

Proposals for DCC's role in developing a Centralised Registration Service and penalty interest proposals

Statutory Consultation

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Overview:

Ofgem is leading a programme to deliver fast, reliable switching on a new Centralised Registration Service (CRS).

In July 2015, we consulted on giving the Data and Communications Company (DCC) new obligations to support the development of these new market arrangements, its funding, and consequential changes to its licence. We also took the opportunity to review the arrangements in DCC's licence that allow it to prudently estimate its allowed revenue when setting charges.

After considering consultation responses, we are now consulting on changes to DCC's licence to give effect to our proposals. We welcome your responses to switchingprogramme@ofgem.gov.uk by 22 January 2016.

Context

Smart DCC Limited is referred to as the Data and Communications Company (DCC). It is a central communications body appointed to manage communications and data transfer for smart metering. It is responsible for linking smart meters in homes and small businesses with the systems of energy suppliers, network operators and other companies. DCC will develop and provide data and communications services for smart meters through its external service providers. The Department of Energy and Climate Change (DECC) granted Smart DCC Ltd the Smart Meter Communication Licence ("the Licence")¹ on 23 September 2013.

We want to use the opportunities provided by smart metering to make the switching process faster and more reliable for consumers.

Associated documents

- *Notice of statutory consultation on proposals to modify the standard conditions of the smart meter communications licence*, Ofgem, 17 Dec 2015
<https://www.ofgem.gov.uk/publications-and-updates/final-proposals-dcc-s-role-developing-centralised-registration-service-and-penalty-interest-proposals>
- *Switching Significant Code Review (SCR) and requests for participation to participate in programme workshops: Consultation*, Ofgem, 17 Nov 2015
https://www.ofgem.gov.uk/sites/default/files/docs/2015/11/switching_scrlaunch_17112015.pdf
- *Updated Target Operating Model and Delivery Approach*, Ofgem, 17 Nov 2015
<https://www.ofgem.gov.uk/publications-and-updates/moving-reliable-and-fast-switching-updated-target-operating-model-and-delivery-approach>
- *DCC's role in developing a Central Registration Service (CRS) and penalty interest proposals: Consultation*, Ofgem, 28 Jul 2015
<http://www.ofgem.gov.uk/publications-and-updates/dccs-role-developing-central-registration-service-and-penalty-interest-rate-proposals> *DCC Price control*
- *Decision document*. Ofgem, 27 Feb 2015
<https://www.ofgem.gov.uk/ofgem-publications/93650/1502dccdecisionfinal.pdf>
- *Smart Meter Communication Licence*
<https://epr.ofgem.gov.uk/Document>
- *Moving to reliable next-day switching: Decision*. Ofgem, 10 Feb 2015
https://www.ofgem.gov.uk/sites/default/files/docs/2015/02/fast_and_reliable_switching_decision_final.pdf

¹The Smart Meter Communication Licences granted pursuant to Sections 7AB(2) and (4) of the Electricity Act 1989 and Sections 6(1A) and (1C) of the Gas Act 1986. This consultation is being conducted in respect of both of those licences. Together, those licences are referred to as 'the licence' throughout this document.

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Executive Summary

Ofgem is leading a programme to deliver fast, reliable switching on a new Centralised Registration Service (CRS).² We expect DCC to have a crucial role in developing the new registration and switching arrangements, including the procurement of the CRS.

We propose changes to DCC's licence ('the licence') to establish its role in supporting the development of the new switching arrangements, including how this activity would be funded.

We want to ensure that DCC is appropriately funded and has clear obligations that describe its role in supporting the Switching Programme. We will require that its smart meter obligations take precedence over this development period so that it is not impeded in meeting its smart meter obligations.

The licence changes in this consultation, linked to the Switching Programme, are limited to those that are required for DCC to support the development of the design for the CRS, including the new switching arrangements,³ as well as procuring the Relevant Service Capability⁴ to deliver the CRS. We anticipate amending the licence further to cover the delivery of the CRS and its live operation.

Summary of our proposals on switching

After considering responses to our July 2015 consultation, we continue to propose:


- New obligations on DCC to procure the CRS and contribute to its design, including the new switching arrangements.
- Allowing DCC to recover the economic and efficient costs it incurs for participating in this transitional phase⁵ through the existing ex-post price control framework.
- Recovery of costs through the existing charging methodology.
- Including the preparation for CRS as a new category of Mandatory Business Service.

² The Office of the Gas and Electricity Markets Authority (Ofgem) supports the Gas and Electricity Markets Authority ('the Authority') in its day to day work. In this document, 'us/we', 'Ofgem' and 'Authority' are often used interchangeably.

³ We refer to 'switching arrangements' as the process by which a consumer switches from one supplier to another.

⁴ This means the internal and external resources which DCC relies upon in order to provide services to DCC Users

⁵ "Transitional phase" refers to the Blueprint, Detailed Level Specification, and Enactment phases of the Switching Programme.



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In line with our overall objective to move over time to an ex-ante price control for DCC, we also propose new licence drafting to let the Authority introduce a specific price control arrangement for DCC's activities in the Switching Programme. The licence drafting gives the Authority the ability to direct both ex-ante and ex-post elements for the price control.

We would prefer to subject DCC's procurement costs in the Switching Programme's transitional phase (ie up to the point when the CRS provider is appointed) to an ex-ante arrangement. Other costs during the transitional phase would be subject to an ex-post arrangement, because they are more difficult to assess and benchmark in advance.

We are consulting on the feasibility and the process for determining these ex-ante costs, and whether to introduce incentives (such as performance measures) and a cost adjustment mechanism (such as a gain-sharing mechanism if costs are lower than expected). In practice, given the scale of the costs associated with DCC's procurement costs and the complexities of such mechanisms, we may not choose to employ all or some of these mechanisms during the procurement.

We will consider the approach to DCC's price control for future phases of the Switching Programme and the ongoing operation of the CRS during the Blueprint Phase.

In light of these proposals, we have reviewed the licence again and seek your views on our proposed drafting and further changes to it.

Penalty interest proposals

In addition to the proposals on switching, we have taken this opportunity to review the licence requirements for DCC to prudently estimate its allowed revenue when setting charges, and to take all reasonable steps to secure that its regulated revenue does not exceed that prudent estimate.

We set out our proposals on introducing a penalty interest rate regime for overcharging, and the form this could take. Stakeholders supported our approach and we are now seeking your views on our proposed drafting.

Next steps

We welcome your views on the issues raised in this consultation, and will consider them when we make our decision. Please send responses to switchingprogramme@ofgem.gov.uk by 22 January 2016. Subject to consultation responses, we aim to publish our decision in February 2016.

1. Introduction

Background

Data Communications Company (DCC)


1.1. DCC is a central communications body licensed to provide the communications, data transfer and management for smart metering. It is responsible for linking smart meters in homes and small businesses with the systems of energy suppliers, network operators and other companies.

1.2. The Department of Energy and Climate Change (DECC) granted DCC's licence on 23 September 2013 following a licence competition. The licence is for 12 years and will remain in place until 22 September 2025, unless it is extended or revoked. DECC also established price control arrangements that restrict DCC's revenues, to counter its monopoly position.

Registration services

1.3. In February 2015, we published our decision to overhaul and radically re-engineer the switching arrangements. This included requiring DCC to put in place a new Centralised Registration Service (CRS) that can deliver fast and reliable switching. We have established a Switching Programme to design and deliver these changes. On 17 November 2015, we launched a Significant Code Review (SCR) for implementing the new industry arrangements for next-day switching, and requested for expressions of interest to join the Blueprint Phase workgroups. We also published an updated version of the Target Operating Model (TOM).

1.4. Registration services are currently provided separately by gas and electricity networks, and the switching rules are significantly different in both markets. Registration services are the definitive record of each gas and electricity supply point in the GB market including: the identity of the supplier, the address and unique reference number of each supply point, and site characteristics, such as whether the premises is domestic or non-domestic. We want to harmonise registration services, simplify the switching arrangements and provide a common platform for reliable and fast switching for all customers.



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1.5. In addition to switching, registration services support other essential market functions such as energy balancing and settlement, network charging and smart metering.⁶

1.6. We want DCC to be responsible in its licence for procuring the CRS. The detailed rules for how the registration service will operate will be in the Smart Energy Code (SEC).

1.7. In this document we propose to amend DCC's licence to clarify the role it should play in developing the new market arrangements. These new licence obligations will provide certainty to DCC on its role. They will also set the boundaries of the activities for which DCC, as a price controlled entity, can recover costs.

1.8. Our proposals aim to ensure that DCC has clearly defined requirements and funding to support the Switching Programme in a way that does not jeopardise delivering its other smart metering responsibilities. DCC's smart meter requirements in the Transition Objective (Licence condition (LC)13) take precedence until Completion of Implementation.^{7,8}

Context for the changes

1.9. We have identified five phases for the Switching Programme. This consultation covers DCC's activity during the first three phases. In this consultation document, we refer to these collectively as the "transitional phase":


- Blueprint Phase,
- Detailed Level Specification Phase, and
- Enactment Phase.

1.10. We think DCC should be appropriately funded so it can actively participate in industry workstreams to establish the high-level design in the Blueprint Phase. Within each workstream, DCC will be a member of a Design Team, which will develop proposals for wider review. Some of these groups have already begun and other will start in early 2016.

⁶ In this document, unless specifically stated, references to the CRS are references to its role as a register of relevant information on gas and electricity supply points in the GB market, to the arrangements to facilitate fast and reliable switching and the provision of information to support a wide range of other market functions including the balancing and settlement of gas and electricity, network charging and smart metering. Further detail is set out in the TOM.

⁷ Completion of Implementation as defined in licence condition 5, Part D.

⁸ In addition, DCC has obligations to ensure it has sufficient resource to fulfil all of its defined Mandatory Business. We propose to include the CRS, alongside DCC's smart meter obligations, within the scope of Mandatory Business.



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1.11. We expect DCC to continue to contribute to the design during the Detailed Level Specification Phase. In addition, we expect DCC to contribute to developing the modifications to industry codes and licences, and to procure the Relevant Service Capability at the end of the Enactment Phase to deliver the CRS. Participating in these three phases should help ensure DCC considers and explores the issues, to help avoid unforeseen consequences that could delay implementation.

1.12. The scope of the licence changes in this consultation are the ones that are needed for DCC to be involved in this preparatory work until the Relevant Service Capability for the CRS is procured, ie up to the end of the Enactment Phase.

1.13. The scope of DCC's enduring role, the detailed design and technical specification, the regulatory framework and the enduring commercial arrangements will be discussed as part of the Blueprint Phase of the Switching Programme.

Penalty interest proposals

1.14. This is also an opportunity to seek your views on options for the prudent estimate provisions in the licence. In our price control decision document for the Regulatory Year 2013/14⁹ we committed to monitoring the use of the prudent estimate provision,¹⁰ and to consider whether it correctly incentivises DCC. We said we would consider future changes to the licence to ensure that DCC's incentives to accurately estimate allowed revenue are right.

1.15. In chapter 5, we consider different approaches to introducing a penalty interest rate regime for DCC.

⁹ Price Control Decision 2013/14

https://www.ofgem.gov.uk/sites/default/files/docs/2015/02/1502_dcc_decision_final_0.pdf

¹⁰ Under the licence (condition 36 Part B) DCC must make a prudent estimate of its estimated allowed revenue when it is setting its charges and when doing so it must take all reasonable steps to secure that its regulated revenue does not exceed that prudent estimate.

2. Registration and switching arrangements

Chapter summary

We propose changes to the licence that will require DCC to contribute to the design of the CRS and procure Relevant Service Capability to deliver it.

Question 1: Do you agree with our proposed changes to LC15?

Question 2: Do you agree with the proposed considerations that we would expect DCC to take into account when seeking to meet its new objective?

2.1. This chapter shows respondents' views on our proposals to amend LC15. Our amended proposals are described in the Statutory Consultation Notice that accompanies this document¹¹ and we welcome any further comments.

2.2. In July 2015, we sought views on our proposal to replace the current drafting of LC15. The current rules provide for the Secretary of State to issue a direction to DCC to secure the incorporation of energy registration services into the services provided under the SEC.


2.3. We proposed to replace the existing LC15 requirements with obligations on DCC to support the development of and to procure the CRS. Our proposals included: a new objective on DCC, giving the Authority the ability to direct DCC in respect of this objective, and new definitions. We also proposed considerations which we would expect for DCC to take into account when seeking to meet its new objective.

2.4. Respondents agreed with our view that the current requirements should be replaced by new obligations on DCC to support the development and procurement of the CRS. Respondents agreed that, in the context of Ofgem leading the Switching Programme, retaining the Secretary of State's powers could create confusion about roles and responsibilities, and on how DCC would be required to prepare.

New objective

2.5. In the July consultation, we proposed a new Interim Central Registration Service Objective for DCC (referred to in this chapter as the "new objective") to

¹¹ Notice of statutory consultation on a proposal to modify the standard conditions of the smart meter communication licence <https://www.ofgem.gov.uk/publications-and-updates/final-proposals-dcc-s-role-developing-centralised-registration-service-and-penalty-interest-proposals>



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enable it to have a clearly defined and funded role to support development of the CRS.

2.6. As part of the new objective, we asked for stakeholders' views on DCC's role in documenting the design of the new arrangements and preparing the modifications to industry codes to introduce the CRS. These are discussed below. Some stakeholders requested more detailed prescription in the objective. We address these in the section below on direction and considerations for DCC.

DCC role in documenting the design of the CRS

Consultation responses

2.7. Respondents were split on whether DCC should lead on documenting the design or whether the Smart Energy Code Administrator and Secretariat (SECAS) is better placed to do so. DCC preferred to see different leads document the components of the programme. It suggested that it should lead development and documentation of the CRS design because it needs to own the requirements and specification to ensure that it is accountable for its implementation. It said that it should contribute to switching design as it can provide expert resources to the team. Some respondents were concerned that DCC did not, at present, have the required experience or expertise to lead on documenting the design of the CRS.


Our response

2.8. We want DCC to be active in supporting the design and documentation of the CRS. But we still think that DCC should not lead this work. Ofgem will lead and coordinate design and documentation with the support of industry.

2.9. We expect DCC to be part of the Design Team in the Switching Programme Business Process Design Workstream. This team will design and document the new CRS arrangements. The Design Team's output will be reviewed by the User Group for the Business Process Design Workstream and by the External Design Advisory Group (EDAG) before being submitted to the Ofgem Design Authority for approval.¹²

2.10. It is particularly important that DCC is part of these discussions so that it can accurately transpose these requirements into a technical specification for procurement. With DCC, we will develop appropriate review arrangements with stakeholders to ensure that this technical specification is fit for purpose. For the

¹² More information on these terms can be found here in the following link:
https://www.ofgem.gov.uk/sites/default/files/docs/2015/11/switching_sclaunch_17112015.pdf



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avoidance of doubt, DCC will only be able to enter into a contract with a service provider on the basis of a design designated by Ofgem for that purpose.

2.11. We have amended the proposed drafting of LC15 to reflect this view.

DCC's role in preparing industry code modifications

Consultation responses

2.12. Most respondents (including DCC) did not think that DCC should draft the industry code modifications. Most said that this should be SECAS's responsibility. Others said it should be the responsibility of each code panel or administrator. One respondent asked Ofgem to lead this.

Our response

2.13. We agree that DCC should not lead the work to draft the modifications to industry codes, and that code panels and their administrators should do so instead. We consider that there may be benefits in one code body taking a leading role in coordinating this activity.

2.14. As set out in the accompanying Statutory Consultation Notice, we have amended the proposed drafting of LC15 to reflect this.


Direction and considerations for DCC

2.15. We also consulted on taking a power in LC15 to direct DCC to undertake activities that we consider will best meet the requirements of the new objective, including the power to stop any activity required by LC15. We said that this power could be necessary, for example, if DCC or other industry parties need to prioritise other work areas.

2.16. In the July consultation, we said that a benefit of DCC having an objective-based licence condition was that it requires it to take all reasonable steps to achieve its outcomes, without the need for prescriptive guidance and approval from Ofgem. However, as the Switching Programme is at an early stage, we requested views on giving DCC with non-exhaustive guidance for it to consider, and which we expect it to take into account. We sought views from stakeholders on this and the detail of the draft guidance proposed.

Consultation responses

2.17. There was a lot of support for Ofgem taking a broad power of direction. One respondent suggested developing criteria for issuing a direction to stop DCC's



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requirements under LC15. This, it said, would give DCC clarity. Two parties suggested that stakeholders should be consulted before a direction is issued. One party asked how this power of direction might interact with the Secretary of State's powers under the Smart Metering Implementation Programme.

2.18. Respondents broadly supported giving DCC guidance on its licence as well as the draft content. Some parties were concerned that, as drafted, the guidance would lead to DCC developing a CRS that met its own, rather than industry's requirements. DCC requested a detailed description of products, proposed activities for product delivery, and a clear understanding of its responsibilities within those activities. Other parties also called for greater clarity in the guidance.

Our response

2.19. We still believe that the Authority should be able to direct DCC on preparation for new arrangements and to stop work on the CRS if necessary. We have not amended the proposed modification to LC15 on this issue. We would consult with stakeholders before making a direction.

2.20. We do not intend to develop criteria on when to issue a direction to DCC to stop activity. Doing so would need us to predict future circumstances, which is difficult. We would consider our principal objective and general duties, and have noted the concern regarding the Secretary of State's powers. We would consult with DECC before issuing a direction to ensure that any concerns are identified and addressed.


2.21. We have updated the considerations for DCC to take into account when meeting its new objective following discussions with it to provide greater clarity on its role and responsibilities (see Appendix 2). In doing so we have addressed concerns regarding DCC having too strong a role in defining the CRS requirements. We welcome comments on the proposed considerations for DCC.

2.22. DCC will also receive information on its requirements through the work plans Ofgem is developing for each of the four Blueprint workstreams. We are establishing detailed product definitions and our plans will evolve as the programme advances. We think this, as well as the draft considerations for DCC, are the best way to provide the information needed by DCC.

Other issues

2.23. Several respondents questioned why we had included the Data Transfer Service (DTS) within the definition of the CRS, as many of data flows are not related to registration.

2.24. One respondent requested that a reference to past and future consumer interests was included in the new objective.



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Our response

2.25. By including references to the DTS in the CRS definition, we wanted to allow the CRS to include arrangements for parties to communicate with it. The DTS was included as an illustrative reference point only and there was no intention for the CRS to take over this specific role. In particular, we note that the majority of the data carried by the DTS relates to settlement. During the Blueprint Phase we will review whether DCC will have a requirement to procure or otherwise facilitate the communications arrangements with the CRS in proposed LC15. We have amended the definition of the CRS to make this clear.

2.26. We don't think it is necessary to refer to past and future consumer interests in licence obligations. Ofgem's principal objective (including modifying licence conditions and deciding whether to approve changes to industry codes) is to carry out those functions to protect the interests of existing and future consumers. We propose to provide DCC with considerations which we would expect it to take into account and to take a power to direct and would do so in the context of our statutory requirements.

3. Recovery of costs

Chapter summary

DCC should be appropriately funded to participate in developing and procuring the CRS. We propose new licence drafting to allow the Authority to introduce a specific price control arrangement for DCC's CRS activities. If possible, we'd prefer to treat DCC's procurement costs as ex-ante, while DCC's other costs in the transitional phase are treated under an ex-post arrangement. The licence drafting reflects our ability to include both ex-ante and ex-post elements for the price control.

Question 3: Do you agree with our proposed drafting amendments to the price control formula to allow the Authority to include ex-post and direct ex-ante arrangements as well as uncertainty, and incentive mechanisms?

Question 4: Do you agree with the proposed timetable and process for agreeing the ex ante procurement costs as well any uncertainty and incentive mechanisms, were these to be used?


Question 5: Do you agree with the proposed changes to introduce a new defined term of Fundamental Registration Service Capability to ensure that DCC procures the CRS externally?

3.1. Under its current framework DCC is not able to include the preparatory work for CRS as part of its costs. We want to make sure DCC is appropriately funded, and has clear obligations for its CRS role so that it is not impeded in meeting its smart meter obligations.

3.2. In the July consultation we asked for views on how DCC should be funded during the transitional phase. After reviewing responses, we propose new licence drafting to allow the Authority to introduce a specific price control arrangement for DCC's CRS activities. The licence drafting provides the Authority with the ability to include ex-post elements as well as direct ex-ante arrangements for the price control.

3.3. In line with our overall objective to move over time to an ex-ante price control for DCC, we would prefer, if it is possible and practical, to subject DCC's procurement costs during the transitional phase of the Switching Programme (ie up to the point when the CRS provider is appointed) to an ex-ante arrangement. Other costs during the transitional phase would be subject to an ex-post arrangement because they are more difficult to assess and benchmark in advance.

3.4. We are also consulting on the way to determine these ex-ante costs, and the possibility of introducing incentives (such as performance measures) and a cost adjustment mechanism (such as a gain-sharing mechanism if costs are lower than expected). In practice, given the scale of DCC's procurement costs and the complexities of such mechanisms, we may not choose to make use of them during the procurement.



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3.5. During the Blueprint Phase, all models of cost recovery will be considered for DCC's cost recovery for activities after the CRS has been procured. We note that many respondents supported an ex-ante approach for DCC cost recovery for design, build and testing of the CRS as well as its ongoing operational costs.

3.6. This chapter sets out respondents' views and our responses on the following:

- Cost recovery (other than procurement)
- Cost recovery (procurement)
- Incentive mechanisms
- Cost recovery before tis proposed licence modification

Cost recovery (other than procurement)

3.7. We consulted on the appropriate model of cost recovery for DCC during the transitional phase.¹³ Our preferred option was for DCC to recover the economic and efficient costs it incurs through the an ex-post price control framework. We considered that this would be proportionate given the uncertainty around DCC's role in the preparation for CRS.

Consultation responses


3.8. The majority of respondents agreed with our preferred option that DCC should recover costs (other than those for procurement) through the existing ex-post price control framework. They felt that the existing price control framework was appropriate, given the degree of cost uncertainty, and that it struck the right balance between flexibility and cost control.

3.9. However, three respondents disagreed. Two preferred an ex-ante approach, because they thought that the ex-post framework so far has not provided strong enough incentives to keep costs down, and an ex-ante framework would shift the cost risk from users and consumers to DCC. The third respondent suggested Ofgem contract DCC directly and recover costs from licensees.

Our response

3.10. We think that DCC should recover its transitional costs (other than those for procurement) through an ex-post approach. We note that these costs are expected

¹³ These are listed in paragraph 3.8 of the July 2015 consultation document.



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to have a low materiality and, because we are at an early stage in the programme, the cost of DCC's activities is uncertain.¹⁴

3.11. To ensure cost efficiency we think DCC should be transparent about CRS costs and any changes through regular reporting. This could be to the Switching Programme Board and the External Design Advisory Group (EDAG). We agree that DCC should be transparent about the costs it incurs. We have asked DCC to provide regular updates to users on its CRS costs, forecasts and reasons for any changes.

3.12. We appreciate the benefits of an ex-ante approach and the stronger incentive it provides to control costs, although we do not feel it is compatible with the current level of uncertainty for all the preparatory activities. But we think an ex-ante approach will be suitable in the Design, Build and Test Phase as well as the enduring framework once the CRS has been procured. The Commercial Workstream in the Blueprint Phase will assess the approach to the enduring arrangements for DCC's price control. We have considered ex-ante controls for procurement costs and this is covered in the next section.

3.13. A framework where Ofgem would contract with DCC directly and recover costs from licensees would be inappropriate. This would involve a new system and approach. This would take time to develop and would not be proportionate given the cost of introducing the change and the time they are expected to be in place for compared to DCC's anticipated costs in this phase.


Cost recovery (procurement)

3.14. We sought views on whether an ex-ante control should be considered for the procurement costs, where there is likely to be more certainty about the activity DCC will be undertaking.

Consultation responses

3.15. The majority of respondents supported introducing an ex-ante price control framework for procurement costs. They thought that it would be feasible, as the scope of activities and costs should be reasonably clear by this point. Respondents felt that this would provide more certainty for users and better incentivise cost

¹⁴ In our consultation we set out our analysis on the materiality of the costs we reasonably expect DCC to incur during the transitional phase. We do not envisage DCC's efficient costs during the transitional phase of the Switching Programme to exceed 1.5% of the indicative allowed revenue estimates published by DCC to date. This estimation is dependent upon the scope of DCC's role during the transitional phase.



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efficiency. Some respondents also suggested this would be a good point to begin the transition from ex-post to a more enduring ex-ante regime. It was also suggested that the decision could be reconsidered closer to the time.

3.16. Two respondents were opposed to an ex-ante framework. One felt that ex-post was most appropriate for procurement costs. The other also felt that ex-post was more appropriate as cost uncertainty would still likely be high and the transition to ex-ante may distract DCC from meeting its primary objectives on smart metering.

Our response

3.17. We want to adopt an ex-ante approach for procurement costs where this is possible and practical. There is less cost uncertainty for procurement activity so that it should be easier to benchmark. However, we may have to continue adopting an ex-post arrangement if, for example, there is insufficient certainty about the activity DCC will be undertaking or time to introduce an ex-ante approach given the impact on overall programme delivery timescales. The proposed licence drafting gives the Authority flexibility on which approach to use.

3.18. Under an ex-ante approach, to reflect the fact there is still a level of uncertainty in the scope and type of procurement activity, we will consider whether an uncertainty mechanism might be appropriate. The form of the uncertainty mechanism would be further explored within the Commercial Workstream, and consulted upon. It could involve sharing factors for situations where actual costs are greater or less than the forecast.

3.19. If we employ an ex-ante approach, we expect to direct the procurement costs, the detail of any uncertainty mechanism, and any incentive scheme (discussed below) during 2017 following consultation. We recognise that this may require DCC to make an adjustment to its charges to account for these costs during the 2017/18 Regulatory Year. It would then be in a position to be able to start its procurement activity using the ex-ante approach during that regulatory year. We have set out a high level process and timetable for introducing an ex-ante procurement price control in Table 1 below. This is based on our current planning assumptions. We will continue to develop these, for example with DCC. We welcome comments on the proposed timetable and process in Table 1 below.

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Table 1: Proposed table and process for agreeing ex ante controls

Estimated timing	Description
Spring 2016	Commercial Workstream discuss transitional price control framework and procurement strategy
Summer 2016	Agree approach for transitional price control and procurement strategy
Autumn 2016	DCC submits proposed ex ante cost bid
Early 2017	Ofgem consult on direction (which could include): <ul style="list-style-type: none">• Ex-ante cost• Uncertainty mechanism• Incentive mechanism
Mid 2017	Direct ex ante cost and any uncertainty or incentive mechanisms
Regulatory Year 2017/18	Procurement on an ex-ante basis after Authority direction. Note that this may require amendment to charges within Regulatory Year 2017/18.

3.20. Given we are only proposing ex-ante controls for one type of cost we do not consider this approach will impose a disproportionate burden on DCC.


3.21. Introducing an ability to use these new mechanisms requires us to amend licence and price control formulae. We are proposing to introduce a separate CRS revenue term into the Allowed Revenue formula.¹⁵ We also propose to include terms that would allow for an uncertainty mechanism. These values and details, if it is considered appropriate to introduce them, would be directed following consultation.

Performance incentive

3.22. We sought views on whether performance incentives should be introduced for the activity DCC takes under LC15, and in particular procurement. We noted that there would need to be a clear, tangible outcome to justify an incentive.

3.23. Incentives could help provide additional certainty that DCC will do all it can to support the development of the CRS and procure the CRS in a way that minimises delay and is cost-efficient. By way of an example, DCC's margin is at risk to

¹⁵ These are described in chapter 4.



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Implementation Milestones (IMs) during the implementation phase of smart metering to incentivise it to achieve live operations in a timely manner.¹⁶ A similar regime could be considered for the procurement and implementation phases of the CRS.

Consultation responses

3.24. All respondents supported or were open to introducing performance incentives. However, there were differing views on how the incentives should be set and applied. A common theme was that incentives should be balanced and reward good performance, but also penalise poor performance. Some respondents said that the incentives should be sufficiently stretching. Others stressed that incentives should not be to the detriment of DCC's other activities. It was also suggested that the Commercial Workstream consider the arrangements.

Our response

3.25. We propose to make modifications to the licence to provide us with the power to direct an incentive regime, following consultation with the licensee and users. We expect to explore this further through the Commercial Workstream. However, given the materiality of costs during the transitional phase (including the procurement of the CRS), it may not be appropriate to introduce an incentive mechanism at this stage. An incentive regime for the Design, Build and Test Phase as well as the enduring framework will be considered as part of Commercial Workstream.


Cost recovery (before licence modification)

3.26. In our July consultation, we proposed that DCC should be able to recover its costs for participating in this transitional phase during 2015/16 before any changes are made to its licence. We said that it should be able to recover these costs via the Correction Factor under its existing price control.

Consultation responses

3.27. The majority of respondents agreed that DCC should be able to recover the costs it incurs for participating in the transitional phase in 2015/16. Most said that only reasonable costs should be recovered by DCC during this phase and that there should be transparency.

¹⁶ DCC has its margin at risk to a number of milestones during the implementation phase of smart metering. The criteria, dates and amounts at risk are set out in Schedule 3 and 4 of the Licence.



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Our response

3.28. We agree with the majority of respondents that DCC should be able to recover the costs it incurs in 2015/16. It is important for the success of the Switching Programme that DCC is involved in the industry working groups looking at the high-level design and technical specification in the Blueprint Phase. Not allowing DCC to recover costs would constrain its input into the Blueprint Phase and could undermine its ability to procure a CRS that meets industry requirements within the timescales required.

3.29. DCC has not included its current costs in supporting the Switching Programme in its existing charges. We will assess DCC's costs against the licence in place at the time we undertake our ex-post review. This will mean, if the licence is modified as proposed, DCC will be able to recover costs in 2015/16 and onwards. Any costs for 2015/16 will be reflected in a positive correction factor, and charged for in a future year.

3.30. We agree with stakeholders that DCC should only be able to recover economic and efficient costs. DCC will have to report its costs to us each year for scrutiny. We also agree that DCC should be transparent on the costs it incurs. We have asked DCC to providing regular updates on its costs, forecasts and reasons for any changes.

Introducing the CRS price control framework

3.31. As a consequence of introducing ex-ante procurement costs we are now consulting on further changes to the licence. The details of these changes are set out in the accompanying Statutory Consultation Notice.

Fundamental Registration Service Capability

3.32. We propose that the CRS capability should only be procured via competitive tender without exception. This should ensure the outcome of any procurement achieves the most appropriate service capability and value for money. To avoid ambiguity, we propose that the procured CRS capability is treated similarly to Fundamental Service Capability. We propose to introduce a new "Fundamental Registration Service Capability" definition into LC1. We welcome views on the this approach.

3.33. We propose to modify the licence so that LC16, Part A¹⁷ clearly includes Fundamental Registration Service Capability. This is to make the activity distinct

¹⁷ See paragraph 16.5.

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from its Fundamental Service Capability requirements as we do not think that all of these are appropriate as they are specific to smart metering.¹⁸ We are also proposing to introduce a CRS external cost definition into the appropriate parts of Chapter 9: Price Control Licence Conditions. These are detailed more in the next section.

Changes to price control conditions

3.34. We set out above our policy position to introduce ex-ante controls for DCC's procurement costs for the CRS. We are proposing a number of modifications to the price control licence conditions to allow us, following consultation, to direct ex-ante costs if appropriate. We are proposing a CRS Revenue term ($CRSR_t$) in the principal formula of LC36. This will be calculated by the following a separate formula:

$$CRSR_t = CRSEC_t + CRSIC_t + CRSPC_t + CRSCA_t + CRSPA_t$$

3.35. The definitions for each of the above terms are set out in Table 2. This approach has been taken to clearly separate the CRS costs from smart metering costs.

3.36. As noted above, we may direct a cost adjustment mechanism. This is to provide flexibility and not to pre-empt or constrain the early discussions that will take place in the Switching Programme working groups about DCC's role and type of procurement. Whether an adjustment mechanism is appropriate will depend on the level of uncertainty when directing any ex-ante cost amounts.

3.37. We are proposing drafting amendments to the definitions in LC35 to reflect the new terms, and also LC37 to ensure the CRS costs that are ex-post are subject to the same reporting and requirements to be economic and efficient as smart metering costs.

¹⁸ These obligations include Licence Condition 11, that relates to financing of Communication Hubs; Licence Condition 16, Part C, regarding a public interest statement for smart metering; Appendix 1, on adoption of contracts is not relevant.

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Table 2: CRS Revenue term calculation

Term in licence	Description	How it will be determined
$CRSR_t$	Centralised Registration Service Revenue The revenue DCC is entitled to for CRS	This will be calculated from the following terms in the table.
$CRSEC_t$	Centralised Registration Service External Cost The cost of the external CRS provider that DCC must procure	We do not expect these costs to be incurred in the transitional phase but this term is included to provide some flexibility in the future and for completeness. The Switching Programme workstreams will review and determine whether these costs should be ex-post or ex-ante in the enduring regime. Our preference would be for external costs to be ex-ante in the enduring regime, if this is practical.
$CRSIC_t$	Centralised Registration Service Internal Cost Internal cost that is not subject to an ex-ante control	We propose that DCC's internal costs which are not subject to an ex-ante arrangement are treated under the ex-post regime, and subject to the economic and efficient test each year.
$CRSPCT$	Centralised Registration Service Pre-Agreed Cost The cost that will be subject to ex-ante control. We propose these should be the procurement costs in the transitional phase	The ex-ante cost (eg for procurement) that could be directed by the Authority following consultation. We intend to discuss this with the Commercial Workstream before consulting and directing any ex-ante costs.
$CRSCA_t$	Centralised Registration Service Cost Adjustment Cost adjustment mechanism for the ex-ante cost	We recognise there could be some uncertainty with the scope of the procurement activity, were this to be subject to an ex-ante regime. Depending on the level of uncertainty, we may consider developing, consulting and directing any adjustment mechanism.
$CRSPA_t$	Centralised Registration Service Performance Adjustment Performance Adjustment mechanism	To incentivise DCC to meet a timely delivery we may direct a performance regime.

3.38. We understand the importance of certainty and set out our expected timescale for discussing, developing, consulting, and directing values and the detail of these mechanisms in Table 1. If the modifications set out in the accompanying Statutory Consultation Notice are finalised, we will consult on updating the DCC Price Control RIGs¹⁹ in 2016 to reflect the CRS revenue and cost terms.

¹⁹ Regulatory Instructions and Guidance (RIGs) provide the basis on which the DCC must report key price

4. Licence and SEC changes

Chapter summary

In this chapter we summarise the consequential changes to the licence and identify the obligations that should apply to CRS. We would like your views on our proposed drafting, and are consulting on further consequential changes to the licence to reflect the introduction of the ex-ante controls set out in chapter 3.

Question 6: Do you agree with the proposed changes to include CRS as a new service in the Mandatory Business Service requirements?

Question 7: Do you have any views on the proposed consequential changes to the licence?

4.1 We propose that the preparation work for CRS is a new category of Mandatory Business Service. We have analysed the Licence to identify where changes are needed, and identified those obligations that should apply to CRS. Our proposals are set out in more detail in the accompanying Statutory Consultation Notice. Our analysis has identified some issues that should be considered as part of the Switching Programme workstreams.

4.2 We propose that there are no changes to the current charging methodology in the SEC given the limited time for which these transitional arrangements will be in place.

Type of service

4.3 The Authorised Business²⁰ of DCC is defined in its licence. To enable DCC to support the development of the CRS and be sufficiently funded, the licence needs to be modified to include the CRS as part of the Authorised Business.

4.4 In our consultation, we considered whether the CRS, and its preparation, should be included as part of the Mandatory Business Service or Permitted Business Service. We also asked if, with Mandatory Business Service, it should be included as part of the existing services or be a new separate service. The benefits and risks with each option are in Table 3 below.

control information to us. They are available from our website at the following link:

<https://www.ofgem.gov.uk/publications-and-updates/consultation-modification-data-communications-company-dcc-regulatory-instructions-and-guidance-rigs>

²⁰ The Authorised Business means the whole business carried on by the Licensee, it is set out in LC6.

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Table 3: Options analysis on CRS classification

Option	Benefits	Risk	Assessment
1. Mandatory Business Service - <i>Classified under existing services</i>	<ul style="list-style-type: none"> Inclusion under the existing services would reduce the changes in the licence 	<ul style="list-style-type: none"> Separation between smart and CRS may not be clear. 	Clear separation between smart metering and CRS is needed
2. Mandatory Business Service - <i>New service</i>	<ul style="list-style-type: none"> Clear separation from smart metering More transparent Likely to be more consistent with enduring solution 	<ul style="list-style-type: none"> There will be some consequential drafting changes. 	Provides separation and consistent with the enduring framework
3. Permitted Business Service	<ul style="list-style-type: none"> Clear separation from smart metering Clear that establishing the smart metering infrastructure has priority 	<ul style="list-style-type: none"> More consequential changes to the licence as service charges should only be levied in respect of the provision of Mandatory Business Services 	Costs should relate to the Mandatory Business Services

Consultation responses

4.5 Most respondents agreed that CRS should be a Mandatory Business Service. Two respondents commented that CRS should be a Permitted Business²¹ until the smart metering rollout is complete, then it should become a Mandatory Business Service. In general, most wanted a clear separation between smart metering and the preparation for CRS. One respondent suggested that CRS should be separate element in the price control formula, allowing DCC to explicitly report on costs.

Our response

4.6 We consider that the CRS should be classified as a new service within the Mandatory Business Service requirements. Firstly, the price control framework allows DCC to recover costs of providing Mandatory Business Services. It is essential that CRS costs are part of Allowed Revenue and subject to the assessment of costs under LC37. This is because we consider that CRS is of sufficient importance to afford it the same protections and obligations as those that apply to smart metering.

4.7 Secondly, it is important that there is a clear separation between smart metering services and CRS, so different obligations can apply in future. This supports having a new category of service under Mandatory Business Services. This is also likely to be the most appropriate way to classify CRS in the enduring framework. We welcome your views on the proposed drafting in LC6 (see the accompanying

²¹ DCC's Authorised Business is set out in the consultation document in Figure 4.1. It consists of the Mandatory Business and Permitted Business. DCC can carry out Permitted Business activities subject to the Licence, they currently include Value Added Services and Minimal Services.

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Statutory Consultation Notice. We are proposing that under the price control CRS costs are separated from the smart metering costs and welcome views on our proposed changes to LC35, LC36, and LC37.

4.8 It is important that DCC's role in the CRS does not negatively affect the rollout of smart meters. DCC providing the CRS as a Mandatory Business Service will not affect its current obligations in smart metering. Under LC6, when providing a new Mandatory Business Service, DCC must ensure that this does not affect its ability to provide other existing Mandatory Business Services. Also, the Interim General Objective set out in LC5 is to achieve a full, timely, efficient, economical, and secure Completion of Implementation²² for smart metering. We propose to clarify in LC15 that in the event of a conflict, the objectives relating to smart metering (ie the Transition Objective, Interim General Objective and/or Enduring General Objective) will prevail over the Interim Centralised Registration Service Objective.

Summary of consequential licence and SEC changes


4.9 In the July consultation we provided an overview of the required consequential changes to the licence to cover preparation for the CRS in the transition phase. Table 4 is a undated summary of the changes we have identified in following our further analysis.²³

Table 4: Summary of the consequential changes to the licence

Type of change	Licence Condition	Description
1. Licence conditions that require changing	Identified 9 licence conditions	<ul style="list-style-type: none">• Inclusion of new definitions for CRS• Inclusion of references so it is clear CRS is a Mandatory Business Service
2. Licence conditions where obligations apply	Identified 17 licence conditions	<ul style="list-style-type: none">• Identified where it is appropriate certain licence conditions apply• Some of the annual reporting will need to take into consideration CRS
3. Licence conditions that should be reviewed as part of the switching programme workstreams	Identified 13 licence conditions	<ul style="list-style-type: none">• Identified obligations that should be reviewed as part of the enduring regime• Possible interactions with the development of the operational performance regime and reporting requirements

²² Completion of Implementation is defined in Part D of LC5.

²³ Appendix 3 sets out a more detailed analysis of the licence changes.



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4.10 We also considered whether the SEC needed to be modified. We proposed that the existing charging methodology is not changed and CRS costs form part of the fixed-cost base.

Consultation responses

4.11 Most respondents preferred to see the full range of proposed changes before commenting. One identified that the reference to Core Industry Documents was in LC21 and not in LC22. Another respondent commented that it would be useful to understand exactly how many more consequential changes would be required for Permitted Business as opposed to Mandatory Business.

4.12 In relation to the SEC, there was support for using the existing charging methodology for the transitional phase, and for this to be fully reviewed for the Design, Build and Test Phase and the enduring framework. Some raised concerns that some parties may benefit without contributing at all to the costs or in proportion to their benefit.


Our response

Licence changes

4.13 We are only proposing minor changes that are necessary to ensure suitable obligations apply and DCC can participate in the transitional phase. A more comprehensive review and full set of changes will be discussed and made as part of the industry working groups as the requirements develop. There was an error in our text in the consultation document - the reference to Core Industry Documents is in LC21.

4.14 We propose consequential changes to LC1 and LC6 that will define CRS as a Mandatory Business Service. This will require the preparation for CRS to be reflected in DCC's price control as a Mandatory Business Service, allowing DCC to recover the economic and efficient costs it incurs for participating in this transitional phase. These changes will also ensure that the existing obligations that attach to Mandatory Business Services performed by DCC under the licence are similarly attached to CRS. If CRS were to be a Permitted Business, we would have to change the price control conditions and amend each licence condition that applies to Mandatory Business Services so that it would apply to CRS. This would be most of them (see Appendix 3).

4.15 It is appropriate for existing obligations that attach to Mandatory Business Services to apply to the CRS. We want the same controls to apply to CRS that apply



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to smart metering. The licence conditions where an obligation would apply, if our current proposals were implemented, are set out in Appendix 3. In some cases this may have implications for documents that DCC must have in place under some of the requirements in LC24. We propose that DCC reviews, or appropriately updates, these documents the next time they are due for review, after our proposed modifications come into effect.

4.16 We initially proposed to move the definition of Core Industry Documents from LC21 to LC1, as our previous drafting applied this term to LC15 as well. This is no longer the case (as we are not requiring DCC to take a lead role in developing modifications to deliver the CRS). We will therefore not make this change.

4.17 We propose to remove the reference to the Direction by the Secretary of State in LC22,²⁵ to be consistent with the new LC15 drafting. We also propose to modify LC22²⁶ and LC30 to add CRS to the lists of services that are Mandatory Business Services for consistency.

SEC changes

4.18 In our consultation, we proposed amending the SEC for completeness so it is clear that DCC can recover the CRS preparation costs as part of its fixed charges. After reviewing the SEC, we now think that as long as CRS costs are Allowed Revenue under LC36 they will be included in the definition of Estimated Allowed Revenue under section K2.1 of the SEC and form part of the fixed cost base.

4.19 If the charging methodology is not being changed and CRS costs are to be treated the same way as the smart metering costs, then the SEC does not need to be amended. We think it is sufficiently clear that as long as the licence modifications are made, DCC can recover the costs under its current charging regime and there is no need to amend the SEC for the transitional phase.

4.20 As consulted, we are not proposing to change the charging methodology. Charges will be weighted the same way they are for the smart metering fixed costs. We consider that this is proportionate because of the low materiality and any changes to the charging methodology will only be in place for a limited time. The charging methodology for the Design Build and Test Phase and for live operation will be fully reviewed as part of the Switching Programme.

²⁴ This applies to LC7, 8, 9, 10, 11, 12, 16, 18, 19, 24, 27, 28, 32, 34, 37, 42, and 43. More detail is provided in appendix 6.

²⁵ LC 22, Part E, paragraph 22.21.

²⁶ LC 22, Part E, paragraph 22.20.

5. Penalty interest proposals

Chapter summary

Respondents supported our proposal to amend the definition of Regulated Revenue to clarify how DCC would return interest on service charges to users. We are now seeking views on our proposed drafting. There was overall support to modify the licence to introduce a penalty interest rate regime. Most respondents supported option C: report and direct. We continue to consider Option C to be a proportionate approach, given the risks DCC faces.

Question 8: Do you agree with our proposed amendment to the definition of Regulated Revenue in LC35?

Question 9: Do you agree with the proposed drafting for the penalty interest rate and that it reflects the policy intent?


5.1 We sought views on whether it is appropriate to modify DCC's licence to introduce a penalty interest rate regime for any over-recovery of charges, similar to those used in networks, and the form this could take. We have considered responses and are now seeking views on our drafting proposals to reflect the following provisions that are to be inserted into the licence:

- Report and direct penalty interest rate regime.
- A threshold for DCC's reporting requirement to apply of Regulated Revenue reaching 110% of Allowed Revenue. We can adjust the threshold in future, following consultation.
- A penalty interest rate of three per cent above the Bank of England (BoE) base rate to apply to the proportion of over-recovered revenue beyond the threshold, which DCC did not justify. We can adjust the penalty interest rate in future, following consultation.

5.2 We consulted on amending the definition of Regulated Revenue to remove any ambiguity that interest earned on service charges must be returned to users, as explained below. Our proposal was supported by respondents. We consider our proposed clarification to the Licence definitions to be useful and seek views on our proposed drafting.

Proposal to amend Regulated Revenue definition

5.3 While reviewing the licence, we noticed some inconsistencies in the licence definitions. DCC's licence requires that revenues it accrues, and interest earned on these revenues, are held in a ring-fenced account for use of the Authorised Business and held separately from the bank accounting arrangements of any affiliated company. However, DCC's Regulated Revenue is defined differently as the post-tax revenue received through service charges or otherwise received in relation to carrying out the Mandatory Business.



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5.4 We proposed to modify the licence to remove any ambiguity and make it clear that any interest DCC earns from service charges is part of its Regulated Revenue. Therefore, any interest earned on service charges will be returned, where Regulated Revenue has exceeded our determination of Allowed Revenue, in subsequent service charges through the Correction Factor within the price control calculation.

5.5 We suggested drafting amendments to LC35, and welcomed views on this ahead of a statutory consultation.

Consultation responses

5.6 Two respondents supported our proposed amendment to the definition of Regulated Revenue. Other respondents did not specifically address this proposal.

Our response

5.7 Our proposed amendment to the definition of Regulated Revenue is a useful clarification. We intend to use this opportunity to modify the licence as set out in the Statutory Consultation Notice published alongside this document.

Proposal to direct a penalty interest rate


5.8 The licence requires DCC to take all reasonable steps to secure that its Regulated Revenue does not exceed a prudent estimate of Allowed Revenue for each regulatory year.²⁷ In response to our 2014 price control consultation,²⁸ stakeholders were concerned about DCC's application of the prudent estimate. Some respondents urged us to consider removing the prudent estimate provision. We committed in our 2013-14 price control decision to consider whether DCC's current licence conditions put the right incentives on DCC to manage the prudent estimate effectively.

5.9 We reviewed the incentives for DCC created by its requirement to make a prudent estimate when setting its charges and the application of the BoE base rate to any over-recovered revenue.²⁹ We were concerned that the incentives created a risk of potential consumer detriment and a liquidity risk for smaller suppliers. So, we consulted on whether stakeholders thought it appropriate for the Authority to have the power to direct some form of penalty interest rate for over-recovered charges.

²⁷ See LC36.4

²⁸ Summarised here: <https://www.ofgem.gov.uk/ofgem-publications/93650/1502dccdecisionfinal.pdf>

²⁹ Chapter 5:
https://www.ofgem.gov.uk/sites/default/files/docs/2015/07/crs_dcc_licence_consultation_final3.pdf



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Consultation responses

5.10 Of the ten consultation responses on this, nine agreed that it was appropriate for the Authority to have the power to direct some form of penalty interest rate. These respondents suggested that this mechanism would provide better incentives to DCC to forecast its costs accurately and mitigate risks to industry and consumers of the prudent estimate approach.

5.11 Of the respondents that supported the proposal, two suggested that our proposals should take into account the uncontrollable elements of the uncertainty DCC faces in forecasting its costs at the time of setting its charges. One respondent asked us to review DCC's deferred revenue for the 2014-15 Regulatory Year and consider whether any over-recovery for that Regulatory Year is acceptable.

5.12 One respondent stated that a penalty interest rate should not be implemented until DCC's revenue has stabilised. It also noted that cost efficiencies it creates can result in over-recovering charges, which will be returned to users via lower service charges.

Our response

5.13 We propose to amend the licence to introduce the power for the Authority to direct some form of penalty interest rate for over-recovered charges. We note that this proposal was strongly supported by stakeholders to ensure DCC has the right incentives to forecast accurately. We are not proposing to introduce an incentive mechanism that would apply in all circumstances.

5.14 In deciding whether to apply the power to direct such a penalty, we will consider evidence DCC provides to demonstrate that it has taken a reasonable approach to setting its charges and managed its incurred costs in that Regulatory Year in an economic and efficient way. We will weigh up the risks DCC faces against the volatility of its costs and charges to date.

5.15 A factor in our recommendation is our remaining concern about the incentives the Licence provides for DCC to forecast accurately and manage its liquidity needs in the most efficient manner. This follows our monitoring of DCC's cash-balances and forecast costs in 2014-15 through its price control reporting.

5.16 We can consider year-on-year cost volatility when DCC is operating more stably. So far, over-recovery has been volatile as a proportion of Allowed Revenue. DCC's over-recovery for 2014-15 is 114% of its Allowed Revenue, excluding any cost disallowances we have proposed in our price control consultation and excluding the correction factor from 2013-14 which DCC did not know when it set 2014-15 charges. This is much lower than the over-recovery in 2013-14 and we recognise the unusually high uncertainty DCC faced in setting its charges for the first partial

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Regulatory Year. The correction factor should also fall over time as previous years' over-recoveries are beginning to flow back to users in service charges.

Framework for directing a penalty interest rate


5.17 We considered options for introducing a penalty interest rate regime, ranging from maintaining the current penalty interest rate that applies as part of the calculation of the correction factor in the price control formula (namely the relevant BoE base rate) to introducing a higher penalty interest rate with immediate effect.

5.18 Table 5 below summarises these options and our overall assessment of them.

Table 5. Penalty Interest Rate Analysis

Option	Overall assessment
A) Do nothing (The relevant BoE base rate will apply to any over recoveries as a penalty interest rate, and returned to users in the correction factor)	The high level of concerns regarding the magnitude of the prudent estimate, and the time lag in future to introduce a mechanism, supports taking the power to direct
B) Power to direct any penalty interest rate (No detail of when the penalty interest rate might be introduced or its form)	Signals to DCC it must forecast accurately. However, it is less transparent than Options C-E
C) Report and direct (Reporting requirement where over-recovery is above a specified threshold, with power for us to consult on and direct a penalty interest rate)	Good balance between the strength of incentive and flexibility
D) Power to direct the penalty interest if over-recovery exceeds a specified threshold (Once a threshold is exceeded we would consult and direct the penalty interest rate)	If the materiality threshold is set too low the penalty will apply. Risks with Option E might materialise
E) Immediate effect – interest rate set in the licence (A penalty interest rate above the base rate for over-recovery over a certain threshold would apply automatically. The level of the penalty interest rate and/or threshold could be reviewed by direction.)	Risks to implementation if the materiality threshold is set too low

5.19 Our preferred options were B and C. We sought views on these and welcomed views on alternatives. We also sought views on the appropriate penalty interest rate to apply and the over-recovery threshold that would apply under the report and direct option. We proposed an over-recovery threshold of between 110% and 115% of Allowed Revenue for the report and direct option. This threshold was based on our consideration of DCC's historic and forecast correction factor, as well as the precedent for the over-recovery threshold in the licences of networks.



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Consultation responses

Options

5.20 Ten respondents gave us their views on the options. The majority supported Option C: report and direct. Their reasons included the greater transparency offered compared with Option B and the balance between incentivising DCC to avoid over-recoveries, and providing protection for DCC against the cost uncertainty it faces.

5.21 However, one respondent felt Option C left room for doubt and disagreement compared with Option B. Another respondent also preferred Option B on the basis it would provide the strongest incentives for DCC to avoid over-recovering charges. There was also some limited support for Options A and D. None of the respondents preferred Option E.

Appropriate penalty interest rate


5.22 Most respondents felt a penalty interest rate of three per cent above the BoE base rate was appropriate. A few respondents emphasised the importance of retaining flexibility on any penalty rate directed.

5.23 DCC felt a penalty interest rate should be no more than two per cent above the BoE base rate, and one respondent felt the rate should be at least seven per cent above the BoE base rate.

Tolerance threshold for over-recovery

5.24 The majority of respondents felt a threshold of Regulated Revenue reaching between 110% and 115% of Allowed Revenue was an appropriate materiality threshold for triggering a potential penalty interest rate. Of these respondents, most expressed a preference for 110%. Some of the reasons they gave for preferring a threshold in this range were that they felt it reflected the margin of uncertainty faced by DCC while creating enough incentives to influence its behaviour, and that it was appropriate to follow precedents in the network companies' penalty interest rate regimes. However, two respondents felt that the networks were not appropriate comparators for DCC.

5.25 A respondent suggested that flexibility in applying the threshold would be important. Another commented that the network companies faced a threshold of 106% for over-recoveries rather than 110%.



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Our response

Options

5.26 Option C is our preferred option. It was also the most supported option among respondents. We consider it to be a proportionate option for the risks DCC faces, based on the information we have gathered on DCC's approach to setting charges and the historical performance we can refer to on DCC's forecasting accuracy.

5.27 Although Options B and D could provide strong incentives, we consider Option C to offer more benefits in comparison in both transparency and flexibility.

Appropriate penalty interest rate

5.28 We continue to consider three per cent above the BoE base rate to be an appropriate starting point for a penalty interest rate under a report and direct model. Under our proposals, the Authority would have the power to adjust the penalty interest rate it directs in future, after consulting with stakeholders.

5.29 Following consultation responses, we are also now proposing to modify the licence to let the Authority apply the penalty interest rate to only the portion of the over-recovery above the threshold which DCC did not justify through its reporting requirements. This accommodates the possibility that some portion of the over-recovery may be justified.

Appropriate tolerance threshold for over-recovery

5.30 A threshold of Regulated Revenue reaching 110% of Allowed Revenue is an appropriate threshold for triggering penalty interest rate provisions for DCC. Under our proposals, the Authority would have the power to adjust this threshold in future, after consulting with stakeholders.

5.31 We acknowledge the precedent in networks of a 106% threshold for penalty interest rates. However, we also recognise that DCC is in the early stages of implementation and it faces cost uncertainty at the time of setting service charges. This uncertainty is mainly because of the distinct features of the smart metering programme and its design evolution. This level of uncertainty is one of the reasons for our proposed threshold and our proposal to introduce a report and direct model.

6. Next steps

6.1. This statutory consultation will be open until 22 January 2015. Please send responses to switchingprogramme@ofgem.gov.uk.

6.2. Subject to responses, we plan to publish our decision notice to proceed with the modifications in February 2016. We propose that the modifications would come into effect at the end of 56 days from the date of our decision notice (in the absence of any appeal).

Appendix 1 – Consultation response and questions

1.1. We'd like to hear your views on any of the issues in this document.

1.2. We would especially welcome responses to the questions at the beginning of each chapter. These are replicated below.

1.3. Please make sure we have your response by 22 January 2016. It should be sent to switchingprogramme@Ofgem.gov.uk.

1.4. Unless you mark your response as confidential, we'll publish it in our library and on our website (www.ofgem.gov.uk). If you ask us to keep your response confidential we'll respect this request unless a legal duty means we can't, for example under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

1.5. If you'd like your response to be confidential, mark it clearly to that effect and include your reasons. Please restrict any confidential material to an appendix.

1.6. Once we've considered the responses to this consultation, we plan to publish our final decision in 2016. If you have any questions, please send them to switchingprogramme@ofgem.gov.uk.

CHAPTER: Two

Question 1: Do you agree with our proposed changes to LC15?


Question 2: Do you agree with the proposed considerations that we would expect DCC to take into account when seeking to meet its new objective?

CHAPTER: Three

Question 3: Do you agree with our proposed drafting amendments to the price control formula to allow the Authority to include ex-post and direct ex-ante arrangements as well as uncertainty, and incentive mechanisms?

Question 4: Do you agree with the proposed timetable and process for agreeing the ex ante procurement costs as well any uncertainty and incentive mechanisms, were these to be used?

Question 5: Do you agree with the proposed changes to introduce a new defined term of Fundamental Registration Service Capability to ensure that DCC procures the CRS externally?



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CHAPTER: Four

Question 6: Do you agree with the proposed changes to include CRS as a new service in the Mandatory Business Service requirements?

Question 7: Do you have any views on the proposed consequential changes to the licence?

CHAPTER: Five

Question 8: Do you agree with our proposed amendment to the definition of Regulated Revenue in LC35?

Question 9: Do you agree with the proposed drafting for the penalty interest rate and that it reflects the policy intent?

Appendix 2 – Draft considerations for DCC on LC15

2.1. Here we set out our initial considerations on how DCC should seek to meet its Interim Central Registration Service Objective in draft LC15.

2.2. We welcome views on these proposed considerations and will update them as necessary when we publish our decision on whether to amend DCC's licence.

2.3. Through our work on future retail regulation, stakeholders have told us that it will be important to avoid proliferation of guidance. We are taking this on board in areas where we are updating the supply licence. In this case we think it is appropriate to specify the following considerations, to help DCC understand what we expect of it. As the role of DCC is still evolving we do not think it is appropriate to codify these expectations in the licence at this stage.


2.4. In November 2015, we published version 2 of the Target Operating Model (TOM) and Delivery Approach for the CRS and new switching arrangements.³⁰ The TOM describes, at a high level, how the new CRS and switching arrangements will operate. DCC should refer to version 2 of the TOM (and any further iterations of it) for information on the scope of the activities within the Switching Programme.

2.5. We are developing design principles and will discuss these with the industry with a view to them being finalised in early 2016. These will set out the criteria for developing and assessing proposals. We expect DCC to take the agreed design principles into account when considering how best to meet its new objective.

2.6. We expect DCC to be an active member of the Switching Programme. This includes being members of the four Blueprint workstreams as well as the External Design and Advisory Group (EDAG), a group formed of industry representatives who will advise on the design for faster switching as it develops.

2.7. For each of the four Blueprint workstreams we expect DCC to provide resource as part of a Design Team that will develop the content to be tested by the User Group for that workstream. The content will then be discussed at EDAG before being submitted for approval by Ofgem's Design Authority. Further detail on this governance structure for the Blueprint Phase is set out in the Ofgem's SCR Launch statement published in November 2015.

³⁰ <https://www.ofgem.gov.uk/publications-and-updates/moving-reliable-and-fast-switching-updated-target-operating-model-and-delivery-approach>



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2.8. These considerations have been developed on the basis that DCC's role should:

- Be economic and efficient, with no unnecessary activity nor duplication of roles played by other parties
- Enable the Switching Programme to use DCC expertise across workgroups
- Ensure an appropriate level of DCC involvement in the design and specifications of the CRS (including the new switching arrangements) to
 - Support their development in accordance with the Switching Programme objective and design principles
 - Ensure an efficient procurement against these requirements
- Enable emerging design solutions to be tested for technical feasibility in the market
- Develop a procurement strategy for the CRS that meets the objective of the Switching Programme and design principles
- Contribute to the development, and review of the regulatory arrangements, enduring price control arrangements and charging methodology for switching and the CRS
- Facilitate external challenge/assurance/scrutiny of the output and approach of the Switching Programme.


2.9. The following sections in the TOM cover the key design and delivery areas:

- The CRS
- New switching arrangements
- Governance arrangements
- Charging arrangements for the CRS
- CRS price control arrangements
- Delivery approach for the CRS and switching arrangements

2.10. For each of these sections, this note describes where we expect DCC to provide support for the Switching Programme. This list is not exhaustive. We are at an early stage in the Switching Programme and new requirements may emerge as we progress and stated requirements may no longer be required.

2.11. We do not expect DCC to lead the work required to document the design of the new arrangements or to prepare the code modifications that will give effect to these reforms. We do expect DCC to support these developments. In particular, it is important that DCC has an understanding of the requirements being developed so that it can transpose these into the technical specifications required for it to procure the CRS.

2.12. We expect DCC to provide timely and accurate data to support the impact assessment of proposals. We also expect DCC to respond in a timely and accurate way to any interim consultations as well as the consultations expected at the end of the Blueprint Phase and the Detailed Level Specification Phase.



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2.13. We do not propose to review the TOM again until the second half of 2016/17, once the first design baseline has been established. We expect to consult with the industry if we propose to materially change the TOM. If we amend the TOM we will also consider if we should update any information provided to DCC on the considerations it should take into account in relation to LC15.

The CRS

2.14. DCC should support the development of the design and documentation of the CRS functional and non-functional requirements, the data the CRS will hold, the data access requirements and the communication interfaces.

2.15. We expect DCC to contribute to the overall design of these detailed requirements including, where appropriate, helps it to determine the scope of the CRS and its role within the wider industry framework. We expect it to undertake specific work packages/develop proposals, as requested by the Ofgem lead of the relevant Blueprint workstream, to help identify how the new arrangements should operate.


2.16. DCC, as the party we expect to be responsible for the delivery of the CRS, should provide appropriate technical support and analysis to ensure the robustness of design and that the opportunities and efficiencies afforded by different technologies and technical approaches are fully explored. It should ensure that the design of the CRS is robust, economic, efficient and secure and meet the Switching Programme objective and design principles. The design of the CRS should be flexible so that it can efficiently meet all reasonably foreseeable future market requirements.

2.17. We expect DCC to take all reasonable steps to prepare for the procurement of relevant service capability to deliver the CRS and to procure this service. This should be undertaken in accordance with DCC's other licence obligations, notably LC16 (Procurement of Relevant Service Capability) and its published procurement strategy. We expect this activity to be undertaken in a way that is designed to meet the target implementation date of the Switching Programme and in accordance with the design principles, once these are in place.

2.18. We expect DCC to lead the development of a procurement strategy for the CRS and to test this, using the Switching Programme governance structure and, where appropriate, external assurance.

2.19. We expect DCC to accurately transpose the CRS requirements identified into a technical specification for the purpose of procuring the CRS and entering into a contract with a service provider. We expect DCC to adequately test this technical specification with stakeholders to ensure it is fit for purpose.

2.20. DCC's new objective does not include requirements relating to the building and testing of the CRS after this service has been procured. Subject to consultation,



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we expect to amend the licence at a later date to cover this and the enduring DCC obligations that cover operation after go-live.

2.21. At an operational level, during the Blueprint Phase, the design discussions are expected to take place in the Business Process Design Workstream and the procurement discussions will take place in the Commercial Workstream.

The new switching arrangements

2.22. DCC should contribute to the design of reliable and fast switching to ensure that it best meets the requirements of the TOM and the agreed design principles. DCC should also seek to ensure that the design can be delivered by the CRS.

2.23. DCC, as the party we expect to be responsible for the delivery of the CRS, should ensure that appropriate technical support is provided to inform discussions on how the CRS will robustly, economically and efficiently support the new switching arrangements in a manner best calculated to meet the Switching Programme design principles.

2.24. It should ensure that the design of the CRS and new switching arrangements is consistent with the operation of the smart meter arrangements, in particular, the loading of smart key and tariff data onto smart meters and the associated security requirements.


2.25. At an operational level, during the Blueprint Phase, these discussions are expected to take place in the Business Process Design Workstream.

Governance arrangements

2.26. DCC should actively contribute to the design of new licence requirements necessary to deliver and operate the CRS once the relevant service capabilities have been procured. It should seek to ensure that these are consistent with the TOM and the design principles.

2.27. It should actively contribute to the development of the SEC structure and governance arrangements ((including performance assurance measures for its and industry's operation) and seek to ensure that these are consistent with the TOM and the design principles.

2.28. We want DCC to actively contribute to identifying the CRS and switching governance arrangements. In particular, which industry code should be used to define each requirement, which party should be obligated and what form that requirement should take.



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2.29. We expect DCC to be a key contributor to the assessment and design of these requirements as well as their impact assessment.

2.30. At an operational level, during the Blueprint Phase, these discussions are expected to take place in the Regulatory Design Workstream.

Charging arrangements for the CRS

2.31. DCC will contribute to the design and assessment of charging arrangements for the provision of the CRS. It should ensure that these can be executed in accordance with the terms of its licence. We expect DCC to provide input into the impact analysis of these new charging arrangements, including the expected materiality of its costs.

2.32. At an operational level, during the Blueprint Phase, these discussions are expected to take place in the Commercial Workstream.

CRS price control arrangements

2.33. Ofgem will lead the discussion with DCC and industry on the price control arrangements. We expect DCC to engage constructively in the development of proposals. Specifically, we expect it to provide cost data to assist the development and determination of the price control and any incentive arrangements.

2.34. At an operational level, during the Blueprint Phase, these discussions are expected to take place in the Commercial Workstream.

Delivery approach for the CRS and switching arrangements:

2.35. DCC will have a key role in designing the delivery approach for the CRS. We expect DCC to call on its smart meter experience. We expect DCC to take a leading role in the design of the requirements and their impact assessment including undertaking specific work packages, developing proposals and consulting the industry where appropriate on how the delivery arrangements should operate and the roles and responsibilities of parties.

2.36. Where appropriate we expect DCC to commission work to input into the development of the delivery approach. This could, for example, include a practical assessment of the opportunities for cleansing, merging and migrating data.

2.37. At an operational level, during the Blueprint Phase, these discussions are expected to take place in the Delivery Strategy Workstream.

Appendix 3 – Consequential changes

Consequential licence changes

1.1. In this appendix we outline the detailed consequential changes by licence condition. The table below sets out the licence conditions, whether we are proposing a consequential change and our reasoning for this. There are a number of obligations which would now capture CRS. We are proposing that, where there is any requirement to report on compliance following the proposed CRS modifications, DCC will need to consider this when they next review the documents.

1.2. We also considered whether there are any issues that should be explored in the industry working groups as part of the enduring framework. The proposed changes are published in the Statutory Consultation Notice alongside this document as a tracked version of the licence.

Type of change	Licence Condition (LC)	Brief description
Licence Conditions that require changing	LC1: Definitions for the Conditions of the Licence	Include the new definitions for CRS and Fundamental Registration Service Capability
	LC6: Authorised business of the licensee	Define CRS as a new service under Mandatory Business Services.
	LC15: Incorporation of energy registration services	Licence condition re-written and called Incorporation of Centralised Registration Service
	LC16: Procurement of Relevant Service Capability	Part A to include Fundamental Registration Service Capability

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	LC22: The Smart Energy Code	Include CRS in the list of Mandatory Business Services listed in LC22.20 and remove LC22.21 as this reference is no longer relevant.
	LC30: Requirements for the regulatory accounts	Include CRS in the list of Mandatory Business Services in LC30.17
	LC35: Price Control Definitions	Include the CRS terms that will derive the value of the CRS Revenue term
	LC36: Allowed Revenue	Allowed Revenue principle formula updated to include CRS revenue. Part D added to set out how CRS revenue is calculated. Penalty interest rate drafting added.
	LC37: Assessment of Mandatory Business Cost	CRS external and internal costs added to comparisons

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Licence Conditions where obligations will apply	LC7: General control for the authorised business LC8: Security controls for the authorised business LC9: Independence and autonomy of the licensee LC10: Protection of confidential information LC11: Duties arising from the licensee's special position LC12: Appointment and duties of compliance officer LC16: Procurement of relevant service capabilities LC18: Charging Methodology for Service Charges LC19: Charging statement for service charges LC24: Availability of all necessary resources LC27: Indebtedness and transfers of funds LC28: Disposal of relevant business assets LC32: Reporting of price control information LC34: Annual service report to the authority LC37: Assessment of mandatory business costs LC42: Management orders for the licensee LC43: Arrangements for the handover of business	<p>As a Mandatory Business Service it is appropriate the obligations under these Licence Conditions apply to CRS</p> <p>Where there are regulatory reports or strategies which need to be reviewed or approved once the licence modification is made, in the next review DCC undertakes it will need to take into consideration CRS, and make amendments as appropriate.</p>
Licence conditions that should be reviewed as part of industry working groups	LC 5: General objectives of the licensee LC17: Requirements for the provision of services LC 18: Charging Methodology for Service Charges LC 20: Determination of disputes by the authority LC 21: Roles in relation to core industry documents LC 26: Financial stability and financial security LC31: Reporting of quality of service information LC 34: Annual service report to the authority LC 35-LC38: Price control conditions LC40: Determination of the VAS contribution	<p>Regulatory and commercial obligations that should be reviewed in the enduring framework</p> <p>Also, there could be interactions with the development of the operational performance regime and quality of reporting requirements that should be considered in the enduring framework.</p>

Appendix 4 – Glossary

A

Allowed Revenue

Total amount of revenue determined on an accruals basis in relation to each Regulatory Year in accordance with the Principal Formula set out in Part C of Condition 36 after the deduction of value added tax (if any) and any other taxes based directly on the amount concerned.

Authority

The Gas and Electricity Markets Authority

C

Centralised registration service (CRS)

A future service, procured and run by DCC to facilitate switching at gas and electricity premises.

Communications hub

As defined in Licence Condition 1, means a component, forming a part of the Smart Metering System installed at an Energy Consumer's premises, that enables data to be communicated to the Licensee from authorised devices within the premises that are connected to, or form part of, that system, and vice versa.

Communications Service Provider (CSP)

Bodies awarded a contract to be a service provider of DCC's communications services. Arqiva Limited and Telefónica UK Limited have been appointed to provide these services.

D

Data and Communications Company (DCC)

This is a company that manages the data and communications to and from domestic consumers' smart meters

Data Services Provider (DSP)

Body awarded the contract to deliver systems integration, application management and IT hosting services to DCC. CGI IT UK Limited has been appointed to provide these services

Department for Energy and Climate Change (DECC)


The UK government department responsible for energy and climate change policy

E

External Costs

As defined in Licence Condition 35 of the Licence. The fundamental service capability predominately comprises of the communication service providers (CSP) and the data service providers (DSP). This definition means that costs associated with other externally procured contracts, for example the Smart Metering Key Infrastructure (SMKI) contract are reported under internal costs.

G



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Gas Transporter

There are eight large Gas Transporters (GT), each of which covers a separate geographical region of Great Britain. There are also a number of independent GTs (iGTs) that typically provide network services for new developments.

I

Industry codes

Industry codes and agreements underpin the gas and electricity markets and set out detailed rules for the gas and electricity markets that govern market operation and the terms of connection and access to the energy networks. The codes are contracts between signatories and provide a level playing field for services provided by central/monopoly providers, and contain interoperability requirements between competitors.

Internal Cost

As defined in Licence Condition 35 of the Licence. Costs (excluding external costs and pass-through costs) that were economically and efficiently incurred by the Licensee for the purposes of the provision of Mandatory Business Services under or pursuant to the SEC

M

Mandatory Business Costs

Costs associated with the Authorised business of that consists of the operation or provision, on behalf of or to SEC parties, of Mandatory Business Services under pursuant to the SEC.

Mandatory Business Services

As defined in Licence Condition 1 of the Licence, means the services comprising of the Mandatory Business of the Licensee. These are the Core Communication Services and the Enabling Services.

O

Ofgem

Office of Gas and Electricity Markets


P

Pass-Through Costs

The amount equal to the total amount fee paid by the licensee to the Authority and the payments to SECCo Ltd for purposes associated with the governance and administration of the SEC.

R

Registration



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Each network company is required by its licence to maintain a register of supply points connected to its network. This register includes an address and unique reference number for each supply point as well as the identity of the supplier responsible for it.

Regulatory Accounts

As defined in Licence Condition 1, means the accounts of the Licensee produced in accordance with the provisions of Condition 30 (Requirements for the Regulatory Accounts).

Regulatory Instructions and Guidance (RIGs)

Provide the basis on which the licensee must report price control information as required under the Smart Meter Communication Licence.

Regulated Revenue

The actual revenue in a regulatory year, measured on an accruals basis received by the Licensee through Service Charges that are levied in accordance with the provisions of Condition 18.

Regulatory Year

As defined in Licence Condition 1, means a period of 12 months beginning on the 1 April each calendar year and ending on 31 March of the next calendar year.

Relevant Services Capability

As defined in Licence Condition 1, means the capability procured (or provided from within the Licensee's own resources) in accordance with Condition 16 (procurement of Relevant Service Capability) for the purposes of securing the provision of Mandatory Business Services under or pursuant to the Smart Energy Code. This means the internal and external resources which DCC relies upon in order to provide services to DCC Users

S

Significant code review

The significant code review (SCR) mechanism is designed to facilitate complex and significant changes to the codes that energy companies are required to abide by. It enables Ofgem to undertake a review of a code-based issue and play a leading role in facilitating code changes through a review process.


Smart Energy Code (SEC)

The SEC is a new industry code which is a multiparty agreement which will define the rights and obligations between the Data and Communications Company (DCC) and the users of its services Suppliers, network operators and other users of DCC's services who will all need to comply with the Code

SECCo

A company established under the SEC, owned by SEC Parties and which acts as a contracting body for the SEC Panel.

SEC Panel



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Panel established to oversee the Smart Energy Code with powers and duties as set out in Section C of the SEC.

Service Charges

The charges levied by and payable to DCC in connection with the operation or provision of Mandatory Business Services under or pursuant to the SEC

Smart Meter

Smart meter is a meter which, in addition to traditional metering functionality (measuring and registering the amount of energy which passes through it) is capable of providing additional functionality, for example two-way communication allowing it to transmit meter reads and receive data remotely. It must also comply with the technical specification set out by the Smart Metering Programme.

Smart Meter Communication Licence

The Smart Meter Communication Licences granted pursuant to Sections 7AB(2) and (4) of the Electricity Act 1989 and Sections 6(1A) and (1C) of the Gas Act 1986.

Switching Programme

This programme concerns the process used by industry to transfer a consumer from one supplier to another. Smart metering presents an opportunity to improve this process. Ofgem's ambition is for a fast, reliable and cost-effective process that facilitates competition and builds consumer confidence.

Switching arrangements

The process by which a consumer switches from one supplier to another.

Appendix 5 - Feedback Questionnaire

Consultation is at the heart of good policy development. We're keen to consider any comments or complaints about the way we've conducted this consultation. We'd particularly value your answers to these questions:

-
1. Do you have any comments about the overall process for this consultation?
 2. Do you have any comments about the tone and content of the report?
 3. Was the report easy to read and understand? Could it have been better written?
 4. To what extent did the report's conclusions provide a balanced view?
 5. To what extent did the report make reasoned recommendations for improvement?

Please add any further comments and send your response to:

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