

Angela Love SEC Panel Chair
Smart Energy Code Company Limited
8 Fenchurch Place
London, EC3M 4AJ

Ayena Gupta
Ofgem, via email
DCCregulation@ofgem.gov.uk

22 December 2023

DCC Price Control: Regulatory Year 2022/23

Dear Ayena,

The Smart Energy Code (SEC) Panel is pleased to have an opportunity to respond to the latest consultation on the Data Communications Company (DCC) Price Control for the Regulatory Year (RY) 2022/23. We have set out our response to the consultation questions below. We would be happy to engage further, to assist with any clarifications.

Overall, the Panel agrees with the proposed actions. We are disappointed that the same or similar issues have arisen as in the last review for RY21/22. It is concerning that evidencing how decisions are made about competitive procurement activity is not immediately obvious from the information the DCC has provided. Further, the volume of clarifications that Ofgem reports it has had to ask of the DCC raises questions around the rigour the DCC applies to the process or the seriousness with which it undertakes this exercise.

We are particularly concerned with the accuracy of DCC forecast costs, particularly Fundamental Service Provider (FSP) costs. We share Ofgem's view that live operations should be predictable and stable. However, it should be noted that at the stakeholder event on 8 December 2023 the DCC cast doubt on which forecast Ofgem used to determine the overall increase of External Costs. Forecast accuracy is increasingly important with the proposed move to an Ex-Ante price control arrangement in just over a year's time. We would therefore like to see further rigour and investigation applied to the forecasting element.

The approach and management of programmes of work has been an ongoing concern across Regulatory Years. The Panel has already taken steps to work more closely with the DCC to find ways of sharing sensitive information, such that commercial confidences may be maintained whilst enabling the Panel to have a better understanding of the issues that it may be asked to determine. With this in mind and looking ahead to the key procurement of fourth generation (4G) Communication Hubs and Networks (CH&N), there remain concerns that there is still a lack of clarity from the DCC on what is in the business case for this exercise. It is critical the DCC shares this information with the Panel and the Communication Transition Group (CTG) in RY23/24. The management of costs and performance and the engagement with the Panel and its Sub-Committees needs to be better in RY23/24.

We urge the DCC to improve its distribution of cost information via the DCC Quarterly Finance Forum (QFF) to ensure useful information is provided to Parties. Concerns have been raised that the current details shared in the QFF are sub optimal. Programme costs and their translation into charges on DCC Users are critical to DCC Users' strategies, specifically Suppliers, in terms of how and when they choose to carry out the replacement programme.

The Independent Auditor is providing useful insights into areas which, for too long, have been out of sight for SEC Parties. We welcome the recommendations in these areas. We expect that the DCC should by now have a clear rectification plan in place to manage the areas identified for improvement and that Ofgem will be scrutinising this further.

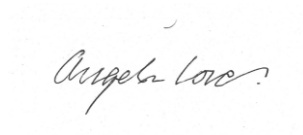
We recognise the positions reached with regards to the systems performance under the Operational Performance Regime (OPR). We have included, for information, further observations of operational performance (annexed to this response), which Ofgem may choose to reflect on when making a final determination.

We also agree that it is right to review the level of margin in relation to Shared Services Charges and Baseline Margin Adjustments.

On a general point, the stakeholder event held on 8 December 2023 where both Ofgem and the DCC presented their views was informative. It would be beneficial if this type of approach could be employed earlier in the consultation process for the next RY review.

If you would like to discuss any of the issues in this response further, please do not hesitate to contact me at SECAS@gemserv.com.

Yours sincerely,



Angela Love
SEC Panel Chair

Ofgem Consultation: Price Control Regulatory Year 2022-2023

External Costs

Question 1: What are your views on our proposal to disallow £4.159m in incurred External Costs and £12.406m in forecast External Costs associated with DCC's procurement of an interim solution for the SMETS1 supply chain?

We are sympathetic to the Data Communication Company's (DCC's) predicament with regards to the interim solution for the Smart Metering Equipment Technical Specifications (SMETS) 1. There was a need to urgently source and replace a service provider, which the DCC did successfully, acting in good faith, and ensured that services continued when otherwise a major catastrophe may have occurred. We do not believe there is much else the DCC could have done at the time. Whilst we recognise Ofgem's concerns about the interim arrangements, we would expect the DCC to have addressed these by the time those arrangements expire.

We agree with the proposal to disallow costs. It is concerning that, as a process, the DCC may reinstate costs previously disallowed. External Costs account for 70% of the overall DCC costs; with the DCC managing the Fundamental Service Provider (FSP) contracts for 10 years, we would expect forecasts to have a much higher degree of accuracy.

Question 2: What are your views on our proposed cost disallowance of up to £2.675m in relation to SMETS1 service stabilisation in RY22/23?

We agree with the proposed action. In the case of the SMETS1 Final Operating Cohort (FOC), service has been poor across this and the previous Regulatory Year with a failure in the management and implementation of the associated third-party contracts. We expect the DCC to address issues before the audit next year.

Question 3: What are your views on our proposal for a disallowance up to the amount of External Costs incurred on a directly awarded contract in the 4G CHs & Networks programme?

We agree with the proposed action. It is particularly concerning that the DCC appears to not be following the fundamental requirements of its Licence and its own processes and procedures to competitively procure services for this crucial next stage of smart meter communications. We note concerns raised by the Independent Auditor in relation to procurement activities and contract management. It is crucial that new service providers deliver in accordance with Smart Energy Code (SEC) objectives and that the DCC is also transparent with governance forums in terms of costs and performance efficiencies.

We propose that this programme is a focus of future audits to ensure lessons learned and applied.

Question 4: What are your views on our proposal to disallow £44.054m in forecast FSP External Costs?

We agree with the proposed action. We are particularly concerned with the accuracy of forecasting. It is concerning however that at the stakeholder event on 8 December 2023 the DCC cast doubt on which forecast Ofgem is using to determine the overall increase of External Costs. If the level of disallowance is determined to be correct, this suggests that the DCC is unable to accurately forecast these costs, which further implies that it is not fully in control of the FSP contracts.

After 10 years of the DCC managing these service providers, we share Ofgem's concerns that live operations should be predictable and stable and therefore relatively straightforward to forecast. With the move to an Ex-Ante cost regime in just over a year's time, it is crucial that the DCC has much greater certainty of these costs. DCC forecasting requires further investigation.

Question 5: Do you have any other views on External Costs?

It is once again concerning that External Costs are increasing. As noted in the Panel response last year, with External Costs accounting for 70% of the overall DCC costs, it is important that the Ofgem Price Control process assesses these properly and the associated risks to consumers.

The DCC's core role and purpose is contract management and procurement; appropriate procurement should be at the heart of its service provider strategy. The DCC must demonstrate that it has accurately assessed any cost changes, including the costs of new contracts, in accordance with DCC procurement procedures, and justified the costs as economic and efficient, delivering and demonstrating best value for money for consumers.

Further, the volume of clarifications that Ofgem reports it has had to ask of the DCC raises questions as to the rigour the DCC applies to the Price Control Licence requirement and the seriousness with which it undertakes this exercise.

Internal Costs

Question 6: What are your views on our proposals on disallow a 50% proportion of the RY22/23 resource costs associated to Corporate Management, Design and Assurance, Security cost centres and the Network Evolution programme?

The Panel agrees with the proposed action. Where the DCC has not sufficiently explained or provided suitable rationale for incurring these costs, it is the right action to take.

Question 7: What are your views on our proposals on DCC's approach to benchmarking of staff remuneration for both contractor and permanent staff?

The Panel agrees with the proposals. In addition, as noted in our response last year, another aspect is staff retention. There has and continues to be a high degree of change of DCC personnel. This leads to weaknesses in corporate memory. With the parallel regulatory activities reviewing the new DCC Licence, we believe it is a prudent opportunity for Ofgem to introduce benchmarking of DCC staff retention levels, in addition to ensuring that remuneration packages remain economic and efficient.

Question 8: What are your views on our proposal to disallow the continued costs that are linked to the activities that we disallowed in RY21/22 – these include additional costs associated with the Executive training programme, innovation, and growth as well as a continuation of the RY21/22 non-competitive procurements?

The position from last year has not changed and the Panel believes this to be the right course of action. As noted in our response to External Costs, it is concerning that under the Price Control review process the DCC can reinstate previously disallowed costs, and that those costs get disallowed once again.

Question 9: What are your views on our proposal to disallow a proportion of the costs linked to the activities that we consider not have been resourced in the most economic and efficient way?

The Panel agrees with the proposal. A recurring theme in the consultation is that of a lack of substantive evidence to justify the spend. We welcome observations regarding DCC project and programme management. Programmes have been subject to replans, extensions and changes, but the rationale for doing so has not been communicated clearly to the Panel, Sub-Committees and Parties.

Question 10: What are your views on our proposal to disallow costs directly associated with the Business Accuracy Programme?

The Panel agrees with the proposal to disallow these costs. This is a further example of a recurring theme from last year, with concerns regarding the need and viability of such a programme of work.

Question 11: What are your views on our proposal to disallow costs associated with the RY22/23 non-competitive procurements for which we have not received satisfactory justification or evidence?

The Panel agree with the proposed action, where there has not been satisfactory justification provided. More concerning are the issues of not following procurement practice. The suggested value (£15-16m) of the External and Internal contracts that appear to have not followed appropriate procurement scrutiny resulting in direct awards is extremely worrying. The core purpose of the DCC is to manage service providers to deliver stable and secure services, and to procure service providers when those contracts end or new services are required. As a monopoly provider, the DCC must be transparent to all its stakeholders in its dealing with service providers, ensuring economic and efficient service provision for the benefit of the consumer.

Question 12: What are your views on our proposals on the Shared Service Charge?

The Panel agrees with the proposed position. As noted in our response last year, there needs to be clear and unequivocal rationale from the DCC to justify the Shared Service Charges.

Question 13: What are your views on our proposal to disallow forecast resource cost variances in RY23/24 and RY24/25; and disallow all baseline forecast costs for RY24/25 onwards?

The Panel agrees with the Ofgem position and proposal to disallow costs forecast resource costs variances where these are unjustified.

Performance Incentives

Question 14: What are your views on our proposed position on DCC's System Performance?

The Panel understands how Ofgem has arrived at its position and welcomes the proposed consultation on potential changes to the OPR. However, system performance in the RY22/23 has not been without challenges for Users and end consumers.

DCC Users have been subject to Major Incidents resulting in 285 hours of lost time, with an additional 36 hours 44 minutes of Unplanned Maintenance and requests for 52 hours 7 minutes of additional Planned Maintenance resulting in the services being unavailable or partially unavailable. This impacts both the ability of installation and rollout of smart metering and the ongoing servicing of consumers and requires consideration when determining a final position on performance.

Further detail is provided in Annex 1 to this response, which sets out our views of service quality issues, engagement and contract management for RY22/23.

Question 15: What are your views on our proposed position on DCC's Contract Management?

The Panel agrees with the proposed position on Contract Management. The Independent Audit is providing useful insights and recommendations for Ofgem and the DCC into what has previously been

an opaque area of the DCC operation to date. As External Costs make up 70% of the DCC's overall total costs, it is right this area is appropriately scrutinised.

Contract management, re-procurement and procurement are core functions for the DCC. It is therefore extremely worrying that, as noted in our review of the Audit findings for RY22/23, similar issues feature again. We expect that the DCC should by now have a clear rectification plan in place to manage the areas that require improvement and that Ofgem will be scrutinising this further.

Question 16: What are your views on our proposed position on DCC's Customer Engagement?

We agree with the proposed position. In its submission on Customer Engagement earlier this year, the Panel noted that communications were variable, and reflected in the scores provided. We welcome the proposed consultation on this area.

Question 17: What are your views on our proposed position on the assessment of the SMETS1 Baseline Margin Project Performance Scheme (BMPPAS)?

We agree with the proposals for the SMETS1 BMPPAS. Ofgem is much closer to the detail and it is therefore difficult to provide any further view.

Baseline Margin and External Contract Gain Share

Question 18: What are your views on our assessment of DCC's application to adjust its Baseline Margin?

We agree with the position proposed for the Baseline Margin Adjustment. If the DCC has not provided appropriate justification and evidence, there appears to be little alternative.

Question 19: What are your views on our assessment of DCC's application to adjust its ECGS?

We agree with the proposal on External Contract Gain Share. It is not appropriate where costs have risen per unit price (temporary or otherwise) for this mechanism to apply, i.e. there has been no cost reduction.

Switching Programme

Question 20: What are your views on our proposed position on DCC's costs associated with Switching? and

Question 21: What are your views on our assessment of Delivery Milestone 5 of the Switching Programme?

We note the proposal from Ofgem but as the Switching Programme is outside SEC governance, it is not appropriate to comment.

Proposal to amend future Baseline Margin and Shared Service Charges

Question 22: Do you agree with our proposal to apply a margin somewhere in the range of 7-9% when calculating BM adjustments from 01 April 2024 onwards? Do you have a specific figure that you think should be applied?

We agree that it is an appropriate time to review these long-standing arrangements.

We agree with the proposal that a mid-range average applies for adjustments. This should provide the right level of incentive.

Question 23: Do you agree with our proposal to adjust the Shared Services Charge (SSC) from 9.5% to 4.5% from 01 April 2024 onwards?

Yes. The arrangements have been in place since the original Licence award. The DCC should be demonstrating that these wide-ranging services (e.g. IT, Legal, Travel, and Payroll / Human Resources) included under SSC are provided under the most economical and efficient model and that there is no duplication in-house.

We note that Ofgem made requests as far back as the 2017/18 Price Control consultation for the DCC to substantiate and demonstrate the value delivered via the SSC arrangements. Given the elapsed time, if Ofgem considers the DCC is unable to provide the appropriate evidence, the adjustment should perhaps go further to 0%.

Question 24: Do you agree with our proposal that any services provided to DCC by Capita, whether through a services contract or through the SSC arrangements, should not be eligible to earn any additional BM through the adjustment process from 01 April 2024 onwards?

Yes. As noted in our answer to questions 23 and 22, these arrangements have remained the same since the original Licence award to Capita. It seems appropriate that Ofgem has reviewed them, and that as with any other service provider any additional Baseline Margin, if appropriate, should only apply through an open and transparent process.

Annex 1 to Panel Response – Service Review RY22/23

Topic	Service Quality	Engagement	Contract Management
Operational Context	External factors such as the introduction of the government's Energy Bill Support Scheme (EBSS) and changes to the price cap resulted in regular monthly updates to smart meters over the winter period. The Energy Price cap changes prompted quarterly tariff updates to all installed smart metering systems. These external drivers and the consequent traffic placed challenges on the processes and systems of the DCC in addition to the day-to-day business as usual activities of installing and operating smart meters. Service provision was against a backdrop of a high number of Major Incidents and a high level of Maintenance activities.		
Overall Sentiment regarding DCC Performance <i>(See subsequent topics for supporting examples)</i>	Operations A high level of Major Incidents and volumes of Maintenance activities indicate underlying issues that require improvement. These have caused material impact on Users. Whilst the DCC responds in a determined way to issues individually, a more strategic approach is required to provide assurance of long-term improvement. Performance Whilst the majority of metrics per the SEC Service Level Agreements (SLAs) were met, it was disappointing that Code Performance Measures (CPMs) 1 and 3 were below Target for much of the year. The drivers being the continued below SLA performance of the Communications service Provider North (CSPN) and SMETS1 FOC.	In most areas, the DCC demonstrated clear commitment to positive engagement with the Operations Group (OPSG), trying to align with User priorities. The delivered quality of this engagement varied from very good to not satisfactory. The DCC was slow in presenting satisfactory engagement plans for major programmes	The level of Major Incidents and service metrics shortfalls for CPM1 and CPM3 indicate that DCC management of the service providers was not always effective. In particular, issues continued throughout the year with SMETS1 FOC Service Providers.

Topic	Service Quality	Engagement	Contract Management
	<p>External Drivers</p> <p>The DCC responded positively to the EBSS and Price Cap policy, with a good level of engagement. However, it did not initially appear that this commitment was carried through with significant rigour with Service Providers</p> <p>Programme Management</p> <p>The DCC provided regular programme briefings. However, these frequently lacked the clarity and content needed to effectively inform the OPSG. There was insufficient formality in presenting papers, with reliance being placed on presentation slides.</p>		

Topic	Service Quality	Engagement	Contract Management
Service Stability	<p>There were 43 Major Incidents (Categories 1 and 2).</p> <ul style="list-style-type: none"> 13 Category 1: lost time 69 hrs 29 mins 30 Category 2: lost time 216 hrs 23 mins <p>Total lost time: 285 hrs 52 mins</p> <p>The level of Major Incidents during the RY22-23 remains at an average of 3.5 per month, similar to the level for RY21-22. On occasion some months had up to five Major Incidents declared.</p> <p>The classification of the root cause of the Incident has been called into question by SEC Parties when reviewing the Major Incident reports, often in cases where the Incident occurs following a change or maintenance activity undertaken by DCC Service Providers.</p> <p>Several Major Incidents were reported because of overrunning of Planned Maintenance or Business Continuity & Disaster Recovery (BCDR) testing or previously unforeseen impacts resulting from changes by DCC Service Providers. Other reasons for Incidents occurring were classified as human error.</p>	<p>Communications of Major Incidents has been variable. Some lack detail, and where this occurs it is difficult for Parties to understand what the issue is and the impact on them, or the actions they should take to try and mitigate the impacts on the consumer.</p> <p>There was concern expressed over the categorisation of incidents.</p>	<p>The DCC and its service providers usually respond and deal with Incidents effectively. The frequency of incidents and the noticeable number arising from change activities raises questions of whether the DCC's management of the Service Providers was always appropriately proactive and effective.</p>

Managed by

Topic	Service Quality	Engagement	Contract Management
Service Quality	<p>The majority of CPMs met the minimum SLA in the SEC. However, CPM1 was below minimum for two months and below Target for eight months, achieving the SLA only twice in the year. Contributing to this was Performance Measure 1.1 (S1SP FOC) which achieved above the minimum service level once.</p> <p>CPM3 performance achieved SLA only three times in the year, twice below minimum and seven times below Target.</p> <p>Contributing to this was Performance Measure 1.5 (S1SP FOC), which achieved above minimum service level only three times.</p> <p>CPM4 achieved SLA nine times but missed minimum performance three times in the year.</p> <p>In April 2022, the OPSG received the CSPN Project Closure report from the DCC. This was instigated to improve CSPN performance for PM2 (firmware download): the most recent remediation plan for this metric (following earlier failed efforts) had been underway for 18 months. The DCC reported that CSPN had achieved 98.44% performance for PM2 in April 2022. The DCC acknowledged that it had yet to achieve</p>	<p>Ongoing issues with CSPN and DXC/Trilliant issues contributed to CPM and CPM3 service issues. Considerable effort was undertaken by the OPSG to review FOC (see FOC content below).</p>	<p>Management of FOC and resolution of issues contributing to Service Performance are not being met. (Note that extensive work with the CSPN in the previous year has resulted in a consistent level but still not achieving SLA).</p>

Managed by

Topic	Service Quality	Engagement	Contract Management
	<p>Target measures as per the SEC. This was a recurring theme throughout the RY22/23 where CPSN PM2 performance continued to track below Target performance.</p> <p>The OPSG noted that this work had taken a long time. The OPSG urged the DCC to ensure that the lessons learnt from this project be applied systematically across future DCC remediation projects.</p>		
Major Programmes	<p>Major Programmes of work have been the subject of review and comment at Sub Committees. Detailed plans and sets of requirements have not materialised in a suitably formal and structured way, which would be appropriate considering the significance of the programmes. when requested together with detailed engagement plan for planning purposes.</p>	<p>The DCC has deployed noticeable effort in engaging on major programmes. However, the quality of engagement has been moderate. For example, it has been extremely difficult to obtain formal engagement plans, and formal planning and requirements documents.</p>	<p>It seems that “forced” extensions of existing contracts has been necessary on occasion, when better planning could have been commercially and operationally advantageous to the DCC (and, consequently, SEC Parties).</p> <p>There was concern about the constraints and risks that Intellectual Property Rights (IPR) ownership placed on the Data Service Provider (DSP) re-procurement approach; such matters should have been resolved earlier through an agreement/ clarification of contract exit provisions.</p> <p>Particularly in relation to the DSP re-procurement, there was concern that the performance of the incumbent was not given sufficient weight in proposing the procurement approach.</p>

Topic	Service Quality	Engagement	Contract Management
Overall Engagement with OPSG	<p>The DCC has deployed considerable effort in participating in and working with the OPSG. Overall the DCC has provided and responded to requests for information from the OPSG. There has been a good amount of cooperation and acknowledgement of issues and a willingness to engage with Users. The DCC has actively participated in developing operational reporting beyond that formally required in the SEC PMR, which has been a valuable input into the OPSG's work.</p> <p>Whilst acknowledging this good engagement, the quality of such engagement does not consistently match the commitment: presentations can be of variable quality and can fail to address key points (for example, report formats, clarity, identification of and focus on key features and consequent proposed actions, and the presentations on major programmes described separately in this table).</p>		

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
1	Operational Review / Improvement	Price Change Events / EBSS	<p>These externally driven, national priorities caused considerable stress to the DCC services, with consequent risk to Users and end consumers. The DCC was prompt in committing to ensuring it was appropriately supported. However, initially this commitment was not adequately carried through in systematic and detailed preparations. This was rectified by the DCC by Quarter 4.</p> <p>Following issues with early Price Change events in the Regulatory Year, the DCC employed considerable effort facilitating and monitoring Price Change and</p>	<p>The DCC engaged actively with the OPSG and Users in preparing for and reviewing these events. It was disappointing that, initially, the common recognition of the high priority of this work did not translate into sufficiently detailed preparations. This was rectified by the DCC following early shortcomings.</p> <p>The DCC regularly provided updates to Parties in the run up to the Energy Price Change and EBSS events. Whilst these communications were welcome and generally built on previous messaging and lessons learned,</p>	<p>It is unclear how well the importance of these events was initially communicated by the DCC to Service Providers and how well they responded. Subsequently, intense focus on Service Provider readiness paid dividends in clear improvements. Feedback from early Price Change Events was provided to Service Providers to ensure improvements and lessons learned were being applied. Initial reports that Service Providers were well prepared seemed to be unfounded with little tangible improvement until the end of 2022.</p>

Managed by

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
			<p>EBSS events, combined with collaboration with all Service Users, to achieve an improved level of success each time these were executed. This resulted in improvement as the year progressed. For example, the readiness of Service Providers was eventually given intense attention, change freezes were introduced ahead of events, and there was the provision of guidance for Users. Despite these actions issues were experienced by Users during these events.</p> <p>The DCC responded well to the new government policy for the EBSS over Winter 2022-23. However, Parties continued to raise similar issues after each implementation of the EBSS updates that there was a need to strengthen messages to Users so impacts could be better understood, and mitigating actions taken.</p>	<p>the events themselves have not run without impact to overall service stability.</p> <p>The initial briefings to the OPSG after price change events have been provided quickly, but the consequent resolutions of problems has been slow.</p>	

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
2	Operational Review / Improvement	SMETS1 Final Operating Cohort	<p>The FOC performance has fallen short throughout RY22/23. This is particularly concerning given comparatively low volumes of activity within the FOC. Performance was expected to be much better.</p> <p>There appear to be fundamental issues with the service that the DCC continues to try and resolve. for example, incidents relating to Dual-Band Lock issues were investigated during the period.</p> <p>Several initiatives were undertaken throughout RY22/23 but no overall improvement in performance resulted.</p> <p>The FOC underwent a Heightened Service Management (HSM) plan, to correct the issues being experienced; updates against the HSM were provided to the OPSG. Whilst delivering the HSM, the DCC informed the OPSG that further remedial service issues had come to light requiring additional work.</p>	<p>Issues with the performance and the communication of the performance of the FOC cohort continued throughout RY22-23.</p> <p>The DCC did keep the OPSG updated throughout the year, albeit performance did not improve despite the expected outcomes promised and no overall improvement in the FOC performance.</p>	<p>There appears to be failings in the contract management of the FOC Service Provider arrangements. One example of this is that, despite the clearly observed shortfalls, the DCC has been unable to apply service credits to the Service Providers.</p>

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
			In November 2022, the DCC informed the OPSG further improvement plans would be implemented in December 2022, with positive results expected by the February 2023 reporting period. The intended improvement did not materialise.		
3	Pre-Operation	Technical Refresh – DSP	<p>The planning, communication, and execution of this activity in the previous RY had been extremely poor. This pattern of unsatisfactory performance continued in this RY.</p> <p>A revised plan, requiring a continuing high level of service outages with consequent impact on Users, was set out by the DCC.</p> <p>Several attempts were made by the Service Provider during the year to execute these planned activities. Changes were planned for May and October; both were unsuccessful and aborted.</p> <p>In January 2023 the DCC advised the OPSG that further attempts to carry out the DSP Tech Refresh would be undertaken in March 2023 and proposed a further six</p>	Engagement has been frequent, with the OPSG advising on the acceptability of revised timings to attempt planned changes and updates to the DSP. There has been some improvement compared to the previous year with the DCC engaging Parties on timings of Maintenance. This now forms part of the Annual Outage Plan.	<p>Failings in this area must raise concerns about the capability of the Service Provider, and the extent to which the DCC has been able to ensure it delivers this refresh. Any steps taken with the Service Provider, to ensure the necessary changes and issues are resolved satisfactorily, did not lead to a successful outcome.</p> <p>SEC Parties do not have any visibility of any contractual levers that should have been applied. Further, it is not clear how explicitly the issues experienced and lessons learned are being applied to the new DSP procurement.</p>

Managed by

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
			Hour High Impact maintenance window in June 23 be extended to eight hours. This was included in the Annual Outage plan for 2023/24.		
4	Pre-Operation	Annual Outage Plan covering planned maintenance and planned BCDR activities	<p>Planning</p> <p>Annual Outage and BCDR plan was agreed, but later in the year than preferred.</p> <p>The OPSG agreed an Annual Outage ad BCDR plan for 2023/24 at the end of RY22/23.</p> <p>The planning process for the Outage Plan for 2023/24 has improved based on learning and feedback from previous attempts for 22/23.</p> <p>Plan Content</p> <p>Concerns were raised regarding High Impact Maintenance Windows coinciding with EBSS Price Change Events in October 2022. The DCC acknowledged these concerns and explained that moving the outage date might result in the need for a further</p>	<p>The Annual Outage Plan produced by the DCC enables a much-improved outage planning process and allows more considered User input. It is recognised that the DCC has undertaken this necessary work, even though there is no explicit SEC obligation to do so.</p> <p>An extensive set of Planned and Unplanned Maintenance undertaken. Communications were variable.</p> <p>The DCC and the OPSG have engaged regularly on Planned Maintenance and outage planning throughout RY22-23.</p> <p>The planning and discussion ensured the DCC takes note of all known events, the output of which should be helpful for all SEC Parties. The result has been useful</p>	The DCC is commended for completing and agreeing the Annual Outage Plan with its Service Providers

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
			<p>second outage. The DCC explained that the plan did not originally take tariff changes into consideration. SECAS suggested that despite the DCC's reassurance, the proximity of these events as was planned was still risky. OPSG members indicated a preference for deferring the High Impact Maintenance Window October 2022 and the DCC agreed to undertake a further Risk Assessment which resulted in the date of the Planned Maintenance moving.</p> <p>Plan Execution</p> <p>An extensive series of maintenance activities was undertaken throughout RY22/23.</p> <p>(Additional 36 hrs 44 mins of Unplanned maintenance and 52 hrs 7 mins of additional planned maintenance requested over the RY22/23).</p> <p>SEC limits planned maintenance to six hours per month.</p>	<p>but has taken considerable time and effort to achieve.</p>	

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
			Attempts to carry out a BCDR exercise in October 2022 were postponed, leaving SMETS1 FOC untested and non-compliant for the RY22/23.		
5	Pre Operation	Outage Strategy	<p>A long standing request of the OPSG (over two years) to have the DCC provide its overall strategy for containing and reducing outages remains outstanding for the RY22/23. The proposed goal of reducing outages was welcomed, but no coherent strategy to achieve it has yet been presented.</p> <p>This strategy is required so Parties have a clear view and understanding of the DCC's overall aim for managing outages and how it aims over time to reduce the volumes and durations to a more reasonable level, such that these do not impact Users and consumers</p>	<p>Poor engagement. Little to no resolution or movement forward in relation to the development of an overall strategy.</p> <p>The request for an Outage Strategy remains unfulfilled and a shortfall for the RY22-23.</p>	<p>It is unclear how Service Providers have been engaged on this topic.</p> <p>This outage strategy would have been a valuable input for the major re-procurement exercises being undertaken.</p>
6	Operational Review / Improvement	Supply Chain	The majority of Communication Hub (CH) deliveries were delivered on time in compliance with the SEC.	Overall good engagement. Proposals to extend temporary and make enduring changes to the ordering and forecasting of CHs in response to global supply chain	

Managed by



Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
			<p>However, there was late delivery of CHs for Fylingdales region in CSPN.</p> <p>In response to global supply chain issues MP140 introduced stock transfer capability (implemented November 2022), which enables Users with more stock than required to transfer to Users that need this. In addition, the DCC extended, with agreement from Users, the Temporary Communications Hub Ordering & Delivery Rules (TCHODR) in September 2022. The DCC also instigated MP215 to amend on an enduring basis the CH Ordering and Forecasting arrangements, to mitigate future risks to the global supply chain.</p>	<p>issues were generally well supported.</p>	
7	Planning / Change	2G/3G Sunset (pre CTG discussions)	<p>The DCC began initial discussions on replacement for 2G/3G Communication Hubs and the planned sunset of 2G/3G in the early part of the RY22/23. A register of outstanding question relating to how the planned activities would be undertaken was collated. Resolution of those</p>	<p>Some engagement throughout RY22/23. Questions for the programme were raised but responses were slow.</p> <p>The DCC has actively supported the establishment and operation of the new CTG.</p>	<p>The DCC has had a difficult task in ascertaining the detailed plans of the network operators but have had reasonable success.</p> <p>The formal contract position with these providers has not always been clear to SEC Parties (e.g. in</p>

Managed by



Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
			<p>questions was slow, but probably reflecting challenges in engaging with the network operator.</p> <p>In order to provide sufficient time and resource appropriate to the complexity and significance of the issues, the Panel determined that a separate Sub Committee, the Communication Transition Group (CTG), would be set up to coordinate transition planning and act as the primary contact for SEC Parties.</p>		regard to extensions, and the terms for such extensions).
8	Operational Review /Improvement	CH Exceptions	Reported numbers of CH exceptions remained relatively stable throughout 2022. with a decrease of some exception types reported in the CSP Central & south (C&S) regions but some signs of increase in the CSPN.		
9	Operational Review /Improvement	Incorrect Distribution Network Operator (DNO) Certificates	The DCC provided good reporting to DNOs, Suppliers and the OPSG to enable this to be addressed	The DCC provided useful and good reporting and support to Suppliers identifying issues.	

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
10	Planning / Change	<div>Winter Power Outage</div> <div>Adverse Weather Process</div>	<p>Following concerns the DCC confirmed that its systems, processes, and those of its Service Providers were ready in the event of winter power outages.</p> <p>The DCC provided an update on the potential winter power outages.</p> <p>The DCC reported that it has confirmed readiness of DCC and Service Provider sites to maintain service in the event of Power Outages. The DCC also confirmed that its services are resilient to unusual network traffic which might result from power outages and reconnections. The DCC confirmed that in the event of power outages, no special actions by DCC Users would be required.</p> <p>MP166 was raised June 2021, and subsequently withdrawn in June 2023 because the DCC determined that the modification was not necessary to implement the required process.</p>	<p>The DCC provided appropriate assurances to Parties on resilience to winter power outages.</p> <p>MP166 was left in a suspended state for an extended period whilst the DCC determined what it would do. Meanwhile, the Adverse Weather Process remained in trial for an apparently indefinite period. There was no formal documented end to the trial in the RY.</p>	<p>There appears to have been a good level of engagement with the DCC Service Providers to provide assurance to Parties.</p> <p>We understand DCC overcame challenges from the Service Providers to implement the Adverse Weather Process.</p>

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
11	Planning / Change	Great Britain Companion Specification (GBCS) 4.1 (Programme)	The first such deployment of CH GBCS Firmware under enduring SEC governance. The OPSG agreed dates, approach and timelines, and proposals for pilot and deployment strategy including provision of single pallet for only Single Band or Dual Band CHs.	<p>Regular and useful updates provided to the OPSG. The DCC communicated very well with the OPSG and was transparent on issues.</p> <p>Issues arose over Initial Pallet Validation (IPV) of the CHs but were resolved in collaboration with the OPSG.</p> <p>It has subsequently (in RY 23/24) become apparent that the consequences of a “last buy” decision elsewhere in the DCC in the RY were not clearly reflected in the communications to the OPSG.</p>	
12	Operational Review / Improvement	Spurious Alerts	<p>The reduction of the volume of Spurious Alerts were the subject of activity in the prior RY21/22 and fixes deployed via Firmware continued through RY22/23 to mitigate issues.</p> <p>The volumes for the RY22/23 remained relatively constant although an increase in 8F3E Alerts was noted with the DCC undertaking work with impacted Users.</p>	Trends and Issues were communicated well, with useful updates and reporting to the OPSG to track the issue. The DCC provided very good engagement with Users and other stakeholders highlighting issues and facilitating corrective actions.	In actively addressing this issue, the DCC has proactively engaged with stakeholders with whom it has no formal contractual relationship.

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
13	Planning / Change	Future DSP	<p>The DCC engaged with Sub-Committees on its preferred options towards a decision on the re-procurement of the DSP. Engagement with Sub-Committees began in detail at the start of 2023.</p> <p>The DCC listed five technical options for consideration in the Strategic Outline Business Case (SOBC) for the DSP Programme.</p> <p>It was noted that the DCC's preferred option was sub-optimal from the viewpoint of the Sub-Committees, and the feedback on the engagement and presentation lacked detail for a decision to be made.</p> <p>This issue has since been the subject of an Authority direction, and the subject of revised delivery plan and approach.</p>	<p>Poor quality engagement. Whilst attempts were made to engage with Sub-Committees, this was late in the day.</p> <p>Structure and detail was lacking and Sub-Committees did not agree with the preferred approach.</p>	<p>The Panel and Sub-Committees believe the approach to re-procurement of the DSP has been left too late. This will necessitate extensions to the current contract. Challenges on IPR ownership which should have been addressed sooner led to technical risks in defining options. It was not clear how the performance of the current service and provider were being considered in the procurement strategy initially proposed by the DCC.</p>
14	Planning / Change	Enduring Change of Supplier (ECoS) Programme	<p>Engagement throughout the year was useful, with governance approach understood by the DCC.</p>	<p>Readiness presentations provided were clear and comprehensive and the roles of Sub-Committees understood, with asks addressed by the DCC</p>	

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
15	Planning / Change	Faster Switching	<p>The Panel and Sub-Committees reviewed readiness criteria for go live, based on the assurances provided that the services could go live without any detrimental impact to the existing SEC Services.</p> <p>A lessons learned review was undertaken following the implementation of the Faster Switching Programme after it went live on 18 July 2022. Overall implementation had gone well.</p> <p>The DCC also noted the changes required to support the management of Gas Day data, which caused an unplanned maintenance outage for SMETS1 MOC & FOC services on 19 July 2022. The DCC noted that this was a one-off event for the Faster Switching cutover activities and was not identified to have such a major impact in initial assessment. The impact was not understood until the detailed Central Switching Service (CSS) cutover runbook was established. The DCC agreed it would provide clearer details of User impacts when communicating</p>	<p>The communication and review of live services criteria was well presented and received by Sub-Committees and the Panel.</p> <p>However, early statements by the DCC that the Smart Metering and Faster Switching Services can be operated and managed entirely independently have not been entirely borne out.</p>	

Managed by



Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
			<p>changes with Industry stakeholders and would include detailed steps addressing non-core service providers in its runbooks.</p> <p>An issue occurred resulting in an Incident in August, which was managed; however concerns were raised by OPSG that the correct Incident Management process was being followed.</p>		
6	Operational Review / Improvement	Firmware WNC CH Issues	<p>The impacts of two major incidents and the related defects continued to cause issues for Users throughout RY22/23. The root causes are yet to be identified; it is therefore unclear if this may occur again in future CH versions.</p> <p>INC000000832699: This Incident involved the Home Area Network (HAN) Device “whitelist” file becoming corrupted in CHs following an unplanned reboot. This impacted Users and end consumers. There were initially 14,200 CHs impacted; that has since risen to around 20,000, and the root cause is not yet identified. Site visit required to replace CHs</p>	Good regular updates from the DCC throughout the year on volumes, but little progress as to understanding the root cause of the issues or any other means of rectifying the problems (whitelisting) to avoid site visits.	<p>Unclear if steps were taken with Service Provider to ensure problems do not resurface in later product versions.</p> <p>The quality assurance undertaken by the Service Provider and signed off by the DCC appears to be sub-optimal in this instance, allowing defective firmware into operation.</p>

Managed by

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
			<p>and rectify issue. Concerns raised over the DCC's ability to triage returns such that the problem is apportioned correctly. Questions raised as to who should bear the costs of replacing Devices. Poor service provision by the DCC is considered by Ofgem in its Price Control regulatory processes.</p> <p>There are concerns that issues should have been discovered during the testing phase, thus avoiding consequential costs for engineers to attend sites to resolve the "whitelisting" issue.</p> <p>INC000000848418: This Incident involved CHs losing connectivity to the network. This impacted Users and end consumers. The problem is due to the Packet Data Protocol (PDP) dropping and self-recovering during a re-boot, but the root cause is not yet identified. A tactical fix was deployed to prevent any further CHs being affected; remediations will require a new firmware version (v4.1.0.3) that was planned for November 2022.</p>		

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
			Around 250,000 CHs were identified with the issue.		
17	Planning / Change	DCC Annual Business Development Plan (BDP)	In June 2022, the OPSG fed back to the DCC the very short timescale to respond to the DCC BDP consultation which led to a lack of stakeholder engagement. The DCC agreed to review the process in advance of the next year's planning cycle.	Poorly managed by the DCC. Particularly short timescale for Parties to respond to BDP consultation.	
18	Planning / Change	CSPN Scaling & Optimisation (Programme)	<p>The ongoing work forms part of a broader strategy to improve operations in CSPN. Updates were provided to the OPSG, and to the Smart Meter Delivery Group (SMDG) under transitional governance arrangements.</p> <p>Regular updates provided throughout the year, where the DCC presented findings from modelling work exploring a number of technical resolutions to issues (for example expanding the Radio Frequency Channels available to six, to increase system capacity). Whilst updates were provided, Users were not directly able to input into the detail of the proposed</p>	<p>Regular updates were provided by the DCC. The scope of the overall work was not communicated particularly well and appears to have evolved; it is now recognised that this work will not provide the overall strategy for CSPN that SEC Parties originally believed it would.</p> <p>Concerns were raised about focus on technical solutions without input from Users directly. Such input may have benefitted the programme in determining which potential solutions to explore for greatest benefit.</p> <p>The OPSG emphasised the need to consider non-technical options (such as process changes to make</p>	

Managed by

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
			solutions or modelling being undertaken. Concerns were raised that the DCC could end up investing in technical solutions with Service Providers which become obsolete. Several requests made for an engagement plan to be provided and that potential solutions consider both technical and non-technical requirements	better use of installed service capacity) and it was disappointing that this was not pursued by the DCC (this has been rectified by the DCC more recently)	
19	Planning / Change	DCC Service Management System (DSMS) Programme	<p>The DCC provided updates to the OPSG at regular intervals throughout the RY/223.</p> <p>Whilst slides presentations were useful, no overall formal plan documents were shared.</p> <p>Parties requested clearer plans and milestones to be able to feed into the requirement gathering process, to ensure that the new DSMS Service Provider arrangements remained compliant with SEC Appendix AH and AI and the Self-Service Interface (SSI) change governance processes.</p>	A sub-optimal approach to engagement and gathering requirements, without a clear plan and process in place. A better-structured approach was subsequently set out by the DCC	
20	Pre Operation	SEC Releases	Through RY22/23 the OPSG undertook progress towards readiness reviews and, ultimately,	There is a well understood process by which Programmes and Releases that require a LSC	

Managed by

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
			<p>readiness reviews for the June 2022 and November 2022 SEC Releases against a set of Live Service Criteria (LSC). The DCC provided its assessments at regular stages prior to a final decision for go live prior to each release. Presentations included a 'Harvey Balls' summary, noting that most of the components were on track, meaning that they were built, tested and ready for deployment.</p> <p>In review of the evidence provided prior to the June 2022 SEC Release, the OPSG concluded that LSC1, LSC2, LSC7 and LSC8 should be regarded as Amber but that this would not impact the Go Live recommendation. It did request that further information be provided at a later meeting. This detailed was provided and the OPSG concluded that LSC1 and LSC6 could be changed from an Amber to a Green classification but that LSC2, LSC7 and LSC8 remain as Amber but, as before, this decision would not impact the Go Live recommendation.</p>	<p>readiness review are managed by Sub-Committees.</p> <p>The DCC provided useful and timely information for these discussions to be undertaken at suitable intervals prior to a programme or release go live decision.</p> <p>Whilst this engagement was good, it would have been useful if internally the DCC had fully communicated the established approach to all staff involved.</p>	

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
			In review of the November 2022 SEC Release, the OPSG accepted the DCC's statement of readiness but noted that LSC5 will be an Amber status until there is a confirmed view on User readiness to meet the CR4427 requirements. The OPSG agreed that the November 2022 SEC Release could be set live.		
21	Operational Review / Improvement	OPSG Issues Log	<p>At the start of the RY22/23 the OPSG was managing 39 open issues relating to systems and services. At the close of RY22/23 the OPSG had 43 open issues. There were five new issues added to the log during the period and one old issue closed.</p> <p>Work continues to review and progress resolution to all service and system issues.</p> <p>New Issues topics added:</p> <ul style="list-style-type: none"> • WNC Comms Hub Whitelist • WNC Comms Hub PDP • Non communicating Comms Hubs 		

Managed by

Ref	Scope Area	Topic	Service Quality	Service Engagement	Contract Management
			<ul style="list-style-type: none"> Other SEC Party usage N56 Alerts <p>Issue closed:</p> <ul style="list-style-type: none"> DCC Order Management System 		