



**National Change**

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**Date**

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Dear Metering and Market Operations

**DCC Price Control: Regulatory Year 2019/20**

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc in response to the above consultation.

This response is not confidential.

Yours sincerely

Gemma Slaney  
National Change Manager

## Consultation Questions

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**Question 1: What are your views on our proposal to consider External Costs as economic and efficient?**

We note that there seems to be a variety of increases from the Service Providers, some of which are significant, however we don't believe that there is enough detail and transparency around these costs for us to provide a view as to whether these are economic and efficient.

**Question 2: What are your views on our proposals on DCC's approach to benchmarking of staff remuneration for both contractor and permanent staff?**

We also welcome the improvement of the permanent – contractor staff ratio. We are concerned that the DCC have become inconsistent with their approach to staff remuneration and question if there is sufficient processes in place, and if these are being followed. We support your proposal to disallow some of the contractor costs and would challenge the DCC to show more consistency with their approach going forward.

**Question 3: What are your views on our proposals to disallow the cost of DCC's retention scheme?**

We support the proposal to disallow the retention scheme costs. This is because we are not clear on the benefit of this expenditure to the scheme.

**Question 4: What are your views on our proposal to disallow the incurred and forecast costs associated with the product management team?**

We believe that DCC need to spend time and effort on improving the reliability of the current systems before trying to expand into other products, as well as improving customer engagement. Therefore we support the proposal to disallow these costs.

**Question 5: What are your views on our proposal to disallow the forecast variance of the Commercial Operations and Vendor Management teams?**

As the DCC are unable to provide clarity regarding proportion of costs associated Network Evolution, and these costs did not meet the certainty threshold, we support the proposal to disallow these costs.

**Question 6: What are your views on our proposal to disallow the incurred cost variance associated with Preston Brook?**

We believe that the move was not completed efficiently due to waiting until the transition was complete and are therefore minded to agree with the proposal to disallow this variance.

**Question 7: What are your views on our proposal to disallow all variance in forecast internal costs?**

As the DCC have been unable to justify the increase in baseline costs, we agree that these variations should be disallowed, along with the associated Shared Service Charge.

**Question 8: What are your views on our proposed position on DCC's operational performance?**

We support the proposal to reduce the BM of the full SDM1 milestone value. The DCC missed a milestone last year in the North and we feel that a consistent approach is fair.

**Question 9: What are your views regarding DCC's failure to ensure all CSPs met their contractual milestones and its wider performance in the North region?**

The DCC continue to have problems within the CSP North region and the installation rate of meters there is considerably slower than in the Central and South regions as a result. This is having a direct impact on both customers and consumers. Despite losing this margin last year, the DCC continue to have significant issues in the North and we continue to see a disconnect in the services between the regions.

**Question 10: What are your views on our proposed position on DCC's project performance?**

We support the proposal regarding the performance against project R2.0.

**Question 11: What are your views on our assessment of DCC's application to adjust its Baseline Margin?**

We agree with the comments, and in particular those around the Service Standards Expectations driver stating that investment in this area is to meet the standards expected by industry. We support the proposal to reduce the adjustment.

**Question 12: What are your views on our assessment of DCC's application to adjust its ECGS?**

We trust that the DCC are providing Ofgem with the evidence to detail these savings and how they are being passed on to customers, however we don't feel there is enough transparency or detail to provide a view.

**Question 13: What are your views on our assessment of Delivery Milestone 1?**

We support the proposal that the DCC should lose all margin associated with DM1. The milestone was missed by a period in excess of fifteen weeks and the DCC should be held accountable for this. This should also help incentivise them going forward with the programme.