



E.ON Response (December 2022)

General Comments

E.ON welcomes the opportunity to respond to Ofgem's consultation on the DCC Price Control for the Regulatory Year 2021-2022 (RY21/22). As with previous Regulatory Years, E.ON employees have continued to work collaboratively with the DCC on a range of topics and programmes, helping to resolve specific operational issues and challenges that have impacted installations or service delivery to energy consumers.

In addition to responding to the individual consultation questions, we thought it would be helpful to provide commentary on specific headline topic areas in this initial section of our response. We would be happy to engage further and assist with any clarification points where required.

DCC System performance

E.ON have experienced numerous issues relating to the DCC's system performance throughout this year. This has significantly impacted our install and commission activities in 2022. We have had to cancel or abort installations for energy customers on various dates over the course of 2022, and we have seen a worrying growth in the frequency and impact of DCC major incidents (category 1 or 2) in October and November (the root cause of some incidents have yet to be identified).

We have held numerous bilateral sessions with the DCC and engage proactively in industry sessions to express our concerns, especially highlighting the impact these have on both the energy customer and meter installers in a customer's home.

We would like to highlight the continued DCC performance challenges faced in the CSP North region. Given these ongoing performance issues, it is essential that the DCC must be required to undertake the necessary work at pace to ensure enhanced service performance in this region. We are also concerned about the level of No WAN aborts which continue to track at higher rates than expected. It is not acceptable that the DCC is allowing a service disparity between CSP North and CSP Central and South to persist over several years.

DSP Technical Refresh (Hardware replacements)

Last year, the DCC announced a significant amount of hardware was passed or fast approaching its end of life. No satisfactory explanation for this fundamental failing was provided by the DCC, and they did not justify to industry how the issue had arisen. However, the DCC made series of announcements during an industry session, indicating that DCC users would have to accommodate several high impact outages across 2022 to address this DCC failure.

Whilst E.ON has supported this activity, to the benefit of a more reliable service, the planning of the refresh activity has not been satisfactory (e.g., planning changes in for the periods around Price Cap Changes, repeated significant delivery plan changes, and poor DCC User engagement). The DCC faced criticism from DCC Users as they were unwilling to reconsider their Business Continuity Disaster Recovery plans to fit around other outages and minimise the impacts to DCC Users and our customers. We fundamentally believe that the DSP Tech Refresh should have been delivered as a BAU activity by gradually replacing hardware, a more cost-efficient option for DCC Users and energy customers, when compared to a major programme.

The DCC must be required to undertake a 'lessons learnt' exercise on this DSP Technical Refresh **and** be required to demonstrate the implementation of key learnings to ensure such a situation is not allowed to repeat. Hardware refresh and replacement is a routine exercise that the DCC will have to undertake continually as installed production environment equipment ages over time. It is essential they deliver this routine activity in as cost-effective way as possible going forward, something they failed to do in 2021/2022.

4G Comms Hubs

E.ON believe the DCC have significantly under delivered on this major programme and are disappointed with the DCC's approach to procuring the new 4G Comms Hubs. The DCC will not be accountable for the project overspend or the additional costs that energy suppliers will pay to replace ever growing volumes of 2G/3G devices that will have to be installed owing to the continued delays to 4G Comms Hub delivery.

The project is now reporting as being 15 months behind a previously rescheduled date for device delivery and even later compared to their original programme timescales, and we believe there is still a significant risk of further delays impacting this key programme.

MHHS

We continue to monitor the progress of the MHHS programme and proposed solutions. We are concerned about changes to existing DCC User Roles and are yet to be convinced this is the most cost-effective or practical solution. Ultimately, we believe the DCC should ensure its solutions are fit for purpose and delivered in the simplest and most cost-effective way for consumers and DCC Users.

External Costs

Question 1: What are your views on our proposal to disallow a portion of External Costs associated with programme delivery?

E.ON is aligned with Ofgem's proposal.

Question 2: What are your views on our proposal to remove from the forecasts all costs associated with 'CSP-C&S price support' from RY22/23? Do you have any views on the issue of Working Capital Charges?

E.ON supports Ofgem's approach and reasoning behind the removal of costs for "CSP-C&S Price Support" for Comms Hubs.

Question 3: What are your views on our proposal to disallow £108.22m of forecast External Costs?

E.ON agrees with the proposal to disallow £108.22m of the forecast External Costs and feel that this is a fair based on the DCC failings as outlined by Ofgem.

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

E.ON agrees with Ofgem's disallowance of costs associated with External Costs, in particular the removal of costs on incorrect reporting (as per answer to question 3). Overall, it is concerning the DCC did not provide the appropriate evidence or justification for these costs and Ofgem asked a further 70 questions to gain clarification.

Question 5: What are your views on our proposals on DCC's approach to benchmarking of staff remuneration for both contractor and permanent staff?

E.ON agrees with Ofgem's proposed cost disallowances relating to internal costs. We find it concerning that Ofgem have stated, there has been an increase in headcount without an increase in work demand. We also note the DCC have failed to justify their position on this point. E.ON have previously raised concerns on the year-on-year headcount growth, and the fact that the DCC has not justified the value that these new roles are

adding for energy consumers. Our position has not changed on the DCC's headcount ambitions, and we believe this area warrants further significant scrutiny given the cost-of-living challenges energy consumers are facing.

Over the year we have seen an increase in the number of DCC representatives at various forums. When compared to energy suppliers/DNO representatives, only a small number of subject matter experts attend these sessions. We would welcome further transparency from the DCC regarding their headcount and what steps they are taking to ensure this represents good value for money.

Question 6: What are your views on our proposal to disallow costs associated with non-competitive procurements where we have not received satisfactory justification or evidence?

E.ON agrees with the disallowance of costs associated with Non-Competitive Procurements (NCPs). We are disappointed to read the DCC was unable to provide suitable evidence to confirm compliance with their own procurement policy or procurement obligations within its licence.

Question 7: What are your views on our proposal to disallow the costs of the Order Management System, Customer Engagement Portal and the Executive Leadership Programme?

E.ON is aligned with Ofgem's views on the Order Management System, Customer Engagement Portal and the Executive Leadership Programme and agree with the disallowance of the costs associated with these areas.

Question 8: What are your views on our proposal to disallow costs directly associated with the Business Accuracy Programme?

E.ON agrees with the proposed cost disallowance.

Question 9: What are your views on our proposals on the Shared Service Charge?

E.ON agrees with the proposed cost disallowance on the Shared Service Charge and welcome further scrutiny of the DCC by DCC users.

Question 10: What are your views on our proposal to disallow costs associated with the product management team, DCC's work on EVs and additional products?

We agree with Ofgem's proposal. E.ON believes, as we have in previous years, that the DCC should remain focused on the delivery of its core services and programmes for DCC Users, until the point that the DCC has fully justified its Electric Vehicle activities and the associated costs to the relevant industry governance forums.

Question 11: What are your views on our proposal to disallow forecast cost variances in RY22/23 and RY23/24 in the Corporate Management (including Policy and Markets team), Finance & People, and Operations cost centres, and the Network Evolution, SMETS1, and ECoS programmes; and all baseline forecast costs for RY24/25 onwards?

We agree with Ofgem's proposal to disallow forecast variances on these DCC-led programmes, given that each of these major programmes has encountered delays and issues due to factors within the DCC's control.

Question 12: What are your views on our proposed position on DCC's System Performance?

E.ON is minded to disagree with the proposal the DCC should obtain a proportion of the costs associated with the SUM1 performance measure due to not being satisfactory. E.ON have experienced numerous issues relating to the DCC's system performance throughout this year. This has significantly impacted our install and commission activities in 2022. We have mentioned at the top of this response some examples of this.

Question 13: What are your views on our proposed position on DCC's Contract Management?

E.ON agrees with Ofgem's position and the disallowance of costs. We would also support an independent audit.

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

E.ON agree with the proposed position Ofgem has reached.

Question 15: What are your views on our assessment of DCC's application to adjust its Baseline Margin?

E.ON agree with the Ofgem assessment of DCC's application to adjust its Baseline Margin.

Question 16: What are your views on our assessment of DCC's application to adjust its ECGS?

E.ON agree with the Ofgem assessment of DCC's application to adjust its ECGS.

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

E.ON agrees with Ofgem's position to disallow the increase in cost. We are also aligned with the questions Ofgem have raised on the further increase of 8.636m in RY 23/24. We believe there is a lack of evidence/justification as to why this is required.

Question 18: What are your views on our assessment of Delivery Milestone 4 of the Switching Programme?

E.ON agrees with Ofgem's proposed position on DCC's Switching Programme costs and its assessment that DCC should retain the margin associated with Delivery Milestone 4.

Question 19: What are your views on our proposal on DCC's over-recovery of revenue?

E.ON is in agreement that due to the DCC being above their set threshold, the 3% interest base rate should be applied and echo Ofgem's disappointment on this topic.