



Ofgem Consultation Revised OPR Guidance January 2024

Date: 23/02/2024

Document Classification: DCC Public

Executive summary

DCC welcomes the opportunity to respond to Ofgem’s proposals on the OPR guidance.

For any economic incentive, all attainment criteria must be designed so that they are SMART (i.e. Specific, Measurable, Achievable, Relevant and Time-bound). This way we can control, measure, and achieve the incentives that are available to us. Currently, the only SMART part of the OPR is the “Systems” measures. As such, the contract management and customer engagement aspects of the OPR will also need to become SMART which requires much more transparency around what “good” looks like. One way of achieving this is the introduction of clear “success factors” that are in themselves SMART that can be tracked throughout the year.

Whilst we welcome some of the proposed changes, we also have some concerns. In summary:

- **We have concerns with the proposal to move 10% from the weighting of system performance to contract management** – We do not support having significant weight placed on measures which are subjective and for which DCC is unable to track its performance in-year. (See Section 2 below).
- **We welcome the zero weighting of SRV8.11** – We would support this change taking effect from RY23/24. (See Section 3 below).
- **We have several concerns around the proposals to amend the scope of the contract management audit** – These include the proposal to include DCC’s management of the end of the licence and the ‘cherry picking’ of procurements. (See Section 4 below).
- **We welcome the proposal to reduce the number of customer engagement questions from 9 to 3** – We propose some further changes for clarity. (See Section 5 below).
- **We have some concerns around Ofgem’s proposals to introduce decimalised scoring** – The criteria for applying these decimal point differences are not sufficiently clear. We also propose some clarifications to the scoring framework. (See Section 5 below).

We discuss these topics in more details in the sections below.

1. Introduction and context

DCC welcomes the opportunity to respond to Ofgem’s proposals on the OPR guidance. The OPR is designed to incentivise DCC to run a high-quality service for its customers by placing baseline margin at risk. There are currently five active performance measures under which DCC is financially incentivised:

1. System: service availability
2. System: install and commission
3. System: prepayment (interim response times)
4. Customer engagement
5. Contract management

The operation of the OPR is supported by the OPR guidance document which explains the OPR framework, assessment and processes. DCC has worked collaboratively with Ofgem in recent months regarding the changes included in the revised OPR guidance issued in January 2024. Please see our responses to the consultation questions below.

2. OPR weighting changes

Q1: What are your views on the proposed weighting changes?

DCC opposes the proposal to move 10% of the OPR weighting from system performance to contract management. While we understand the importance of reviewing the weightings to best reflect appropriate incentivisation, DCC does not believe that sufficient justification has been provided and would welcome further explanation regarding the rationale behind this.

System performance is determined by a set of agreed measures and has proven to be a reliable and objective metric that directly reflects the tangible outcomes of DCC's efforts. This approach also allows DCC to effectively track performance in-year and respond as necessary. In fact, we can see that objective incentives of this nature work because we have seen improvements in performance.

DCC has worked extremely hard on improving the measures for system performance which is of particular importance to our customers. We have shown that well-designed incentives allow DCC to focus its efforts on performance improvements, which we have seen in system performance outcome for RY22/23, and we are expecting for RY23/24. However, this cannot be taken for granted and DCC has a tough task replicating this next year.

The proposal to increase the contract management weighting raises concerns regarding transparency and suggests the OPR should be considered a form of penalty for underperformance, rather than an incentive regime. DCC has serious concerns that this decision could disincentivise colleagues to improve in certain areas where they may have struggled in the past, as it seems that their efforts are being disproportionately penalised.

The OPR should incentivise best practice and encourage continuous improvement. DCC is of the opinion that the proposed weighting changes are not only unjustified but a direct contradiction of that sentiment.

3. SRV8.11

Q2: What are your views on adjusting the weighting of the SRV8.11 performance measure for the remainder of the interim OPR?

DCC is supportive of a zero weighting for the SRV8.11 performance measure for the remainder of the interim OPR. SRV8.11 is a measure outside of DCC's full control. This is a view also supported by the industry through the Operations Sub-Group (OPSG). We believe by zero weighting SRV8.11 for these reasons sets the right precedent for measuring DCC performance. We would have welcomed this change to take place this RY to reduce the reporting requirement to make the case again to zero weight SRV8.11 in the RY23/24 price control submission but also to provide regulatory certainty to the business.

We would also like to request clarity on the changes necessary to the Regulatory Instructions and Guidance (RIGs) and assume these changes will take place during the annual RIGs review unless informed otherwise.

4. Contract management audit

Q3: What are your views on the proposed changes to the contract management Terms of Reference? Do you agree with our proposals?

DCC has reviewed the proposed amendments and additions to the contract management Terms of Reference and have summarised our views below.

Face-to-Face Meetings

DCC welcomes the opportunity to meet with the auditor face-to-face and facilitate on-site visits. We believe this will help to aid communication and further support the auditing process.

Requests for Further Information

DCC agrees, in principle, with allowing the auditor to request further information to aid its investigation. However, we consider that the following conditions should apply:

- The information requested should relate to the procurements, re-procurements, and contracts within scope of the audit only; and
- The auditor should provide justification and explanation on why further information is required, how it supports the audit, and specifically to which supporting question in the NAO framework it relates.

This will ensure that requests remain reasonable and relevant to the objectives of the audit.

Auditor Recommendations and Assessment of Improvements

DCC is supportive, in principle, of allowing the auditor to provide their recommendations formally to DCC. However, we consider that the following conditions should apply:

- Any recommendations should be formally agreed trilaterally between the auditors, Ofgem and DCC; and
- The recommendations should be SMART (Specific, Measurable, Achievable, Relevant and Time-bound) with a focus on specific, measurable, and relevant.

If DCC is to be assessed against the recommendations made by the auditor in future years it is imperative that these are understood and agreed by all parties, removing any ambiguity. Without this agreement, the proposed amendment would only serve to make the contract management audit more subjective. Throughout the auditor's assessment there also needs to be increased rigour and transparency provided in the scoring, including clarity provided in-year so DCC can pivot or invest accordingly.

Inclusion of the Re-Procurement of Data Service Management Systems (DSMS)

DCC does not feel sufficient rationale has been provided to justify the inclusion of the Data Service Management System (DSMS) re-procurement, after 3 years of omission. We request clarity on why the DSMS was not originally included in the scope of the audit and importantly why the proposal is only now being made to include it.

Assessment of DCC's preparation for the end of the Licence

DCC disagrees with the proposal to include any assessment of Licence renewal activity, including preparation for Licence end date as part of the OPR contract management measure. The exact Licence end date is still unconfirmed but could be as much as 5 years away.

There is already a mechanism in place to take on feedback, recommendations and assess overall preparedness for the Licence end date in the form of the Business Handover Plan (BHP) and associated consultation. The BHP sets out (amongst other aspects) the methodology for achieving a successful handover and provides extensive detail on how progress towards the business transfer to the successor licensee will be monitored and assured. The BHP implementation will also be overseen by the Joint Handover Steering Group.

Additionally, it is unclear to DCC how the auditor will objectively assess and score DCC's preparedness for the Licence end date. The consultation document loosely references using Section 7 of the NAO framework for assessment, but the supporting questions are focused on the formation of new contracts, enabling re-bidding, and leveraging insights from existing contracts when developing new ones. These questions do not support the evaluation of preparation for Licence end, and therefore extending the scope of the auditor's powers to include the assessment of DCC's obligations in the context of the BHP only introduces further ambiguity and subjectivity into the assessment.

Further to this, DCC does not agree with the inclusion of Capita contracts as part of the Licence end date preparation assessment. Capita contracts are not listed within the scope of contracts to be assessed as part of the audit and we believe that this is an example of further unjustified scope creep. Should assessment of DCC's preparedness for the Licence end date be included as part of the contract management measure, only the contracts and suppliers included in the original OPR Terms of Reference should be considered for review.

Q4: Do you consider any further changes are required to expand the Terms of Reference?

We have previously identified changes required to the Terms of Reference and have listed these suggestions below:

- A requirement for the final audit report, including the proposed score, to be shared with DCC at the same time it is shared with Ofgem. We also believe there is merit in the auditor providing rationale for the final derived scores and if there are any further changes to the final scores that these changes are referenced against the rationale for each score.
- If a score is awarded to DCC, that is lower than the independent auditors, then specific clarification as to which sections of the auditor's findings have been reduced should be provided to DCC.
- Version numbers and dates should be added to the published ToR to make it easier to locate the latest version in effect and to track any changes.

On a final note, we want to ensure there is no overlap between the performance assessment of the contract management element of the OPR and any other areas of price control, as it would be unfair to penalise DCC twice for the same issue. DCC previously fed back that the NAO Framework may not be the most suitable framework to use for the OPR as it is overly restrictive, does not suggest appropriate next steps, remediation techniques nor does it offer suggestions or prioritisation for follow up actions to drive improvements to DCC's contract management. We would still welcome and support Ofgem in any investigations they undertake into alternative frameworks.

5. Customer engagement

Q5: Do you agree with the proposed changes for customer engagement?

DCC welcomes the proposal to reduce the number of questions from 9 to 3. Fewer questions are likely to elicit responses from a broader range of customers and less duplication in responses than the current assessment.

The new iteration of the timing and frequency of engagement question asks respondents to consider "general updates, reactive engagement, and unplanned issues" in their assessment of DCC's timeliness but omits strategic engagement as part of these engagement scenarios. This will result in some important aspects of DCC's engagement being excluded from consideration, for example, its timeliness in obtaining customer input on key strategic programme decisions. The scope of DCC's activities should therefore be extended to include strategic engagement and we have set out some suggested changes to Table 4.1: Customer engagement assessment criteria of the OPR guidance below.

Aspect of customer engagement	Assessment questions	Weighting
Timing and frequency of engagement	1. Has the DCC communicated with its customer at appropriate times to seek their views and provided timely updates on its activities? (This includes providing general updates, reactive engagement, strategic engagement and unplanned issues) Please provide your rationale.	25%

Q6: Do you think any additional considerations need to be made for customer engagement?

DCC is disappointed that Ofgem has not taken on board its concerns over introducing decimalised scoring without clear criteria for applying these decimal point differences. A primary objective of any scoring mechanism should be that scoring is able to be consistently applied by all stakeholders, is clearly linked to performance criteria and helps DCC to understand where it needs to take action to improve. While the ability to apply a decimalised score may more easily serve SECAS' approach (whereby customer scores are averaged to produce the final score), a 30-point scale is far too granular to be helpful in supporting DCC's own scoring decision, which does not rely on rounding averages.

For example, distinguishing between whether we would score ourselves a 2.3 or a 2.4 for a question without additional criteria for measuring this difference is so granular that it fails to provide a meaningful assessment of performance progress. This is likely to lead to arbitrary scoring and reduce clarity on how performance is assessed.

We suggest that:

- the criteria for any decimal point difference is clearly defined in the guidance; and
- rounding is limited to half point granularity (i.e. 3, 2.5, 2, 1.5 etc) to enable consistent and meaningful scoring across both DCC and SECAS.

We suggest that the scoring descriptions are updated to make the language simpler and more consistent across all scores.

For example, we propose the following changes and text is included to support Table 4.3: Scoring framework in the OPR guidance:

Score description to support a score of 3:

- *Strong evidence that DCC meets the required standard with minor areas of improvement.*

Score description to support a score of 2:

- *Some evidence that DCC meets the required standard with a few material areas of concern.*

Score description to support a score of 1:

- *Minimal evidence that DCC meets the required standard with several material areas of concern.*

Score description to support a score of 0:

- *No evidence that DCC has met the required standard with multiple material issues of concern.*

The clarity of the criteria for scoring evidence is currently not covered in the scope of Ofgem's proposed changes, despite this being raised consistently by DCC as a barrier to assessment transparency. We suggest that the examples of evidence are updated as this will make it clearer what standard of evidence is required in each case.

For example, we propose the following changes and text is included to support Table 4.3: Scoring framework in the OPR guidance:

Examples of evidence to support a score of 3:

General:

- *Engagement approach is systematic and consistent, with clear mechanisms for sharing information that are informed by customers' preferences.*

- *A wide range of customers are engaged via a wide range of methods that recognise different customer access and information needs.*

Timing and frequency of engagement:

- *Customers are proactively enabled to feed in views at appropriate points in decision making cycles. Customers know when they can contribute views and are provided with sufficient and proportionate lead times to do so.*
- *Broader engagement (e.g. general updates, reactive engagement on unplanned issues impacting customers) is delivered in a timely manner and with sufficient frequency.*

Quality of information provided by DCC:

- *Customers are always provided with information of sufficient quality and detail to enable them to compare the costs and benefits of different options, and understand the drivers of those costs and benefits, without compromising commercial sensitivity.*
- *Customers are provided with sufficient quality of information in DCC's broader engagement (e.g. general updates, reactive engagement etc) to understand the issues and the actions DCC is taking.*
- *Information provided is always appropriate to the relevant audiences.*

Taking account of customer views:

- *Customers understand on which issues their views will inform decision-making.*
- *Customers are informed on how their views have been taken into account, including DCC's rationale for decisions made, how customer views have informed our decision making, and where relevant why DCC has decided not to incorporate these views.*

Examples of evidence to support a score of 2:

General:

- *Engagement approach is partially systematic but may lack consistency in some areas.*
- *Mechanisms for sharing information are partially understood by customers, but some key gaps may remain.*
- *A range of customers are engaged. Some evidence that different methods are used which recognise different customer access and information needs.*

Timing and frequency of engagement:

- *Some, but not all, opportunities are pursued to provide Industry with visibility on key topics.*
- *Customers are proactively enabled to feed in views at appropriate points in decision making cycles.*
- *Customers usually know when they can contribute views and are usually provided with sufficient lead times to do so. Broader engagement (e.g. general updates, reactive engagement on unplanned issues impacting customers) is delivered in a timely manner and with sufficient frequency.*

Quality of information provided by DCC:

- *Customers are often provided with information of sufficient quality and detail to enable them to compare the costs and benefits of different options, and understand the drivers of those costs and benefits without compromising commercial sensitivity.*
- *Customers are provided with sufficient quality of information in our broader engagement (e.g. general updates, reactive engagement etc) to understand the issues and the actions DCC is taking.*

- *Information provided is appropriate to the relevant audiences.*

Taking account of customer views:

- *Customers usually understand on which issues their views will inform decision-making.*
- *Customers are usually informed on how their views have been taken into account, including DCC's rationale for decisions made, how customer views have informed our decision making, and where relevant why DCC has decided not to incorporate these views.*

Examples of evidence to support a score of 1:

General:

- *Engagement approach is inconsistently applied. There may be isolated examples of good engagement practice across some limited areas.*
- *Limited evidence that different engagement methods are used or that a range of Customers are engaged.*

Timing and frequency of engagement:

- *Customers do not always understand when they can contribute views and are not always provided with sufficient lead times to do so. Broader engagement (e.g. general updates, reactive engagement on unplanned issues impacting customers) is not always delivered in a timely manner or with sufficient frequency.*

Quality of information provided by DCC:

- *Customers are rarely provided with information of sufficient quality and detail to enable them to compare the costs and benefits of different options and understand the drivers of those costs and benefits.*
- *Customers are not provided with sufficient quality of information in DCC's broader engagement (e.g. general updates, reactive engagement etc) to understand the issues and the actions DCC is taking.*
- *Information provided is sometimes limited, not always appropriate or not always communicated to the relevant audiences.*

Taking account of customer views:

- *Customers rarely understand on which issues their views will inform decision-making.*
- *Customers are rarely informed on how their views have been taken into account.*

Examples of evidence to support a score of 0:

General:

- *Engagement approach is sporadic and / or limited. No clear or consistent mechanisms for sharing information or taking account of customers' communication preferences.*
- *Limited or no Customers are engaged. Little or no recognition of different customer access and information needs.*

Timing and frequency of engagement:

- *Customers do not understand when they can contribute views and lead times, where provided are insufficient.*

- *Broader engagement (e.g. general updates, reactive engagement on unplanned issues impacting customers) is not delivered in a timely manner or with sufficient frequency.*

Quality of information provided by DCC:

- *Customers are not provided with information of sufficient quality and detail to enable them to compare the costs and benefits of different options, and understand the drivers of those costs and benefits.*
- *Customers are not provided with sufficient quality of information in DCC's broader engagement (e.g. general updates, reactive engagement etc) to understand the issues and the actions DCC is taking.*
- *Information provided is limited, not appropriate or not communicated to the relevant audiences.*

Taking account of customer views:

- *Customers do not understand on which issues their views will inform decision-making.*
- *Customers are not informed on how their views have been taken into account.*

The transparency, objectivity and fairness of the framework for assessing the "required standard" of evidence should be further strengthened by highlighting the outcomes and types of supporting evidence that Ofgem would expect from DCC in demonstrating engagement timeliness, quality and taking account of customer views. Without this clarity on what "good" looks like at the outset, there is a significant risk of ambiguity and scope creep over the assessment criteria, with new measures applied to evidence retrospectively.

For example, we propose the following text is included to support Table 4.3: Scoring framework in the OPR guidance:

General:

- *Supporting evidence may include, but is not restricted to:*
 - *Policies and processes*
 - *Extracts from meeting minutes and customer feedback*
 - *Attendance information from meetings*
 - *Evidence of engagement using multiple channels and approaches*
 - *Extracts from customer feedback*

Timing and frequency of engagement:

- *Supporting evidence may include, but is not restricted to:*
 - *Policies and processes*
 - *Extracts from meeting minutes and customer feedback*
 - *Engagement plans*
 - *Strategic risk assessments*
 - *Consultations*
 - *Data on paper timeliness*
 - *Policies and processes for communicating with customers*
 - *Monthly reports and data covering performance of the network and DCC's response*

Quality of information provided by DCC:

- *Supporting evidence may include, but is not restricted to:*
 - *Policies and processes*
 - *Extracts from meeting minutes and customer feedback*
 - *Presentation slides and papers*
 - *Customer consultations and surveys*
 - *Evidence of the channels and approaches used to engage on key issues.*
 - *Key communications via DCC's website and social media channels.*
 - *Monthly reports and data covering performance of the network and DCC's response*
 - *Evidence of information provided to customers as part of DCC's broader engagement*
 - *Attendance information from meetings*
 - *Customer materials provided for key engagements*
 - *Evidence that DCC has considered the relevant audiences for information*
 - *Evidence of how DCC has adapted its engagement approach following customer feedback*

Taking account of customer views:

- *Supporting evidence may include, but is not restricted to:*
 - *Policies and processes*
 - *Consultations DCC published decisions*
 - *Meeting minutes and customer feedback*
 - *Presentation slides and papers*

Finally, DCC would support closer definition of the scope and breadth of the OPR performance areas to mitigate the risk of our performance being double counted across multiple areas. For example, consideration of customer engagement performance should be distinct from operational performance and the ability to manage and communicate with suppliers.

If you would like to discuss any elements of this response further, please do not hesitate to contact us directly.