Jacqui Russell
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

Email to: smartmetering@ofgem.gov.uk

11 February 2021

Dear Jacqui

OPR Guidance Consultation January 2021

EDF is the UK's largest producer of low carbon electricity. We operate low carbon nuclear power stations and are building the first of a new generation of nuclear plants. We also have a large and growing portfolio of renewable generation, including onshore and offshore wind and solar generation, as well as coal and gas stations and energy storage. We have around five million electricity and gas customer accounts, including residential and business users.

EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

Failure by DCC to meet its operational targets, especially those within the scope of the revised Operational Performance Regime (OPR) scheme, has a direct impact on suppliers and the service they provide to their customers. At the very least DCC should be achieving the Minimum Performance Level (MPL), and the consequences of them failing to this minimum standard should be a deterrent that places 100% of DCC's Baseline Margin at risk.

We are concerned that the proposed approach could allow the DCC to miss an individual Service Performance measure (such as prepayment) by, for example, 20% which would have a material impact on our service and our customers. However, DCC could still get 100% of their target margin from achieving the required standards on the other Service Performance measures. There should be some consideration of whether below performance on Service Performance should lead to a possible cross reduction of the margin associated other measures, in line with the approach taken to reductions across regions.

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 Tania Rameswaran, or myself.

I confirm that this letter may be published on Ofgem’s website.

Yours sincerely,

Adam Heeley
Senior Manager of Asset Management- Customer Operations

Attachment

Question 1: What are your views on our proposals for the level of MPL and TPL?

We agree with the levels set for the Target Service Level (TSL) and Minimum Service Level (MSL) and that MPL and TPL will be set at the same levels as the MSL and TSL as set out in the SEC. We recognise that both are set by the SEC Panel in line with their expectations of the service required from DCC at the minimum and target level for the stated SEC performance measures.

Question 2: What are your views on our proposals for the values of x and y?

We do not agree that the value of Y should be maintained at 70% in the new OPR. It would be more appropriate to decrease the value of Y to a maximum of 50%. The impact that this level of performance has on the service we provide our customers, and especially prepayment customers, is significant and DCC should not be rewarded with a 70% for achieving this standard. We agree with Ofgem that setting the value of Y to be 50% would prove a stronger incentive for DCC to reach the TPL from the MPL, which we consider to be the minimum acceptable level of performance.

Likewise, the value of X should also ensure that the DCC is penalised for poor performance and as such should be set at most to be equal to the distance from MPL and TPL. Our preference would be to set the value of x as half the distance between MPL and TPL. This ensures that DCC reaches the lowest negative point for the highest level of performance. Given the amount already invested in it and the time that the DCC has had to resolve its performance issues, it is the least we should expect. Again, this would highlight to DCC that any performance below MPL is unacceptable to DCC Users. The DCC should not be rewarded for missing its minimum targets.

We are concerned that the proposed approach could allow the DCC to miss an individual Service Performance measure (such as prepayment) by, for example, 20% which would have a material impact on our service and our customers. However, DCC could still get 100% of their target margin from achieving the required standards on the other Service Performance measures. There should be some consideration of whether below performance on Service Performance should lead to a possible cross reduction of the margin associated other measures, in line with the approach taken to reductions across regions.

Question 3: Do you have any comments on the drafting of the OPR Guidance for the Customer Engagement Incentive?

We agree with the proposals for the OPR Guidance on the Customer Engagement Incentive and have no further comments to make.

Question 4: What are your views on the proposed submission requirements?

We agree with the proposal that the main submission should be concise yet flexible for both DCC and the Panel. We do not expect the submissions to be an overly onerous burden upon DCC, the

SEC Panel, Ofgem, or DCC customers when carrying out the submission preparation and assessment process.

We agree that submissions from both DCC and the SEC Panel should be transparent, such that either party can review drafts of the other submissions and be able to respond appropriately and if necessary, make early changes.

Question 5: What are your views on the timeline and process for the auditor assessment?

We support the proposals on the timeline and process for the contract management audit and have no further comment to make.

Question 6: What are your views on the scope of the assessment?

We support the proposals for the scope of the assessment and have no further comment to make.

Question 7: What are your views on the draft Terms of Reference?

We have no comment to make on the drafting and content of the Terms of Reference.

Question 8: What are your views on the proposed 6-month grace period (option 1)?

DCC has now been in operation for several years and as such the grace period proposed should be kept to a minimum. As such we support the 6-month grace period only because it is the shortest option.

Question 9: What are your views on the direction required to implement the 6-month grace period (option 1)?

We have no comment to make.

Question 10: What are your views on the proposed 1-year grace period (option 2)?

We do not agree with allowing a full year grace period (option 2). DCC should already be performing to the minimum standard given the amount of time it has been in operation. We agree with the concern that this option would mean that DCC would face less incentive pressure during RY21/22, which could result in delays to DCC making improvements around its core operation.

Question 11: What are your views on the direction required to implement the 1-year grace period (option 2)?

We have no comment to make.

Question 12: Which is your preferred approach to the system performance transition year, option 1 or option 2?

Our preference would be option 1 and a 6-month grace period

Question 13: What are your views on the customer engagement and contract management trial run?

We agree with the proposal to replicate the process of the assessment as set out in the OPR Guidance as part of a trial run. We agree it is important that DCC faces strong incentives to make improvements in this area as swiftly as possible.