

Operational Performance Regime: Principles and Objectives

DCC response





Table of Contents

1	EXECUTIVE SUMMARY				
2	INTRODUCTION AND BACKGROUND5				
	2.1	Background	5		
		2.1.1 Baseline Margin	5		
		2.1.2 Current incentive regimes	5		
	2.2	Live DCC Services	6		
3	SCC	DPE	8		
4	PRINCIPLES				
5	KEY ISSUES				
	5.1	Risk and reward	10		
	5.2	Balanced scorecard, frequency of reporting and assessment	11		
	5.3	Performance baseline	11		
		5.3.1 Benchmarking	11		
		5.3.2 Discretionary reward	12		
	5.4	External dependencies	12		
	5.5	Contracted services and the SEC	12		
	5.6	Flexibility	12		
	5.7	Transition to OPR	13		
	5.8	Further reporting	13		
6	SERVICE USER AND SERVICE DELIVERY				
	6.1	Core DCC service	14		
	6.2	Supporting smart meter rollout	14		
	6.3	Customer service	14		
		6.3.1 Escalated incidents	15		
		6.3.2 Driving consumer outcomes	15		
7	DEV	ELOPMENT AND IMPROVEMENT AND VALUE FOR MONEY	16		
	7.1	Development and Improvement Measure	16		
	7.2	Value for Money Measure	16		
		7.2.1 Management of External Costs	16		
		7.2.2 Development of a robust business plan	16		
8	NEX	(T STEPS	17		
Appendix A –Responses to consultation questions					



1 EXECUTIVE SUMMARY

We will, this year, launch the data communications infrastructure to enable the nationwide rollout of smart meters. Over the next four years, we will move from design, development and testing into delivery of a live service. We will scale to support the smart metering rollout, improve our services to provide the best possible experience to our Users and develop our services to realise the industry transformation made possible by smart meters.

We are regulated in accordance with our Licence, which includes performance incentives placing the Baseline Margin at risk. The purpose of this document is to respond to Ofgem's consultation¹ on the principles and objectives of the DCC Operational Performance Regime (OPR)² which is due to come into effect following the end of the Implementation Performance Regime (IPR)³.

Whilst we broadly agree with the proposed principles and objectives in the consultation, we discuss some additional key points in this response which are summarised below:

- We propose some additional principles to consider in developing OPR, namely that OPR should:
 - effectively balance risk and reward to DCC
 - be reported and assessed over a reasonable amount of time
 - be consistent with the SEC, the Licence and other codes or legislation where appropriate
 - measure performance of activities which are within the DCC's reasonable control.
- We agree with the proposed approach to focus on service user and service delivery measures in the immediate term. We consider that the incentives fall under three broad categories:
 - core DCC service;
 - supporting smart meter rollout; and
 - customer service.
- Whilst we welcome the proposal for a potential discretionary reward, we consider that OPR should include an 'upside' mechanism, to recognise the delivery of high

¹ Ofgem, 22 March 2016, 'DCC Operational Performance regime: Principles and Objectives': <u>https://www.ofgem.gov.uk/publications-and-updates/dcc-operational-performance-regime-principles-and-objectives</u>

² See Schedule 4 of the Licence 'The Operational Performance Regime'

³ See Schedule 3 of the Licence 'The Implementation Performance Regime'



performance in respect of the services provided to users, and by extension, end consumers

- We suggest a balanced scorecard approach to measurement both in terms of individual metrics and time
- We suggest that the OPR does not set incentives against any SEC requirements where DCC does not have a contractual mechanism to apply aligned service levels to providers of Fundamental Service Capability⁴ (referred to in this document as "Fundamental Service Providers" or "FSPs")
- We suggest the use of 'grace periods', as appropriate, to reflect the fact that there is no operational experience currently, against which to create a baseline.

We note that this is the first step towards implementing the OPR, and we welcome the constructive engagement we have had on this topic to date. We are keen to continue to work with you to support in development of a regime which is challenging but achievable.

Please note that we have cross referenced our response to the consultation questions in Appendix A.

We can confirm that no part of this response is confidential and, therefore, we are content for it to be published on Ofgem's website.

⁴ Fundamental Service Capability - has the meaning given to that term in Part J of Condition 16 (Procurement of Relevant Service Capability), as amplified by reference to the particulars set out in Schedule 1 to the Licence (Details of Fundamental Service Capability)



2 INTRODUCTION AND BACKGROUND

DCC will, this year, launch the data communications infrastructure to enable the nationwide rollout of smart meters. Smart meters represent a once in a generation opportunity to transform the energy industry. The rollout of smart meters will help consumers to better understand and manage their energy usage and to make better informed decisions about how they buy their energy. Accurate, near real-time information captured by smart meters will support the energy market in becoming more responsive, efficient and flexible.

The DCC smart meter communication service is a crucial enabler for the energy industry. The service will allow suppliers to install meters in every home and small business across Great Britain. Funded by the energy industry, the DCC network will connect smart meters to the business systems of energy suppliers, network operators and other authorised Users, such as third party intermediaries. It will offer a secure, consistent service for all energy suppliers and avoid the complexity and duplicated costs of energy suppliers procuring their own networks. It will provide the information that will enable Users to develop innovative new services and products.

We are regulated in accordance with our Licence, which includes performance incentives placing the Baseline Margin at risk.

2.1 Background

2.1.1 Baseline Margin

In delivering the DCC smart meter communication service, DCC earns a Baseline Margin which represents the return, to DCC's parent company, for the delivery and management of the DCC Service. This amount was fixed in nominal terms at Licence award. The Baseline Margin associated with the implementation phase of DCC is known as the BMIT⁵ which has the value of £7.687m for the duration of the implementation phase of DCC.

2.1.2 Current incentive regimes

The current incentive mechanism in effect is the IPR which sets incentives for DCC during the implementation phase. The fundamental characteristic of the regime is that it places 100% of the Baseline Margin⁶ at risk. The IPR is due to run until January 2017⁷. We expect the OPR to come into effect after this point.

⁵ BMIT – Baseline Margin Implementation Total means the Licensee's Baseline Margin, in total, for the period running from 23 September 2013 until the end of the Regulatory Year 2015/2016 (and, arising from the Licence Application Process), is calculated for the purposes of Schedule 3 to this Licence to have the value of £7.687 million, subject to adjustments for inflation as set out in paragraph 35.6 of the Licence

⁶ Baseline Margin - means in relation to each Regulatory Year an amount of additional revenue, over and above the sum of the Licensee's Internal Costs and External Costs, that the Secretary of State has agreed shall be included (subject to the operation of the Baseline Margin Performance Adjustment) in the Licensee's Allowed Revenue, and is determined in accordance with the provisions of Part C of Condition 36.

⁷ DCC, 4 May 2016, 'Updated proposal to amend DCC's Implementation Milestones (May 2016)': https://www.smartdcc.co.uk/consultations/dcc-consultations/proposed-changes-to-dccs-implementation-milestones/



The IPR places 100% of the BMIT at risk against specific Implementation Milestones (IMs) as set out in Schedule 3 of the Licence. The regime is 'downside' only. We operate under the IPR while we are developing the smart metering solution.

Other financial incentive mechanisms in effect (or due to be in effect) are:

- The external contract gain share mechanism⁸
- penalty interest rate mechanism⁹
- cost disallowance through price control.

2.2 Live DCC Services

Over the next four years, we will move from design, development and testing into delivery of a live service. We will scale to support the smart metering rollout, improve our services to provide the best possible experience to our Users and develop our services to realise the industry transformation made possible by smart meters.

Our focus areas over the next four year are summarised in Table 1 below.

Year	Our focus areas		
2016/17	Integration – bringing DCC systems and processes together into a coherent serviceInteroperability – ensuring that Users can interact with our service		
2017/18	 Scalability – adapting DCC systems and processes to match growing User demand Reliability – providing a dependable and consistent service that Users can rely on 		
2018/19	 Reach – extending the reach of the smart metering network and smart metering service to extend the benefits of smart meters to as many consumers as possible Performance – improving the quality and responsiveness of the services we offer 		
2019/20	Efficiency – improving how we provide services, reducing DCC unit costs Enhancements – developing smart metering services in line with industry priorities		

Table 1 – Focus areas for the next four years

In 2016 our priority is to deliver the smart meter communication service that will enable suppliers to install smart meters. We will focus on bringing DCC systems and processes together into a coherent service and ensuring that Users can interact with it.

⁸ As set out in Licence Condition 39

⁹ Ofgem, 6 April 2016, 'Statutory consultation on final proposals for DCC penalty interest rate': https://www.ofgem.gov.uk/publicationsand-updates/statutory-consultation-final-proposals-dcc-penalty-interest-rate-0



In 2017/18 our priority is to operate an economic and efficient smart metering service that meets growing User demand. Our business focus will be on adapting DCC systems and processes to match increasing User demand and providing a dependable and consistent service that Users can rely on.

In 2018/19 we will focus on widening the reach of the smart metering network and smart metering service, to extend the benefits of smart meters to as many consumers as possible. We will also focus on improving the quality and responsiveness of the services we offer.

In 2019/20 we will focus on improving how we provide services, which should reduce DCC unit costs, and developing smart metering services in line with industry priorities.

Full details on our plans for the next four years are set out in the DCC Business Plan¹⁰.

¹⁰ DCC, 8 January 2016, 'DCC Business Plan: Delivering your smart future (2016/17-2019/20)': <u>https://www.smartdcc.co.uk/about-dcc/business-plan/</u>



3 SCOPE

Ofgem is proposing to apply operational incentives to core smart metering activities only, on the basis that there is too much uncertainty surrounding the new projects and their operational characteristics. Whilst we would like to avoid a fragmented suite of incentives, we agree with this approach.

Ideally, we would envisage a situation where such projects are incentivised through a bespoke approach during their development, but, with the ambition of integrating them within the operational performance incentives once implemented. We would propose that this be considered as part of the broader regulatory and commercial discussions prior to any new project.

We believe that the scope of OPR should be limited to activities that are within DCC's reasonable control, and hence we are able to influence them. We discuss this in more detail in <u>Section 5.4</u>.

Ofgem states in paragraph 2.11 of its consultation that DCC has a "wealth of mechanisms or "levers" to manage its FSPs. The following schedules of the service contracts primarily with CGI, Telefonica and Arqiva provide us with options and pre-agreed processes to manage poor performance or performance failures, they include schedules relating to performance measures/monitoring; governance; dispute resolution (including escalation, mediation, expert determination, arbitration); records and audit provisions and enhanced scrutiny and step-in.

It should be noted that these provisions predominately provide pre-agreed processes and mechanisms for actions that may be taken if contractual performance measures are not achieved and/or if there are defaults or disputes. There are also provisions describing how the contracts are governed and how certain obligations are monitored or assured.

These 'mechanisms' or 'levers' apply only to ensure that the FSPs meet their existing contractual commitments and should not be considered as measures that would produce an improvement in the services, unless the services being delivered are below the committed levels.

Enforcement of new operational performance measures may require changes to our contracts with the FSPs, which is likely to have cost implications. In such circumstances, we believe that it would be appropriate for such changes to be subject to a value for money test, prior to their introduction.

Management of External Costs is discussed in Section 7.2.1.



4 **PRINCIPLES**

We note that Ofgem suggests four key principles in developing OPR, they are:

- Responsive to User needs DCC should be responsive to the needs of its Users and ultimately consumers not the regulator or government
- Flexible recognising that users' priorities will evolve over time
- Output focused tying back to consumers' experiences instead of focused on a rigid set of inputs
- Clear and credible incentives should be easily understood so as to realistically drive behaviour and they should be achievable.

Whilst we agree with these principles, we wish to propose the following additional principles.

a. Effectively balances risk and reward to DCC

Any incentive regime should deliver a reasonable balance between risk and reward. Under this principle, DCC should be financially able to bear that risk, and risks/rewards should be set so that they are commensurate with the harm/benefits experienced by consumers via stakeholders. This is discussed in more detail in <u>Section 5.1</u>.

b. Be reported and assessed over a reasonable amount of time

The frequency of reporting should be appropriate to each individual measure and assessment should reflect achievement of the strategic goals. We discuss this in more detail in <u>Section 5.2</u>.

c. Not be inconsistent with the SEC, the Licence and other codes or legislation where appropriate

It is important to ensure consistency with relevant codes and legislation, and it may be necessary to carry out a review periodically to ensure that this continues to be the case. However, there may be some practical difficulties associated with this, which we discuss in more detail in <u>Section 5.5</u>.

d. Measure performance of activities which are within DCC's reasonable control

Any reward and/or penalty applied under an incentive regime should be reflective of activities which are solely within DCC's control. We discuss external dependencies in more detail in <u>Section 5.4</u>.

We propose that the OPR is kept under review to ensure that it continues to achieve the principles and objectives of the regime. For example, failing a target should not automatically assume the measure is correct, in fact continuously failing may indicate that the metric is not fit for purpose. We would suggest that a way to measure the success of a metric is to assess how it affects behaviour, similarly this would serve to ensure that the metric does not cause perverse incentives. This will be particularly important in the early days of applying the OPR, and we would propose a formal checkpoint to consider the operation of the regime.



5 KEY ISSUES

5.1 Risk and reward

As discussed above, we consider that the OPR should be set so that it balances risk and reward. This is an area which DCC considers should be explored further under OPR, to avoid the regime introducing risks only with no corresponding reward to DCC for delivering outcomes that are valued by Users and ultimately consumers. We note that the IPR is 'downside' only, although the regime does include a recovery mechanism¹¹ which may compensate for the lack of symmetry under the incentive framework.

We note that the Licence¹² states that not less than 100% of the Baseline Margin should be placed at risk under OPR. However the Baseline Margin is also placed at risk through potential disallowances under:

- Price Control
- penalty interest rate mechanism
- enforcement action.

Each of the mechanisms above have the potential to impact the Baseline Margin. In combination, this could result in a position where the reduction in actual Baseline Margin is significantly in excess of 100% of the value of the Baseline Margin, as defined in the Licence. Whilst at the time of the bid we proposed to place 100% of Baseline Margin at risk during implementation and ongoing operation, that proposal was based on the narrow remit at that time.

We strongly suggest that the development of OPR needs to recognise this issue, and provide a means through which positive performance-driven incentives are available to DCC.

Whilst one option would be to reduce the total percentage of the Baseline Margin placed at risk under OPR, operational performance provides an appropriate area where DCC should be incentivised and rewarded for high performance. Hence we would like to discuss the potential for a symmetric incentive which would rightly penalise DCC for failures, but also enable DCC to earn additional rewards in recognition of outperformance.

We consider that this would assist in achieving the proposed principle to balance the risk and reward to DCC.

We note the proposal to offer potential discretionary rewards, and would agree that such mechanisms can be effective in specific circumstances, where quantitative measurement is difficult or inappropriate. However our view is that the core of the OPR, based on

¹¹ The IPR recovery mechanism is described in consultation documents found here: <u>https://www.smartdcc.co.uk/consultations/dcc-consultations/proposed-changes-to-dccs-implementation-milestones/</u>

¹² Licence condition 38.10.



service user and service delivery measures should not require the use of such an approach.

It may be that when the OPR is extended to cover areas such as innovation that a discretionary reward provides a viable option.

5.2 Balanced scorecard, frequency of reporting and assessment

Even in a mature market, there can be a range of different, but equally valid, metrics used to measure performance of outputs, such as customer satisfaction. Likewise, performance can be volatile and hence care needs to be taken to assess performance over a reasonable timescale.

For this reason we consider that it may be useful to adopt a 'balanced scorecard' approach. Under this approach, a small number of different metrics are combined to represent performance under a particular measure, with the assessment carried out at the measure level. For example, any outperformance on one metric or within one month could be offset against any underperformance on other metrics or other months. This would prevent anomalous data points skewing overall results. We consider that this approach can offer the potential for a more rounded view of performance which better takes account of what is valued by different stakeholders.

We would advocate an annual assessment regime, which particularly in the early years of the service would better accommodate any volatility in performance which may result from the uncertainty associated with the rollout activities.

As suggested in the consultation, we support the proposal for performance against the OPR to be reported on as part of the Annual Service Report. However, we note that this may require amendments to Condition 34 of the Licence 'Annual Service Report to the Authority', in order to amend the scope of the document.

We recognise that Ofgem may wish to be informed of performance on a more frequent basis, but would propose that this is provided in a more informal manner, and is consistent with our other reporting obligations under the SEC.

5.3 **Performance baseline**

As noted in paragraph 3.3 of the consultation as we are not yet providing a live service and there is no operational experience to date and so there is no baseline for comparison.

We suggest that there a 'grace periods' at the start of the regime where metrics are in place but there is no risk/reward against them. This would allow the system to stabilise and for us to work through any 'teething problems', this also allows us to create a baseline against which to set incentives. We suggest that an appropriate 'grace period' is set individually for each metric recognising the differences between them.

5.3.1 Benchmarking

We recognise that there may be some areas which may be more suitable for benchmarking, for example call handling, incident management, enduring testing services. However, the majority of metrics are likely to require an initial DCC baseline for comparison. Benchmarking can then be employed to set targets for future performance improvements.



5.3.2 Discretionary reward

The structure of DCC's incentive regimes to date have all been downside. With the exception of the ECGS which is untested. We welcome the proposal to offer discretionary rewards. We are keen to understand further how this type of reward would work in practice. We would welcome an equivalent reward for each metric i.e. where DCC has outperformed against the target.

We consider that this type of arrangement could address the issues that come with an asymmetric incentive regime, however we strongly consider that a mechanical upside mechanism within OPR would provide a more effective incentive, this is discussed further in <u>Section 5.1</u>.

5.4 External dependencies

It is important that any reward and particularly any penalty which is possible under an incentive regime is reflective of activities which are solely within that DCC's control. For example, there may be events that occur which are external in nature, for example, connected to the rollout, which change the landscape within which the business operates. Under this scenario it would be unreasonable not to recognise this in the assessment of performance.

For this reason, we propose that the OPR explicitly recognises external dependencies, which could include a mechanism to reopen or temporarily 'switch off' certain targets should such an event occur. Examples of issues that may occur which are beyond DCC's reasonable control are: user error; meter/HAN performance; inaccurate forecasts; large increases in volume of demand; public interest; modifications; unexpected outcomes as a result of the introduction of half hourly settlement; force majeure.

Some of these dependencies could be explicitly excluded through the drafting of the OPR for example this could work for force majeure or user error. For the other dependencies this would not be possible, in which case wider recognition may be more appropriate through, for example, a reopener mechanism.

5.5 Contracted services and the SEC

It would not be reasonable to incentivise DCC against requirements where DCC does not have a contractual mechanism to apply aligned service levels to the FSPs, and where there is no clear value for money case to make such a contract change.

For example, due to the developing nature of the SEC, there may be scenarios where the services procured from External Service Providers are not fully aligned with the requirements in the SEC. In this scenario, we would not expect the OPR to incentivise us to meet a target that is not reasonably achievable.

5.6 Flexibility

We welcome the recognition in the consultation document that the regime will need to be flexible in order to respond to learning and experience in the first few months of operation. We are keen to understand the extent of that flexibility in practice, in particular how the regime could be reopened to account for potential future changes. The current IPR includes mechanisms to reopen the regime should it be required. We suggest that the OPR includes similar provisions.



5.7 Transition to OPR

We are currently consulting on amendments to the IPR¹³. That proposal places BMIT at risk until 30 January 2017. Therefore if any IMs are achieved later than planned, or not at all, the corresponding portion of BMIT would be lost (that would show as a reduction to the Baseline Margin in the Charging Statement for Regulatory Year ending 31 March 2018). Therefore the OPR should not commence until after the IPR has ceased so as to avoid placing Baseline Margin at risk under two different regimes.

5.8 Further reporting

Under the Smart Energy Code (SEC), we are required to report against:

- six code performance measures as set out in H13.1 of the SEC (monthly)
- two code performance measures as set out in L8.6 of the SEC (monthly)
- Reported List of Service Provider Performance Measures.

We are required to report against these measures 25 working days following the end of each performance period to the SEC Panel¹⁴, SEC Parties and the Authority and (on request) the Secretary of State. In addition to this, we anticipate that there may be further public reporting required in response to stakeholder requests.

It is important that existing reporting requirements are taken into consideration when developing OPR, so as to ensure the regulatory reporting burden is set at an efficient level and allows the re-use of reports where appropriate.

¹³ DCC, 4 May 2016, 'Updated proposal to amend DCC's Implementation Milestones (May 2016)': https://www.smartdcc.co.uk/consultations/dcc-consultations/proposed-changes-to-dccs-implementation-milestones/

¹⁴ See SEC section H13. The report may be provided by the SEC Panel, at its discretion, to any other person (we understand that the intent of this is to allow it provide to prospective Parties under non-disclosure agreements)



6 SERVICE USER AND SERVICE DELIVERY

We agree with the proposal to prioritise the Service User Measure (SUM) and the Service Delivery Measure (SDM) in the immediate term, however we are keen to understand how long this phase would last. We consider that incentives should fall under three broad categories, they are:

- 1. Core DCC service
- 2. Supporting smart meter rollout
- 3. Customer service.

As a general principle, it should be noted that our ability to provide the necessary reporting will depend on the specification of each metric and hence there may be system changes required and hence a lead time before they can be introduced. Also there are likely to be certain caveats which need to be applied in respect of individual metrics so as to ensure that they reflect DCC performance and not the impact of external factors beyond our control.

6.1 Core DCC service

It is important that DCC is rewarded for delivering the core service that it is licensed to deliver. For example, we could be incentivised in relation to message delivery, which could include message delivery success or failure, response times, the extent to which messages need to be resent. There is also scope to set incentives in relation to system availability, which could include availability of the various systems within the DCC service including Smart Metering Key Infrastructure (SMKI), DCC WAN, Self Service Interface (SSI) and DCC Gateway.

There would be specific caveats to any such measures, for example issues such as user error and/or volume of demand could affect the measurement of these types of metrics.

6.2 Supporting smart meter rollout

We expect one of our Users' near-term priorities, during the rollout period, to be to achieve maximum success at the time of smart meter and Communications Hub (CH) installation. For example, we could be incentivised in relation to CH connectivity which could include SM WAN connectivity at installation or within certain time periods, and/or overall connectivity levels. Another sub-category could be provision of CHs including delivery times and/or condition of CHs at delivery.

There would be specific caveats to any such measures, for example issues such as user error; meter/Home Area Network (HAN) performance, accuracy of CH forecasts could affect the measurement of these types of metrics.

6.3 Customer service

The third broad category relates to customer service, namely how well we interact with Users. For example, we could be incentivised in relation to service centre activity including calls answered (commonly referred to as Percentage Calls Answered (PCA)), service desk availability and/or invoice accuracy. Another sub-category could be incident/problem management which could include timely resolution of proven issues, dealing with recurring



issues (commonly referred to as first time resolution target) and/or major incident management.

There could be specific caveats to any such measures, for example issues such nonproven incidents, user error etc. would affect the measurement of these types of metrics.

6.3.1 Escalated incidents

We note the proposal in the consultation document to incentivise a low number of Escalated Incidents, but we do not consider this to be a suitable measure. Escalation is a method for effective resolution of Incidents, and we would be concerned if any associated metric sent a signal which discouraged the use of the escalation process.

6.3.2 Driving consumer outcomes

We are committed to being responsive to the needs of all Users, including any nondomestic suppliers, and to delivering positive outcomes for energy consumers. Given that we do not have a direct relationship with consumers, we have assumed that SEC Parties take the role of representing consumers' views on the DCC service. We are keen that OPR is reflective of all SEC Parties' needs, and we will be speaking with our stakeholders directly to understand their expectations in respect of our operational performance.



7 DEVELOPMENT AND IMPROVEMENT AND VALUE FOR MONEY

We note that Ofgem does not propose to place any Baseline Margin at risk under the Value for Money Measure (VMM) or Development and Improvement Measure (DIM); we agree with this approach at the present time.

7.1 Development and Improvement Measure

We agree with the proposal not to incentivise under development and improvement measure at this time, and we agree, in principle, with the examples set out in paragraph 3.27 of the consultation.

We recognise that this is an area which may fit well with the criteria for a discretionary reward, as discussed in <u>Section 5.3.2</u>, we are keen to explore this further.

7.2 Value for Money Measure

We consider it important that any value for money metrics are developed as part of the package of arrangements agreed as part of the enduring, ex-ante price control framework. It may be appropriate, once the enduring price control framework is developed, to use the OPR drafting to formalise/present those incentives agreed as part of the price control framework.

7.2.1 Management of External Costs

External costs are defined as the costs incurred us in procuring Fundamental Service Capability, that is to say that they are FSP costs only.

In principle, we agree that DCC should be incentivised to focus on long term external cost control. We agree that it is important to ensure that this approach would not result in a double penalty to DCC under the current ex post price control framework. This is likely to be limited in nature, as most of our external costs are fixed and are limited by specific "no better or worse" clauses in contracts which seek to prevent either party from seeking more favourable charges without justification.

7.2.2 Development of a robust business plan

We note that you set out an example in paragraph 3.21 on the requirement to develop a robust business plan. We agree that this is useful tool for stakeholder engagement, transparency and responsiveness to users which is why we have set our self the goal to continue to publish a business plan on an annual basis. We agree that careful consideration would need to be given if this was to be included under OPR such that margin is placed at risk, and the degree of discretionary judgement that would be required in order to assess achievement against this type of target.

We note your concerns around the limitations of the ex post price control regime, and we are keen to work together to develop a regime that is fit for purpose for the enduring DCC service.



8 NEXT STEPS

We note that this is the first step towards implement the OPR, and welcome the engagement to date. We are keen to continue to work with you to support in development of a regime which is challenging but achievable.

If you would like to discuss any part of this response, please contact Ekta Sareen at <u>ekta.sareen@smartdcc.co.uk</u>.



Appendix A – Responses to consultation questions

Table 2 below sets out our responses to the consultation questions.

#	Consultation question	DCC response
1	Do you agree with our approach to apply the OPR to core smart metering activities only?	See Section 3
2	Do you agree with complementing the OPR with further reporting in order to provide transparency and potentially form the basis of future OPR metrics?	See Section 7
3	Do you agree with our proposed principles for developing the OPR metrics?	See Section 4
4	Do you agree with our proposal to prioritise the Service User and Service Delivery measures only in the immediate term?	See Section 6
5	Do you have views on how DCC's operational performance can be measured without a baseline to compare it to?	See Section 5.3
6	What specific performance metrics do you think will drive good consumer outcomes under each measure if incentivised?	See Section 6.3
7	What other metrics do you propose DCC should report on as part of wider reporting and/or which could become part of the OPR in the longer term?	See Section 7
8	Are there any other points we should consider when designing the OPR?	See Section 5

Table 2 – DCC responses to consultation questions