

DRAFT – SUBJECT TO CONSULTATION

To: Smart DCC Ltd

**DIRECTION ISSUED BY THE GAS AND ELECTRICITY MARKETS AUTHORITY
PURSUANT TO LICENCE CONDITION 38.9 OF THE SMART METER
COMMUNICATION LICENCE GRANTED PURSUANT TO SECTION 7AB(2) AND (4)
OF THE GAS ACT 1986 AND SECTION 6(1A) AND (1C) OF THE ELECTRICITY ACT
1989 (the “Direction”)**

WHEREAS

1. The company to whom this Direction is addressed (the “Licensee”) holds a Smart Meter Communication Licence pursuant to section 7AB(2) and (4) of the Gas Act 1986 and section 6(1A) and (1C) of the Electricity Act 1989 (the “Licence”).
2. The Gas and Electricity Markets Authority (the “Authority”) has the power pursuant to condition 38.9 of the Licence to develop and populate the provisions of Schedule 4 of the Licence by giving a direction for that purpose after complying with the requirements of Part C of the condition 38 of the Licence.
3. [The Authority has complied with the requirements of Part C of condition 38 by consulting with the Licensee, the SEC Panel and SEC Parties.]

NOW THEREFORE

4. The Authority hereby directs that Schedule 4 be developed and populated as set out in the Appendix to this Direction.
5. This Direction shall take effect on [TO BE DETERMINED]
6. [The following documents constitute notice pursuant to section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986:
 - a) This Direction
 - b) NOVEMBER CONSULTATION

These documents are available on the Ofgem website: www.ofgem.gov.uk]

Dated : [TO BE DETERMINED]

Partner, Consumers and Competition

Authorised for that purpose by the Authority

APPENDIX – MODIFICATIONS TO SCHEDULE 4 OF THE LICENCE

$$\text{BMOPAt} = [\text{SUM 1-4}] + [\text{SDM 1-4}] + [\text{DIM 1-4}] + [\text{VMM 1-4}]$$

1. The performance measures to be included under the OPR are as follows:

SUM 1= DCC Service Desk

SUM 2 = Communication Hubs

SUM 3-4 = 0

SDM 1= DCC WAN Coverage

SDM 2= Core Service Requests

SDM 3 = Service/ system availability

SDM 4 = 0

DIM 1-4 = 0

VMM 1-4 = 0

2. The following describes how we will determine the baseline margin adjustment to be made with respect to the DCC's performance against each individual measure under the OPR.

Definitions

BM_t = has the meaning given to that term in Part C of Condition 36 (Determination of the Licensee's Allowed Revenue)

TPL_{nt} = Target Performance Level

MPL_{nt} = Minimum Performance Level

RPL_{nt} = Reported Performance Level

PMW_{nt} = Performance Measure Weighting

TPLI_{nt} = Target Performance Level Incentive. The value of BM_t allocated to this measure for reaching the target performance level for this measure.

$MPLI_{nt}$ = Minimum Performance Level Incentive. The margin allocated to this measure for reaching the minimum performance level for this measure.

3. Where n equals the specific performance measure in question (eg SUM 1-2, SDM 1-3) and t is the Regulatory Year.
4. In general the following formula applies to the determination of n_t , with the exception the interim regime:

- I. If $RPL \geq TPL$ then $n_t = \text{Zero}$
- II. If $RPL < MPL$ then $n_t = - (TPLI_{nt})$
- III. If $RPL = MPL$ then $n_t = - (TPLI_{nt} - MPLI_{nt})$
- IV. If $MPL < RPL < TPL$ then:

$$n_t = - [1 - [(RPL_{nt} - MPL_{nt}) / (TPL_{nt} - MPL_{nt})]] * [TPLI_{nt} - MPLI_{nt}]$$

Interim regime (2017/18)

5. For regulatory year 2017/18 the following definitions and formula also apply:

$MPL(\text{interim})_{nt}$ = Minimum Interim Performance Level as stated in table 3 below.

- V. If $RPL < MPL(\text{interim})$ then $n_t = - (TPLI_{nt})$
- VI. $MPL(\text{interim}) < RPL \leq MPL$ then:

$$n_t = - [[1 - [(RPL_{nt} - MPL(\text{interim})_{nt}) / (MPL_{nt} - MPL(\text{interim})_{nt})]] * MPLI_{nt}] + (TPLI_{nt} - MPLI_{nt})]$$

6. For the avoidance of doubt general formula II does not hold under the interim regime.
7. The boxes below provide incentive structures for each performance measure (n) based on the approach outlined above.

SUM1 – DCC service desk: DCC is incentivised to provide a high quality service to Users through the resolution of incidents in a timely and efficient manner.

Algebraic term: $SUM1_t$

OPR performance measure methodology: Percentage of 1-5 incidents which met the DCC Target Resolution Time over a year, calculated as specified in the amended DCC Regulatory Instructions and Guidance.

Amount of term: The amount of $SUM1_t$ is calculated in accordance with the general formulas outlined at para 4, using the following values for the variables, with the exception the interim regime, in respect of Regulatory Year 2017/18, where the additional definitions and conditions as stated in para 5 above apply and the value of the variables will be a set out in table 3:

TPL_{SUM1_t} = Target Performance Level for $SUM1_t$ based on the target service levels for SEC CPM (Code Performance Measure) 4 and 5 at the beginning of t , combined as reflected in the OPR performance measure methodology set out in the RIGs.

MPL_{SUM1_t} = Minimum Performance Level for $SUM1_t$ based on minimum service levels for SEC CPM (Code Performance Measure) 4 and 5 at the beginning of t , combined as reflected in the OPR performance measure methodology set out in the RIGs.

RPL_{SUM1_t} = Reported Performance Level for $SUM1_t$ – is equal to the actual performance level for $SUM1_t$ as reported to Ofgem by 31 July following the end of Regulatory Year t

$$TPLI_{SUM1_t} = BM_t \times PMW_{SUM1_t}$$

Where PMW_{SUM1_t} is the figure aligned to SUM1 and RY_t in table 1.

$$MPLI_{SUM1_t} = TPLI_{SUM1_t} \times Y_{SUM1_t}$$

Where Y_{SUM1_t} is the proportion of $TPLI_{nt}$ the Licensee is awarded for meeting MPL_{nt} and is equal to the figure aligned to SUM1 and RY_t in table 2.

SUM2 – Communication Hubs: DCC is incentivised to ensure Communication Hubs are delivered on a timely basis, and are not faulty.

Algebraic term: $SUM2_t$

Where $SUM2_t = SUM2a_t + SUM2b + SUM2c_t$

SUM2a – Communication Hubs Delivery (a): DCC is incentivised to ensure Communication Hubs are delivered on a timely basis.

Algebraic term: $SUM2a_t$

OPR performance measure methodology: Percentage of Communications Hubs delivered on time, as specified in the amended DCC Regulatory Instructions and Guidance.

Amount of term: The amount of $SUM2a_t$ is calculated in accordance with the general formulas outlined at para 4, using the following values for the variables, with the exception the interim regime, in respect of Regulatory Year 2017/18, where the additional definitions and conditions as stated in para 5 above apply and the value of the variables will be a set out in table 3:

TPL_{SUM2a_t} = Target Performance Level for $SUM2a_t$ based on the target service levels for the reported List of Communications Service Provider Performance Measures Schedule 11 Appendix 2.2 CH 1.1 at the beginning of t , as reflected in the OPR performance measure methodology set out in the RIGs.

MPL_{SUM2a_t} = Minimum Performance Level for $SUM2a_t$ based on the minimum service levels for the reported List of Communications Service Provider Performance Measures Schedule 11 Appendix 2.2 CH 1.1 at the beginning of t , as reflected in the OPR performance measure methodology set out in the RIGs..

RPL_{SUM2a_t} = Reported Performance Level for $SUM2a_t$ – is equal to the actual performance level for $SUM2a_t$ as reported to Ofgem by 31 July following they end of Regulatory Year t

$TPLI_{SUM2a_t} = BM_t \times PMW_{SUM2a_t}$

Where PMW_{SUM2a_t} is the figure aligned to $SUM2a$ and RY_t in table 1.

$MPLI_{SUM2a_t} = TPLI_{SUM2a_t} \times Y_{SUM2a_t}$

Where Y_{SUM2a_t} is the proportion of $TPLI_{nt}$ the Licensee is awarded for meeting MPL_{nt} and is equal to the figure aligned to $SUM2a$ and RY_t in table 2.

SUM2b – Communication Hubs Delivery (b): DCC is incentivised to ensure that deliveries of Communication Hubs are accepted by Users.

Algebraic term: $SUM2b_t$

OPR performance measure methodology: Percentage of Communications Hubs accepted by DCC service users, as specified in the amended DCC Regulatory Instructions and Guidance.

Amount of term: The amount of $SUM 2b_t$ is calculated in accordance with the general formulas outlined at para 4, using the following values for the variables, with the exception the interim regime, in respect of Regulatory Year 2017/18, the additional definitions and conditions as stated in para 5 above apply and where the value of the variables will be a set out in table 3:

$TPL_{SUM 2bt}$ = Target Performance Level for $SUM2b_t$ based on the target service levels for the reported List of Communications Service Provider Performance Measures Schedule 11 Appendix 2.2 CH 1.2 at the beginning of t , as reflected in the OPR performance measure methodology set out in the RIGs.

$MPL_{SUM 2bt}$ = Minimum Performance Level for $SUM2b_t$ based on the minimum service levels for the reported List of Communications Service Provider Performance Measures Schedule 11 Appendix 2.2 CH 1.2 at the beginning of t , as reflected in the OPR performance measure methodology set out in the RIGs..

$RPL_{SUM 2bt}$ = Reported Performance for $SUM2b_t$ – is equal to the actual performance level for $SUM2b_t$ as reported to Ofgem by 31 July following they end of Regulatory Year t .

$$TPLI_{SUM 2bt} = BM_t \times PMW_{SUM 2bt}$$

Where $PMW_{SUM 2bt}$ is the figure aligned to $SUM2b$ and RY_t in table 1.

$$MPLI_{SUM 2bt} = TPLI_{SUM 2bt} \times Y_{SUM 2bt}$$

Where $Y_{SUM 2bt}$ is the proportion of $TPLI_{nt}$ the Licensee is awarded for meeting MPL_{nt} and is equal to the figure aligned to $SUM2b$ and RY_t in table 2.

SUM2c – Communication Hubs Quality: DCC is incentivised to minimise the occurrences of Communications Hubs being discovered as faulty at installation.

Algebraic term: $SUM2c_t$

OPR performance measure methodology: Percentage of Communications Hubs not faulty as installation, as specified in the amended DCC Regulatory Instructions and Guidance.

Amount of term: The amount of $SUM 2c_t$ is calculated in accordance with the general formulas outlined at para 4, using the following values for the variables, with the exception the interim regime, in respect of Regulatory Year 2017/18, the additional definitions and conditions as stated in para 5 above apply and where the value of the variables will be a set out in table 3:

$TPL_{SUM 2ct}$ = Target Performance Level for $SUM2c_t$ based on the target service levels for the reported List of Communications Service Provider Performance Measures Schedule 11 Appendix 2.2 CH 1.3 at the beginning of t , as reflected in the OPR performance measure methodology set out in the RIGs.

$MPL_{SUM 2ct}$ = Minimum Performance Level for $SUM2c_t$ based on the minimum service levels for the reported List of Communications Service Provider Performance Measures Schedule 11 Appendix 2.2 CH 1.3 at the beginning of t , as reflected in the OPR performance measure methodology set out in the RIGs..

$RPL_{SUM 2ct}$ = Reported Performance Level for $SUM2c_t$ – is equal to the actual performance level for $SUM2c_t$ as reported to Ofgem by 31 July following they end of Regulatory Year t

$TPLI_{SUM 2ct} = BM_t \times PMW_{SUM 2ct}$

Where $PMW_{SUM 2ct}$ is the figure aligned to $SUM2c$ and RY_t in table 1.

$MPLI_{SUM 2ct} = TPLI_{SUM 2ct} \times Y_{SUM 2ct}$

Where $Y_{SUM 2ct}$ is the proportion of $TPLI_{nt}$ the Licensee is awarded for meeting MPL_{nt} and is equal to the figure aligned to $SUM2c$ and RY_t in table 2.

SDM1 – DCC WAN Coverage and Reliability: DCC is incentivised to achieve the agreed levels of coverage, coverage information is accurate, and communications are reliable.

This measure is a two-part conditional performance measure. DCC must meet the contractual WAN coverage commitments to be able to report against the reliability performance measure.

Algebraic term: $SDM1_t$

OPR performance measure methodology: Percentage of first time SMWAN connectivity at install, provided DCC has met the contractual coverage commitments in CSP contracts (all Milestone Dates, as defined in the CSP contracts, in the financial year must have been met), as specified in the amended DCC Regulatory Instructions and Guidance.

Amount of term:

If DCC has not met the contractual coverage commitments in CSP contracts then:

$$SDM1_t = - TPLI_{SDM1t}$$

If DCC has met the contractual coverage commitments in CSP contracts then the amount of $SDM1_t$ is calculated in accordance with the general formulas outlined at para 4, using the following values for the variables, with the exception the interim regime, in respect of Regulatory Year 2017/18, where the additional definitions and conditions as stated in para 5 above apply and the value of the variables will be a set out in table 3:

TPL_{SDM1t} = Target Performance Level for $SDM1_t$ based on the target service levels for the reported List of Communications Service Provider Performance Measures Schedule 2.2 PM 1.1 at the beginning of t , as reflected in the OPR performance measure methodology set out in the RIGs.

MPL_{SDM1t} = Minimum Performance Level for $SDM1_t$ based on the minimum service levels for the reported List of Communications Service Provider Performance Measures Schedule 2.2 PM 1.1 at the beginning of t , as reflected in the OPR performance measure methodology set out in the RIGs.

RPL_{SDM1t} = Reported Performance Level for $SDM1_t$ – is equal to the actual performance level for $SDM1_t$ as reported to Ofgem by 31 July following the end of Regulatory Year t

$$TPLI_{SDM1t} = BM_t \times PMW_{SDM1t}$$

Where PMW_{SDM1t} is the figure aligned to $SDM1$ and RY_t in table 1.

$$MPLI_{SDM1t} = TPLI_{SDM1t} \times Y_{SDM1t}$$

Where Y_{SDM1t} is the proportion of $TPLI_{nt}$ the Licensee is awarded for meeting MPL_{nt} and is equal to the figure aligned to $SDM1$ and RY_t in table 2.

SDM2 – Core Service Requests: DCC is incentivised to ensure that communications are reliable and that Users receive an efficient service.

Algebraic term: $SDM2_t$

OPR performance measure methodology: Percentage of service responses delivered within the applicable Target Response Time, as specified in the amended DCC Regulatory Instructions and Guidance.

Amount of term: The amount of SDM2 is calculated in accordance with the general formulas outlined at 4, using the following values for the variables, with the exception the interim regime, in respect of Regulatory Year 2017/18, where the additional definitions and conditions as stated in para 5 above apply and the value of the variables will be a set out in table 3:

TPL_{SDM2t} = Target Performance Level for $SDM2_t$ based on target service levels for SEC CPM (Code Performance Measure) 1,2 and 3 at the beginning of t, combined as reflected in the OPR performance measure methodology set out in the RIGs.

MPL_{SDM2t} = Minimum Performance Level for $SDM2_t$ based on minimum service levels for SEC CPM (Code Performance Measure) 1,2 and 3 at the beginning of t, combined as reflected in the OPR performance measure methodology set out in the RIGs.

RPL_{SDM2t} = Reported Performance Level for $SDM2_t$ – is equal to the actual performance level for $SDM2_t$ as reported to Ofgem by 31 July following the end of Regulatory Year t

$$TPLI_{SDM2t} = BM_t \times PMW_{SDM2t}$$

Where PMW_{SDM2t} is the figure aligned to SDM2 and RY_t in table 1.

$$MPLI_{SDM2t} = TPLI_{SDM2t} \times Y_{SDM2t}$$

Where Y_{SDM2t} is the proportion of $TPLI_{nt}$ the Licensee is awarded for meeting MPL_{nt} and is equal to the figure aligned to SDM2 and RY_t in table 2.

SDM3 – Availability of Systems and services: DCC is incentivised to ensure that systems and services are reliable for Users.

Algebraic term: SDM3

OPR performance measure methodology: Percentage availability of: Data Service; User Gateway; Service Management System; and Self Service Interface, as specified in the amended DCC Regulatory Instructions and Guidance.

Amount of term: The amount of SDM3 is calculated in accordance with the general formulas outlined at para 4, using the following values for the variables, with the exception the interim regime, in respect of Regulatory Year 2017/18, where the additional definitions and conditions as stated in para 5 above apply and the value of the variables will be a set out in table 3:

TPL_{SDM3t} = Target Performance Level for $SDM3_t$ based on the target service levels for the reported List of Data Service Provider Performance Measures Schedule 2.2 Performance Measure 2.1-2.4 at the beginning of t , as reflected in the OPR performance measure methodology set out in the RIGs.

MPL_{SDM3t} = Minimum Performance Level for $SDM3_t$ based on the minimum service levels for the reported List of Data Service Provider Performance Measures Schedule 2.2 Performance Measure 2.1-2.4 at the beginning of t , as reflected in the OPR performance measure methodology set out in the RIGs.

RPL_{SDM3t} = Reported Performance Level for $SDM3_t$ – is equal to the actual performance level for $SDM3_t$ as reported to Ofgem by 31 July following the end of Regulatory Year t

$$TPLI_{SDM3t} = BM_t \times PMW_{SDM3t}$$

Where PMW_{SDM3t} is the figure aligned to $SDM3$ and RY_t in table 1.

$$MPLI_{SUM3t} = TPLI_{SDM3t} \times Y_{SDM3t}$$

Where Y_{SDM3t} is the proportion of $TPLI_{nt}$ the Licensee is awarded for meeting MPL_{nt} and is equal to the figure aligned to $SUM3$ and RY_t in table 2.

Table 1: Performance Measure Weightings (PMW_{nt}). The Authority may, [following consultation with XXXX] direct changes to the values in this table as new measures are introduced, or in order to better incentivise performance in certain areas.

PMW	RY18/19	RY19/20	RY20/21	RY21/22	RY22/23	RY23/24	RY24/25
SUM1	20%	20%	20%	20%	20%	20%	20%
SUM2a	10%	10%	10%	10%	10%	10%	10%
SUM2b	5%	5%	5%	5%	5%	5%	5%
SUM2c	5%	5%	5%	5%	5%	5%	5%
SUM 3-4	0%	0%	0%	0%	0%	0%	0%
SDM1	20%	20%	20%	20%	20%	20%	20%
SDM2	20%	20%	20%	20%	20%	20%	20%
SDM3	20%	20%	20%	20%	20%	20%	20%
SDM 4	0%	0%	0%	0%	0%	0%	0%
DIM 1-4	0%	0%	0%	0%	0%	0%	0%
VMM 1-4	0%	0%	0%	0%	0%	0%	0%

Table 2: proportion (Y_{nt}) of Target Performance Level Incentive (TPLI_{nt}) the Licensee is awarded for meeting Minimum Performance Level (MPL_{nt}). The Authority may, [following consultation with XXXX] direct changes to the values in this table as new measures are introduced, or in order to better incentivise performance in certain areas.

	RY18/19	RY19/20	RY20/21	RY21/22	RY22/23	RY23/24	RY24/25
SUM1	TBC	TBC	TBC	TBC	TBC	TBC	TBC
SUM2a	TBC	TBC	TBC	TBC	TBC	TBC	TBC
SUM2b	TBC	TBC	TBC	TBC	TBC	TBC	TBC
SUM2c	TBC	TBC	TBC	TBC	TBC	TBC	TBC
SDM1	TBC	TBC	TBC	TBC	TBC	TBC	TBC
SDM2	TBC	TBC	TBC	TBC	TBC	TBC	TBC
SDM3	TBC	TBC	TBC	TBC	TBC	TBC	TBC
DIM 1-4	TBC	TBC	TBC	TBC	TBC	TBC	TBC
VMM 1-4	TBC	TBC	TBC	TBC	TBC	TBC	TBC

Table 3: values assigned to variables during the interim regime, in respect of Regulatory Year 2017/18.

	TPL	MPL	MPL (interim)	RPL	TPLI	MPLI	PMW
SUM1	Target Performance Level for n _t as reflected in the OPR performance measure methodology set out in the RIGs.	Minimum Performance Level for n _t as reflected in the OPR performance measure methodology set out in the RIGs.	TBC	Actual performance level for n as reported to Ofgem by 31 July 2018	$(BM_{t+BM_{t-1}}) \times PMW_{n_{1t}}$	MPLI _{nt}	20%
SUM2a			TBC				10%
SUM2b			TBC				5%
SUM2c			TBC				5%
SDM1			TBC				20%
SDM2			TBC				20%
SDM3			TBC				20%
DIM 1-4			TBC				0%
VMM 1-4			TBC				0%

