

CH & Network

OPSG Approach to DCC's Cost Benefit Analysis



CH and Network: OPSG Work Plan



- **Aim**

- A workplan (for discussion) for the OPSG leading to advice to the Panel (and thence to BEIS) regarding the Business Requirements and CBA of the **CH & Network Proposals only**

- **BEIS Request to Panel**

“..... SEC Panel (or delegated Sub-Committee(s)) confirming whether: the potential specific requirement is a recognised user business need; whether it is core/desirable/optional on the basis of the provision of realistic and full ROM costs; and by when it is needed or desired.”

- **TABASC** will review technical aspects of proposals; SSC will advise on Security Implications
- **OPSG** should consider implications of **service definition, quality of service, deployment model, operational impacts for Users**

Meeting 1: Topic 3



Topic 3 Review of Cost Benefit Analysis (First of 2-3 sessions)

Aim	Inputs <i>(to be circulated on/ before paper day)</i>	Outcomes
OPSG provide initial comments/queries on the required information to provide an assessment of the Costs and Benefits of the Minimum Viable Product (MVP) (from an Operational/User perspective)	<ul style="list-style-type: none"> a. Cost Benefit Analysis for MVP b. DCC summary presentation 	<ul style="list-style-type: none"> a. OPSG understanding of and initial comments/queries on the Cost Benefit Analysis
Approach	<ul style="list-style-type: none"> a. DCC to brief the OPSG on the planning assumptions used as part of the Cost Benefit Analysis and how they were identified and prioritised b. DCC to brief the OPSG on the categories, modelling and assumptions used to assess: <ul style="list-style-type: none"> a. Costs b. Benefits c. DCC to brief the OPSG on the different approaches and scenarios, outlining any operational and user implications from each approach and the DCC's preferred option 	
Comments	<ul style="list-style-type: none"> a. The current Cost Benefit Analysis does not contain a breakdown of costs by the outlined categories and therefore it is not possible to provide a granular enough view of whether the costs are reflective and realistic to Users b. At this time, the DCC are unable to provide a view of the costs and time implications of the Candidate Additional Requirements (as discussed under the Requirements Review). These will be reviewed after the assessment of the MVP has been completed. 	
Example Questions to be addressed	[Next slide.....]	

Meeting 1: Topic 3



Topic 3 Review of Cost Benefit Analysis (First of 2-3 sessions)

Example Questions

- a. What are the key planning assumptions made?
- b. Please explain the approaches used for estimating major costs and benefit categories?
- c. Have any assumptions been made regarding SMETS1 installations? (lifecycle and cost of replacement)
- d. How do the estimated unit costs compare with costs to date?
- e. What assumptions have been made regarding manufacturing order volumes?
- f. What is the costing basis used? (Discounted Cash Flow?)
- g. What would be the OPSGs preferred delivery and transition approach based on the current information?
- h. What additional information would be required to make a realistic view based on ROM costs?
- i. What are the operational implications posed by each scenario? And are they reflective of the User implications?
- j. Do the costs reflect central versus user and development versus operational categories? (It's not clear the current documentation supports this question)
- k. Whether the Benefits are reflective according to OPSG members? (It's not clear the current documentation supports this question)
- l. Whether the User costs are reflective/realistic according to OPSG members? (It's not clear the current documentation supports this question)