

ofgem E-Serve

For Guidance

Title:	E-Serve Quarterly Update Report – Q2 2013/14 Key Messages
Purpose:	To inform Management Committee of the Key Messages coming out of the draft Q2 E-Serve Update Report
Project:	E-Serve Quarterly Update Report
Timing:	For comment by COP 5 September 2013
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For attention of
Management Committee

Date of meeting
10/09/2013

Date of submission
04/09/2013

Security level
Protect

Security descriptor
Commercial

Previous papers

1 Summary/Background

- 1.1 The 'E-Serve Quarterly Update Report' to be presented to the EPC and GEMA is currently being compiled. In advance of submitting the draft report to Management committee we invite MC to comment on the key messages that inform the report, I have these listed below. The deadline for commentary is COP 5 September.

2 Key Messages

• Offshore Transmission

- Offshore transmission tenders and regime development remains on track.
- Tender Round 1 – Two projects are now outstanding with one expected to close by the end of the year.
- Tender Round 2 – The QTT shortlist process for the West of Duddon Sands project has now been completed with the ITT phase due to start in September.
- Across TR1 and TR2 we have recently concluded our analysis on asset valuations for transmission projects totalling approximately £1.4bn.
- We continue our work on Offshore policy and published Policy Statements on generator build and the Coordination regime in July.
- Certification - with the exception of the newly appointed Preferred Bidder for Gwynt y Môr, all existing and prospective OFTOs have been certified.

• Mitigation CERT & CESP

- Mitigation activity was undertaken by a number of energy companies who did not achieve their CERT and/or CESP compliance targets when the schemes ended on 31st December 2013.
- For CERT, British Gas has now met its CERT target and completed all mitigation activity.

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Page 1 of 5

| For Guidance | Management Committee | 10/09/2013 | Commercial | Protect |

- For CESP, Scottish Power, SSE, British Gas and GDF Suez either have or will meet their overall CESP targets over the coming weeks.
 - Two independent generators, Intergen and Drax, will fail to reach their overall CESP targets.
 - Mitigation activity is being taken into account by Enforcement as part of their investigations into companies who did not meet the CERT and CESP targets.
- **Feed-in Tariffs**
 - The Feed in Tariffs (FITs) budget for 2013/14 has now been agreed with DECC.
 - The number of installations accredited for the scheme is expected to reach 421,000 by 1 October 2013
 - In the last quarter 24 installations have been audited by the FIT Audit team
 - The total levelisation fund for 2012-13 following annual levelisation was £519m and we predict an approximate scheme value of £640m for 2013-14
 - FITs 2C development work has now been completed and FIT work is now being completed by the Operational team.
- **Renewables Obligation**
 - The deadline for licensed electricity suppliers to meet their annual RO obligation by presenting ROCs has now passed. 44,773,499 ROCs were presented meeting 91.5% of the total obligation.
 - The remaining obligation will be met by means of buyout payments. So far £165.1 million, out of the £168.6 million due, has been paid. The remaining £3.5 million, due from 12 companies, will be paid into the late payment accounts before the final deadline on 31 October 2013.
 - We have granted full accreditation under the Renewables Obligation (RO) to 444 generating stations for the period 8 June to 1 September.
 - A total of 853MW of capacity has been accredited with the largest station being the 250MW Lincs Wind Farm.
- **RO Development**
 - April 2014 will see amendments to the RO order:
 - To allow for the introduction of Contracts for Difference (CfD) under EMR- a scoping study is being written to assess the impact and reflect the changes our systems and guidance.
 - Solid and gaseous Biomass sustainability reporting requirements will be amended- a feasibility study is being written assess the impact and reflect the changes our systems and guidance.
 - The RO order will be consolidated into one version- a workstream will be initiated to assess the impact and reflect the changes our systems and guidance.
 - Scotland is also looking to introduce new offshore wind bands & 15MW wood biomass cap we will also need to make amendments to our systems and guidance to reflect these changes.
 - The changes to sustainability will also impact on some of the work of RHI, as such we are working across the two schemes to ensure that our approach align where the respective legislations allow.

| For Guidance | Management Committee | 10/09/2013 | Commercial | Protect |

- Additionally we are working closely with Markets EMR team on the wider implications of the EMR on the RO.
- **Warm Homes Discount**
 - We are finalising Warm Home Discount (WHD) Scheme Year 2 End of Year (EoY) compliance reports for the obligated suppliers. All suppliers succeeded in meeting their spending obligations. However, minor contraventions continued in SY2 and, in fact, increased significantly from SY1.
 - We are drafting the WHD SY2 Annual Report. It is currently with Keith Duncan for peer review before proceeding to communications and GWC. Final approval is needed 18 September by the AD. We will publish in mid October.
 - There remains an anticipated underspend for Warm Home Discount Scheme Year 3 revised Core Group. The as yet unresolved issue with underspend is approximately £35m in Core Group spend due to revised customer numbers provided by DWP. This would mean that spending in SY3 would be significantly below SY2 and also impact Broader Group for SY4, which would increase considerably to compensate for the under spend in SY3 and the loss of Legacy Spend (which is no longer an element of the scheme from SY4). DECC is to issue a brief (four weeks) consultation to increase the allowable banking from 1% to 33% on or around 18 September.
- **Renewable Heat Incentive**

RHI Ops

- The Renewable Heat Incentive (RHI) accredited xxx installations in xxx 2013, bringing the total number of accredited installations to xxx. Application numbers have remained steady at around xxx applications per month.
- The process improvement D2 work and new appointments in Glasgow have resulted in a significant uplift in the number of accreditations.
- A clear need has been identified to communicate to industry the lessons they need to learn to improve the quality of information they provide us. This is so that we increase the proportion of right first time applications and the quality of installations in order to reduce the number of non compliances identified at audit.

Comment [TS1]: Figures to be updated

NI RHI

- The Northern Ireland Renewable Heat Incentive accredited 0 installations in May 2013, the March and April totals were 4 and 1 respectively. The total number of accredited installations was 6 at the end of May. At that date we had 8 applications in process with Ofgem, with 6 incomplete applications returned to applicants to provide further information. Initial interest in the scheme has remained slow.
- DETI are currently consulting on phase 2 changes to the scheme. This consultation is due to close in October 2013.
- Negotiations with DETI on revised operational funding for 2013/14 are ongoing.

Comment [TS2]: Figures to be updated

Domestic RHI

| For Guidance | Management Committee | 10/09/2013 | Commercial | Protect |

- Domestic RHI scheme has now moved into the full implementation phase of the project in preparation for the scheme go live date of 10th March 2014.
- **ECO Development**
 - **Policy:** DECC are currently consulting on legislative changes to the ECO scheme – known as ECO 1.1. Our consultation response is on track for 16/09. We are revising our Project Initiation Document (PID) for ECO 1.1, to make clear expected changes to Ofgem ECO Guidance, operational procedures and IT systems. We are anticipating a second set of more detailed legislative changes, known as ECO 1.2, from DECC in early 2014 although timescales have not yet been confirmed.
 - **IT System:** We are currently developing four discreet improvements known as 'Phase 2-B' IT Development, for delivery by December 2013. These will give us the ability to improve operational efficiency of administering the ECO.
- **Eco ops**
 - 195,000 Energy Companies Obligation (ECO) measures were notified to the end of August
 - 156,000 CERT and CESP excess action measures were submitted by five energy companies for carryover into ECO
 - Phase 2B of the ECO IT system, which will provide additional functionality and deliver greater operational efficiency
- **Fraud and Audit**
 - The fraud prevention audit and governance team carried out 125 audits in this quarter on ECO, RO, FIT and RHI. The team has been dealing with twenty five cases of suspected abuse, misuse, fraud or misreporting, and over the last quarter there have been six new cases opened and five closed, with one of the cases resulting in a £3,000,000 penalty imposed on the party in question for misreporting. The Fraud Management Group remains actively engaged in reviewing suspected abuse, misuse and fraud, and misreporting and money laundering cases, and amongst other things have considered a feasibility study on the implementation of a data analytics solution, promoted E-Serve Fraud Awareness Training, examined FIT high risk areas, considered information sharing processes with DECC, endorsed the use of the National Intelligence Model and monitored the work of the ECO Hard to Treat Cavities Working Group.
- **Continuous Improvement Programme**
 - The E-Serve Management Committee has agreed a set of management and organisational objectives, which support our aim of delivery excellence. We are now developing a continuous improvement programme that builds on these objectives and our PIP experience. The focus is on improvements in 4 areas, which align with our balanced scorecard:

| For Guidance | Management Committee | 10/09/2013 | Commercial | Protect |

- Delivering outcomes
- Operational excellence
- Stakeholder confidence
- Capability improvement
- We are planning individual improvement projects within the overall programme based on our new structure, whilst ensuring that we maximise cross-scheme synergies and coordination. There will be a small number of sharply focused projects tied in to the areas above where we aim to excel. The proposed projects fall under five headings:
 - Scheme process improvements
 - The MoU project that is already underway
 - Embedding the E-serve scorecard – reporting and report design
 - Implementation of an IM&T scorecard
 - HR / L&D – strengthening capability
- The first projects will start in October 2013

3 Next steps

- 3.1 Due to the tight timeframes we would need any MC steer on these key messages by **COP (5pm) Thursday 5 September 2013**.
- 3.2 The Version 1 draft will then be circulated for MC Review on the 6 September 2013.
- 3.3 The Version 2 draft will be circulated for review prior to the next MC meeting on the 13 September 2013.