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Consultation on DCC Price Control: Regulatory Year 2020/21
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Thank you for the opportunity to respond to the DCC Price Control consultation: Regulatory Year 2020/21.

Utilita Energy Limited (Utilita) is a smart prepayment energy supplier, specialising in providing an excellent smart service to a previously poorly served market sector. We have been installing Smart meters for our customers since 2008, and SMETS meters since 2013. Our portfolio is around 95% prepay customers, and of those, approximately 90% have smart meters installed operating in smart mode.

We support the response to the individual questions provided by Energy UK and particularly note the response in relation to the points made about mechanism of an ex-ante price control – we make no further reference to those points in this response but request our support for it is explicitly noted.

In our response we focus specific areas of concern:

1. Increasing DCC costs
2. Liabilities
3. Communication Service Provider North
4. Network Availability
5. The Network Evolution Communication Hubs and Networks Programme

Increasing DCC costs

The scope and total cost of the DCC continues to increase. Total RY 20/21 costs have risen by 21% compared to last year's predicted forecast to an amount of £628m. This continues a year-on-year trend of costs exceeding forecasts. RY20/21 actual costs are 285% greater than initial forecasted costs produced by DCC in its first Price Control RY 13/14 submission[1] for the same year. Over the Licence Term, DCC are now projecting total costs of £4.38billion, representing a 224% increase from the £1.949billion forecasted Licence Term costs outset in DCC's initial 13/14 Price Control submission – we are yet to see a fully operational service which offers service on par with our SMETS1 offering. Nor are we yet to see experience the resiliency of service seen in our SMETS1 offering. All DCC costs and DCC failures are ultimately borne by end consumers.

As the only body who can ultimately call to account the spending of the DCC, we request that Ofgem review the way in-year project/cost changes are introduced and to ensure that they offer economic and efficient delivery of services. The current price increases are unjustified and unsustainable, and suppliers have no means to curb spending or deliver efficiencies.

Consideration needs to be applied for the current evaluation of DCC costs at a year-on-year level. Failure is not considered where ongoing service failures span over multiple years and additional cost/allowance is associated. We request that increased scrutiny is applied in these situations to ensure additional cost is being incurred in an efficient manner, and if it is not, the associated costs are disallowed.

[1] DCC Price Control Consultation: Regulatory Year 2013/14 | Ofgem

Liabilities

The charging and price control mechanisms leave Suppliers exposed to issues caused by the DCC. DCC Users are currently bearing the cost associated for all remedial work, even when issues have been created by the DCC, and not DCC Users themselves. For example, CRP535 was implemented in the November 2020 SEC Release. Poor DCC implementation of this change is still causing issues for Suppliers today. Remedial action is now required to address poor DCC implementation, and a cost of ~£3million has been quoted for the preferential supplier solution.

Industry should not be exposed to costs created by the DCC. Whilst we believe that this issue results directly from the current industry model (i.e. the DCC is a service provider but not directly contracted nor commercially controlled by the service users), suppliers' only course of remediation is through the Price Control. Utilita would welcome a review into the distribution of financial risk for situations where additional cost is associated with the DCC, and not DCC Users.

Communications Service Provider North

DCC Users have paid and continue to pay for a full service in the CSPN region, despite DCC's continuing failure to deliver performance at acceptable levels; performance remains below SEC obligations in a number of areas. PM2 (*Percentage of Category 1 Firmware Payloads completed within the relevant Target Response Time*) significantly underperformed and failed to meet Target Service Level in all 12-months. This has wide-ranging impacts; primarily hindering prepayment rollout and directly disadvantaging vulnerable customers as well as creating unforeseen cost to DCC Users.

Again, Ofgem and Price Control is the only mechanism available to DCC Users to redress the impacts and additional costs to DCC Users resulting from CSPN performance. Where the DCC has failed to deliver services, consideration must be given to how these circumstances are addressed through the current mechanism.

Network Availability

There were 51 Major Incidents in RY20/21, equating to 2.26% of annual availability. This is an increase on last year's incidents; we need the system to improve rather than degrade as more meters and customers become reliant on the DCC network.

The DCC is exceeding its allowed Planned Maintenance windows. The DCC have required an additional 72 hours over and above its allowed Planned Maintenance windows – spanning an aggregated 6-month period in the RY (0.82% of annual availability). This volume of downtime represents significant risks to energy consumers, particularly prepayment consumers who will be unable to top-up.

Whilst we acknowledge that DCC service impacting outages are not directly related to the Price Control, influencing good behaviours is. We also note that the Price Controls are the only mechanism available to suppliers to control the redress for the impacts of poor performance from the DCC.

Network Evolution CH&N

We do not believe this sub-programme has been managed efficiently and this will lead to increased costs to DCC Users. We believe that effective Price Controls now can elicit positive actions from the DCC to prevent further large, unnecessary costs further down the line.

The CH&N programme has experienced multiple delays: 4G SBCH release date moving from 2022 to Q4 2023; release of relevant documentation to support move to 4G CHs, such as cost assumptions Suppliers would face during the replacement programme; and delays to signing Letters of Intents with preferred bidders.

These delays have resulted in knock-on impacts that introduce additional cost to DCC Users:

- Delays increase volume of Communications Hubs that require to be installed with 2G/3G communication technology – cost of duplicated site visits and inconvenience to consumers.
- Delays reduce time in which Suppliers must replace older 2G/3G Communication Hubs with 4G Communication Hubs – reduced replacement timescales increase operational costs and heighten risk of maintaining connectivity with consumers Devices. This penalises those suppliers with a higher install rate.

Whilst we accept the decision to move to 4G has been made, we wish to continue to register our concern regarding a perceived failure to fully explore alternate solutions, such as 2G/3G extension with Mobile Network Operators, despite being a fundamental input into any Cost Benefit Analysis produced for transition to 4G Communication Hubs.

The DCC also failed to sufficiently explore other viable options that may have offered greater flexibility and resilience, such as non-mobile communication technology and have committed industry to Mobile Network Operator generational technology for the foreseeable future. Industry now enters an iterative process in which the chosen communication technology risks becoming outdated and Communication Hub programmes will be encountered every 10-15 years.

As noted above, the price controls are the only mechanism of redress suppliers have for poor decisions and delivery by the DCC. As it stands, DCC will be able to force a 4G delivery on industry and, should it come to light later, that a poor analysis of available technology results in a costly change in the future, DCC will not pay any form of compensation.

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Market Transformation