

1. Executive summary

Objective

The objective of the project was to identify and assess the risks to effective delivery of Ofgem's obligations to consumers and companies in implementing an interim solution to process payments for management of the Renewable Heat Incentive (RHI) Scheme. The aim was to consider the effectiveness and robustness of the proposed processes and systems in place for an initial period, including the role of the RHI Service and Accounts teams.

Background

The RHI Scheme is anticipated to be the largest scheme ever administered by Ofgem in terms of the number of participants. Payments are due to be made quarterly with DECC expecting the first payments to be made in December 2011. It is anticipated that the Scheme will be available to domestic participants from Autumn 2012, significantly increasing the number of participants in the Scheme.

A feasibility study recommended that the payments processing system is outsourced to a Payments Service Provider in order to reduce risk to Ofgem. However, given the timescales to procure and develop a bespoke payment system, this is intended to be managed in-house for the first year until domestic participants join the Scheme in 2012. It is currently proposed that the existing SUN Accounting system will be used as the interim solution.

In 2011/12 there will be an expected 3,750 participants with approximately 2,000 accounts corresponding to 1,250 payments per month. In 2012/13 there will be an expected 21,183 participants with an excess of 19,000 accounts corresponding to 3,500 monthly payments. Currently 700 payments to existing suppliers and vendors of Ofgem are processed monthly using the SUN application. The payments will be made to the non-domestic participants on a quarterly basis and to domestic participants on an annual basis, however as sign-up is a year round process, this means payment cycles will operate monthly or more frequently.

Narrative summary

The assessment of the proposed RHI payment process is described below along with key findings and recommendations identified by the Independent Assurance project referenced to Section 3.

1) Management of Confidential Participant Banking Information

A critical requirement of the proposed process is to obtain, transfer and manage participant bank details in a secure and reliable process in order to administer payments in a timely and controlled manner. The current RHI solution design is for these details to be communicated directly to Ofgem by post, with consideration being given to participants providing these details through electronic mail (Email) as part of the proposed interim solution. Post is inherently less risky from a security perspective as it is sealed and point to point. If an electronic data solution is chosen, the data will then be uploaded in bulk onto the SUN Accounting platform for creation of a new vendor account by members of the Accounts team.

The proposal to use a transactional based data entry technology, rather than an integrated solution, introduces a series of significant risks. Specifically:

- Electronic mail is inherently insecure **<Recommendation 1>**; and
- and
- The proposed team may not be able to process the number of bank accounts required with the anticipated increase in participants caused by the joining of domestics to the Scheme in 2012 **<Recommendation 6>**.

Participant Bank details, once received into Ofgem, will be consolidated into a batch by the Payments Manager in the RHI team and either manually entered or uploaded via a password protected spreadsheet into the SUN accounting system by a member of the finance team. Due to Ofgem still being in the design phase of the RHI payment module, this process has not yet been planned or documented **<Recommendation 8>**.