

Guidance

Guidance for the Discretionary Data Reward (DDR) for DCC under the Design, Build and Test Phase of the Switching Programme

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This document sets out the governance and administration of the Discretionary Data Reward (DDR) term within the 03 May direction of the Centralised Registration Service Performance Adjustment (CRSPA) term. The DDR Guidance outlines the scope of the incentive scheme, the application and assessment processes, and the reporting requirements. It sets out the detail behind the proposed incentive scheme consulted on in October 2018¹, and set out in the 03 May 2019 decision document.

This guidance document is only relevant for DCC during the programme DBT Phase, which will end at the Authority's Go Live decision.

We have attempted to make this document accessible and informative to a range of stakeholders, especially those that are interested in understanding how we incentivise and drive DCC to understand their role in a wider, expanded programme.

¹ <https://www.ofgem.gov.uk/publications-and-updates/switching-programme-regulation-and-governance-way-forward-and-statutory-consultation-licence-modifications>

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1. Introduction

This document serves as a guidance to the Discretionary Data Reward (“DDR”) term within the direction issued by the Authority on 03 May 2019 to define the Centralised Registration Service Performance Adjustment (“CRSPA”) term for the Design, Build and Test (DBT) Phase of the Switching Programme. The CRSPA reflects the performance adjustment on DCC’s economically incurred costs.

The DDR allows for a discretionary adjustment to be made to DCC, within a cap and collar at a value in the region of +/- £200k, if the baseline quality standard for Retail Energy Location (REL) address matching has been met as a minimum and/or exceeded, and if certain outcomes in relation to the management of costs of the service provider contract(s) have been achieved. The standard will initially be defined and designated by the Authority ahead of being incorporated into the Retail Energy Code (REC)

The baseline quality standard for address matching will be designated by the Authority following input from industry and DCC, to ensure that it is set at a sufficiently ambitious but achievable level such that it meets the programmes’ business case requirements.

It is anticipated that the DDR scheme involves one-off delivery activity prior to Go Live of the Switching Programme that offers significant advantages to the programme, and to the end consumer, without increasing the overall cost. The baseline quality standard for address matching will need to be met and measured as one of the programme’s criteria ahead of Go Live of the new switching arrangements. Exceeding the target should represent activity being brought forward, rather than any additional cost or activity.

Purpose of the Guidance

The DDR Guidance outlines the scope of the incentive scheme, the application process, the assessment process and the reporting requirements. This document sets out the governance and administration of the DDR. It also sets out the detail behind the incentive scheme consulted on in October 2018², and set out in the 03 May 2019 decision document.

This guidance document is only relevant for DCC during the DBT Phase, which will end at the Authority’s Go Live decision.

In order for DCC to be considered eligible for the DDR reward, DCC must demonstrate that it has met the relevant criteria set out in this DDR Guidance document. This document is aimed at being informative to a range of stakeholders, especially those that are interested in understanding how we incentivise and drive DCC and to provide stakeholders’ with greater clarity of DCC’s role in a wider, expanded programme.

For the avoidance of doubt, this document is subordinate to the Licence and the direction to define to CRSPA term. This document does not change any definition or obligations contained within the Licence and, if there is any conflict between this document and the Licence, the Licence will take precedence.

2. Scope of the Incentive Scheme

The Switching Programme seeks to improve consumers’ experience of switching energy suppliers, leading to greater engagement in the retail energy market, by designing and implementing a new switching process, underpinned by a Central Switching Service (CSS), that is more reliable, faster and cost-effective. In turn, this will build consumer confidence and facilitate competition, delivering better outcomes for consumers.

² <https://www.ofgem.gov.uk/publications-and-updates/switching-programme-regulation-and-governance-way-forward-and-statutory-consultation-licence-modifications>

Analysis however has shown that approximately 80% of delayed, failed and erroneous switches are due to issues with address data quality (i.e. the data as currently held within the existing registration systems, or supplied to the gaining supplier from the consumer). A further 15% of erroneous switches are caused by issues relating to meter technical information, meaning that a switch might not proceed, or that a customer is switched to a tariff that the meter is not equipped to support. This causes consumer detriment and creates the perception that switching is more difficult than it otherwise should be.

The Switching Programme is of the view that the improvement of data quality in general can offer significant benefits and help ensure that its overarching programme objective is being met i.e. improving consumers' experience of switching and delivering better outcomes for consumers facilitated through effective competition. This will be delivered, in part, by implementing a new switching process, underpinned by a CSS that is more reliable, faster and cost-effective.

It is therefore a programme requirement that at Go Live the expected number of switches that fail as a result of erroneous address data is not increased by the shorter switch period. The set data quality standard should reflect this.

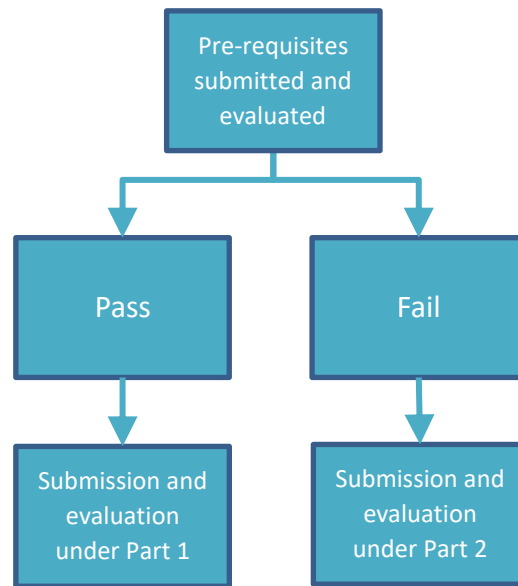
The DDR scheme is a one-off activity aimed at incentivising DCC to meet (as a minimum), and exceed, the baseline quality standard for address matching. Exceeding this standard is expected to deliver greater benefits to consumers without increasing the overall cost to the programme. It should also be noted that exceeding this standard represents bringing activities and benefits forward, rather than creating additional cost or activity. Furthermore, the DDR aims to ensure that there is consideration of a process across programme parties for how the required standard of data quality at Go Live is maintained, and improved, over the lifetime of the new switching arrangements.

3. Application Process

The Authority invites DCC to put forward a submission within three months following Go Live of the new switching arrangements in relation to their activities carried out during the DBT Phase of the Switching Programme. Go Live is currently baselined to take place in early-mid Regulatory Year (RY) 2021/22. Therefore, the submission would take place in the same RY as Go Live and would be formally determined as part of the RY2021/22 annual price control submission. If the timings for Go Live shift so that the submission can no longer reasonably fall within the same RY, then the RY for submission will be updated.

The application process under DDR is twofold, depending on whether or not DCC meets the scheme's pre-requisites. Pre-requisite criteria will be assessed on a pass / fail basis. Where this has been assessed to be:

- **Passed:** DCC can apply under **Part 1** and be considered eligible for the reward under this scheme. The value of the discretionary reward of up to +£200k will depend on DCC's scoring in the three areas of the discretionary reward; or
- **Failed:** DCC can apply under **Part 2**. DCC will not be considered eligible for the reward under this scheme. Instead, DCC will be subject to discretionary downside to a capped value of (negative) -£200k. The value of this downside will depend on the delay in meeting the milestone and steps DCC has taken to mitigate delay and the impact on the wider programme.



This document is intended to be guidance for DCC to be able to assemble an application, but does not dictate how they gather and present relevant evidence to meet each requirement. In assessing the quality of DCC’s activities and the effectiveness of their outcomes, we will need to be satisfied that the evidence presented is robust and verifiable.

In the event that a submission is not made, then it will be assumed that no part of Part 1 or Part 2 has been met and the reward will be (negative) -£200k.

Scheme Pre-Requisites

DCC will only be considered eligible for the reward under this scheme where it has met the following minimum requirements:

1. the baseline quality standard for address matching must have been met by the set programme milestone;
2. The costs associated with meeting or exceeding the standard for address matching must not represent any additional spend over the length of the service provider contract(s), but rather it should bring activities forward with the aim of delivering improved address quality at an earlier date, with potential for cost efficiencies over the length of the service provider contract(s);
3. The costs associated with meeting or exceeding the standard for address matching should be contained within External Costs (as defined for CRS within the Regulatory Instructions and Guidance (RIGs), and demonstrated that costs will not be, or have not been, increased for any other activity as a result. All costs must be justified as economic and efficient through price control; and
4. DCC has appropriately prioritised its activities to ensure no detriment to other programme aspects (including, but not limited to, negative impacts on cost, time and quality of delivery) through efforts to meet / exceed the baseline quality standard for address matching.

Part 1 – Putting Improved Data Quality at the Heart of the Enduring Switching Arrangements

Where the scheme’s pre-requisites have been met, DCC will be considered eligible for the reward under this scheme. The value of the discretionary reward of £0 to +£200k will depend on DCC’s scoring in the following areas:

- 1) **Exceeded the initial standard:** The achieved data quality (address matching) level has exceeded the minimum standard designated by the Authority. This shall be assessed on the level to which this

has been exceeded, the certainty to which this is the case and the level to which DCC has gone above and beyond in achieving this.

- 2) Ensured the set standards are correct:** It is key that the defined data quality standard(s), to the extent that is reasonably foreseeable, ensures that reliability is maintained and continually improved in line with the expectations set out within the Ofgem Business Case. Although the Authority will designate the initial level and the longer term standards will be set out within the REC, both will require expert input from DCC and its service providers to guide what is appropriate:

The initiatives/outputs against which DCC must provide evidence in this area include:

- a) Supporting the Authority to determine how the data quality standard will be measured;
 - b) Supporting relevant market participants (data source providers) to make evidenced based decisions on agreeing a standard for industry address data at Go Live that has the intention of not increasing failed switches;
 - c) Advising industry participants (data source providers) in ensuring address data is cleansed in accordance to the agreed standard for industry address data; and
 - d) Providing input collaboratively to Ofgem and the REC in setting an ambitious but realistic longer term data quality level that can act as a reasonable proxy for continual improvement in Switching reliability
- 3) Implementing a strategy for the maintenance and improvement of Data Quality for the long term:** The initiatives / outputs against which DCC must provide evidence in this area include:
- a) Pro-actively contributing to raising industry’s awareness of address data quality and integrity through developing and sharing with industry, best practices, guidance and guidelines on improving address data quality. This could include inputting into clear guidelines around the definition of the address match calculation, mastership, ownership and stewardship of the data elements associated with the programme;
 - b) Developing in collaboration with industry, a process to ensure data quality / integrity is continuously maintained and improved on an ongoing basis post Go Live; and
 - c) Supporting industry in developing a long-term address data quality improvement strategy.

Part 2 – Mitigating the impact of any delay in reaching the minimum data quality standard

Where it fails to meet the pre-requisites of the DDR, DCC will not be considered eligible for the reward under this scheme. Instead, DCC will be subject to discretionary downside to a capped value of (negative) - £200k. This value will however depend on DCC demonstrating that it has taken appropriate steps to mitigate the delay and impact on the wider programme, including:

1. **The delay and impact in achieving the minimum data quality level:** the length of delay in achieving the minimum standard relative to the programmes baselined date, including consideration of the steps taken to mitigate the impact of this delay. This would include consideration of engagement with stakeholders through the appropriate programme structures and in line with principles set out within the Discretionary Reward Mechanism (DRM)³;

³ <https://www.ofgem.gov.uk/publications-and-updates/decision-margin-and-incentives-dccs-role-within-design-build-and-test-phase-switching-programme>

2. **The delay and impact on Programme Go Live:** the length of subsequent delay in achieving the programmes baselined Go Live window, including consideration of the steps taken to mitigate the impact of this delay. This would include consideration of engagement with stakeholders through the appropriate programme structures and in line with principles set out within the DRM³;
3. **Support for long-term quality improvement:** the extent to which DCC has met the appropriate requirements under Part 1 above noting that we would expect DCC to prioritise achieving the pre-requisite requirements.

DCC can only apply for this element of the DDR scheme, to limit the value of the discretionary downside, after Go Live of the Switching Programme (e.g. the minimum standard must have been achieved).

Provision of evidence

In assessing the quality of DCC's activities and the effectiveness of the outcomes in relation to the DDR scheme, we will need to be satisfied that the evidence it presents is robust and verifiable.

For pre-requisite requirements, we encourage DCC to seek a range of evidence including but not exclusively:

- Evidence from appropriately independent sources that the designated address matching standard has been met, or exceeded, and was done so by the set programme milestone;
- Data cleansing results and outputs showing that progress was made throughout the DBT phase;
- Outputs from collaborative planning events with service providers and the REC showing how service provider activities were brought forward, and how these activities relate to the address matching standard being met or exceeded;
- Financial figures showing forecast costs for these activities, or other activities, that are no higher over the length of the service provider contract(s) and no increase in DCC Internal Costs.

For Part 1 and Part 2 we recommend evidence could also consist of:

- Documentation of best practice guidance for ensuring the maintenance of address data quality, including relevant rules and standards that have been utilised on data mastership, ownership and stewardship;
- Industry-led documentation showing commitments to continuous long term improvement of Data Quality and how this will be achieved;
- Evidence of culture changes within industry relating to the handling and processing of address data in respect to quality and integrity;
- Evidence of stakeholder engagement, and how industry feedback was considered and integrated into decision making under this scheme.

4. Format of the application and timescales of reporting

Format of application

DCC's application must consist of one document that sets out its case, including supporting evidence, to be considered for the DDR. Supporting evidence may be submitted appended to the submission document and referenced in the body of the document. The submission document must be emailed to the [Ofgem Switching Programme \(switchingprogramme@ofgem.gov.uk\)](mailto:switchingprogramme@ofgem.gov.uk) team.

The submission document must be submitted in PDF format and should not exceed 20 sides of A4 (excluding diagrams, tables and appendices) with text no smaller than font size 11. The submission document must be signed (electronically or by hand) by a representative who is authorised to make the submission on behalf of the DCC Board. There should be no embedded documents within the submission document – any additional documents should be appended to the submission document.

Timescales for the application

The submission must be made within three months of the Go Live date of the new switching arrangements (currently anticipated to fall within RY2021/22). Ofgem will make and publicise its decision on whether or not to award DCC the DDR, or a proportion of it, within the same RY as the submission is made. This is unless the submission is made within two months of the end of a RY, in which case Ofgem may delay making and publicising its decision to the following RY.

5. Assessment

Evaluation Panel

DCC's submission will be assessed by a Panel of evaluators who will assess whether DCC has met the requirements against the evaluation criteria. The Evaluation Panel should be made up from:

- A senior member of the Ofgem Switching Programme team;
- An Ofgem Switching Programme Commercial team member;
- A Switching Programme Communications representative (likely from the Programme Coordinator);
- A representative of the Retail Energy Code Company Limited (RECCo)

Evaluation Process

The evaluation process will consist of the following steps:

Pre-requisite Requirements: scoring of the pre-requisite requirements will be either a pass or fail and carried out by the Ofgem Commercial team with input from others including the LPA, Ofgem Price Control team and other expertise as required. If DCC fail to meet the scheme's pre-requisites, then no award under the DDR will be made. The minimum data quality standard being met will be assessed in line with the five DBT Milestones (DMs) as defined within the direction of the CRSPA term. The assessment related to cost will be carried out without prejudice to any future Price Control decisions.

Where the pre-requisite requirements have been met then DCC can apply under Part 1; where the pre-requisite requirements have not been met then DCC can apply under Part 2, both of which will be evaluated following the process outlined below.

Individual evaluations: Evaluators will thoroughly read DCC's submission, independently without conferring with other evaluators or anyone outside the evaluation team. Evaluators will recommend scores for Part 1 or Part 2 of the submission as appropriate – and make notes on their rationale for awarding those scores, citing evidence from the submission.

Moderation of scores: A moderation workshop will be facilitated by a moderator who has not participated in the individual evaluations. The purpose of the moderation process is to ensure that the award of agreed moderated scores is accurate and consistent, and results in a single, moderated score for each criterion. If differences are identified between evaluators for any criterion, the evaluators and moderators responsible for the evaluation will be requested to review and if necessary, revise their scoring until consensus is reached. The review process will continue until the Evaluation Panel is content that the evaluation results are accurate and consistent. The aim of this review is for the Evaluation Panel to establish an overall score for DCC's DDR submission.

DCC's right of reply: The Evaluation Panel's evaluation of DCC's submission will be subject to an independent review by the Switching Programme Licenced Party Assurer (LPA), after which DCC will be offered the opportunity to discuss the provisional outcome of the evaluation with the evaluation panel and the LPA. DCC will be able to submit additional evidence (within reason) and respond to the findings of the evaluation panel agreed at moderation. For the avoidance of doubt, the final decision will lie with the

Authority, who will form views based on the Evaluation Panel’s recommendations as well as the evidence that has been made available.

Scoring Methodology

DCC’s performance in respect of Part 1 and Part 2 of the submission will be scored on a scale of 0 – 4. DCC will need to receive a pass in respect of the scheme’s pre-requisites in order for it to be considered for any award under the DDR.

The scores awarded for Parts 1 and 2 of the submission will use the following scale and guidance:

Score	Degree of confidence provided by response	Scoring guidance
4	High level of confidence	Very thorough response that answers all parts of the requirement for the criterion fully, no gaps in the information provided and not even any minor issues of concern with the submission.
3	Good level of confidence	Thorough response that answers almost all parts of the requirement for the criterion fully, with only a few points not answered fully, no gaps in the information provided and only a few minor non-material issues of concern with the submission.
2	Adequate level of confidence	Response that answers most parts of the requirement for the criterion fully, with some points not answered fully, and some gaps in the information provided and a few material issues of concern with the submission.
1	Low level confidence	Limited response that only answers a few parts of the requirement for the criterion fully, with many parts not answered fully, and many gaps in the information provided and multiple material issues of concern with the submission.
0	No confidence	No response, or the response is irrelevant and does not answer a significant part of the requirement at all.

The scores for Part 1 of the submission will be weighted as follows:

Section	Weighting
Exceeding the initial standard	75%
Setting the standards (initial and on-going)	10%
Contribute to the maintenance of Data Quality for the long term	15%

The scores for Part 2 of the submission will be weighted as follows:

Section	Weighting
Delay and impact in achieving the minimum data quality level*	60%
Delay and impact on Programme Go Live*	30%
Support for long-term quality improvement	10%

* Note that the scoring of these elements under Part 2 of the submission will be aligned to the scoring of all elements under the DRM³.

The weighted scores for the submission will be combined and an average of these scores will be calculated. This will provide an overall score for DCC's DDR submission.

Converting the Overall Score into a financial reward

Once an overall score for DCC's submission has been calculated it will be converted into the proportion of the capped value of the award that will be made to DCC, up to a maximum of +/- £200k.

This will be calculated as follows:

$$\% \text{ of DDR awarded} = (\text{overall score} / 4) * +/- \text{£200k}$$

The sliding scale is illustrated in the graph below where DCC is applying for Part 1:

