

# Guidance

## Appendix 2 Non-operational IT and Telecoms (IT&T) Capex Reopener Application Guidance

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This governance document is directed at gas and electricity network companies and their stakeholders. It provides information to be included in companies' re-opener applications during RIO-2, and requirements network companies must undertake in relation to its re-opener applications.

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## Non-operational IT and Telecoms (IT&T) Capex Reopener Application Guidance

This document should be used as guidance to assist network companies in preparing their RIIO-2 non-operational IT & T capex re-opener applications. This Appendix provides additional guidance as to the types of evidence and level of detail that licensees must include when submitting non-operational IT&T capex re-opener applications, relating to the needs case and cost information.

### Needs Case

#### Alignment with overall business strategy and commitments

- 1.1 Non-operational IT & T capex re-opener applications must include details on organisational context, strategy, and business alignment.
- 1.2 Network companies must provide a description of its overall strategy and current operations covering non-operational IT&T capex investments. The network company must provide a description of:
  - IT strategy;
  - Evidence within the IT strategy of the role it plays in facilitating the business to achieve its business objectives; and
  - Overall IT plan dependencies.

#### Demonstration of needs case

- 1.3 For non-operational IT & T capex re-opener applications, licensees must provide a problem statement which sets out:
  - A description of relevant risks and an explanation of why the current controls that licensees have in place to mitigate risk are insufficient;
  - The detailed risks posed to the network and consumers including details on threat, vulnerability, and impact; and,
  - The challenges and/or opportunities that it proposes to address.

## Options Selection

### Consideration of project options and methodology of how preferred project option was selected

- 1.4 For non-operational IT & T capex re-opener applications, licensees must set out:
- The methodology and/or standard(s) used to select preferred option;
  - What other projects/controls were considered during project selection; and,
  - Why the preferred project/option has been selected.

### Preferred project option details

- 1.5 For each IT&T project, re-opener applications include information set out in paragraphs 1.6 to 1.10 below in relation to, (i) the description of the project, (ii) technical feasibility and consumer benefits, and (iii) project delivery and monitoring.

### *Description*

- 1.6 The licensee must provide a description of:
- The project scope, including which sites and assets are in scope;
  - The proposed project/option, including general objectives of the project, site(s) applicability, and prioritisation;
  - Site breakdown per project/work stream targeted for intervention within this re-opener application;
  - How the preferred project will improve the operational capability of the network;
  - How addressing the problem statement described above will assist the network company in meeting its business objectives; and
  - How the preferred project reduces risk or creates opportunity for cost efficiency or operational improvements on the network.

### *Technical feasibility and consumer benefit*

- 1.7 The network company must demonstrate that they have carried out an appropriate risk mitigation exercise and that the proposed investments submitted

to Ofgem as part of the re-opener application are commensurate to the level of risk.

- 1.8 The network company must provide sufficient justification of the need to invest its requested amount in non-operational IT & T capex for the projects highlighted on the previous section.

*Project delivery and monitoring*

- 1.9 The network company must provide a detailed description of project delivery plans including, but not be limited to:

- Detailed project plan and timelines (e.g. Gantt chart);
- Detailed project schedule, including activity milestones for project delivery, personnel on-boarding, training, etc.;
- Governance structure of each project, including project roles, responsibilities and the resources required; and,
- Key performance indicators to be used to monitor the progress of the project.

- 1.10 Where an agile delivery methodology is being used, licensees must provide the following details:

- A description and use of a mature agile methodology/process that allows all stakeholders to understand how they will contribute to the successful delivery of a product, service, project or software with clear milestones. An example of this would be the Governments Digital Service (GDS) Standard <https://www.gov.uk/service-manual/service-standard>;
- A description of the governance structure of the teams (e.g. SCRUM team), and how these teams interface with other stakeholders or teams such as legal, governance etc.;
- A description of how monitoring, lessons learned and improvements will be tracked e.g. retrospectives, show and tell, sprint planning, etc.;
- A description of how performance will be monitored, including real users of the service whether external or internal;
- A description how project constraints, dependencies, priorities, risks and similar will be tracked/managed including for example, information reflected in a prioritised backlog; and,
- Key performance indicators to be used to monitor the progress of the project.

## Cost information

### Breakdown and justification of costs

#### Consideration of options

- 1.11 The licensee must justify the need and amount of allowance required per project, demonstrating consideration against the targeted risk reduction and site prioritisation, to support assessment of consumer value.
- 1.12 The licensee must also provide a description of the various options that were considered (e.g. by performing cost benchmarking, previous tenders or contract information, etc.), and rationale for the preferred option to be presented.

#### Breakdown of costs of preferred option

- 1.13 A licensee should include the following cost information in its re-opener application:
- The overall costs of the network companies IT&T non-operational capex plans;
  - A breakdown of the overall baseline for the network company's non-operational IT & T capex plans;
  - A breakdown of the capex costs of the overall baseline figure;
  - Delineation of the costs per project;
  - A breakdown of the baseline costs per project; and,
  - A breakdown of the capex for the overall baseline costs for each project.

#### Justification and efficiency of costs

- 1.14 Networks are required to provide demonstrable evidence that the costs presented within the reopener application are justified and efficient, similar to that provided under the original business plan and supporting IT annexes.
- 1.15 The company should provide a commitment to the use of good practice corporate governance i.e. a management structure that monitors and approves Programme and Project investments throughout project lifecycles. This is recognisable as a sequence of gate approvals as the project matures, its definition becomes less uncertain and potential risk events are understood and, where reasonable,

mitigated. The maintenance and use of an accredited (e.g. ISO9001:2015) 'Business Management System' may provide the foundation for such a framework.

#### *Requirement*

- The network company must understand the purpose, scope and dependencies of the project. This includes overall Project to Programme relationship, project interdependencies and timeline. Business Analysis may be appropriate to identify the business need delivered by the proposed project and formally capture the project requirements in a solution agnostic manner.

#### *Solution*

- The network company must describe the proposed solution at an appropriate level of detail commensurate with maturity and stage of project approval.
- The network company must provide the framework, through comparison with the requirements, within which testing and acceptance will be conducted (Integrated Test Evaluation and Acceptance Plan (ITEAP)) and, post-delivery, how the delivery of the project benefits will be measured and verified (Benefits Realisation Management Plan (BRMP)).

#### *Manage delivery*

- The network company must provide a costed plan for project delivery, principally a Project Management Plan in line with recognised (e.g. APM) good practice.
- Key management components in the plan include:
  - Reference to the programme and project purpose, project approval status and governance framework.
  - A schedule (Gantt chart) that enables progress and spend to be monitored. The use of processes such as Earned Value Management, schedule risk management and milestones linked to a Programme schedule and dependent projects may be appropriate.
  - Project delivery organisation.
  - A Risk (and Opportunity) Management Plan detailing the identification, capture, analysis and regular monitoring and review of the Risk (and Opportunity) Register.

*Monitor delivery*

- A network company must describe the implementation of the Benefits Realisation Management Plan to record and report the delivery of the project benefits.

**Level of detail of cost information**

- 1.16 A licensee must provide an evidence trail flowing from a robust Project Definition to a Work Breakdown Structure (WBS) that can be costed against stated estimating sources and assumptions. There is an expectation that, as a project matures, the detail available to support each attribute will increase.

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