SCOTTISHPOWER

London Office
4th Floor,
1 Tudor Street,
London EC4Y 0AH
Tel: +44 (0)141 614 7501

Ayena Gupta
DCC Oversight and Regulatory Review
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

23 December 2022

Dear Ayena,

DCC PRICE CONTROL: REGULATORY YEAR 2021/22

Thank you for the opportunity to respond to this consultation.

In general, we would ask that you regard Energy UK's response to this consultation as representative of our views. We also offer some additional commentary in Annex 1, which I trust you will find helpful.

Should you wish to discuss any aspect of this response, please do not hesitate to get in touch.

Yours sincerely,

Richard Sweet

Richard Sweet
Director of Regulatory Policy

Annex 1

**DCC PRICE CONTROL: REGULATORY YEAR 2021/22 –
SCOTTISHPOWER RESPONSE**

Question 4: Have you got any other views on External Costs?

We note that over several fiscal years, the DCC has returned millions of pounds to all energy suppliers, effectively demonstrating either inaccurate forecasting or excessive use of contingency. Meanwhile we assiduously pay the monthly DCC invoices on time under threat of a charge equivalent to 10% of our retail business's annual turnover for late payments. We also provide a Letter of Credit as security for the monthly payment, which has an associated cost.

In summary, therefore, these arrangements appear to work entirely in favour of the DCC. There is no penalty for the DCC holding money that is not used and the money is simply returned. However, it seems that no interest is paid when these monies are returned, yet interest will surely have accrued to the DCC in the interim.

We would suggest that DCC address the reliability of their forecasting and avoid excessive contingency in future. And there needs to be greater transparency over the return of any interest that might have accrued.

Question 14: What are your views on our proposed position on DCC's Customer Engagement?

We note that Ofgem has acknowledged the difficulties of input to this consultation with only limited detail of cost information, whilst also highlighting that additional cost transparency is provided through the Quarterly Finance Forum (QFF). However, we would highlight that there is no granular level of cost information provided at the QFF. Given the cost involved in financing DCC operations, we would expect that customers should have access to lower levels of cost information in order to offer an informed view about DCC spend.

As part of the monthly invoicing process, should questions arise, a DCC email address is provided for correspondence. From our experience, however, queries are often not answered within an acceptable timeframe.

We believe additional KPIs should be introduced to define Target Response Times to support customers in answering invoicing queries.

Question 17: What are your views on our proposed position on DCC's costs associated with the Switching Programme?

RECCo indicative projections for the Central Switching Service (CSS) for FY 2023/24 and 2024/25 is £11m/year. We recognise that from the outset the DCC Licence contained provisions for a central switching service; however, the subsequent advent of the Retail Energy Code and, in particular, the establishment of the Retail Energy Code Company (RECCo), has added another layer to the arrangements.

Given that Ofgem is already contemplating a move away from the current commercial model for a future DCC, it occurs to us that Ofgem might revisit the monopoly position of the DCC with regard to the CSS. In essence, as the RECCo is a legal entity in its own right, it could be that the responsibilities for the switching services (ie the contract management of service provision) were transferred away from the commercial DCC, and onto the not-for-profit RECCo.

ScottishPower
December 2022