

Consultation

Revised OPR Guidance consultation January 2023

Publication date:	20/01/2023
-------------------	------------

Response deadline:	17/02/2023
--------------------	------------

Contact:	Ayena Gupta
----------	-------------

Team:	DCC Oversight and Regulatory Review
-------	-------------------------------------

Telephone:	020 7901 7000
------------	---------------

Email:	DCCregulation@ofgem.gov.uk
--------	----------------------------

We are consulting on the guidance for the 2023 revised Operational Performance Regime (OPR). The regime financially incentivises the Data Communication Company's (DCC) performance in three main areas: system performance, customer engagement and contract management.

This consultation sets out our proposals related to amending the revised OPR guidance (published March 2022). Our proposals regard changes following the first year of the contract management incentive, to allow DCC's performance to be better reflected following an audit of its contract management and procurement processes.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

© Crown copyright 2022

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the [Open Government Licence](#).

Without prejudice to the generality of the terms of the Open Government Licence the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

Any enquiries related to the text of this publication should be sent to Ofgem at:

10 South Colonnade, Canary Wharf, London, E14 4PU.

This publication is available at www.ofgem.gov.uk. Any enquiries regarding the use and re-use of this information resource should be sent to: psi@nationalarchives.gsi.gov.uk

Contents

Revised OPR Guidance consultation January 2023.....	1
1. Introduction	4
2. Contract Management	10
Appendix 1 – Summary of proposed changes to OPR Guidance 2023	19
Appendix 2 – Privacy notice on consultations	20

1. Introduction

- 1.1 DCC is the central communications body licensed to provide the communications, data transfer and management required to support smart metering. It is responsible for linking smart meters in homes and small businesses with energy suppliers, network operators and energy service companies. It is important that as a monopoly company DCC faces sufficient incentives to play its role well, delivering value for money and high quality services. This is key to ensure consumers are able to fully take advantage of the benefits of the smart meter rollout.
- 1.2 The Licence stipulates that DCC's Baseline Margin be put at risk each Regulatory Year under the relevant performance incentive regimes. These comprise the Baseline Margin Project Performance Schemes and the Operational Performance Regime (OPR). DCC's Baseline Margin is 100% at risk against these incentive regimes, with the majority at risk against the OPR.
- 1.3 In May 2020 we published a consultation reviewing the OPR framework, setting out proposals to financially incentivise three areas: system performance, customer engagement and contract management.¹ Respondents largely agreed with our proposals, and in October of that year we published our decision to implement the new OPR.² As part of our decision, we implemented a Licence change to enable Ofgem to publish guidance, regarding the process, procedures and criteria of the OPR. We published the original OPR Guidance in March 2021, and a revised OPR Guidance in March 2022.³

What are we consulting on?

- 1.4 The OPR Guidance is intended to be a comprehensive reference to the operation of the OPR, setting out the regime according to the Licence, the direction and our October decision document.

¹ DCC Operational Performance Regime Review: May 2020 Consultation - <https://www.ofgem.gov.uk/publications/dcc-operational-performance-regime-review-may-2020-consultation>

² DCC Operational Performance Regime Review: October 2020 Decision - <https://www.ofgem.gov.uk/publications/dcc-operational-performance-regime-review-october-2020-decision>

³ Revised OPR Guidance (March 2022) - <https://www.ofgem.gov.uk/sites/default/files/2022-03/Revised%20OPR%20Guidance%20%28March%202022%29.pdf>

- 1.5 We are consulting on making changes to the OPR Guidance, and have published the draft OPR Guidance alongside this consultation document. A summary of the changes is included in Appendix 1.
- 1.6 Alongside this document we have also published a draft of the updated Terms of Reference for the auditor, and a draft of the modified NAO framework which reflects our proposed changes to the scoring framework.
- 1.7 This consultation sets out our proposals to seek stakeholder feedback.

Section 2: Contract management

- 1.8 The OPR Guidance fully sets out the process for the auditor assessment under the contract management incentive, including timeline, process and scope.
- 1.9 Regulatory Year 2021/22 (RY21/22) was the first year in which the contract management incentive came into effect. Following our analysis of the auditor's final report, and associated scoring of DCC's performance, we are proposing to make changes to the scoring framework to ensure DCC's performance is best reflected in the overall score.

- Q1. What are your views on the options we considered for the scoring framework? Do you agree with our preferred option? (option 3).
- Q2. Do you consider any further changes are required to the framework?

Further information – system performance

- 1.10 The OPR Guidance sets out the formula to determine DCC's performance under each of the incentivised system performance measures, including the relevant penalty mechanism. System performance measures the reliability of DCC systems, which is fundamental for the successful delivery of the smart meter rollout and business-as-usual operations.
- 1.11 In response to our January 2021 OPR Guidance Consultation,⁴ 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 Decision⁵ we gave DCC a 12-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. This led to setting up of an

⁴ OPR Guidance Consultation January 2021 - <https://www.ofgem.gov.uk/publications/opr-guidance-consultation-january-2021>

⁵ <https://www.ofgem.gov.uk/publications/decision-opr-guidance-march-2021>

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 2021. 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. Our OPR guidance 2022 reflected this interim solution.⁶

- 1.12 Given the complexity of finding and implementing an enduring solution, we decided we would not set a strict timeline for these interim measures.⁷ However, we requested DCC to keep engaging with its customers and SEC parties to ensure that an enduring solution can be found and implemented as soon as possible, and to report to us on its progress every six months. To support this work, a new dedicated working group - the Performance Measures Review Group (PMRG) - has been established. This working group is a sub-group of the SEC Operations Group operating within enduring governance and chaired by SECAS. The first PMRG meeting took place in October 2022 and it has held regular monthly meetings since then.
- 1.13 There may be some small changes to the system performance section in the 2023 OPR Guidance to enhance clarity around the implementation of the new performance measures and its metrics, which are not included in the draft Guidance published alongside this consultation. We expect these changes to be minor and will consult on these, or any other potential changes, with DCC at minimum as required by the Licence, and publish the changes along with the decision to this consultation.
- 1.14 We are also currently working with DCC on making associated changes to the RIGs. We will publish the updated RIGs by 31 July.

Further information – customer engagement

- 1.15 The OPR Guidance also sets out the process and submission requirements for the customer engagement incentive. We are not proposing any changes to the customer engagement incentive at this time. However, we are open to receiving stakeholder views on customer engagement more generally.

⁶ The revised OPR Guidance 2022, and decision letter, can be found as subsidiary documents on this page: <https://www.ofgem.gov.uk/publications/decision-opr-guidance-march-2021>

⁷ See our decision letter here: <https://www.ofgem.gov.uk/sites/default/files/2022-03/Decision%20letter%20on%20Revised%20OPR%20Guidance%20%28March%202022%29.pdf>

Related publications

Consultation on DCC Operational Performance Regime Review May 2020:

https://www.ofgem.gov.uk/system/files/docs/2020/05/opr_review_consultation.pdf

Decision on DCC Operational Performance Regime Review October 2020:

https://www.ofgem.gov.uk/system/files/docs/2020/10/dcc_operational_performance_regime_review_-_october_2020_decision.pdf

2018/19 Price Control Decision: <https://www.ofgem.gov.uk/publications-and-updates/dccprice-control-decision-regulatory-year-201819>

Decision on DCC's Operational Performance Regime September 2017:

https://www.ofgem.gov.uk/system/files/docs/2017/09/1._decision_on_dcc.pdf

Consultation on the implementation of the Operational Performance Regime June 2017:

https://www.ofgem.gov.uk/system/files/docs/2017/06/consultation_on_the_implementation_of_the_operational_performance_regime.pdf

DCC Operational Performance Regime: Principles and Objectives March 2016:

https://www.ofgem.gov.uk/system/files/docs/2016/03/dcc_operational_performance_regime_principles_and_processes.pdf

Consultation stages

1.16 The key dates of the consultation are set out below in figure 1.1.

Figure 1.1: Consultation stages

Stage 1	Stage 2	Stage 3	Stage 4
Consultation open	Consultation closes (awaiting decision). Deadline for responses	Responses reviewed and published	Consultation decision/policy statement
20/01/2023	17/02/2023	February/March 2023	March 2023

How to respond

1.17 We want to hear from anyone interested in this consultation. Please send your response to the person or team named on this document's front page.

1.18 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

- 1.19 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, data and confidentiality

- 1.20 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
- 1.21 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.
- 1.22 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.
- 1.23 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

1.24 We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:

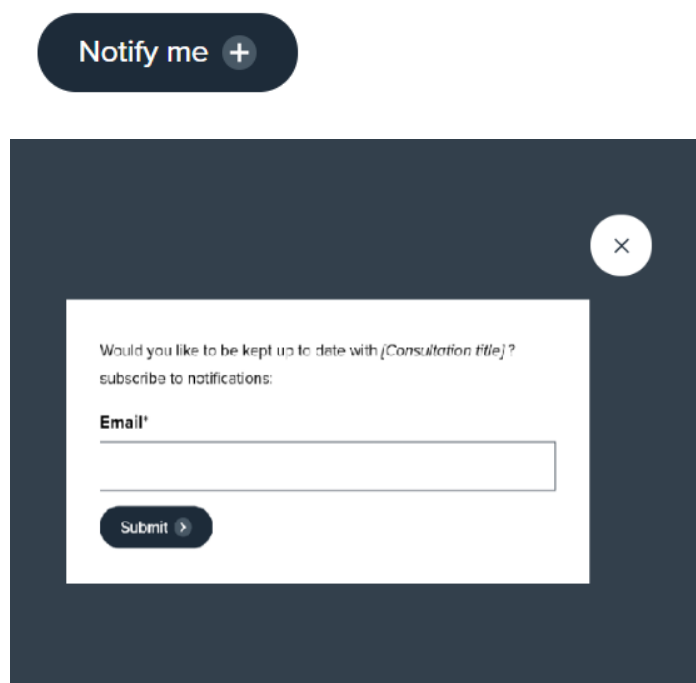
1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website.

[Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)



The image shows a dark blue button labeled 'Notify me' with a white plus sign. Below it is a dark blue modal box with a white close button (X) in the top right corner. Inside the modal is a white form with the text: 'Would you like to be kept up to date with [Consultation title]?' followed by 'subscribe to notifications:'. There is an 'Email*' label above a text input field. At the bottom of the form is a dark blue 'Submit' button with a white right-pointing arrow.

Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

Upcoming > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

2. Contract Management

Section summary

This section sets out our proposals on changes to the contract management incentive. We are proposing to amend the scoring framework to ensure DCC performance is best reflected in the overall score.

Questions

- Q3. What are your views on the options we considered for the scoring framework? Do you agree with our preferred option? (option 3).
- Q4. Do you consider any further changes are required to the framework?

Background

- 2.1 DCC was appointed using an outsourced service model, to manage contracted smart metering service providers. As such, external costs compose the largest proportion of DCC's costs, and it is critical that these contracts are entered into, managed and closed out effectively and efficiently. Proactive, best in class contract management and procurement have the potential to deliver real benefits to DCC customers and the consumer.
- 2.2 In May 2020 we consulted on whether it would be appropriate to financially incentivise DCC's contract management and procurement.⁸ Stakeholders responded largely in favour of our proposals, and in October 2020 we published our decision to incentivise this area.⁹
- 2.3 We decided to use an independent auditor to carry out the assessment, using a modified version of the National Audit Office (NAO) Contractual Relationships framework as the assessment criteria.
- 2.4 We decided to use the three levels of attainment as described in the NAO framework as the scoring framework. Each supporting question would be given an attainment level, according to the criteria set out in the NAO framework. An

⁸ DCC Operational Performance Regime Review: May 2020 Consultation: <https://www.ofgem.gov.uk/publications/dcc-operational-performance-regime-review-may-2020-consultation>

⁹ DCC Operational Performance Regime Review: October 2020 Decision: <https://www.ofgem.gov.uk/publications/dcc-operational-performance-regime-review-october-2020-decision>

overall performance score would then be produced using a simple average across all supporting questions.

- 2.5 RY21/22 was the first year that the contract management incentive came into effect. The auditor provided a final report to Ofgem which set out its view of DCC's performance and awarded a score out of 2, in line with the scope and requirements set out in the OPR Guidance. The auditor also provided a set of recommendations for improvement which we summarised in the RY21/22 Price Control consultation.¹⁰
- 2.6 In our RY21/22 Price Control consultation, we noted that the auditor had identified that the scoring framework may not provide a true representation of DCC's performance. We stated that we intended to consult on the OPR Guidance to explore potential changes for the next year of the audit, such as amending the scoring framework or changing the scope. In this consultation we have proposed changes to the scoring framework to ensure DCC performance is better captured in the contract management incentive.
- 2.7 For avoidance of doubt, we do not expect our proposed changes to the scoring framework to require any changes to how DCC carries out its contract management and procurement. We consider these proposals are a procedural change in how DCC's overall score is calculated, and there is no proposed change in the expectations on DCC.
- 2.8 Several stakeholders provided comment on the OPR contract management incentive in their Price Control consultation responses. Two respondents suggested that increasing the number of attainment levels, for example from three to five, would increase granularity and flexibility in the scoring framework. We will also address stakeholder comments in our Price Control decision, due for publication in February 2023.
- 2.9 Alongside this consultation, we have published a draft of the modified NAO framework and updated Terms of Reference which reflect our proposals. We have also published a draft version of the revised OPR Guidance 2023 which reflects the proposed changes of our preferred option. A summary of the changes to the OPR Guidance can be found in Appendix 1 of this document.

¹⁰ See paragraphs 4.29-4.35 of our RY21/22 DCC Price Control Consultation:
<https://www.ofgem.gov.uk/publications/dcc-price-control-consultation-regulatory-year-202122>

Scoring framework

- 2.10 The first year audit in RY21/22 was carried out according to the 2022 OPR Guidance, using the three-point attainment level as defined in the NAO framework and described in paragraph 2.4.
- 2.11 The auditor provided recommendations for improvement, and outlined several issues found in DCC's performance. Given the number of issues highlighted, we are concerned that these issues in performance were not translated to the overall score, and consider the existing framework may be limiting the extent to which DCC performance can be sufficiently reflected.
- 2.12 The NAO framework sets out what would achieve each level of attainment, corresponding to a score of 0, 1, or 2. Table 2.1 shows an example of the attainment levels for supporting question 1.1 in the NAO framework.

Table 2.1 – example of attainment levels for NAO supporting question 1.1

Supporting question	Attainment level 0	Attainment level 1	Attainment level 2
1.1 Is there a clear and consistently held view of what the contract is producing, the type of commercial relationship desired, the basic contract structure and how it will be managed?	There is no clear commercial strategy; the client has moved to market without fully considering its options	There is a clear commercial strategy but the reasons for it are not consistently or coherently held. External factors or expectations may have undue influence on approach.	DCC has a good, shared understanding of the commercial arrangement underpinning the service. SROs ¹¹ and contract managers consistently articulate the reasons why the commercial strategy supports organisational strategy and wider value for money

- 2.13 It can be seen in table 2.1 that the attainment levels provide specific examples of what attainment may look like for each level, and in the case of attainment level 0 it is unlikely that DCC carries out the behaviour in the example despite DCC demonstrating poor performance. For example, a score of 0 may place too much focus on whether any documentation is present (such as a commercial strategy, in this example), rather than exploring how well the documentation meets requirements, or whether processes are followed. This trend can be seen in other supporting questions in the framework.

¹¹ SRO = Senior Responsible Owner

- 2.14 We want to incentivise continuous improvement. We are concerned that the existing framework does not provide strong enough incentives for DCC to incrementally improve to a level which is indicative of best practice and/or produce good outcomes for its customers, given the small range of available scores and difficulty reflecting poor, improved, satisfactory and good performance appropriately.
- 2.15 We are therefore proposing to increase the number of attainment levels. We also propose to amend the wording of the levels to make them more applicable to actual performance seen from DCC, ensuring that the top score is attainable, but also that performance below 50% can be taken into account.
- 2.16 We note that in our OPR consultation, we originally proposed five levels but ultimately decided on a three-point scale, in response to stakeholder feedback that it would simplify the procurement of an independent auditor.¹² However, after running the incentive, we consider more flexibility in the scoring may be more appropriate.
- 2.17 We considered three options for amending the scoring framework. We are interested in hearing stakeholder views on these options, and whether stakeholders agree with our preferred option.
- 2.18 We note that for all three options, we would in any case publish DCC's proposed scores for contract management as part of our annual Price Control consultation. DCC and wider stakeholders will have the chance to respond to the scores and provide further justification and evidence as part of their response to the Price Control consultation.

Option 1 – align with customer engagement incentive scoring

- 2.19 In option 1, we propose DCC should be assessed against each supporting question based on indicators of DCC carrying out good practice, using the top 'attainment level' as a guide for the required standard. The auditor would then use the criteria set out in table 2.2, as used in the customer engagement incentive, to assess how well DCC meets the required standard criteria, and award a score of 0, 1, 2 or 3.
- 2.20 Taking the example of supporting question 1.1 as indicated in table 2.1, the example of the required standard would be that "DCC has a good, shared

¹² See paragraphs 4.19 to 4.23 of our October 2020 decision on the OPR Guidance: <https://www.ofgem.gov.uk/publications/dcc-operational-performance-regime-review-october-2020-decision>

understanding of the commercial arrangement underpinning the service. SROs and contract managers consistently articulate the reasons why the commercial strategy supports organisational strategy and wider value for money". The NAO framework also sets out non-exhaustive indicators of good practice (such as "DCC has a good understanding of market capability" in this example) which we expect DCC would meet to achieve a good score.

Table 2.2 – Option 1 scoring framework

Score	Description	Margin retained
3	Strong evidence that DCC meets the required standard with minor areas of improvement – DCC is performing to the expected standard.	100%
2	Evidence that DCC meets the required standard with very few material areas of concern and/or some minor areas of concern.	66.67%
1	Evidence that DCC meets the required standard but inconsistent with some material areas of concern.	33.33%
0	Limited evidence that DCC has met the required standard with multiple material issues of concern.	0%

- 2.21 This scoring framework would allow general principles to be applied across each supporting question, and makes the framework clearer that the materiality of an issue should be taken into account.
- 2.22 We consider it would ensure that DCC can achieve a good score for good performance, whilst allowing for minor areas of improvement. It will also ensure that poor or unacceptable performance can be better reflected in the score.
- 2.23 We expect this framework would be clearer in indicating areas for improvement and better incentivise incremental improvements, due to the increased granularity from three attainment levels to four. This also brings the framework more into alignment with the customer engagement incentive, which could provide useful consistency across incentives.

Option 2 – modify existing NAO attainment levels, five-point scale

- 2.24 For option 2, we propose to keep the existing attainment levels as set out in the NAO framework to provide examples of what attainment may look like for each score. However, we are proposing to allow half marks to be awarded, increasing the number of levels from three to five. Therefore, a score of 0, 0.5, 1, 1.5 or 2 could be awarded.

- 2.25 As with option 1, we consider this would allow for a more granular approach to assessing DCC's performance and provide better incentives for DCC to make incremental improvements. We consider this would be able to better reflect both good and poor performance. For example, where previously DCC was performing slightly better than a 1, but not enough for a 2, 1.5 could be awarded. Alternatively, 0.5 could be awarded where there are too many concerns with the performance to be able to award a score of 1, but there are still elements of DCC performing better than 0. We propose this should be given at the auditor's discretion based on how well the auditor considers DCC meets the criteria.
- 2.26 We also propose to amend the scoring framework to make the example of a 0 score more reflective of what would be unacceptable performance for DCC.
- 2.27 We have set out proposed changes to attainment level 0 in the modified NAO framework which has been published alongside this consultation. In general, where the attainment level states "there is no evidence of [meeting the requirement]" we are proposing it should be amended to "there is no or limited evidence of [meeting the requirement] and/or there are multiple material areas of concern". This would more accurately reflect that the examples of attainment and evidence of good practice are non-exhaustive, and that the auditor is able to use its judgement to determine DCC's score and the level of concern over each issue. Table 2.3 shows an example for the supporting question 1.1, with new text bold and underlined.

Table 2.3 – example of option 2 amendment to NAO supporting question 1.1

Supporting question	Attainment level 0	Attainment level 1	Attainment level 2
1.1 Is there a clear and consistently held view of what the contract is producing, the type of commercial relationship desired, the basic contract structure and how it will be managed?	There is no <u>or limited evidence of a</u> clear commercial strategy; the client has moved to market without fully considering its options; <u>and/or there are multiple material areas of concern.</u>	There is a clear commercial strategy but the reasons for it are not consistently or coherently held. External factors or expectations may have undue influence on approach.	DCC has a good, shared understanding of the commercial arrangement underpinning the service. SROs and contract managers consistently articulate the reasons why the commercial strategy supports organisational strategy and wider value for money

- 2.28 We consider this option would require the fewest changes to the framework. However, we also noted in our October 2020 decision on the OPR Guidance, DCC believed that this five-point attainment level creates subjectivity due to the proposed discretionary half-way points.¹³

Option 3 (preferred) – *modify existing NAO attainment levels, four-point scale*

- 2.29 For option 3, we propose to modify the existing levels set out in the NAO framework. We propose to add an extra attainment level, increasing the number of levels from three to four. Therefore, a score of 0, 1, 2, or 3 could be awarded. We would therefore modify the description of the attainment levels, providing examples of what attainment may look like for each level, including the extra level.
- 2.30 As with options 1 and 2, we consider this would allow for a more granular approach to assessing DCC's performance and provide better incentives for DCC to make incremental improvements. We consider this would be able to better reflect both good and poor performance by providing more flexibility in the scoring.
- 2.31 As with option 2, we also propose to amend the scoring framework to make the example description of a 0 score more reflective of what would be unacceptable performance for DCC, amending the wording slightly to indicate that no or limited evidence of DCC meeting the requirement, or multiple material areas of concern, would be indicative of poor performance. Table 2.4 provides an example for supporting question 1.1. The full proposed changes to the framework, including the additional attainment level, have been published alongside this consultation in the modified NAO framework document.

¹³ See paragraphs 4.19 to 4.23 of our October 2020 decision on the OPR Guidance: <https://www.ofgem.gov.uk/publications/dcc-operational-performance-regime-review-october-2020-decision>

Table 2.4 – example of option 3 amendment to NAO supporting question 1.1

Supporting question	Attainment level 0	Attainment level 1	Attainment level 2	Attainment level 3
1.1 Is there a clear and consistently held view of what the contract is producing, the type of commercial relationship desired, the basic contract structure and how it will be managed?	<p>There is no <u>or limited evidence of a</u> clear commercial strategy; the client has moved to market without fully considering its options.</p> <p><u>AND/OR there are multiple material areas of concern</u></p>	<p>There is a clear commercial strategy but the reasons for it are not consistently or coherently held. External factors or expectations may have undue influence on approach.</p>	<p><u>There is a clear commercial strategy which, for the most part, is upheld consistently. However, there is one material OR some minor areas of concern.</u></p>	<p>DCC has a good, shared understanding of the commercial arrangement underpinning the service. SROs and contract managers consistently articulate the reasons why the commercial strategy supports organisational strategy and wider value for money</p>

2.32 Option 3 is our preferred option. We consider four levels rather than five present a clearer distinction between attainment levels, whilst still increasing granularity and flexibility in scoring. While we consider alignment with the customer engagement framework would be a suitable alternative, option 3 may be preferable as it could be helpful to have an example of what each attainment level may look like described in the framework. This would provide greater clarity to the auditor in making the assessment, and clarity to DCC over what the auditor may be assessing when making its determination. We note that the indicators of good practice are non-exhaustive and the auditor has flexibility to apply its own judgement in determining the score.

Scope

2.33 The scope of the audit currently includes:

- DCC's contract management of DCC's Communication Service Providers (Arqiva and VMO2), Data Service Provider (CGI), and the three SMETS1 Service Providers which incurred the highest costs in the relevant Regulatory Year

- DCC's contract management in terms of adherence to the SEC modification change process
 - DCC's procurement and re-procurement activity under DCC's Network Evolution programme, covering the procurement of 4G Comms Hubs and Networks, and re-procurement of the Data Services Provider (DSP) and Smart Metering Key Infrastructure (SMKI).
- 2.34 We are not proposing to make any changes to the scope of the audit at this time. We consider the scope sufficiently broad to incentivise DCC to carry out good practice in contract management and procurement activity, without being too broad such that the audit process becomes too onerous. We also note that areas where stakeholders have raised specific concerns, such as the DSP programme, Working Capital Charges, and SEC mod Impact Assessments, are included within the existing scope and we expect significant scrutiny in such areas for the RY22/23 audit.
- 2.35 We consider it may be useful to clarify that defining the scope of the audit is intended to keep the audit manageable whilst covering and incentivising a sufficient amount of DCC activity, and to provide clarity on what is being assessed. However, as previously stated in our RY20/21 Price Control consultation, we would expect DCC to ensure its contract management processes are of a sufficient standard across all its contracts, regardless of whether they are in scope.¹⁴ Similarly, we expect DCC to undertake robust procurement exercises which follow best practice and comply with DCC's Licence obligations for all procurement activity and not just those within the audit scope.
- 2.36 It is possible that after the second year of the audit we may consider making changes to the scope, covering activity undertaken in RY23/24. As we expect DCC to be applying good practice across all of its contracts, the change in scope would not require DCC to change its business practices, and would just change the sample of contracts/activity the auditor looks at.
- 2.37 We are also not currently proposing to amend the weighting of the questions or areas in scope. However, we are not ruling out changing the weighting for the third year audit, which we may apply to put additional focus on areas of concern or emerging issues.

¹⁴ DCC Price Control consultation: Regulatory Year 2020/21 - <https://www.ofgem.gov.uk/publications/dcc-price-control-consultation-regulatory-year-202021>

Appendix 1 – Summary of proposed changes to OPR Guidance 2023

Table A1 below details the proposed material changes to the OPR Guidance, as well as a summary of the rationale for the change. There may be minor housekeeping changes through the document which are not listed.

Table A1 – Summary of material changes to OPR Guidance 2023

Paragraph	Summary of change	Rationale for change
5.3	Inserted line stating the contract management incentive came into effect	It is useful to update the background information in the guidance for accuracy
5.4	Amended the audit timeline	The first year audit has completed, and certain parts of the timeline are no longer relevant
5.19-5.27	Changed any instance which referred to three attainment levels of the contract management scoring to four	We are proposing to increase the number of attainment levels, so are updating the guidance for accuracy

Appendix 2 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

We are not intending to share your personal data with other organisations. We are intending to publish non-confidential consultation responses, including any personal data that may be contained within them.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for six months after the consultation closes.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it

- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information

For more information on how Ofgem processes your data, click on the link to our "[ofgem privacy promise](#)".