

Ayena Gupta
Metering and Market Operations
OFGEM
10 South Colonnade
Canary Wharf
London
E14 4PU

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Dear Ayena,

SSEN broadly supports the proposals set out in this consultation in respect of Ofgem's assessment of the DCC's costs for the 2020/21 regulatory year.

We welcome the assurance that Ofgem is focusing on ensuring that costs are being monitored and scrutinised. Similar to the Regulatory Year 2019/20 consultation, through our responses to the consultation questions, we maintain the view that, although improved, DCC engagement with SEC Parties and their customers was not of a consistent quality or transparency and welcome further engagement from the DCC. Further to this, as noted in our consultation response this year and last, we would expect to see the DCC continue to focus on core processes and delivering a stable and efficient service.

We also would like to note the issues related to the volume and success rate of service requests in CSP North. We welcome the new and ongoing monitoring and industry focus on CSP performance to ensure long term stability and efficiency of the service.

Our answers to the questions set out in the consultation are provided in the Annex below and are not confidential

Thank you for the opportunity to respond and we would be happy to discuss any of our views set out in this letter.

Yours sincerely

Ross Bibby
Senior Analyst – Distribution Regulation

Annex 1: Scottish and Southern Electricity Networks response to Ofgem consultation on ‘DCC Price Control: Regulatory Year 2020/21’

Question 1: What are your views on our proposal to accept DCC’s External Costs incurred in RY20/21 as economic and efficient?

We agree with the key points highlighted by Ofgem and welcome the further questions, and evidence requested. For SSEN, we saw much the same as RY19/20, whereby RY20/21 saw a continuation of a discrepancy with the level of service in CSP North trailing when compared to the CSP Central and South regions. Alongside noticing the ongoing trend of lower installation volumes, RY20/21 saw a significant issue within CSP North whereby they are unable to handle the volume and size of messages at current smart meter penetration levels. This has led to a significant programme of work being required that will continue on into RY22/23 and potentially beyond. Through ongoing engagement and work towards improving this issue, we would also expect to see ongoing improvement towards CPM1 which has been consistently below the minimum requirement, largely due to CSP North’s ongoing performance in this area.

Alongside the key issues described above, the overall number of major incidents has continued to rise and cause disruption to DCC users throughout the reporting year. As the DCC continue to learn more about their systems, processes and the constraints around them, we would expect to see the number of major incidents decrease into the next regulatory year.

Question 2: What are your views on our proposal to disallow the variance in enduring forecast costs for S1SP_3b and a proportion of the UIT forecast costs for DSP?

We are in support of Ofgem’s view on S1SP_3b, the contract expiry should have allowed the DCC the opportunity to renegotiate and with understood costs and once completed, provided a more accurate forecast.

Question 3: What are your views on our proposals on DCC’s approach to benchmarking of staff remuneration for both contractor and permanent staff?

As noted in the consultation, alongside Ofgem, we welcome DCC’s continuous improvement in the permanent-contractor staff ratio alongside staff hiring below the 50th percentile + 10% (50P10) benchmark. We also support the view that salaries below the 50P10 benchmark, should be seen as economic and efficient and not as a saving.

Question 4: what are your views on our proposal to disallow the Shared Service Charge associated with external services procured for Additional Baseline activities such as NEP and ECOS?

Due to limited amount of information available related to shared services, we rely on Ofgem's review and determination in this section. Due to this, we are content with the proposed position set out by Ofgem.

Question 5: What are your views on our proposal to disallow non-resource recruitment costs in the Commercial and Operations cost centres?

Based on the information provided, we agree with Ofgem's position. Alongside Ofgem, we would expect the DCC to plan and manage effectively moving forward to mitigate the need to hire contractors above the 50P10 benchmark due to urgency.

Question 6: Do you have any views on potential proxy measures to calculate cost disallowances in areas where DCC may not have acted economically and efficiently, but the dependencies and scale of the impact are not clear?

We have not undertaken our own assessments of the DCC's cost efficiencies, so do not currently have a view on potential or alternative methodologies. We support the overall proposal of implementing a proxy measure to assist in cost disallowance calculations.

Question 7: When it is determined that DCC may not have acted in an economic or efficient manner, but an appropriate methodology cannot be applied to calculate the proportion of costs impacted, we propose to take these instances into account when deciding DCC's score under the Contract Management and Customer Engagement aspects of the OPR. What are your views on this proposed approach to be adopted from RY2021/22 Price Control, if an alternative measure is not determined?

We welcome the proposal of using the OPR sections as measures in these instances. As key areas of the service that is provided and can be observed by DCC users, this seems a logical approach.

Question 8: What are your views on our proposal to disallow forecast variances in Network Evolution, SMETS1, and ECoS programmes?

Understanding the challenges Ofgem have in relation to this question, as we have only the information provided by this consultation, we support Ofgem's view to disallow the costs as described.

Question 9: What are your views on our proposal to disallow the costs associated with DCC's activity relating to EVs? Please provide any evidence if you have engaged with DCC in this area.

With engagements only highlighting EV's as a future opportunity with no detailed discussion, and due to the ongoing issues observed with core infrastructure/service stability, we agree with Ofgem's position to disallow costs related to activity in this area.

Question 10: What are your views on our proposals to disallow forecast cost variances in the Corporate Management, Commercial, Finance, Operations, and Programme (Service Delivery) Cost Centres in RY21/22 and RY22/23, and all baseline forecast costs for RY23/24 onwards?

As noted in previous questions within this consultation related to the current service provided; due to the number of incidents observed through RY20/21 alongside key service delivery issues, we would expect the increase in forecasted costs to be minimal as they work towards a more stable service. Noting these points, we are in support of Ofgem's position to disallow the forecasted costs as detailed within the consultation.

Question 11: What are your views on our proposed position on DCC's performance under OPR and trial run for customer engagement, and implementation of the contract management incentive?

We agree with Ofgem's proposal as set out within the consultation and the scores set out within table 4.3. Although we are minded to support the SEC Panels scoring, we also suggest that continued improvement is made towards openness, transparency, planning and engagement with its users.

From the implementation of the DNO Transformation programme we have seen an increased level of engagement, the introduction of new processes, additional staff, and numerous key actions addressed. We do however agree with comments made that the DCC engagement is not always consistent and therefore, there needs to be a continued improvement in this area. We also support the view that the DCC's customer engagement should not become a tick box exercise but a more meaningful process that focuses on understanding the key issues and remediating actions required that are relevant to the SEC party or Party category

Question 12: What are your views on our assessment of DCC's application to adjust its Baseline Margin?

We agree with Ofgem's proposal as set out within the consultation and support Ofgem's position within section 5.19. As detailed in question 11, we would suggest that continued improvement is made towards openness and transparency regarding costs and processes related to all changes. We would expect, noting the DCC's application for RY22/23 and RY23/24 related to New Scope - DNO, a clear communication of costs and scope as it is still unclear, with minimal response and engagement, how costs and work carried out is calculated. Aligning current DCC performance with the SEC, alongside improving the engagement and service provided to DNO's should not result in increased scope or cost.

Question 13: What are your views on our assessment of DCC's application to adjust its ECGS?

Noting the information available within the consultation, including customer's benefits, we agree with Ofgem's position on the proposed adjustment.

Question 14: What are your views on our proposed position on DCC's costs associated with the Switching Programme?

Due to a limited view and understanding of the costs from the switching programme we rely on Ofgem's review and determination in this section. Due to this, we are content with the proposed position set out by Ofgem.

Question 15: What are your views on our assessment of Delivery Milestone 2 and Delivery Milestone 3 of the Switching Programme?

As noted in question 14, we are content with the proposed position set out by Ofgem.