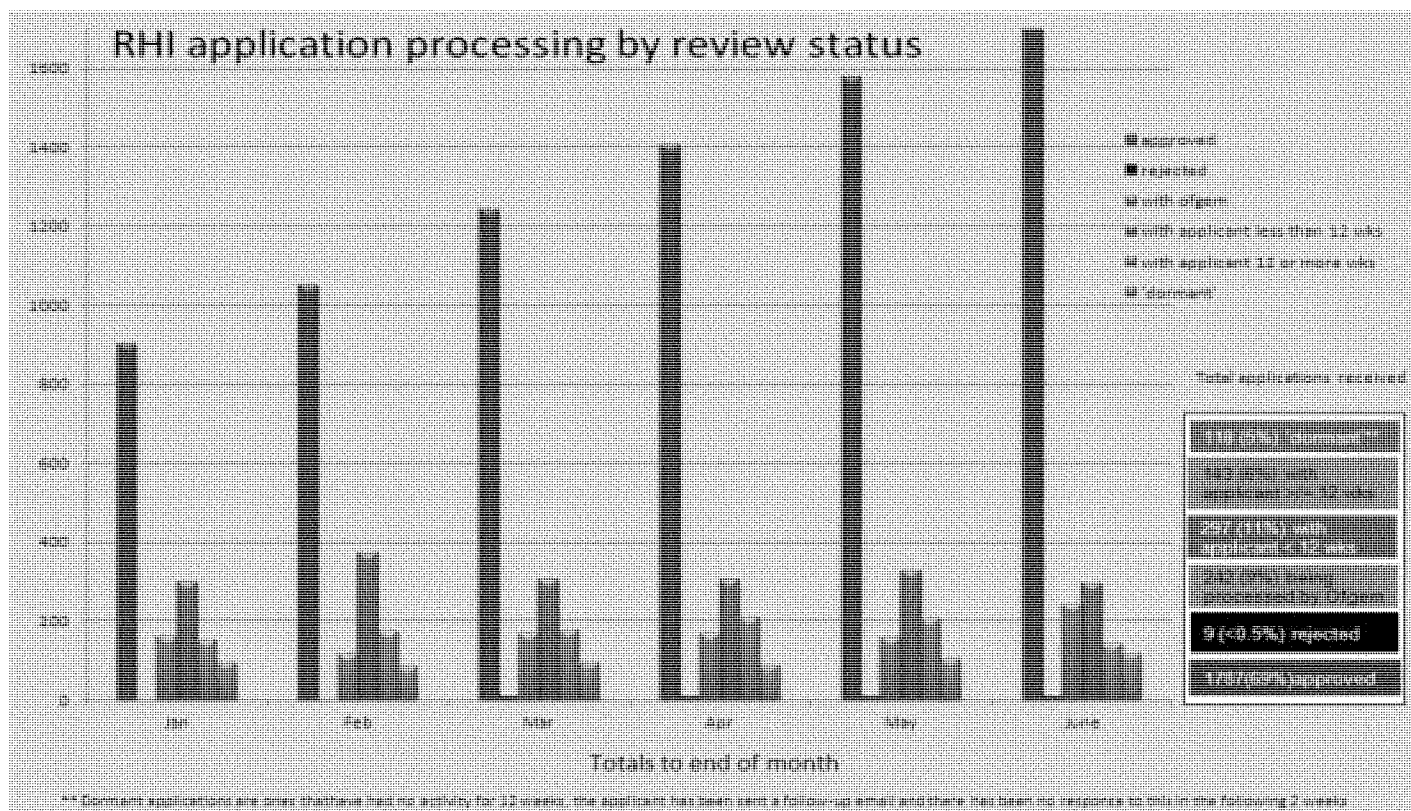
Promoting choice and value
for all gas and electricity customers

Energy
Environment
Efficiency

Renewable Heat Incentive Current Issues

Presentation to Implementation Board –
9th July 2013

GB applications processing



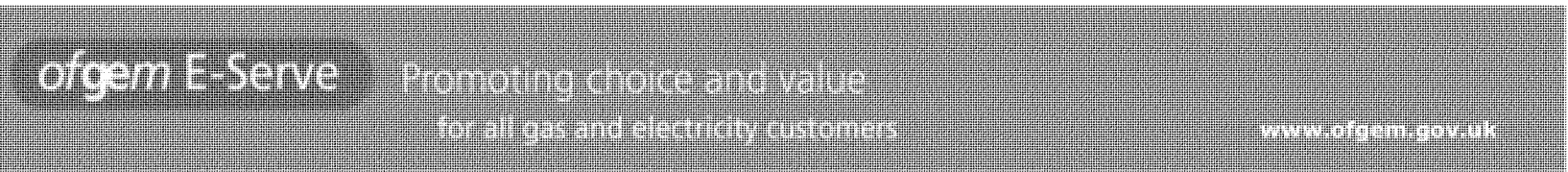
Accreditation

- 215 plants were accredited in May (one NI) + 15 amendments
- Improved performance due to improved processes and information, increased staff numbers and much improved training delivery
- 224 applications received (22 over the final week-end of the month probably prompted by depression)
- We therefore achieved 4% fewer accreditations than application but we anticipate some 5% of applications will become dormant
- We expect accreditations to increase next month as new staff become more efficient
- A further 4 reviewers and a new Band C line manager will join the team on 22nd July. They will start to become productive in August
- D2 of PIP may impact on productivity
- 682 applications in progress not counting 100+ 'dormant'
- This represents 3 months worth of applications at the current rate
- Performance against the 30 day KPI has dropped back slightly to 91.6% (target 95%) as we amend processes to address the new KPI data on which will be available in the August report
- Accreditations team consists of 15 Full time reviewers, 3 temporary staff reviewers and two Band C line managers
- Slow throughput of accreditations is at least partly due to repeated returning of applications

Returning applications

Summary of actions implemented towards 'right first time' applications:

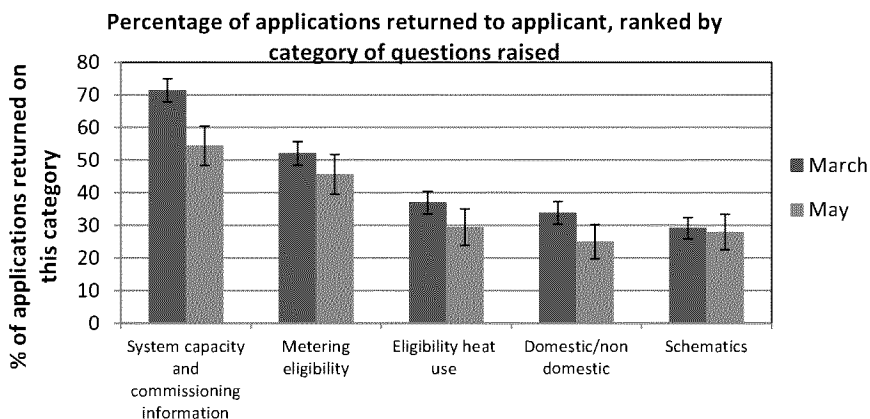
- **Updated website** to provide digestible information (March 2013)
- **Further streamlining of our operational approach** to particular areas (such as non-single-domestic eligibility, boiler capacity) to reduce the number of cases requiring escalated decisions (ongoing throughout scheme operations).
- **Clarifications to question wording** in the Register (significant changes on 30 April 2013).
Also:
 - Automated checks to **prevent incorrect meter reading dates** being submitted at point of application (30 April)
 - Improved **help and guidance** within the application form (30 April)
 - More explicit requests for relevant documents, and **mandatory** uploads for key items of evidence (such as photos of boiler nameplates to evidence boiler capacity) (30 April)
- **Further validations** on the Register to capture areas where incorrect data is being provided (e.g. meter readings must be within correct 'windows'). (30 April)



Improved performance since D1

The number of returning applications has decreased in most categories. Comparing data from March 2013 and May 2013, the **proportion of applications** having to be **returned to applicant** prior to being approved, has **reduced from 96% to 74%**, these early results from both periods are *still too early to quantify the precise scale of the impact in the reduction of number of returning applications*; However:

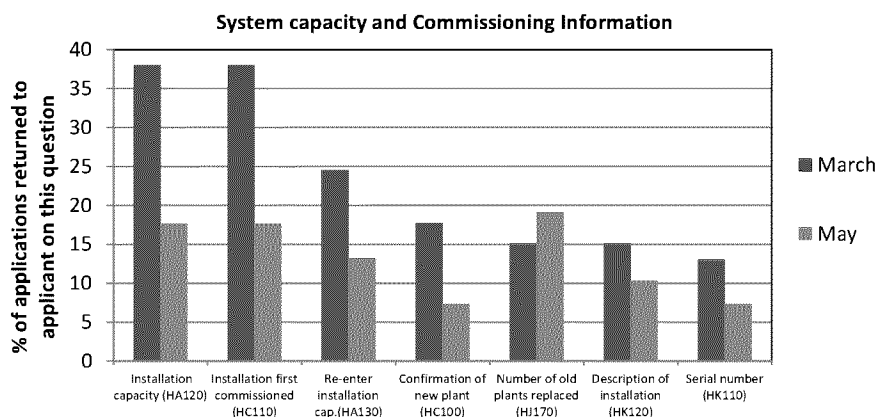
- The number of returning applications in **system capacity** has dropped by approximately 20%;
- **metering eligibility** category has dropped by approximately 12%;
- Domestic / non domestic and eligibility heat use categories has experienced a reduction in returning applications; however
- Schematics category does not demonstrate a significant improvement based on the data available to date.



System capacity and commissioning date

• There has been an appreciable reduction in the questions related to this category as shown in the graph, the main improvements in the application process in this category are the following:

- **Mandatory upload** of required information to verify installation capacity (including Commissioning certificate and boiler nameplate photographs, and MCS evidence for installations <45KWth)
- **Updated website**, enabling applicants quicker and easier access to the information needed to complete the application process.



Dormant applications

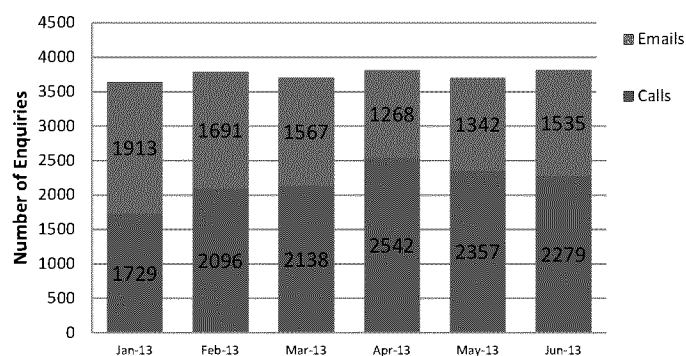
- After intensive phone and email activity last month, 63 applicants have said they wish to withdraw
- The latest advice from legal is that these can be removed from the register and from the depression trigger calculation
- This will be done as soon as an IT change becomes available, probably September
- A further 54 who could not be contacted cannot now, according to legal advice, be withdrawn. Further investigation of the options here is underway

Periodic data

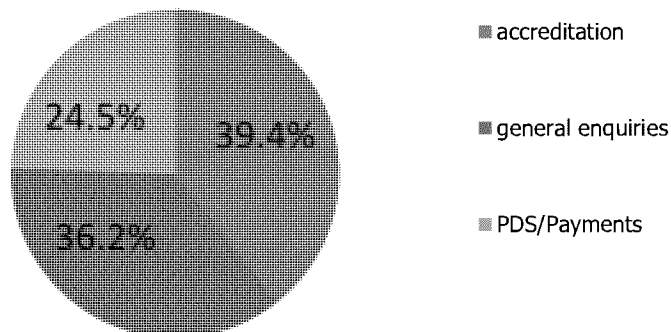
- 490 periodic data submissions received and 536 dealt with
- Error rate in periodic data submissions has fallen to 33%
- Error rate among first time submitters has fallen to 48.7% but error rate among experienced submitters constant at 27%
- 285 Heat output data spreadsheets sent out in month starting with those submitting for the first time
- Periodic data information sheet sent to all stakeholders in month
- The periodic data team consists of six full time staff and one Band C line manager.
- Periodic Data staff supporting enquiry staff if call volumes merit

Enquiries Volumes & Trends

Enquiry Volumes January 2013 to June 2013



Call Volumes by Call Type January 2013 to June 2013



- Enquiry volumes are high compared with the number of applications
- 3814 enquires dealt with in June – upturn possibly due to significantly increased outward communication including chasing of dormant applications and warnings about degredation
- Calls also increase following DECC announcements or Ofgem bulk mailings – e.g. we are currently receiving extra calls regarding air quality and changes to metering
- PDS calls are accounting for an increased proportion of calls over time
- There are five full time enquiry handlers, with a Band C manager
- We have reviewed information on the website so that people do not have to call
- We have changed the telephone message to deflect domestic calls (56 in June)
- The website major changes go ahead in August which should result in further improvements
- Pro-active work on periodic data coms will also impact on enquiry volumes

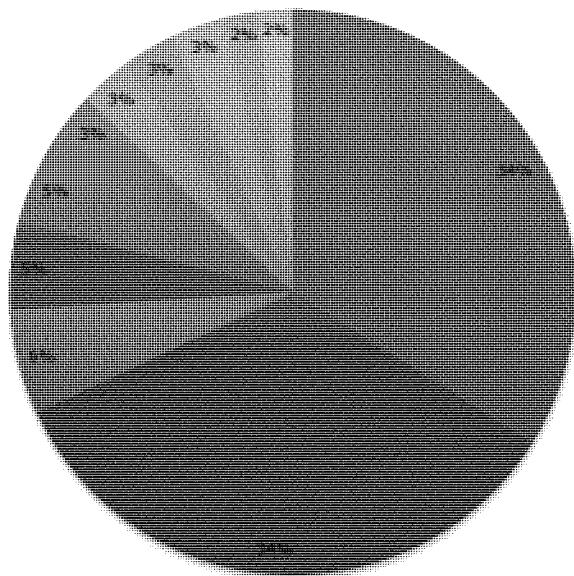
Communications

- At present we rely solely on speaking engagements to convey our messages to applicants
- We are meeting with DECC to discuss how sufficient communications can be provided in advance of go live of metering changes to prevent an upturn in incorrect applications and non-compliant installations
- The annual report has been published – response muted
- Industry advisory group takes place this month – some of the members have been replaced. Those who are to step down have been invited for lunch

Audit data

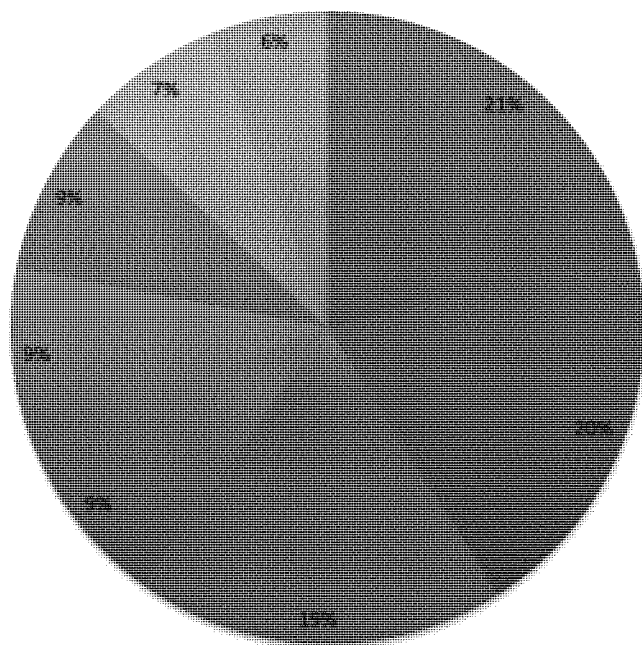
- Non compliances identified at site audit reached 46% last year
- A large proportion were about fuel records
- We have mounted an information campaign to address this issue
- Many of the issues revealed at audit have as their underlying cause lack of industry competence
- Actions to address these underlying causes were contained in a separate paper
- There is a risk that the situation will be exacerbated by the forthcoming changes to the metering requirements
- Consideration is being given to making the audit outcome reporting methodology consistent across RHI and EP schemes

Frequency of Non-Compliances from site audits 2012-13



- No fuel records for biomass
- Meter component not installed correctly
- Periodic data vs. onsite meter reading anomalies
- Heat produced from ineligible source contributing to RHI payments
- No information on the effect glycol has on meters
- Heat losses are not being measured appropriately
- Ofgem not informed of change to installation within 28 days
- Building does not comply with RHI definition of a building
- No evidence of installation and heat meter existence
- Major schematic errors
- Faulty meter

Most frequent Incidents from site audits 2012-13



- IRMA does not accurately reflect situation onsite
- Lack of awareness regarding meter maintenance
- Minor schematic discrepancy
- Minor installed capacity discrepancy
- Inhibitors in heating system but no evidence
- Installation or heat meter serial number discrepancy
- PDS anomalies previously notified to Ofgem
- No commissioning certificate/ commissioning certificate discrepancy

Difficult decisions

- Several items were considered for the difficult decisions table. Not all made it to the current version and some are therefore raised here:
 - Rejection of Dormant applications
 - Heating a lake
 - Sizing boilers to maximise incentive payment
 - A possible suspicious activity case
- Rejection of dormant applications
 - We expect to be in a position to withdraw 63 incomplete applications. With the recent depression information the industry could take this as a sign of a new ‘tougher’ attitude and we may need to communicate why we are taking this action

Heating a lake and oversizing/undersizing boilers

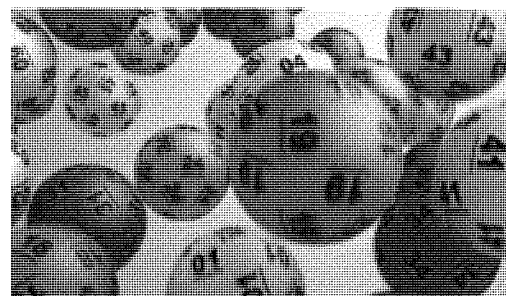
- We may shortly have to approve a large heat pump being used to heat a recreational lake
- This would be against DECC policy intent
- It is from an active multiple participant and will spark other similar applications
- This could arouse media interest
- We will also shortly have to approve further applications from a poultry farm featured in *Farmers Weekly* which is arguably installing separate heating networks in order to maximise RHI payments by exploiting the tiered tariff
- We have been the subject of another story in *Private Eye* which alleges that oversizing boilers to maximise payments is becoming routine
- Our powers are limited to applying sanctions to anyone who is 'generating heat for the predominant purpose of increasing their periodic data support payments'.
- In most cases participants will actually be using the heat, so establishing their predominant purpose is not straightforward.
- Furthermore, the calculation of heat loads has many variables and the industry accepts very wide margins in system sizing.
- Our current line is: "We have alerted the Government to this issue. However, this is a Government scheme that we administer, and only ministers can make the necessary changes to prevent this happening."

Whistleblowing case

- Meters in use in over c40 participant installations may not be compliant with the regulations
- Certificates provided to support these meters carry the UKAS logo but the certificate provider is not UKAS accredited according to UKAS
- We have requested evidence from the manufacturer/certificate provider that the meters meet the MID or equivalent
- The information provided has not satisfied us or our technical consultants
- Legal advise that we can deal only with the participants not the meter manufacturer/certificate provider
- Legal advice has been not to inform the fraud management group
- UKAS has asked to be sent the suspect certificates so that they can investigate
- The legal team is investigating whether we have the power to share this information
- We plan to write to affected participants saying that they must provide evidence that their meters meet the MID (or equivalent) or have them replaced if they do not do so within three months their accreditation will be revoked, potentially we could reclaim all their payments to date
- When we start to contact applicants this is likely to reach the media
- There is reputational risk for Ofgem and for the scheme
- At present our line would have to be: "Ofgem is not responsible for validating meters, it is the responsibility of participants to establish that their meters meet the requirements."

Lottery

- Confirmation received from DECC that;
 - lottery and RHI cannot be combined under the current RHI Regulations
 - they intend to amend the Regulations next spring so lottery and RHI can be combined, but only for;
 - community groups
 - schools
 - they will now start policy development work on what constitutes community groups and schools
- DECC have supplied us with draft text to communicate with applicants and enquirers with lottery funding
- Ofgem will now finalise our approach on dealing with these groups, this is likely to require the rejection of the current 7 applicants with lottery funding





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Notes Summary:

Slide 7: 'Run through list above. What will be covered in the next hour or so.'

Slide 8: 'Run through list above. What will be covered in the next hour or so.'

Slide 11: 'Run through list above. What will be covered in the next hour or so.'