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DCC Operational Performance Regime (OPR): Final Proposals

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

We welcome the opportunity to comment on the Final Proposals for DCC Operational Performance Regime (OPR) Consultation. We remain committed to the DCC and the benefits that it will bring through providing a common, secure interface between Suppliers and enrolled smart meters. This will ensure that customers can benefit from a seamless smart service from all Suppliers, while having confidence in both, the DCC provision of secure data and in their smart metering systems.

EDF Energy agrees that in the absence of competitive pressures and to ensure DCC delivers an appropriate quality of service to Service Users, while also effectively managing its costs, a robust DCC Operational Performance Regime must be in place and 100% of DCC's smart related baseline margin must be at risk each regulatory year to ensure DCC assures a successful outcome.

We accept that incentive based regulation should be used to ensure DCC is responsive to the needs of its Users whilst carefully managing costs.

We agree with the majority of the proposed measures and weightings, and that the performance levels for each measure should be consistent with the SEC and Service Provider contracts under the enduring regime. We are also supportive of the five reporting areas chosen by Ofgem which are captured under Service User Measures (SUM) and Service Delivery Measures (SDM).

Although we support the interim OPR commencing from April 2017, we do not agree that only performance metrics under the SUM and SDM should initially be financially incentivised in the OPR. During the interim period the DCC should continue to be developing and implementing measures and ensuring DCC Users are receiving value for money while looking for further savings to be made wherever possible.

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We accept following go-live, DCC will require a period of stabilisation and that performance may be slightly lower than the enduring level of performance. Therefore, we support the proposal to introduce an interim Operational Performance Regime (OPR) from April 2017 and enduring OPR from April 2018. EDF Energy understands during this period that DCC must achieve minimum service levels before it is able to retain any of its margin that is at risk. As performance levels are lower during the interim OPR, we would expect payments to be lower than for enduring without dis-incentivising the DCC.

We agree with the proposal to introduce an interim and an enduring incentive structures for the OPR and accept the DCC should receive none of its available margin assigned to a metric if it fails to reach the minimum service level for that metric.

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Ashley Pocock on 01342 413838, or myself.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in blue ink that reads 'Paul Delamare'.

Paul Delamare
Head of Downstream Policy and Regulation

Attachment

DCC Operational Performance Regime: Final Proposals

EDF Energy's response to your questions

Q1. Do you agree with our proposed measures and weightings, and proposal that the performance levels for each measure should be consistent with the SEC and service provider contracts in the enduring regime?

EDF Energy agrees with the majority of the proposed measures and weightings and that the performance levels for each measure should be consistent with the SEC and Service Provider contracts in the enduring regime.

We are supportive of the five reporting areas chosen by Ofgem which are captured under Service User Measures (SUM) and Service Delivery Measures (SDM).

EDF Energy also agrees with the proposal to weight each of the five reporting areas equally (20%).

We challenge Service User Measure 2 on Communication Hubs which proposes splitting both Delivery and Quality at 10% each. We believe more emphasis should be given to quality and in particular Communication Hubs not being faulty at installation. EDF Energy suggests 5% for delivery and 15% for quality to be a fairer split. Quality should be further split with 5% for acceptance by Users and 15% for Communication Hubs not being faulty at installation.

Although we support the interim OPR commencing from April 2017, we do not agree that only performance metrics under the SUM and SDM should initially be financially incentivised in the OPR. During the interim period the DCC should continue to be developing and implementing measures and ensuring DCC Users are receiving value for money and looking for further savings to be made wherever possible.

Q2. What are your views on our proposals for the interim regime?

We accept following go-live, that DCC will require a period of stabilisation and accept performance may be slightly lower than the enduring level of performance. Therefore, we support the proposal to introduce an interim Operational Performance Regime (OPR) from April 2017 and enduring OPR from April 2018. EDF Energy understands during this period DCC must achieve minimum service levels before it is able to retain any of its margin that is at risk. As performance levels, are lower during the interim OPR we would expect payments to be lower than for enduring without dis-incentivising the DCC.

Q3. What proportion of its margin DCC should be able to retain for reaching minimum performance levels under the enduring regime? Please provide justification / evidence to support your view.

We agree with the proposal to introduce an interim and an enduring incentive structures for the OPR and accept the DCC should receive none of its available margin assigned to a metric if it fails to reach the minimum service level for that metric.

If the DCC reaches minimum service level for that metric we accept it should receive a proportion of the available margin assigned to that metric, and is paid 100% of the margin assigned to a metric if it reaches the target performance level for that particular metric. We accept there should be a linear proportion of the margin between minimum and target levels

We are supportive of Ofgem's proposal that the minimum and target performance levels in the OPR will be consistent with the service levels in the SEC and service provider contracts at the beginning of each Regulatory Year. We agree that there needs to be a degree of flexibility in the regime.

While we agree there needs to be an effective incentive for good DCC performance and that it should receive a margin for delivering a minimum service. We believe the DCC should be incentivised for reaching minimum levels and accept the proposal for a range of between 60 – 80% of DCC margin service levels. However, we do not accept the margin for reaching minimum level should be consistent across all measures. The reason being there are a number of metrics such as First Time Communication Hubs connectivity and delivery of Service Requests within the Target Response Time which could severely impact user operational performance if service levels are not met. For these performance metrics a 60% margin should be applied.

We were pleased to see DCC has agreed to provide additional reporting as well to measures with monetary incentives. We agree this will be an extra additional reputational incentive on the DCC.

Q4. Do you have any specific comments on the draft direction which will implement our proposals included in the supplementary annex?

EDF Energy has no specific comments on the draft direction which will implement Ofgem's proposals, as included in the supplementary annex.

We agree, given the uncertainty of the project, that Operational Performance measures for Enrolment and Adoption should not be considered at this time as it is a key enabling project for realising the benefits of smart metering.

Q5. Do you have any suggested methodologies for the "new" reporting metrics for DCC?

EDF Energy do not have any suggested methodologies for the new reporting metrics for DCC over and above the varying performance service depending upon the importance of the metrics to DCC User operational performance.



EDF Energy
January 2017