

The Data Communications
Company
2nd Floor, Ibex house
42-47 Minories
EC3N 1DY

Email: smartmetering@ofgem.gov.uk

Date: 29/03/2022

Dear Stève,

Decision to modify DCC Operational Performance Regime Guidance¹

This letter sets out the decision of the Gas and Electricity Markets Authority (the "Authority")² to modify DCC Operational Performance Regime Guidance (the "Guidance") for the Data Communications Company under Condition 38.9(b) of the Smart Meter Communications Licence³. The revised Guidance is attached to this letter, and will be published on our website. It will be effective from April 2022.

Background to the decision

In March 2021, following a period of public consultation⁴, we published our Decision on DCC Operational Performance Regime (OPR) Guidance⁵, alongside the Guidance⁶ and OPR Direction⁷.

The Guidance is intended to explain the OPR framework, assessment and processes. The regime financially incentivises Smart DCC Ltd's, also known as the Data Communications Company (DCC), performance in three main areas: system performance, customer engagement and contract management.

In response to our January 2021 OPR Guidance Consultation, DCC made clear that it was not technically possible to report on some of the newly introduced System Performance measures from April 2021. Therefore, in our OPR Guidance Decision⁸ we gave DCC a 12-

¹ All terms used in this letter shall have the meaning given to them under the Licence, unless expressly stated otherwise.

² The Office of the Gas and Electricity Markets Authority (Ofgem) supports the Gas and Electricity Markets Authority ('the Authority') in its day-to-day work. In this decision letter, 'we', 'Ofgem' and 'Authority' are often used interchangeably

³ The Smart Meter Communication Licences were granted under both the Gas Act 1986 and the Electricity Act 1989. For ease, in this letter we refer to these licences in the singular. DCC's licence can be found at <https://epr.ofgem.gov.uk/Document>.

⁴ OPR Guidance Consultation was issued in January 2021: www.ofgem.gov.uk/publications/opr-guidance-consultation-january-2021

⁵ www.ofgem.gov.uk/publications/decision-opr-guidance-march-2021

⁶ The current DCC Operational Performance Regime Guidance was published in March 2021 and available from www.ofgem.gov.uk/sites/default/files/docs/2021/03/opr_guidance.pdf

⁷ www.ofgem.gov.uk/sites/default/files/docs/2021/03/opr_direction_0.pdf

⁸ OPR Guidance Decision was published in March 2021: www.ofgem.gov.uk/sites/default/files/docs/2021/03/decision_on_dcc_operational_performance_regime_guidance.pdf

month grace period for DCC to work closely with its customers and SEC parties and find a technical solution, or if this was not possible, alternative measures supported by industry. If DCC was not able to deliver an acceptable reporting solution for system performance in RY22/23, the default position was that DCC would lose all margin attached to those measures. This led to setting up of an ad-hoc industry group (OPR Working Group) by DCC, significant engagement between DCC and the Smart Energy Code (SEC) Operations Group (OPSG) and a public consultation issued by DCC in December 2021⁹. DCC submitted recommendations to us on System Performance measures for OPR in February 2022. The SEC Panel submitted to us their views on DCC's recommendations.

The key changes recommended by DCC in its February submission were:

- **Install and Commission** measures: replace the Target Response Time (TRT) Service Reference Variance (SRV) measures included in the March 2021 OPR Guidance with alternative reportable metrics.
- **Prepayment** measures: replace the TRT SRV prepayment related measures included in the March 2021 OPR Guidance with reportable time-based metrics. It is important to note that while these metrics are deemed to be useful to assess system performance, they are not prepayment metrics.
- **Firmware Management measure PM2 (dormant)**: remove this dormant measure from the OPR and work with customers and SEC parties to find alternative measures.

Following DCC's recommendations and SEC Panel's views, as well as the feedback to DCC's December Consultation, we consulted with DCC on a set of proposed changes to the Guidance and conditions in March 2022. These proposals are discussed below.

Ofgem's proposals

We proposed to accept most of the recommendations made by DCC with two exceptions:

- **Install and Commission** measures: do not replace the existing TRT SRV^{8.11} measures (Update HAN Device Log) which would remain as an Install and Commission measure.
- **Firmware Management** measure PM2 (dormant): reject DCC's proposal to remove this measure from the OPR.

Additionally, our minded-to position was to accept these alternative measures on an interim basis, until the time when an enduring reporting solution for the measures in the 2021 OPR Guidance, or alternative measures fully supported by DCC's customers and SEC parties as an enduring solution, can be implemented.

We also consulted on requiring DCC to engage with its customers and SEC parties to find a more permanent solution for system performance measures and update us periodically on the progress made.

Furthermore, after completing a trial run of the Customer Engagement incentive, we engaged with DCC and the Smart Energy Code Administrator and Secretariat (SECAS) to discuss any potential improvements to the process. As a result of this engagement, we

⁹ DCC's consultation on Operation Performance Regime (OPR) potential measures (December 2021): www.smartdcc.co.uk/consultations/consultation-on-operational-performance-regime-opr-potential-measures/

consulted with DCC on minor changes to the customer engagement assessment questions to improve clarity.

We consulted also on minor changes to the Contract Management section of the Guidance, updating timelines and relevant dates to ensure they remain accurate.

Finally, we consulted on removing Chapter 6 of the OPR Guidance, which described the transition phase of the OPR before each incentive came into effect. This is because the revised OPR will take effect from 1 April 2022.

DCC's feedback

DCC responded to our request for representations on the proposals described above. DCC welcomed most of our proposed changes and noted its intention to keep engaging with its customers and SEC parties. However, DCC opposed the inclusion of the Code Performance measure SRV8.11 as part of the Install and Commission measures using the following arguments:

- this measure does not meet the criteria set by DCC, which DCC argues, were agreed by SEC Operations Group and OPR Working Group. In particular:
 - that any measures included within the OPR must be reflected in Service Provider Contracts to provide DCC with appropriate leverage to manage performance effectively; and
 - that any measures included within the OPR must be within the full control of DCC and DCC's Service Providers. DCC argued that SRV8.11 is sent multiple times during the Install & Commission process and is subject to DCC's customer installation processes and orchestration, and therefore, partially outside of DCC's control.
- the measurement and reporting of SRV8.11 are based on the Round Trip Time (RTT) and includes device processing time. Therefore, it is not appropriate to use RTT measurement against the Target Response Time (TRT) targets.

Ofgem's view and decision

In relation to the arguments raised by DCC against the inclusion of SRV8.11 as an Install and Commission measure, our view is that some of this information is yet to be consulted on with SEC parties, DCC customers and other stakeholders. Furthermore, SEC Panel's views on DCC recommendations do not indicate that the SEC Operations Group agreed to the criteria set by DCC. Finally, as we stated in our Decision on OPR Guidance¹⁰, it has been our position that OPR does not need to be reflective of Service Provider Contracts.

After careful consideration of DCC's and SEC's Panel feedback we have decided to uphold our minded-to position described above. The key changes are:

- **Install and Commission** measures: accept DCC's recommended alternative measures as interim measures. However, keep the existing SRV 8.11 (Update HAN Device Log) as an Install and Commission measure. We will take wider evidence into account when deciding whether DCC should lose margin under the OPR associated to SRV8.11. For example, we will consider what options DCC explored with its Fundamental Service Providers (FSPs) and customers to improve performance, or whether the targets were not met due to circumstances outside of DCC's control.

¹⁰ Paragraph 2.9 of Decision on OPR Guidance March 2021: www.ofgem.gov.uk/publications/decision-opr-guidance-march-2021

- **Prepayment** measures: accept DCC's recommended alternative time-based measures as interim measures.
- **Firmware Management** measure PM2 (dormant): reject DCC's recommendation to remove this measure from the OPR.
- **Customer Engagement incentive and Contract Management changes:** implement Ofgem's proposed changes.

A table detailing the changes to the System Performance measures and rationale is included in Appendix 1. Details of the changes to the customer engagement assessment questions are shown in Appendix 2. The revised Guidance will be published on our website.

Given the complexity of finding and implementing an enduring solution as described above, we are not setting a strict timeline for these interim measures. However, we encourage DCC to keep engaging with its customers and SEC parties to ensure that an enduring solution can be implemented as soon as possible. For this, we are requesting DCC submits a formal report to us every six months (with the first submission due in September 2022), describing the progress of this work.

Furthermore, we would expect DCC to engage with its customers and SEC parties on, at least, the following points in relation to DCC reporting metrics for the purposes of an OPR enduring solution:

- consider technical and contractual changes,
- exploration of use of service provider contracts key performance indicators (KPIs), and
- further explore the appropriateness of other SEC metrics that can be used as proxies for Prepayment performance, such as Round Trip Time (RTT) Test Han metric.

Yours sincerely,

Rachel Clark
Deputy Director

Appendix 1

Table 1 below details the interim changes to the System Performance measures under the OPR, as well as a summary of the rationale for inclusion.

OPR System Performance measures	Interim changes	Rationale for interim changes
Service Availability	No changes	No changes were recommended by DCC or SEC Panel
Install and Commission	<p>Substitute existing measures by:</p> <ul style="list-style-type: none"> PM1.2 Comms Hubs accepted by customers PM1.3 Comms hub not faulty at install PM1.1 First time SMWAN connectivity at Install PM1.3 (South and Central) / PM1.4 (North) SMWAN Connectivity Level SRV8.11 Update HAN Device Log <p>For the avoidance of doubt: there are no changes to the overall weighting of Install and Commission measures.</p>	<p>All measures, with the exception of SRV8.11, were supported by both DCC recommendations and OPSG views (endorsed by the SEC Panel), as they were considered to be suitable alternative to the existing measures.</p> <p>SRV8.11 was suggested by DCC customers, and supported by OPSG views, as a relevant measure to assess DCC's performance. However, DCC opposed the use of this metric on the basis that:</p> <ul style="list-style-type: none"> this metric was not covered in the Service Provider contracts, further investment would be needed to upgrade DCC's network in order to meet the MSL and TSL¹¹ targets set in the SEC, and customer behaviour (outside of DCC's control) could potentially impact the delivery rate of this business process

¹¹ Minimum Service Level (MSL) and Target Service Level (TSL) targets are set out in the SEC Section H13.1 (6A)

OPR System Performance measures	Interim changes	Rationale for interim changes
		<p>We are including SRV8.11 in the revised OPR, but noting that we would take wider evidence into account when deciding if DCC should lose margin under OPR associated to this measure. For example, we would consider whether DCC explored other options with its Fundamental Service Providers (FSPs) to improve performance, or whether the targets were not met due to circumstances outside of DCC's control.</p>
Prepayment	<p>Substitute existing measures by:</p> <ul style="list-style-type: none"> • PM 1.1 & 1.4 Service Response within Target Response Times (TRT) • PM 1.1 SISPS & DXC Countersigned SR within TRT • PM 4.3 CSPs Round Trip Time (RTT) Test Han <p>For the avoidance of doubt: no changes to the overall weighting of Prepayment measures are proposed.</p>	<p>These metrics are deemed to be useful to assess system performance. However, they are not prepayment metrics. It was initially proposed by DCC that at least one of these metrics could be seen as a proxy for prepayment service performance but not enough evidence was presented to support this view. For clarity, we have relabelled Prepayment measures as "Prepayment (interim response time) measures" in the revised Guidance. We are accepting these alternative metrics on an interim basis only. We are still very keen for DCC to be incentivised on Prepayment performance as soon as possible.</p>

OPR System Performance measures	Interim changes	Rationale for interim changes
Firmware Management (dormant)	No changes	<p>DCC proposed to remove this dormant measure and to work with its customers to find alternative measures that could be active.</p> <p>We are not making any changes to this measure at this time. This is because we consider this change to be outside of the scope of the 12-month grace period we gave DCC to find a reporting solution due to technical issues with reporting.</p> <p>However, we support DCC initiative to work with its customers to find Firmware Management measures supported by them, and remain open to consider changes to the OPR Guidance in the future.</p>

Appendix 2

Table 2 below details the changes to the Customer Engagement assessment questions under the OPR, as well as a summary of the rationale for the change.

Question	Previous question	New question	Rationale
1. Timing and frequency of engagement	Has DCC engaged proactively with customers, enabling them to feed in views at appropriate points in decision-making cycles?	Has DCC enabled customers to feed in views at appropriate points and with appropriate frequency in decision-making cycles?	The purpose of this question is to determine whether customers have had sufficient opportunity to feed in views, at the right points in time. We have rephrased this question to remove the focus on proactive engagement, as this issue is addressed in question 2. We've also made it clearer that the question also relates to the frequency of engagement on decision items.
2. Timing and frequency of engagement	Has DCC set clear time frames such that customers understand when they can contribute views with sufficient lead times to enable them to do so?	Has DCC provided appropriate notice and allowed sufficient time for customers to feed views in?	Rephrase to focus on the timing of engagement on decision items, rather than clarity of process.
3. Timing and frequency of engagement	Has DCC's broader engagement (eg general updates, reactive engagement on unplanned issues impacting customers) been delivered in a timely manner and with sufficient frequency?	Has DCC provided general information to customers in a timely manner and with sufficient frequency? (Including general updates, reactive engagement on unplanned issues)	Rephrase to simplify the question.
4. Quality of information provided by DCC	Has DCC provided its customers with information of sufficient quality and detail to enable them to compare costs and benefits of different options, and understand the drivers of those costs and benefits?	Has DCC provided its customers with sufficient quality of information to allow them to feed into a decision-making process? E.g. clear costs and benefits and/or consequences of decisions	The purpose of the question is to establish if DCC provides enough quality information to enable decisions/views as part of the process, and not just on costs and benefits. While costs/benefits are important factors, there are other decisions that require customer input.

Question	Previous question	New question	Rationale
5. Quality of information provided by DCC	Has DCC provided sufficient quality of information in its broader engagement (eg general updates, reactive engagement etc) for customers to understand the issues and the actions DCC is taking?	No change	
6. Quality of information provided by DCC	Has DCC provided the appropriate information to the relevant audiences when engaging with customers?	When engaging with customers, has DCC ensured to engage with relevant audiences, and tailored the information appropriately?	The rationale for the original question was related to tailoring information to the correct audience and engaging the correct people within its customers' organisations to discuss issues. We have rephrased the question slightly to make this clearer.
7. Taking account of customer views	Has DCC ensured its customers understand on which issues their views will inform decision-making?	No change.	This question originally slightly overlapped with questions 1 and 2. However, after rephrasing those questions, we consider this is now more distinct. The question is in relation to seeking views meaningfully. We'd like to understand whether it was made clear to customers what their views are going towards.
8. Taking account of customer views	Has DCC taken customer views into account in its decision-making?	Have DCC's decisions demonstrated that customer views have been taken into account?	The rationale for this question is to see whether DCC has taken customer views into account. We have rephrased this question slightly to separate it from question 9, which focuses on how well DCC has communicated its decisions.
9. Taking account of customer views	Has DCC communicated a clear rationale for decisions it has made to customers, explaining how customer views have informed its decision making, and where relevant why DCC has decided not to incorporate customer views?	Has DCC clearly explained how customer views have informed its decision making, and where relevant why DCC has disagreed with customer views?	This question is assessing whether DCC has closed the feedback loop with its customers. We have simplified the question to focus on this aspect.

The Office of Gas and Electricity Markets

10 South Colonnade, Canary Wharf, London, E14 4PU **Tel** 020 7901 7000

www.ofgem.gov.uk