

Centrica plc
Regulatory Affairs
Millstream
Maidenhead Road
WINDSOR
SL4 5GD
www.centrica.com

Arno Vanden Eynde
Ofgem
10 South Colonnade
Canary Wharf
LONDON
E14 4PU

3rd January 2025

Sent by email to: DCCregulation@ofgem.co.uk

Dear Arno,

DCC Price Control Review: Regulatory Year 2023/24

We broadly agree with Ofgem's minded-to position on almost all aspects of the proposed price control for Regulatory Year 2023/24. The main exception is Ofgem's assessment of DCC's performance in RY 2023/24 under the Operational Performance Regime (OPR).

We are unable to reconcile the proposal that DCC retains the full margin of £6.258m under the OPR given the known issues, well documented at the SEC Operational Group meetings, of some of the elements covered by this incentive. We encourage Ofgem to examine system performance further before coming to its final decision. For example, it is possible that DCC's operational performance is overstated due to the use of allowances and exceptions in Service Providers' reporting.

Centrica's response is not confidential and may be shared. We have responded to the detailed questions in the appendix below. We are always happy to discuss further, please contact either myself or Rochelle Harrison.

Yours sincerely,

Will Webster
Head of Regulatory Economics and Policy
Centrica Regulatory Affairs, UK & Ireland

Appendix – answers to consultation questions

Question 1: What are your views on our proposals to disallow all of the costs associated with the ECoS monitoring solution and integration cyber security programme?

We agree with Ofgem's minded-to position to disallow the costs associated with ECoS monitoring solution and integration cyber security. We are surprised that the monitoring solution was not already included in the ECoS design at the appropriate level.

Question 2: What are your views on our proposed cost disallowance of up to £0.600m in relation to SMETS1 service stabilisation?

We believe the full cost to stabilise the DCO should be disallowed in full to encourage DCC to pursue its Service Provider to recover costs.

DCO instability caused several thousands of FOC devices to be 'bricked' for over a year, effectively switching off smart services to those customers. It took significant management time and effort from British Gas to help DCC to find a workable solution, whilst undermining BG's confidence in migrating further devices to DCC, especially prepayment customers.

We feel that DCC only reinstated applying service credit to SMETS1 Service Providers at the insistence of the SEC Operational Group.

Question 3: What are your views on our proposal to disallow up to £2.481m of costs incurred on the device swap-out project?

We agree with Ofgem's minded-to position to disallow. DCC Users and consumers should not be expected to fund DCC's riskier approach to contract management with temporary funding arrangements, where payment appears to be guaranteed regardless of whether solutions are signed off by stakeholders.

Unfortunately, the proof-of-concept stage of DCC's design identified that the solution was unworkable for BG and would have led to higher than anticipated internal change costs and more importantly, significant process complexity for our engineers. It was at that stage that BG reviewed the business case for Device Swap Out and our Change leadership team decided to stop the development.

Please use evidence previously sent via email to Jakub Komarek (attached separately).

Question 4: What are your views on the following proposed disallowances in relation to increased charges for the SMETS1 interim DCO contract: (a) £0.437m of operational costs incurred in RY23/24 above the indexation adjustment applied on the base contract, and (b) £9.029m in unjustified forecasts over the Licence term?

We agree with Ofgem's minded-to position to disallow.

Question 5: What are your views on our proposal to disallow all costs of the procurement of a replacement DCC Service Management System (DSMS)?

We agree with Ofgem's minded-to position to disallow. We have previously commented to DCC that it is obliged as part of its licence conditions to procure services, such as DSMS, competitively.

Question 6: What are your views on our proposal to disallow £0.515m of costs associated with operational issues and defect fixes within the implementation of an updated version of Great Britain Companion Specifications (GBCS)?

We agree with Ofgem's minded-to position to disallow.

Question 7: What are your views on our proposed cost disallowance of £0.740m related to delays in the TAF programme?

We agree with Ofgem's minded-to position to disallow. We understand that the issues raised by DCC as reasons for increased spend were highlighted to DCC as risks by the Test Assurance Group (TAG), before work began.

Question 8: What are your views on our proposal to disallow £11.347m in forecast FSP External Costs?

We agree with Ofgem's minded-to position to disallow.

Question 9: Do you have any other views on External Costs?

We are pleased to see Ofgem increasing the challenge on DCC's External Costs. Ofgem's views on DCC's contract management through change requests and temporary funding arrangements should also be applied to the contract management measure in the OPR scores.

Question 10: What are your views on our proposal to disallow a 50% proportion of the RY23/24 resource costs associated with the Network Evolution programme?

We agree with Ofgem's minded-to position to disallow.

Question 11: What are your views on our proposals on DCC's approach to benchmarking of staff remuneration for both contractor and permanent staff?

No comments.

Question 12: What are your views on our proposal to disallow a proportion of the costs linked to the activities that we consider not to have been resourced in the most economic and efficient way?

We agree with Ofgem's minded-to position to disallow.

Question 13: What are your views on our proposal to disallow costs directly associated with the Business Accuracy Programme?

We agree with Ofgem's minded-to position to disallow. The Business Accuracy Programme has been challenged by DCC's customers at each QFF and regular updates requested, without comfort that DCC has spent funds in an economic and efficient way, nor has any benefit been adequately quantified by DCC for consumers.

Question 14: What are your views on our proposal to disallow forecast cost variances in RY23/24 and 24/25; and all baseline forecast costs for RY24/25 onwards?

We agree with Ofgem's minded-to position to disallow.

Question 15: What are your views on our proposed position on DCC's System Performance?

We disagree with Ofgem's position to reward DCC with 100% of its baseline margin. There have been widely known and reported (via SEC subcommittees) issues with system performance and reporting accuracy which merit further investigation before coming to a decision.

We believe that the SEC Panel will be submitting additional evidence to Ofgem about the system performance discussions, particularly at SEC Operational Group, which should provide additional evidence.

Question 16: What are your views on our proposed position on DCC's contract management?

We agree with Ofgem's minded-to position.

Question 17: What are your views on our proposed position on DCC's Customer Engagement?

We agree with Ofgem's minded-to position.

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

We agree with Ofgem's minded-to position. Many of the items that DCC has requested baseline margin for are known (or should have been known) at the time of tendering for the Licence. For example needing to produce and revise the Business Handover Plan towards the end of the Licence period.

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

Whilst we do not have enough information to form a view, we agree with Ofgem's minded-to position.

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

No comments.

Question 21: What are your views on our assessment of DCC's performance under the Switching Incentive Regime?

No comments.