

Appendix Five Extending District Heating & CHP in Central Leicester – Risk Matrix

	Project Risks	Management	Probability	Impact		
	Legal/regulatory/contractual					
	There may be issues associated with the transfer or termination of existing contracts for gas supply / maintenance (possibly) incurring a breakage cost	Whilst it is anticipated that the Project will have limited impact on maintenance / gas contracts given the timetable for contract closure (earliest March 2010) the approach is being reviewed to take in to account current contracts	Medium	Medium		Project Manager / Heads of Service
	ESCo terms & conditions may be unacceptable to one or more of the senior users (including responsibility for maintenance, security of heating supply installations, administering collection of payment or debt collection, and customer care)	Initial soft market testing by Arup and Ernst & Young, along with recent supplier consultation, has identified a number of potential suppliers who would be willing to progress the scheme as required by the Council and other identified senior users assuming the proposition is commercially viable	Low	High		Project Manager / Director
	Extended or difficult discussions/negotiations could delay the procurement process and the scheme	The procurement approach (competitive dialogue model) will ensure that preliminary consultative dialogue takes place prior to eliminate any unforeseen “sticking points”	Low	Low		Project Manager
	Economic/financial					
	The added cost of installing meters in to Council homes may adversely affect the commerciality / viability of the Project from the perspective of potential suppliers	Whilst simultaneous procurement of individual meters may be technically more efficient, Cabinet has agreed that it should be included “without jeopardising the fundability of the overall scheme”	Medium	Medium		Project Manager / Director
	Should the Project not proceed (with metering) tenants will continue to be unable to control their heat consumption leaving the Council under pressure to raise the £6m required for metering	Recent soft market testing indicated that including metering in the scheme would be acceptable to most suppliers (dependent on commercial viability)	Low	High		Project Manager / Director
	There is a possibility that in order to provide metering and meet increasingly challenging environmental targets viably (added to the fact that metered heat for Council residential tenants will become subject to 5% VAT) there may be an increase in the cost of heat for the (generally already vulnerable) Council end user	Supply efficiencies and economies inherent in the CHP process are anticipated to reduce the overall cost of heat to all users. In addition, the timescale/approach for installing meters could be phased to ensure minimal impact on the price of heat for consumers	Low	High		Project Manager
	Reducing or insufficient consumption (e.g. as a result of metering) could result in reduced revenue and Project viability	Consumption trends/projections will be reviewed as part of the output specification to ensure continued viability and sustainability. Potential suppliers will also review the commerciality of the Project as part of due diligence and once the scheme is underway the risk will be with the supplier	Medium	Low		Project Manager
	Capital costs of the project could increase	Capital costs of the project, and any increase in these costs, will be borne by the supplier	Medium	Low		Project Manager

Appendix Five Extending District Heating & CHP in Central Leicester – Risk Matrix

	Project Risks	Management	Probability	Impact	Risk Rating / Score	Risk Owner
	Political					
	Right to Buy leaseholders may demand financial compensation for any disruption caused to their service / in their home	A programme of consultation will review the effects and benefits of the Project sensitively with leaseholders (including the anticipated cost savings to be available to consumers)	Medium	Medium		
	The assumption that increases in energy costs will be passed to users may not be acceptable to Cabinet or viable for vulnerable users	Cabinet have approved the report (July 08) identifying this as a sensitive assumption although it is anticipated that the cost of heat will start (and remain) be below market prices for the contract period	Low	High		Project Manager / Director
	Failure to ensure that there are contingency measures in place in case of unforeseen contract termination could lead to political embarrassment (and prove costly)	The contractor will be responsible for Business Continuity Plan arrangements as part of the contract terms	Low	High		Project Manager
	Highways disruption likely to be unpopular and may undermine community and business confidence in the project and the Council	Highways issues will be reviewed early on and planned sensitively with the ESCo	Medium	Low		Project Manager
	Any delays (bad weather/quality/design issues) or, in the worst case, construction failure, would impact costs and user confidence with “duty of care” and potential liability with the Council	The contractor will be responsible for Business Continuity planning as part of the contract terms with careful consideration given to the responsibilities of the Council	Low	Medium		Project Manager
	Strategic/commercial					
	There may not be any ESCo willing/able to finance the scheme as required by the Council and other senior users, nor able to meet all conditions (including TUPE/pensions)	Initial soft market testing clearly identified a number of potential suppliers willing to progress the scheme as required by the Council and other identified senior users. Further soft market testing currently underway confirms existing supplier interest in the scheme	Low	High		Project Manager
	Until Individual Heat Agreements are signed with the preferred supplier there is a possibility that identified partners/users may change their mind	Identified senior users (University of Leicester/HMP Leicester) are represented on the Project Board with input to the specification. Once the scheme is underway the risk will be with the supplier.	Medium	Low		Project Manager
	Technical/Operational					
	Any unforeseen disruption to the existing service during works will have an adverse effect on end users	The contract will ensure that the provider is responsible for maintaining continuity of service	Medium	Low		Project Manager
	Operational performance & availability issues may arise after installation and the Council may not be in a position to influence the quality of service to end users	The contract will ensure that the provider is responsible for meeting targets with financial penalties for failure to meet the output criteria	Low	Medium		Project Manager
	Unforeseen design/construction issues could lead to time or budget overrun	An experienced technical project manager will plan and lead the project through the design and construction phases	Low	Low		Project Manager

Appendix Five
Extending District Heating & CHP in Central Leicester – Risk Matrix

	Project Risks	Management	Probability	Impact	Risk Rating / Score	Risk Owner
	Organisational/human factors					
	Tenants may be resistant to the project – in particular to the anticipated disruption of installing meters in their homes and may refuse to co-operate	A consultation process will be timetabled to ensure tenants have a means to raise and resolve concerns/issues	Medium	Low		Project Manager
	TUPE – failure to identify staff issues early could lead to resistance and/or resentment	Expert HR advice will be sought early on in the process	Low	Medium		Project Manager
	Environmental					
	The ESCo may have no commitment to meet Energy Efficiency Commitment (EEC)	The contract will ensure that the provider is responsible for meeting targets with financial penalties for failure to meet the output criteria	Low	Medium		Project Manager
	The scheme may fail to help the Council and senior users to meet defra CRC trading scheme targets and fail to achieve carbon KPIs/targets	The contract will ensure that the provider is responsible for meeting targets with financial penalties for failure to meet the output criteria	Low	Medium		Project Manager
	Any requirement for land/space for additional plant may have a negative impact on surrounding environment	Should the need for land/space arise the requirement will follow normal Council procedure taking account of environmental impact	Low	Medium		Project Manager