

By email: DCCregulation@ofgem.gov.uk

Ayena Gupta
DCC Oversight and Regulatory Review team
Ofgem

17 February 2023

Dear Ayena,

Re: Revised OPR Guidance consultation January 2023 (contract management scoring framework)

DCC welcomes the opportunity to respond to Ofgem's proposals on the OPR guidance (contract management scoring framework). Please see our response to the consultation questions below.

1. What are your views on the options we considered for the scoring framework? Do you agree with our preferred option? (option 3).

Of the three options considered, we agree that option 3 is the most suitable. Option 1 would be unsuitable as the wording would be too ambiguous. Option 2 also introduces more ambiguity as there is no defined criteria for the half marks. Since option 3 introduces more levels with more relevant descriptions it would be the most suitable. However, we do have some proposals for improvement (see below).

2. Do you consider any further changes are required to the framework?

As a general rule, and for any economic incentive, we suggest that all attainment criteria are designed so that they are SMART (i.e. Specific, Measurable, Achievable, Relevant, and Time-Bound). For example, the attainment criteria proposed in table 2.4 of the consultation could specify exactly how many areas of concern would be permitted under each score; what types of concern would be relevant here and over what time period. Further to this, we would suggest that examples are provided to illustrate what would constitute either a 'material area of concern' or a 'minor area of concern'.

We are uncomfortable with the introduction of "or limited evidence of a" in attainment level 0. We consider that this wording introduces further ambiguity rather than making



the scoring clearer and easier to use. Instead, we would suggest removing this additional text.

It is important to note that OPR remains a 'downside' only regime. We suggest that the attainment levels reflect this. For example, achieving the attainment level 3 means DCC retains margin (it does not mean DCC is awarded additional margin). For this reason, it would not be proportionate to expect 'best in class' at attainment level 3. Instead, it may be appropriate to introduce a new attainment level 4 which is reserved for best in class or outstanding performance which provides for an opportunity for DCC to earn additional margin, this would be an effective way to strengthen the incentives to DCC (even if only left dormant until a point in future when upside could be agreed).

Please do not hesitate to contact me or any member of the team to discuss this further.

Yours Sincerely,

Ekta Sareen
Head of Economic Incentives

cc.

Stève Hervouet, Chief Strategy and Regulation Officer, DCC
Karin Meurk-Harvey, Chief Commercial Officer, DCC