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Dear Andrew,

Consultation on DCC Operational Performance Regime Review

Thank you for the opportunity to respond to the consultation on the DCC Operational Performance Review.

We welcome Ofgem's review of the Data Communications Company (DCC) Operational Performance Regime (OPR). We agree that the current DCC's OPR focuses on a range of metrics that are not providing the best incentives to the DCC nor reflective of customer experiences.

The DCC needs a step change in their engagement activity with customers and how they procure and contract manager their external costs. We agree the DCC's OPR should be modified and improved to not only focus on incentivising system performance but also to introduce two new incentives on customer engagement and contract management and procurement.

Appendix 1 provides our detailed responses to each of the consultation questions.

I hope these comments are helpful. The following table gives our detailed responses. Please do not hesitate to contact me or Catherine Duggan (07775 547624) if you would like to follow up on any particular aspect of our response.

Yours sincerely,

Paul Auckland
Head of Economic Regulation



Appendix 1 – ENWL detailed responses to each of the consultation questions

The following table includes our views on the consultation:

Ref.	Question	Response
1	Do you agree that System Performance should be financially incentivised?	Yes, as a DCC network system user we support the rationale for continuing with an incentive on system performance which measures the reliability of DCC systems that is fundamental for delivery of the smart meter roll out.
2	What are your views on our proposal for the System Performance Incentive?	We agree the system performance incentive should now sit alongside two other new incentives (customer engagement and contract management and procurement). We also agree that the system performance incentive should form the basis of the OPR and make up the largest proportion of the DCC's margin at risk. Please refer to our response to Q8 regarding the specific weighting of this incentive in comparison to the other incentives.
3	Do you agree with the four areas we propose incentivising? Provide explanation.	<p>We agree with the four areas being proposed. We welcome the new 'install and commission' metric and that this and the other three metrics where relevant would break down performance by meter type and DCC communications region. Providing there is sufficient weighting on the Install and Commission activities then this should incentivise DCC to improve performance on DCC communications hub issues in the Arqiva north region as the DCC risk losing 50% of the metric for poor performance in any one region.</p> <p>A remaining area of concern for Distribution Network Operators (DNO's) regarding alerts is the Power Outage functionality whereby the DCC are not delivering against the SEC. However, BEIS are fully aware of this and there is already a DCC project seeking to establish an acceptable outcome to more properly benefit DNO's customers. Consequently, we agree with Ofgem's proposal to restrict the number of measures and not include alerts in the metrics (as recommended by the SEC Ops Group); as adding more measures risks watering down the penalties.</p>
4	Do you agree that customer engagement should be financially incentivised?	Yes, we agree with the introduction of a new customer engagement incentive as the current OPR framework does not incentivise DCC's engagement with its customer including DNO's.
5	What are your views on our proposal for the Customer Engagement Incentive?	<p>Whilst Ofgem's proposals go a long way in improving the DCC's poor customer engagement. We recommend that performance of this incentive for the SEC Panel submission should include a customer satisfaction survey provided by an independent third party. The criteria for assessing performance in the DCC and SEC Panel submissions should also cover:</p> <p>a) targeted engagement based on party category as well as timing and frequency of engagement; and</p>

		b) for the avoidance of doubt activities such as user cost changes in addition to contract changes.
6	Do you agree that contract management and procurement should be financially incentivised?	Yes, we agree with the introduction of a new contract management and procurement incentive as external costs compose the largest proportion of DCC's costs and exponentially increasing each financial year.
7	What are your views on our proposal for the Contract Management and Procurement Incentive?	Yes, we agree any gaps in using the proposed National Audit Office assessment framework for this incentive (such as on requirements for active engagement in the SEC Modifications process and customer engagement) could be incorporated in the customer engagement incentive.
8	Do you agree with our proposed weighting between the three incentives?	Yes, we agree with the proposed weighting between the three incentives: system performance (70%); customer engagement (15%) and contract management and procurement (15%).
9	Do you agree that the proposed licence modifications achieve the policy intent?	We are not best placed to answer this question.
10	Do you have any views on the draft direction published alongside this consultation?	We are not best placed to answer this question.