



NIE NETWORKS' RP7 PRICE CONTROL: FINAL RECOMMENDATIONS FOR THE ALLOCATION OF ALLOWENCES

28 OCTOBER 2024

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TABLE OF CONTENTS

1	BACKGROUND	1
2	THE REVISED APPROACH TO THE RP7 PRICE CONTROL	1
2.1	INTRODUCTION	1
2.2	GEMSERV'S RESPONSE TO THE NEW PRICE CONTROL STRUCTURE.....	2
3	PROJECT-SPECIFIC ANALYSIS AND RECOMENDATIONS.....	3
3.1	PROJECT CATEGORIES	3
3.2	ANALYSIS AND RECOMMENDATIONS.....	5
3.3	CAT 1: FULL PHASE 1 ALLOWANCE ALLOCATED TO PROJECTS WHICH COMPLETE IN PHASE 1	5
3.4	CAT 2: FULL PHASE 1 ALLOWANCE ALLOCATED TO PROJECTS PLANNED TO CONTINUE INTO PHASE 2	10
3.5	CAT 2A : FULL PHASE 1 ALLOWANCE ALLOCATED TO PROJECTS AFTER A FURTHER REVIEW	16
3.6	CAT 3: PARTIAL ALLOWANCE IN PHASE 1	17
3.7	CAT 4: NO PHASE 1 ALLOWANCE.....	19
3.8	INTRODUCTION.....	22
3.9	ANALYSIS OF THE BVS	22
3.10	FINDINGS.....	26
4	THE PROJECT MAPPING TO THE COMMITMENTS.....	27
4.1	INTRODUCTION.....	27
4.2	ANALYSIS OF MAPPING TO COMMITMENTS.....	27
4.3	FINDINGS.....	28
5	KEY CONCLUSIONS AND RECOMENDATIONS	29



1 BACKGROUND

As part of the Northern Ireland Electricity Network's (NIE Networks) business plan for the RP7 Price Control period, the company proposed an IT strategy along with 99 IT projects. These projects and other supporting documents were submitted to the Northern Ireland Authority for Utility Regulation (NIAUR) as part of the Price Control determination process.

Gemserv was engaged by NIAUR to opine on the submission. Specifically, NIAUR asked us to:

- Assess whether NIE Networks' strategy and IT delivery programme was efficient and offered customers value for money.
- Recommend an appropriate allowance to inform NIAUR's Draft Determination.

We examined NIE Networks' submission from the bottom-up on a 'project-by-project' basis. We also looked 'top-down' to understand how well the projects were organised as part of a holistic programme and how this supported the stated strategic objectives. To inform our conclusions, Gemserv undertook an analysis of NIE Networks' data and used the professional experience of our own team of subject matter experts.

In November 2023, NIAUR published a redacted version of our report findings along with its Draft Determination. Our report critiqued projects that we considered to be insufficiently justified to warrant an allowance at the Draft Determination stage. At this point, we could not proceed with making recommendations for allowances on the RP7 projects, as we considered that some risks and uncertainties to customers, posed by NIE Networks' programme were too high. These risks are outlined in the Draft Determination.¹

2 THE REVISED APPROACH TO THE RP7 PRICE CONTROL

2.1 INTRODUCTION

Within the Draft Determination, NIAUR described a revised approach for the RP7 Price Control. This included two-phases to providing allowances in respect of NIE Networks' business plan.

- Phase 1: Initial funding period.
- Phase 2: To be considered at a re-opener of the Price Control in March 2027.

In the Draft Determination, NIAUR stated that allowances at the Final Determination would only be provided for RP6 Extension Projects and for Phase 1 of the RP7 Price Control. NIE Networks additionally committed to monitoring costs against Phase 1 expenditure and engaging with NIAUR periodically during Phase 1. A formal assessment for any further allowances appropriate to Phase 2 would be made at the end of Phase 1.

¹ <https://www.uregni.gov.uk/rp7-draft-determination>



NIAUR’s revised approach to the RP7 Price Control is structured as follows:

Table 1 - Phases of the RP7 Price Control

Name	Year No.	Dates
RP6 Extension year	Year 0	2024/25
Phase 1	Year 1	2025/26
	Year 2	2026/27
Phase 2	Year 3 – Year 7	2027/28 – 2030/31

2.2 GEMSERSV’S RESPONSE TO THE NEW PRICE CONTROL STRUCTURE

In response to the Draft Determination Consultation, NIE Networks published additional evidence in support of the remaining projects commencing in Phase 1. Genserv reviewed these submissions. Additionally, in light of NIAUR’s revised price control structure we revisited our findings published in the Draft Determination. These are summarised below:

Table 2 - Review of Genserv findings in light of additional evidence

No	Question posed at draft determination	Finding at draft determination	Finding for this report
1	Is the programme scope appropriate for a UK DNO?	Medium to High Confidence	Unchanged
2	Has NIE Networks the breadth of capability to manage the programme	Medium to High Confidence	Unchanged
3	Can the programme be delivered in RP7?	Low Confidence	Unchanged
4	What are the implications for the determination of efficient costs? (i.e. recommending allowances)	Low Confidence	Improved

2.2.1 Assessment against Criteria 1-3

While NIE Networks has provided further evidence and analysis for the RP6 extension year projects and other projects, our confidence in the programme, as expressed in Items 1-3 below, remains unchanged. This outcome is expected given the brief period between the publication of the Draft Determination and the provision of further evidence by NIE Networks.

2.2.2 Assessment against Criterion 4

Initially, the programme approach posed several risks and challenges, including:

- **Uncertainty in Project Justifications:** Many projects lacked sufficient justification, increasing the risk of inefficient spending.
- **Customer Risk Profile:** Allocating allowances for the full RP7 period without adequate oversight could expose customers to financial risks.

The revised approach, with its phased structure and re-opener in March 2027, has significantly reduced these risks by:



- **Enhanced Oversight:** Allowing for a formal reassessment at the end of Phase 1 ensures that only well-justified projects receive funding.
- **Reduced Financial Exposure:** Limiting allowances to Phase 1 mitigates the risk of inefficient spending and protects customer interests.

Our confidence has improved only in respect of criterion 4, where we originally considered the risks to customers of allocating allowances for the full RP7 period. The additional oversight afforded by NIAUR's revised approach was sufficient for us to proceed with making recommendations for allowances. NIAUR then asked us to consider this evidence and make recommendations for allowances for the Phase 1 period only, and to comment as appropriate on any future evidence that NIE Networks should present at the re-opener of the RP7 Price Control. Whilst there has been insufficient time fully to address our concerns, the additional evidence, and the trajectory of improvements that NIE Networks has put forward are positive developments.

3 PROJECT-SPECIFIC ANALYSIS AND RECOMENDATIONS

This section summarises Genserv's recommendations for allowances against a sub-set of the 99 IT projects in NIE Networks' RP7 Business Plan. It does not include a discussion of those projects which are solely funded in the RP6 extension period. These were discussed in a previously published report.

3.1 PROJECT CATEGORIES

At the Draft Determination stage, IT projects not falling into the scope of Genserv's RP6 report were categorized as follows:

- **NIAUR Minded to allocate an allowance:** These are RP7 projects for which NIAUR was minded to provide an allowance for Phase 1 of RP7. Section 2 does not list these projects. A full list of projects with allowances can be found in the appendix.
- **NIAUR Minded to allocate an allowance, however a project has subsequently been significantly changed in cost or scope:** This relates to the resubmission of DAT06.
- **NIAUR Minded NOT to Provide an Allowance:** These are RP7 projects for which NIAUR was not minded to allocate an allowance at the Draft Determination. For each of these projects, a rationale for NIAUR's minded-to decision was provided.

In respect of the 'not minded-to allocate an allowance,' we have created four new sub-categories:



Table 3 - Sub categories of projects

Reference	Title	Explanation
CAT 1	Full Phase 1 allowance allocated to projects which complete in Phase 1	Some of the (smaller) projects which substantively complete in phase 1 and may have recurring OpEx against which an allowance will be allocated for the phase 1 component.
CAT 2	Full phase 1 allowance allocated to projects which will continue into Phase 2	Larger projects which span over Phase 1 and Phase 2 (including projects which deliver a proof of concept in Phase 1), and which will require an assessment at the planned reopener of the RP7 price control.
CAT 2A	Full phase 1 allowance allocated to projects that have been re-reviewed in light of change to cost and scope.	Project that has been significantly changed in cost or scope since the Draft Determination, but previously been categorised as minded to allocate an allowance.
CCAT 3	Partial allowance allocated in Phase 1	Only PRG01 falls into this category.
CAT 4	No phase 1 allowance required and allocated	Projects for which a Phase 1 allowance is no longer required, due to NIE Networks either merging projects or moving them into Phase 2

For each project that falls within one of the four sub-categories (above) we discuss:

- **NIAUR Comments at Draft Determination** – These were brief comments published by NIAUR which were informed by our own analysis of the evidence submitted by NIE Networks.
- **NIE Networks’ Response** – This is a description of a few of the key points made in the response to the Draft Determination. This section intends to provide helpful context but should not be regarded as a comprehensive summary of the evidence base. The reader should refer to the relevant section of NIE Networks’ Draft Determination response for full details.
- **Gemserv recommendations** – This section briefly summarises our analysis of the evidence and our rationale for the allowances that we recommend to NIAUR.

For projects that fall within Category 2 and Category 3 we provide:

- **Suggested evidence at re-opener** - To inform NIE Networks’ planning, we have outlined the scope of additional evidence that would aid NIAUR in its assessment of the relevant projects at the re-opener of the RP7 Price Control.



3.2 ANALYSIS AND RECOMMENDATIONS

The following tables contain our analysis and recommendations for each of the projects which fall into the subcategories 1-4.

3.3 CAT 1: FULL PHASE 1 ALLOWANCE ALLOCATED TO PROJECTS WHICH COMPLETE IN PHASE 1

CUS08	Project Name	Advanced Drone Survey technology	NIE Networks Response Section	6.5
	Comments	<p>NIAUR comments at Draft Determination - Further evidence needed to demonstrate how/why this is a Core Project that must be implemented in Phase 1 to ensure the IT programme can be progressed until the review date.</p> <p>NIE Networks' Response – NIE Networks stated that there was a risk that without access to appropriate survey technology early in the period it will be unable to meet the demands of the RP7 Work Programme. Emphasising the low cost of both CUS08 and CUS10 the company described how the technology would speed up the survey process and enable accurate site data capture and collection. This would result in new and improved ways of working for its employees.</p> <p>Gemserv Recommendations – We acknowledge that CUS08 and CUS10 are small projects each below £250k - though within each of the project's costs, T&D had been separated out for implementation. There is no forecast expenditure for Phase 2. Given the low materiality and a reasonable line-of-sight argument to benefit (albeit not quantified) we recommend the full allowance is allocated to the projects for Phase 1 expenditure.</p>		
			Recommended Allowance	100%
CUS10	Project Name	Ground Based LiDAR	NIE Networks Response Section	6.5
	Comments	See CUS08 (joint query)		
			Recommended Allowance	100%



DAT15	Project Name	Open Data Portal	NIE Networks Response Section	6.13
	Comments	<p>NIAUR Draft Determination Comments - There has been a substantial reduction in planned expenditure (£2.2m) in NIE Networks' revised IT plan for the project.</p> <ul style="list-style-type: none"> Can NIE Networks demonstrate how the new proposed expenditure will deliver the same functionality required for the Open Data Portal project? Has NIE Networks considered the risk of loss in customer value in open data portals by not taking a more iterative approach to the scope and functionality of the project? <p>NIE Networks' Response - NIE Networks provided evidence that the scope of the project was unchanged and that its approach was iterative. NIE Networks provided a detailed breakdown of the recurring OpEx costs and stated that this portal is also being used by some of the GB DNOs/DSOs.</p> <p>Gemserv Recommendations - The project appears to have been completed in RP6 and the RP6 extension year. Gemserv questioned the recurring OpEx which is circa £2.2m per annum until 2027/28 and £2.2m for the following three years. This seemed excessive against a project that was only circa £2.2m capex. However, in light of the additional explanation in relation to the need of the recurring opex, provided by NIE Networks, we recommend the full allowance is allocated for costs within the Phase1 period.</p>		
			Recommended Allowance	100%

HS02	Project Name	Public Awareness VR Technology	NIE Networks Response Section	6.9
	Comments	<p>NIAR comments at Draft Determination – There was a lack of quantified benefits provided in relation to NIE Networks continuing “as-is” and utilising existing presentations versus utilising VR technology. A lack of options considered or exploration of additional methods that could be more cost effective.</p> <p>NIE Networks Response – The company claimed that the use of VR (Virtual Reality) technology was an important and cost-effective way to improve public engagement because it provides an interactive and realistic way for people to understand the risks of electricity than more traditional methods such as discussion, presentations, or videos. The company provided a more expansive section of where VR Technology had been successfully used by Network Rail & for safety scenarios by the National Farmers' Union.</p> <p>Gemserv Recommendations – Whilst we welcome the discussion on benefits, we consider that there was limited additional justification. However, this is a lower cost project set against the importance of keeping stakeholders safe. Consequently, we recommend that the full allowance is allocated to this project. We also recommend that the learning and benefit from this project is appropriately documented and used to inform future initiatives – including those planed in future price controls.</p>		
			Recommended Allowance	100%



DIG05	Project Name	Automated Messaging	NIE Networks Response Section	6.15
	Comments	<p>NIAUR Comments at Draft Determination - Only 2 options highlighted, do nothing, or implement automated messaging. Have more efficient cost-effective options been investigated to deliver the messages?</p> <p>NIE Networks' Response – The company provided details of a multiple platform versus centralised platform approach for the automated messaging solution – in addition to describing the do-nothing and IVR solution (which were both subsequently discarded as options). The projected costs do not go beyond Phase 1.</p> <p>Gemserv Recommendations - NIE Networks provided additional justification for a centralised system. The company also explained why it discounted utilising alternative or multiple systems. Considering the additional evidence provided we recommend allocating the full allowance.</p>		
			Recommended Allowance	100%

DSO08	Project Name	EV Up!	NIE Networks Response Section	6.7
	Comments	<p><i>Joint query with DSO09 (below)</i></p> <p>NIAUR Comments at Draft Determination - Further evidence needed to demonstrate how/why both DSO09 and DSO08 are Core Projects that must be implemented in Phase 1 to ensure the IT programme can be progressed until the review date.</p> <p>NIE Networks' Response – NIE Networks provided evidence that these projects will be required during the RP7 period. NIE Networks has stated that again these can be implemented without disrupting other Phase 1 projects.</p> <p>Gemserv Recommendations - Gemserv note that there is no projected expenditure beyond Phase 1. We asked about the tools selected and the justification for using a system rather than a service. Query response UR0038 stated that the main advantage of using a low-cost tool/system is the ability to amend model assumptions and data inputs that is preferable to a service where additional costs for a third party would be incurred to re-run multiple scenarios or variations. Considering this additional justification, we recommend the full allowance is allocated to these projects for Phase 1. However, as a general point across the RP7 IT Price Control, we believe that NIE Networks could provide stronger justification, in relevant instances, of choosing an IT system rather than a Service.</p>		
			Recommended Allowance	100%



DS009	Project Name	Heat Up!	NIE Networks Response Section	6.7
	Comments	See DSO08 (joint query)		
			Recommended Allowance	100%

DSO10	Project Name	AutoDesign Extension - LV Network Model	NIE Networks Response Section	6.8
	Comments	<p>NIAUR Comments at Draft Determination - Reliant on EV-Up and Heat-Up projects implementation.</p> <p>NIE Networks Response - The company stated that the implementation of this initiative will result in improved network planning and network investment decision making and is of critical importance as the company plans for significant development of the LV network during RP7. There are no capital costs beyond Phase 1.</p> <p>Gemserv Recommendations - This is an extension project to DSO08 and DSO09 and will be dependent upon NIE Networks completing these projects. DSO10 is a small investment which will need to be progressed at some point within the RP7 period. Consequently, we recommend allocating the full allowance for Phase 1.</p>		
			Recommended Allowance	100%

DSO17	Project Name	Meter Reading Data for Network Planning	NIE Networks Response Section	6.21
	Comments	<p>NIAUR Comments at Draft Determination - Demonstration that this is a core project that has to occur in Phase 1. Further demonstration needed to highlight the timing and spend of this project in relation to DAT14.</p> <p>NIE Networks Response – NIE Networks provided additional information to explain why this is a core Phase 1 project and the alignment with DAT14.</p> <p>Gemserv Recommendations - This project will provide the ability to analyse/trend quarterly customer meter readings to enable detection of unnotified low carbon technologies being connected to the network. NIE Networks has confirmed that this project is aligned with the implementation of DAT14 – Cloud Analytics Platform but will not impact the planned delivery of DAT14 or any other RP7 project. NIE Networks make a compelling case to invest £XXXX to avoid potentially incurring £XXXX of costs. We therefore recommend that the full allowance is allocated.</p>		
			Recommended Allowance	100%



SUS01	Project Name	Embodied Carbon Footprint	NIE Networks Response Section	6.27
	Comments	<p>NIAUR comments at Draft Determination - While there is a requirement in GB for DNOs, that is not the case yet in NI. Therefore, there is the risk of stranded investment here, proposed solutions may be replaced by other industry developments. Further need of timing to be demonstrated that this is a core project that needs to occur in Phase 1 of RP7.</p> <p>NIE Networks Response – NIE Networks provided further information and cited NIAUR’s approach methodology around sustainability and greenhouse gas emissions.</p> <p>Gemserv Recommendations - As per section 2.44 the expense for SUS01 has been deferred from the RP6 Extension year but is now requested for ‘Phase 1’ of RP7. There are no capital costs projected beyond Phase 1. NIE Networks state that ‘an ECF tool will allow for network design options to be compared quantitatively in terms of sustainable design.’ NIE Networks’ intention to deliver this project in RP7 is reasonable in light of UK DNOs also implementing similar tools. We therefore recommend that the full allowance is allocated.</p>		
			Recommended Allowance	100%



3.4 CAT 2: FULL PHASE 1 ALLOWANCE ALLOCATED TO PROJECTS PLANNED TO CONTINUE INTO PHASE 2

DIG07	Project Name	Customer Self-Serve Portal	NIE Networks Response Section	6.16
	Comments	<p>NIAUR comments at Draft Determination - Whilst there are benefits for a customer self-serve portal, we have questions about the overall solution proposed. Could the solution be tailored to match the actual usage of customers for example?</p> <p>NIE Networks Response – The company recognised that different services will be more frequently used than others. NIE Networks committed itself to ensure that during the design and implementation of the project that the portal is scaled appropriately for the potential frequency of use. NIE Networks also committed to using an iterative approach where different use cases were tailored to meet the expectations (including transaction volumes) of the service lines.</p> <p>Gemserv recommendations - There are several questions regarding the specific use case examples for the customer self-serve portal and the volumes of transactions that will be utilised during RP7. Whilst it is not possible to resolve all the queries, we recognised the modest Phase 1 costs required to scope and define activities. Following this exercise, the outstanding questions should be easily resolved by the end of Phase 1. We therefore recommend a full allowance for Phase 1 costs.</p>		
	Suggested Evidence at Re-opener	<p>Evidence pertaining to the following outputs which were described in the current RP7 Digital & IT Plan (To be delivered in Phase 1 of RP7):</p> <ul style="list-style-type: none"> Requirements Definition completed for all services initially identified within scope: Meter Reading, Energy Consumption, Outage Management, Connection Services and open data Services. Procurement activity to select preferred vendor solution near completion/completed. <p>Evidence pertaining to the following:</p> <p>Clear justification of the costs and benefits of implementing the customer self-service portal. This would be based upon the scoping and definition activities scheduled for Phase 1.</p>		
		Recommended Allowance	100% Phase 1 allowance	



DIG03	Project Name	RPA Process Automation Programme	NIE Networks Response Section	6.14
	Comments	<p>NIAUR Comments at Draft Determination - Further definition of the scope of the programme needed. There is a likelihood that many business processes will be amended during RP7, we question the need for a separate initiative and consider this may cause more confusion or conflict with the major projects such as S/4 HANA.</p> <p>NIE Networks Response - NIE Networks explains why additional digital initiatives will be required during RP7 beyond the scope of the S/4 HANA delivery.</p> <p>Gemserv Recommendations - NIE Networks has provided a detailed explanation of the types of processes they plan to improve. Evidently, we believe that the process automation proposed will deliver efficiencies and more effective staff productivity with associated benefits to customer. The examples provided appear to be more tangible with supporting justification. Consequently, we propose awarding the full allowance for phase 1.</p>		
	Suggested Evidence at Re-opener	<p>Evidence pertaining to the following outputs which were described in the current RP7 Digital & IT Plan (To be delivered during Phase 1 of RP7):</p> <ul style="list-style-type: none"> • Identification and documentation of a prioritised set of initiatives and associated benefits (to be delivered in Phase 2) following engagement with the business. • A defined specification for the appropriate RPA process automation tool with its procurement activity having commenced. The Process Automation Tool will be scheduled within the overall programme of work to focus upon standalone developments. These can be delivered without impacting the wider deliveries during the RP6 Extension year and RP7. <p>Evidence pertaining to the following:</p> <ul style="list-style-type: none"> • RPA process improvement along with proposals and cost estimates for Phase 2. 		
			Recommended Allowance	100% Phase 1 allowance



DIG08	Project Name	Digital Services / Product Improvement	NIE Networks Response Section	6.17
	Comments	<p>NIAUR Comments at Draft Determination – Lack of definition in the scope of this project.</p> <p>NIE Networks Response – NIE Networks provided further detail for this project, including around benefits and governance.</p> <p>Gemserv Recommendations - NIE Networks state that twenty-two (22) staff are being released and not backfilled. However, the ‘near-miss’ project that is complete appears to release only 1 person. We note the additional evidence provided, including that NIE Networks has provided details around how the governance of the Digital services will be managed and controlled. Based upon the information provided, we recommend allocating an allowance for Phase 1. However, we also recommend that further evidence be provided at the RP7 re-opener.</p>		
	Suggested Evidence at Re-opener	<p>Evidence pertaining to the following outputs which were described in the current RP7 Digital & IT Plan:</p> <ul style="list-style-type: none"> • To be delivered during the RP6 Extension Year : Improvements to the Near Miss and Site Safety applications including post implementation review assessments. • To be delivered during Phase 1 of RP7 : Development of a backlog for the enhancement of the other products / capabilities that NIE Networks will be delivering in the first Phase of RP7. • To be delivered during Phase 1 & 2 of RP7: Digital Initiatives to support NIE Networks’ evolving business throughout RP7, for example <ul style="list-style-type: none"> ○ Supporting the Human Resources (HR) recruitment and onboarding of 1,000 new members of staff in the most efficient and cost-effective way ○ The ‘self-serve for MPRN’ for customers. <p>Evidence pertaining to the following:</p> <ul style="list-style-type: none"> • Details of backlog for the enhancement of the other products and services including <ul style="list-style-type: none"> ○ Prioritised implementation plans and the expected benefits that will be delivered in the remainder of RP7. ○ How improvements will deliver the outcome of the further 21 staff that will be released and not backfilled. 		
			Recommended Allowance	100% Phase 1 allowance



DIG09	Project Name	Hybrid Workplace Programme	NIE Networks Response Section	6.18
	Comments	<p>NIAUR Draft Determination Comments - A lack of specifics as to exactly how the programme will be implemented and delivered. Further information needed in relation to the demonstration of cost benefits that this project will provide. We were unable to identify the efficiency and or process improvements through query responses UR121 and UR153.</p> <p>NIE Networks' Response – Additional information in relation to the scope and benefits of project was provided.</p> <p>Gemserv Recommendation - There have been refinements to this project's scope and deliverables since NIE Networks' RP6 Extension submission. However, the cost estimates have not been updated to reflect the actual activities being performed. Whilst we welcome additional details, we do not think the benefits case has been fully made. However, the allowance for Phase 1 will support NIE Networks to progress this project and provide detailed definition and justification for further work in Phase 2.</p>		
	Suggested Evidence at Re-opener	<p>Evidence pertaining to the following outputs which were described in the current RP7 Digital & IT Plan (to be delivered during the RP6 Extension year and RP7 Phase 1 and 2):</p> <ul style="list-style-type: none"> • A suite of integrated applications which will provide a better employee experience through mobile access to systems, enhanced data visibility and decision-making processes and training and engagement platforms. • A resilient digital workforce which has the capabilities, tools, training, and information safely to complete work on the network and provide leading customer experiences. • Increased remote access to master data repositories / systems for field staff and specifically also to include a fully implemented: <ul style="list-style-type: none"> ○ Digital Training Platform with initial content in place, being used by employees across the organisation; ○ Safety Management system being used to record and manage safety related data across the organisation; ○ Fault Management Reporting system providing visual information on faults to the network operations organisation; <p>Evidence pertaining to the following:</p> <ul style="list-style-type: none"> • Provision of actual expenditure in Phase 1. • NIE Networks should provide a revised forecast of Phase 2 costs based on; <ul style="list-style-type: none"> ○ Learnings from phase 1 ○ Actual costs to complete activities in phase 1 ○ Improved planning in respect of the activities that remain in Phase 2 • Better definition of anticipated benefits and their timing. 		
			Recommended Allowance	100% Phase 1 allowance



DSO04	Project Name	TSO / DSO Interface	NIE Networks Response Section	6.19
	Comments	<p>NIAUR Comments at Draft Determination - Further information needed to demonstrate the timing around this project. Is the suggested pre-engagement critical to start in Phase 1 before most of the project is implemented in Phase 2?</p> <p>NIE Networks' response – The company described this project as an enabler for NIAUR DSO objectives. It stated that postponing the project until Phase 2 would significantly impact the timelines associated with the implementation of a digitalisation strategy and joint action plan with SONI. It proposed minimal spend (£XXXX) to enable the engagement with the TSO to proceed and therefore to finalise process designs and create technical requirements.</p> <p>Gemserv Comments - NIE Networks has confirmed that the scoping and planning will be conducted from Year 2 and into Year 3. It is unclear how this can be aligned with the plans for a reopener and if sufficient information will be available for the Phase 2 submission. However, there is 'Minimal spend' in phase 1 of £XXXX for 2 years (£XXXX). Considering the low materiality and a commitment to a better definition for Phase 2, we recommend allocating the full allowance for Phase 1.</p>		
	Suggested Evidence at Re-opener	<p>Evidence pertaining to the following outputs which were described in the current RP7 Digital & IT Plan:</p> <ul style="list-style-type: none"> To be delivered during Phase 1 of RP7 - A high-level process and requirements definition for the future data exchange solution between TSO and DSO which enables the exchange of forecast and real-time information e.g. flexibility dispatch instructions and network constraints, on a machine to machine basis enabling efficient TSO-DSO co-ordination and whole system optimisation. This solution will be built in Phase 2. <p>Evidence pertaining to the following:</p> <ul style="list-style-type: none"> Confirmation of the costs for building the interface scheduled for year four. 		
		Recommended Allowance	100% Phase 1 allowance	



DSO05	Project Name	Flexible Connections Management System	NIE Networks Response Section	6.2
	Comments	<p>NIAUR Comments at Draft Determination - Further understanding needed of the timing of this project, is it essential that the pilot starts in year 2?</p> <p>NIE Networks Response – The company provided additional evidence and stated that any delay in the commencement of the pilot would restrict NIE Networks’ ability to offer flexible connections to customers. It would drive a timeframe which would be unacceptable to the NI market.</p> <p>Gemserv Recommendation - NIE Networks has confirmed that the £3.3 pilot in Year 2 & Year 3 will deliver a proven concept for the management of flexible connections. Limited information has been provided to us on the scope of the pilot. NIE Networks state that this project will provide additional information for the Phase 2 submission. It is unclear how the information will be available for the Phase 2 submission if this finishes in Year 3. Nevertheless, NIE Networks state that a long-term solution can be delivered in ‘the latter half’ of RP7 which would have been informed by this work. In light of the assurances, we recommend the full allowance is allocated for the Pilot Phase.</p>		
	Suggested Evidence at Re-opener	<p>Evidence pertaining to the following outputs which were described in the current RP7 Digital & IT Plan:</p> <ul style="list-style-type: none"> To be delivered during Phase 1 of RP7 - a process design and set of detailed requirements for a pilot solution to test the introduction of cost-effective flexible connections. The implementation of the pilot will be underway at the end of Phase 1. To be delivered during Phase 2 of RP7 - an operational platform which hosts the closed loop monitoring and control of flexible connections at different scales, enabling customers to connect new demand and generation more quickly and at lower cost. <p>Evidence pertaining to the following:</p> <ul style="list-style-type: none"> Along with the solution described above, the costs incurred for Phase 2 		
			Recommended Allowance	100% of Phase 1 allowance.



3.5 CAT 2A : FULL PHASE 1 ALLOWANCE ALLOCATED TO PROJECTS AFTER A FURTHER REVIEW

DAT06	Project Name	Data Management Maturity Progression	NIE Networks Response Section	6.6
	Comments	<p>NIE Networks Project Adjustments - The original approach was a bi-annual assessment at £222 per assessment and total RP7 cost of £222. NIE Networks provided a new proposed approach with Gartner, which is £222. This uses an annual subscription which is three times the cost.</p> <p>Gemserv Recommendation – The updated approach appears to offer less control or the ability to switch off or vary the timing of the assessment. Gemserv asked for justification for the increased cost in using Gartner. NIE Networks provided a detailed justification based upon the additional flexibility of the tools, additional expertise, and broader use across the wider company. We therefore recommend the full allowance for Phase 1.</p>		
	Suggested Evidence at Re-opener	<p>Evidence pertaining to the following outputs which were described in the current RP7 Digital & IT Plan (to be delivered during Phase 1 of RP7):</p> <ul style="list-style-type: none"> Enhanced Gartner Executive Program and Advisory service in place for Digital and Data Services. Baseline Data Maturity Assessment completed, including the identification of priority areas for improvement, and an Action Plan in place. <p>Evidence pertaining to the following:</p> <ul style="list-style-type: none"> Evidence of the additional value realised in using the Gartner Solution. 		
			Recommended Allowance	100% Phase 1 allowance



3.6 CAT 3: PARTIAL ALLOWANCE IN PHASE 1

PRG01	Project Name	Programme Delivery	NIE Networks Response Section	5.3
	Comments	<p>NIAUR comments at Draft Determination - Risk of conflicting governance and operational processes with a major SAP implementation methodology and approach conflicting with other internal governance approaches.</p> <p>NIE Networks Response – The company provided a detailed response and justification for the roles. Amongst other points, NIE Networks described the importance of a PMO function in reducing delivery risk.</p> <p>Gemserv Recommendations PRG01 - Programme Management comprises 4 elements of different types of resources:</p> <ol style="list-style-type: none"> 1. Enterprise Architect 2. Programme Managers (x3) 3. Project Management Office (PMO) Resources (x5) 4. Financial Analysts (x2) <p>Gemserv agree that these roles and broad level of resource will be required by NIE Networks in Phase 1.</p> <p>We challenge the NIE Networks submission in 3 different ways:</p> <ol style="list-style-type: none"> 1. Synergies - we believe several tasks and activities to be undertaken are common with other areas of the programme such as the SAP Programme. 2. Ramp-up and ramp-down - we do not believe the additional 10 FTEs (Enterprise Architect is part-time) will all be required or available on Day 1 or continue for the entire period of RP7. 3. Staff mix - we do not believe that the 7 junior resources PMO and Financial Analysts must be local resources and could be remote (offshore). <p>For Phase 1, considering the 3 areas in-turn</p> <ol style="list-style-type: none"> 1. Synergies - while synergies exist NIE Networks has explained that these resources will be challenging planning and performing Quality Assurance roles - so as each project is defined and differs, the synergies will be much less during Phase 1. 2. Ramp-up & ramp-down - by Phase 1 these projects should be at full strength and the ramp-up should be complete. The ramp-down would not have started. 3. Staff mix - We believe 30 to 50% of the PMO and Functional Analysts should be remote or offshore - these equates to 3 FTEs. <p>The cost of the onshore resources are £200,000 per day and the cost of similar resources offshore are £100,000 per day.</p> <p>This results in a cost saving per resource of £100,000 per annum or a total of £300,000 over the duration of Phase 1.</p>		



	Suggested Evidence at Re-opener	<p>Evidence pertaining to the following outputs which were described in the current RP7 Digital & IT Plan (to be delivered during the RP6 extension year):</p> <ul style="list-style-type: none"> • The establishment of an appropriately sized programme management team resourced by suitably experienced resources. • A detailed architectural roadmap for the implementation of the programme • The availability of an appropriate programme delivery location. • The availability of appropriate IT equipment for the external contractors employed within the programme. <p>Evidence pertaining to the following:</p> <ul style="list-style-type: none"> • Synergies - as projects enter steady state, e.g. plans are formed and being executed, the synergies of tracking and monitoring should increase and NIE Networks should factor this into the resource plan. • Ramp-down - due to occur during Phase 2. • Staff mix over time - again the 30% - 50% split should continue but the 7 resources should decrease as they ramp-down over time. 	Recommended Allowance	~95% of full allowance
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3.7 CAT 4: NO PHASE 1 ALLOWANCE

DAT10	Project Name	Asset Systems Data Quality Projects	NIE Networks Response Section	6.12
	Comments	<p>NIAUR Comments at Draft Determination - Quality of Asset Data will likely be addressed as part of the scope of many of the other projects and having a separate initiative like this may risk causing confusion.</p> <p>NIE Networks Response – NIE Networks recognised NIAUR’s concern. It acknowledged the scale of data projects which are scheduled to be delivered during the early years of RP7 and therefore removed the request for expenditure in Phase 1 of RP7. NIE Networks will seek an appropriate allowance for these data quality improvement initiatives in Phase 2 as part of the RP7 Price Control reopener.</p> <p>Gemserv Recommendations – We note NIE Networks’ request and recommend no allowance is allocated in the Phase 1 Period. We note that the full business case should be provided to NIAUR at the re-opener.</p>		
			Recommended Allowance	0%

HS01	Project Name	Contractor Portal	NIE Networks Response Section	6.22
	Comments	<p>NIAUR comments at Draft Determination - Further evidence needed to demonstrate how/why this is a Core Project that must be implemented in Phase 1 to ensure the IT programme can be progressed until the review date.</p> <p>NIE Networks Response –NIE Networks now proposes to develop requirements for the Contractor Portal during Phase 1 of RP7 and will progress the implementation in Year 3. The requirement for an allowance during Phase 1 has been removed and NIE Networks intends to take the business case for this project into the RP7 re-opener for Phase 2.</p> <p>Gemserv Recommendations – We concur that no allowance is allocated at this time. The full business case should be considered for Phase 2.</p>		
			Recommended Allowance	0%



HS03	Project Name	Digital Public Safety Interactions	NIE Networks Response Section	6.23
	Comments	<p>NIUAR Comments at Draft Determination – Clear evidence is needed to show that this is a core project that should occur in Phase 1 of RP7.</p> <p>NIE Networks Response - No additional allowance was requested for Phase 1 with forecast costs present in the RP6 extension year.</p> <p>Gemserv Recommendations - A partial allowance was proposed in the RP6 extension year.</p>		
			Recommended Allowance	0%

HS04	Project Name	Safety Data Analysis and Reporting	NIE Networks Response Section	6.24
	Comments	<p>NIAUR comments at Draft Determination - Further evidence needed to demonstrate how/why this is a Core Project that must be implemented in Phase 1 to ensure the IT programme can be progressed until the review date.</p> <p>NIE Networks Response – NIE Networks proposed to move this project out to Phase 2 of the RP7 period and provide additional information as part of the reopening of the RP7 Price Control.</p> <p>Gemserv Recommendations - This project has now been incorporated into DIG09 – Hybrid Workplace Programme. Consequently, no allowance is recommended for this project.</p>		
			Recommended Allowance	0%

INF03	Project Name	Middleware	NIE Networks Response Section	6.25
	Comments	<p>NIUAR comments at Draft Determination - The actual applications to be integrated are not specified but just a general term 'cloud / on-premises integrations' is used (UR0132). Clear justification of the over £200 spend is required along with justification that this is the 'best' method to integrate with the Cloud as Middleware solutions bring additional complexity as well as cost.</p> <p>NIE Networks Response – The company stated that it was not currently able to develop and describe a design for the solution which would enable NIAUR to assess the scope and benefits of the investment. NIE Networks proposed to move the project out to Phase 2 of the RP7 period and provide additional information as part of the reopener.</p> <p>Gemserv Recommendations – In light of NIE Networks' decision to move the Project to Phase 2 of RP7, no allowance is recommended at this stage.</p>		
			Recommended Allowance	0%



MOP10	Project Name	Unmetered online inventory portal	NIE Networks Response Section	6.26
	Comments	<p>NIAUR Comments at Draft Determination - This is phase 1 expenditure- possibly a mistake/typo? Further evidence needed to demonstrate how/why this is a Core Project that must be implemented in Phase 1.</p> <p>NIE Networks Response – The company confirmed that the scope of MOP10 can be delivered within the DIG07 project. NIE Networks removed the standalone costs of MOP10 (implementation and recurring OpEx) from the programme.</p> <p>Gemserv Recommendations – In light of this project becoming part of DIG07 – Customer Self Service Portal – no allocated allowance for this project is recommended.</p>		
			Recommended Allowance	0%



THE BUSINESS VALUE SCORECARD

3.8 INTRODUCTION

Within NIE Networks' response to the Draft Determination, it submitted a Business Value Scorecard (BVS). The purpose of this artifact is to address the recommendations relating to improving the understanding of program priorities. In particular, the BVS serves the following purposes:

- **Overview of Benefits:** It outlines the benefits that the program will deliver (2.13).
- **Project Prioritization:** The BVS scores projects based on cost, benefit, and risk methodology (3.8).
- **Mapping to RP7 Themes:** It correlates all projects, and their business value scores with RP7 themes (3.19).

The BVS method enhances transparency in strategic project management by providing insights into value, objectives, and risk at the program level. A scorecard methodology is a widely adopted approach and often used in program management to outline the strategic objectives of the programme and understand project priorities. In this application of the BVS, NIE Networks evaluates each project based on its set criteria, risk/value grading, and commitments, resulting in prioritised project scores.

The BVS is has the following features.

1. Each **project** is scored against five criteria each of which align to a benefit.
2. Each **criterion** is individually scored by assessing the project against a specification which is graded from one to four.
3. The **scores** from each criterion are weighted and then summed to provide a final score.
4. The **commitments** are aligned with each of the criteria, with some commitments aligning to more than one criterion.

In this chapter, we analyse and examine the effectiveness of the BVS.

3.9 ANALYSIS OF THE BVS

We have analysed several dimensions of the BVS to assess how well it aligns to its intended purposes:



Table 4 - Dimensions for the analysis of the BVS

	Dimension		Implicit Question
Chapter 4	Usefulness	The usefulness of the BVS outputs	Do the outputs achieve the intended purpose?
	Clarity	The clarity of the criteria applied.	Do the criteria overlap?
	Objectivity	The objectivity of the project scoring/weighting against the criteria	Is the scoring objective or subjective?
Chapter 5	Mapping	The project mapping to the commitments	Does the additional element of mapping commitments within the BVS work?

3.9.1 The usefulness of the BVS outputs

To achieve the stated objectives (benefits, prioritization, and alignment with commitments), it is crucial to have well-defined and balanced criteria for the BVS. These criteria should be sufficiently detailed to allow the unambiguous and effective grading of each criterion and therefore produce a useful final output score.

The BVS applies a score grading of 1 to 4, with 4 being the highest determination (i.e. Higher Return on Investment (RoI), High Criticality, High Risk). Our analysis shows that the distribution of scores from the RoI and avoided cost criterion were the most widely distributed from low to high.

Table 5 Distribution of scores from across the project portfolio for the Financial ROI/ Cost Avoidance Criterion

Level applied	1	2	3	4	N/a
Financial ROI/Cost Avoidance	25	21	8	18	27

When evaluating projects, this criterion has proven to be effective in distinguishing between them. We therefore focused our review on the remaining four criteria.

We sought to understand how NIE Networks prioritised projects using the categories of Regulatory, Customer Impact, Risk, and Digital Transformation. To visualize this, Gemserv created a chart mapping all the scores.

Figure 1- BVS Score distribution map





It is clear from the distribution of scores that NIE Networks determines the majority of the submitted projects as high priority. This is evident from the number scores at levels 3 and 4. Our analysis highlights that:

- Out of the 99 projects, only 15 scored lower (1 or 2) in any single criteria, while the majority achieved scores of 3 or 4 across all criteria (excluding financial Roi/Cost Avoidance).
- Of those 15, 6 of these are mandatory projects which must proceed to maintain operational processes.

There remain only 9 projects where NIE Networks can apply distinction to the strategic learnings of the scorecard. These 9 projects are as follows:

Table 6 - BVS Scores for the 9 identified projects where the BVS informs strategy

REF	Brief Title	Customer / Employee	Mandatory / Regulatory/ Market Compliance	Rol/Cost Avoidance	Risk Avoidance	Enabler for Transformational Change
CUS08	Advanced Drone Survey technology	3	2	2	3	4
DIG05	Automated Messaging	4	3	3	2	4
DIG06	Contact Centre Enhancements	4	3	3	1	4
DIG08	Digital Services / Product Improvement	4	3	4	2	4
AM13	Electronic AMI Process	4	0	1	4	4
CUS10	Ground Based Lidar	3	2	2	3	4
DSO07	LCT Notification Digitalisation	4	3	2	2	3
PRG02	Small Projects	2	4	1	4	3
FIN06	Timesheet recording tool for Indirects	3	1	2	3	3

3.9.2 The clarity of the criteria applied

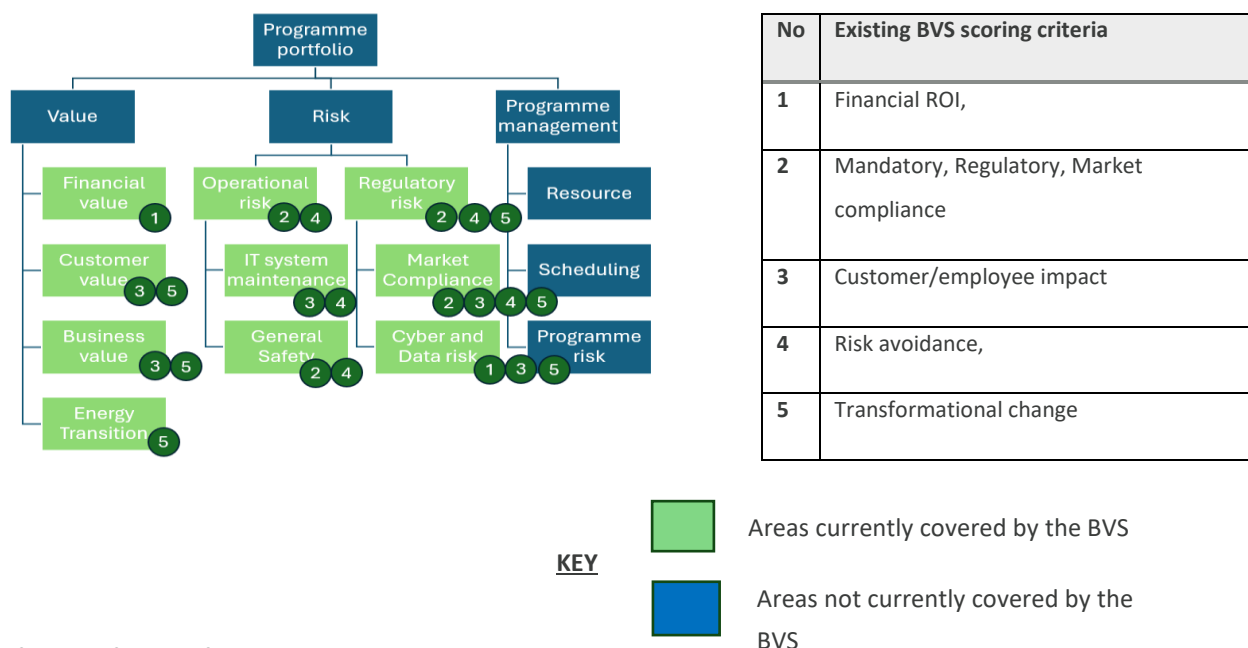
A scorecard methodology should exhibit transparent assumptions and effectively give clear demarcation between the assessment categories. The approach could use any number of differentiators, and there is nothing wrong in the choice of categories applied by NIE Networks. However, it is our view is that decision makers would be better informed about their programme prioritisation if the scores incorporated value, risk, and operational factors (e.g., programme resource allocation and scheduling). These categories are largely distinct from each other, do not significantly overlap and are reasonably comprehensive in scope. Strategic prioritisation decisions and value could then be informed by an assessment against them.



To demonstrate this, we have detailed how Genserv might have approached this in Figure 2. Our approach expands the three high-level categories into distinct sub-categories. For example, we separated our value category into a quantitative component (financial value) and other qualitative components of value provided to both customers and wider stakeholders (such as the business itself). We also added an 'Energy Transition' category to recognise the transformational nature of the changes proposed by NIE Networks.

To perform a high-level and common-sense check of the breadth of NIE Networks' BVS criteria and to identify significant gaps we compared them to our own model. The results are overlaid in the figure below. The numbers in the circles represent the reference number for each of the BVS criteria. So, for example, our sub-category of Business Value maps to the BVS criteria of Customer/Employee impact (3) and Transformational Change (5). Where there was a mapping between the BVS and our model we highlighted the component in light green.

Figure 2 - Suggested scorecard categories and their alignment to the BVS



We made four key findings from this exercise:

1. The BVS covers most of the elements that we would expect to be assessed within two of our three categories (value and risk).
2. There are components of the programme management category that should be added to the BVS to make this a more comprehensive artifact.
3. Considering both value and risk categories, we believe that the current criteria exhibit areas of overlap, leading to challenges in scoring subjectivity and clarity.
4. Considering both value and risk categories, we believe that the current set of 5 criteria exhibits significant areas of overlap, leading to challenges in scoring due to subjectivity and lack of clarity.



3.10 FINDINGS

NIE Networks' choice to use a balanced scorecard to prioritise projects within a programme is sound. We understand how the BVS artefact has been constructed and the rationale behind it.

We recognise that the development of the BVS scorecard is a significant body of work. It has been assembled rapidly and retrospectively in response to a challenge at the Draft Determination.

Whilst some aspects work well, our view is that the BVS's rapid development has exposed gaps in scope and the need to refine the scoring definitions to be less ambiguous. This would likely improve the output to better discriminate between individual projects.

We suggest that a larger number of more distinct categories that extend to cover Programme drivers should be used. Although we recognise that this would require a greater effort to create, the grading of each criterion against a narrower definition would be a simpler and less ambiguous exercise resulting in a BVS methodology better aligned to its objectives.



4 THE PROJECT MAPPING TO THE COMMITMENTS

4.1 INTRODUCTION

The projects map to commitments in three ways – each one driving a ‘value’ on the commitment.

Table 7 - The different approaches to mapping value to commitments

Mapping to Commitments	Description	Commitment Value
Cost and benefits	Each project’s costs and benefits map to one or more of the commitments.	Value driven by the balance of cost and benefits.
Strategic coupling	Each project is strategically coupled to a commitment with a strength described as either fundamental or supporting.	Value driven by the strength of strategy.
Priority score	Project priority score to criterion and then criterion to commitment. This mapping is many to many (i.e. one criterion maps to more than one commitment and one commitment can map to more than one criterion.	Value driven by the priority of the project in the programme.

In this section we explore the different attributions of value on the commitments and also the self-consistency of the model

4.2 ANALYSIS OF MAPPING TO COMMITMENTS

4.2.1 Cost and Benefit Mapping

NIE Networks mapped cost and quantifiable benefit to each of the commitments. The assessment of total quantifiable benefit is likely to have a subjective component. In comparison, total cost is easier to quantify. We have not analysed all projects as this lies outside of our brief. However, of the projects we have checked, we have drawn the following inferences.

1. Quantifiable benefits can be lower than costs. NIE Networks helpfully explore reasons why this is the case. We accept that quantifiable financial benefit is not the only indicator of value of a project.
2. Project quantifiable benefits and costs can be attributed to different commitments in different proportions.
3. There is a project-by-project narrative which provides insight into the assessment of quantifiable benefit.
4. Whilst attributing a project cost to each year is a straightforward output of the budgeting process, it is less clear to us why the benefits of some projects are, in some cases, attributed to years in which the underlying capability is still being built.

The fact that cost and quantifiable benefit have been apportioned separately points to a deeper layer of analysis by NIE Networks. We would have welcomed more insight into this so that we could review and test the assumptions. However,



the explanation of the assessment of quantifiable benefit in and of itself was helpful. Notwithstanding specific comments on the projects upon which we have focussed, and our comments above, in the most part this was an admirable attempt at cost and quantifiable benefit attribution to commitments.

4.2.2 Strategic coupling mapping

Each project is strategically coupled to one or more of the commitments in a fundamental and/or supporting way. We note that the methodology is similar to the one used at the Draft Determination and we have not checked if the attributions have been changed.

4.2.3 Priority score mapping

NIE Networks map commitments to BVS criteria. Some of the commitments map to more than one of the criteria. Given that the criteria have different weightings it follows that the commitments mapped to higher weighted criteria will experience a greater 'priority score.' We accept that NIE Networks has not attempted to enumerate this, nevertheless it is a reasonable extrapolation of the assumptions.

We are unclear if it was NIE Networks' intention to imply a priority to each of its commitments. We believe that the company should be clear if its customer commitments are equally important or if some have higher priority. There are arguments in favour of either perspective and we would have welcomed a clear statement, with justification, either way.

4.3 FINDINGS

Our assessment is that the BVS has been over-extended to include a mapping to the commitments. The explicit mapping of cost and benefit to commitments is helpful and we recognise the supporting narrative around benefits was, in many cases insightful. However, we would have appreciated greater transparency regarding how cost and benefit were apportioned to each commitment. Additionally, we would have also expected a robust and explicit link between the two methodologies.

The model for assessing the "value" of commitments appears to lack consistency. For instance, while there is a reasonable (though not exact) correlation between the strength of strategic coupling and the distribution of costs and benefits among commitments, the prioritisation of commitments based on NIE Networks' mapping does not align well with their actual value.

However, we accept that there will be a component of subjectivity in assigning cost, benefit, the strength of strategic coupling and priority to the commitments from the underlying projects which support them. We also appreciate the effort that NIE Networks has gone to create an all-encompassing model of priority and value. In our view, it is preferable to be transparent, use the minimum number of clear (albeit subjective) assumptions and ensure that these assumptions drive self-consistent outputs.



5 KEY CONCLUSIONS AND RECOMENDATIONS

While confidence in the programme's scope, capability, and deliverability remains unchanged, NIAUR's revised approach has improved our confidence in the determination of efficient cost and therefore we were able to proceed with making recommendations for the allocation of allowances against the portfolio of projects.

Gemserv conducted a thorough analysis of NIE Networks' IT strategy and projects, assessing both individual projects and the overall programme structure. Following analysis of each of the projects, we have been able to recommend full allowances in the Phase 1 period in all projects which qualify for them except PRG01. In this project we recommended that circa 95% of the allowance was allocated.

We recognise the work and effort NIE Networks has put into preparing for this response, and for the company's positive engagement with us during the course of our analysis. For each relevant project we have presented guidance that we hope will support NIE Networks in its preparations for the RP7 Price Control reopener.

The additional evidence and improvements presented by NIE Networks to manage the programme are positive steps towards addressing initial concerns. However, the BVS does not currently meet the objectives set for it. At this stage, we do not reasonably expect NIE Networks to have a complete methodology in place.

The BVS and the different ways of attributing cost and benefit mapping to commitments have been retrospectively applied to the RP7 Business Plan. This has driven inconsistency into the outputs of both methodologies. It would have been preferable to apply these on a project-by-project basis, as an integrated part of developing each project's business case. Nevertheless, the BVS is an excellent foundation upon which to build and to refine during Phase 1. With further development, we are confident that the BVS will provide greater insight into project priorities to inform Phase 2.

In respect of the cost and benefit mapping descriptions and mapping to commitments, we have considered the narrative evidence, much of which was helpful to us. We recommend that NIE Networks introduce a sensible degree of benefit tracking over the course of the programme to test and improve the methodologies that it has chosen to use.

Finally, we are of the view that in some instances the evidence could be strengthened where there is a proposal to choose to implement an IT system rather than to procure an alternative professional service. NIE Networks may wish to consider this point in preparing for the following Price Control.



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