

Protect – Commercial

For Information	
Title:	E-Serve Quarterly Report
Period:	Quarter 1 (July to September) 2013-14

The table below provides summary information on the scale and status of the schemes that E-Serve oversees and administers. We have provided more-detailed information in the individual sections of this report. The RAG status reflects E-Serve’s independent assessment.

Activity/ Scheme	Scale	E-Serve Progress	Cost Variance	Comments
Renewable Heat Incentive (RHI)	Total scheme value £860m up to 2014/15.	Green ↓	Green ↓	On 1 st August we moved to the new KPI which is that 95% of RHI accreditation reviews should be carried out within ten days. At the end of August less than 5% of reviews had taken over ten days. The budget has now been agreed by DECC excluding overheads, agreement has not yet been reached with DETI (for Northern Ireland). Anticipated numbers of applications for GB have been reduced from 4185 to 3100.

Key (RAG status definitions also apply to the individual scheme RAG tables elsewhere in the report):

G	On target to achieve or has been achieved.
A	Risk of failure to achieve target, remedial action may need to be taken.
R	Targets are not being met or will not be met. Remedial action is required.
→	No change in RAG status compared with the last quarter.
↑	An improvement in RAG status compared with the last quarter.
↓	A decline in RAG status compared with the last quarter.

Protect – Commercial**Renewable Heat Incentive (RHI)**

A world first scheme providing a tariff based subsidy to renewable heat installations.

Scheme Value: Total scheme value £860m up to 2014/15. Figures submitted to date for the domestic scheme are provisional depending on a decision being made to go ahead in July.			
Indicator	Description	Explanation for rating	Rating
E-Serve Performance	95% of RHI scheme reviews must be complete within 10 working days. 90% of enquiries must be dealt with within 10 working days. 95% of payments paid within 30 working days of quarterly periodic data submission	PIP D2 at the end of July has allowed us to move to the same KPI in operation across EP, that 95% of reviews will be complete within 10 days. This has been achieved for RHI excluding those items which have had to be the subject of legal review. We are achieving our performance indicators on the speed of dealing with enquiries and payments despite continued rapid growth in periodic data submissions.. Payment KPI has also been achieved.	Green
Cost Variance	Budgets has been agreed by DECC apart from overheads, agreement has yet to be reached with DETI.	Funding has been agreed with DECC at 5.7million for non-domestic RHI for 2013/14 based upon an assumption that fewer applications will be received than had previously been forecast by DECC. If numbers of applications trends begin to indicate a likely increase above the new projection of 3100, we will provide DECC with a change request for any additional costs. Negotiations with DETI on revised operational funding for NIRHI for 2013/14 are ongoing.	Amber

RHI Operations (Great Britain Scheme)

We accredited xxx installations and amended xxx in May (with a total of xxx installations accredited at the end of the month). We have been maintaining high accreditation rates over the last quarter, but in April and May they were not quite as high as applications received (208 in May) because the number of amendments has increased substantially. We have reallocated more staff to accreditations in June and are hiring more staff in order to maintain accreditation rates.

At the end of August xxx applications were in process with Ofgem, and xxx applications had been returned to applicants to provide further information. We are re-contacting those who have not responded to such requests for more than 12 weeks and will withdraw applications for those who do not respond or ask to be removed. This is likely to result in up to 136 withdrawals which we expect to complete in July (to date 36 have confirmed they wish their applications to be withdrawn and 100 have not been contactable). The heat generation capacity of applicants who have failed to progress their applications have to be included in the calculation of the trigger point for depression. It is therefore important that we eliminate applications which will never join the scheme from the applicant register before the next depression is triggered.

See the graph on page xx for a further breakdown of application/accreditation numbers.

At end of August, the xxx accredited installations represented xxx MW of capacity. Heat generated between July and September amounted to xxx GWh with xxx million of

Protect – Commercial

payments made in September. At end of August we had paid £ xxx million for xxx GWh of renewable heat since the scheme started in November 2011.

Key issues we are currently addressing include:

- i) Bedding in of the D2 PIP changes and preparing for the delivery of PIP MI
- ii) Rapidly increasing numbers of periodic data submissions and payments
- iii) Significant non-compliance at audit
- iv) The need to make fundamental changes to the scheme to achieve a step change in performance.

Our RHI communication and engagement strategy has identified a clear plan of tactics aiming at the resolution of the issues described above, particularly non compliance. We are tackling these challenges targeting our information material to specific groups to maximise the impact of our communications work. Robust research and analysis of non compliance has led us to also improve our publications to reflect stakeholders' needs. The RHI reports are now the most downloaded documents of the Ofgem website.

Other actions we are taking to address these issues are explained below:

- (i) As part of the PIP programme, we successfully integrated the RHI Register with a Customer Relationship Management (CRM) system at the end of July. This enables a consistent approach to contacting applicants for further information, building on best practice developed within the team. It also provides granular information on those application questions requiring the most interaction with applicants, which we are using to evaluate and build upon previous updates to our guidance and application process to seek 'right first time' applications.

We are engaging with DECC to identify underlying causes which lead to poor-quality applications and ongoing non-compliances. Some of these factors are being addressed through development work, process improvement and industry engagement; in other cases we are noting where solutions fall outside Ofgem's current remit.

- (ii) A complete end-to-end review of the periodic data process is underway and we aim to implement the resulting changes by the end of the year. We are continuing end to end review of our processes, including periodic data and payments modules, to reflect the anticipated increase in volume.
- (iii) The total non compliance rate has increased by 6% when compared to 2012-13. This is due in part to two sites with 13 installations identifying the same non compliances at each site. This includes one site with eight biomass installations that have potentially been undersized to maximise payments. The two most common non-compliances at audit continue to be incorrect metering arrangements and failure to keep fuel records. The 16% reduction in the metering non compliance rates for installations commissioned after RHI go-live has been maintained which indicates that understanding of our requirements is improving. There has been a 5% reduction in the fuel records non compliance rate providing early indications that our awareness raising actions are working.

The actions we have taken include issuing a concise guidance note to assist participants with maintaining fuel records and an article on audit findings in the RHI quarterly report. We have also made changes to the accreditation confirmation letter and published a guide to submitting periodic data, both of which raise awareness of the importance of complying with ongoing obligations,

Protect – Commercial

including maintaining fuel records. We continue to work with industry and accreditation bodies on voluntary training modules to improve competence on RHI requirements and meter installation. We also sought views on improving compliance rates over the long-term at the most recent Industry Advisory Group meeting. Further work is underway to improve web content, which will include dedicated pages for installers. We are also preparing to publish a set of easy guides, including a guide aimed at installers providing examples of compliant and non compliant metering arrangements.

- (iv) The scheme is complex, industry competence is low, forecast market size is low so drivers for industry to upskill are relatively limited, therefore to reduce cost of administration, and improve the quality of installations will require changes in scheme design and industry competence development which are outside the remit of Ofgem alone to achieve.) Proposals for such a step change are being explored with DECC.

The DECC has concluded that lottery grants cannot be combined with RHI payments. A Regulation change is planned for the end of the year to allow lottery funding and the RHI to be combined for community groups and schools. We invited applicants in receipt of lottery grant to agree to their current application remaining unprocessed with a view to the current date of accreditation being preserved in the event that the application is granted in due course.

Figure 4: RHI application processing (Great Britain scheme) This will be provided later in September.

RHI (Great Britain) Development**Non-domestic RHI**

Our IT systems and external guidance materials have been updated and finalised in accordance with the new degression regulations. Degression was not triggered for any tariff rate this quarter.

The next batch of regulatory amendments (primarily to simplify metering arrangements and impose new air quality limits) was delayed slightly by DECC. This regulation is now expected to come into force on 24 September. Revised guidance has been published for feedback and we are currently on track for delivering the revised IT systems and operating procedures needed to implement the proposed changes. Deloitte is providing Independent Assurance on all development work.

Feasibility work has also commenced on further regulatory amendments to the Non-domestic RHI anticipated for Spring 2014. This work is currently on track and should be finalised in late October/early November.

Northern Ireland Renewable Heat Incentive (NIRHI)

A Northern Ireland based scheme providing a tariff based subsidy to renewable heat installations.

The Northern Ireland Renewable Heat Incentive accredited xxx installations in August 2013, the June and July totals were xxx and xxx respectively. The total number of accredited installations was xxx at the end of August. At that date we had xxx applications in process with Ofgem, with xxx incomplete applications returned to applicants to provide further information. Initial interest in the scheme remains slow.