



Consultation on increasing DCC's revenue at risk against the Operational Performance Regime (OPR) - E.ON Response

Thank you for the opportunity to comment on Ofgem's proposal under this consultation.

We support increasing the revenue at risk against DCC's operational performance incentives but believe that measures should be targeted at areas where the DCC is underperforming. The Ofgem RY19/20 DCC Price Control Consultation states, "...we continue to have concerns over the efficacy of DCC's procurement and contract management..." (page 5, Contract management). On this basis, E.ON believes that OPR revenue at risk measures should be specifically targeted at driving improvements in the DCC's procurement and contract management activities.

We therefore disagree with Ofgem's minded-to position; indeed we do not understand Ofgem's justification for selecting this option. Ofgem states:

"Option 1 will increase the revenue at risk against all elements of the OPR, thereby strengthening the incentive for DCC to perform well in all areas. As it will increase the revenue at risk against the system performance metrics, it will help counteract the fragmentation of the incentive caused by breaking performance down by meter generation and region by bolstering the fragmented incentive, thereby ensuring the fragmented incentive remains material."

We struggle to comprehend the second sentence of this paragraph:

- "... it will help counteract the fragmentation of the incentive ..." – what fragmentation?
- This initial phrase then appears to be contradicted "... caused by breaking performance down by meter generation and region *by bolstering the fragmented incentive, thereby ensuring the fragmented incentive remains material.*" [emphasis added].

We believe the revenue at risk should focus on vendor and contract management; we have consistently argued that this is an area where we believe the DCC is particularly weak. We therefore urge Ofgem to reconsider its minded-to position and, instead, adopt Option 2.

We would be happy to discuss this in more detail with you. If you feel this would be useful, please do not hesitate to contact us.