



## OVO Response to the Proposals for DCC's role in developing a Centralised Registration Service and penalty interest proposals

22 January 2016

# RESPONSE TO SPECIFIC CONSULTATION QUESTIONS

## 1. REGISTRATION AND SWITCHING ARRANGEMENTS

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

1.1. We support changes proposed

**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?**

1.2. We support the considerations proposed

## 2. RECOVERY OF COSTS

**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?**

2.1. OVO agrees with Ofgem's approach to allow DCC to recover the economic and efficient costs it will incur in relation to the procurement of the central registration scheme (CRS). We are also in favour of the introduction of an incentive mechanism to encourage DCC to complete its tasks undertaken during the transitional phase in an efficient and timely manner.

2.2. With regard to the means by which DCC is allowed to recover its costs during the transitional phase, OVO does not believe an ex-post cost recovery mechanism represents the best option. Our preference is for an ex-ante mechanism - combined with a performance incentive - to be introduced instead. We believe that the combination of these two measures would be more effective in ensuring that DCC delivers its transitional phase objectives in an efficient and timely manner.

2.3. Ofgem has decided that an ex-post price control framework is a more proportionate means of allowing DCC to recover its costs during the transitional phase, on the basis that DCC's role in the preparation of the CRS remains uncertain. While we agree that a level of uncertainty remains around DCC's role, we are not convinced that the degree of uncertainty is material enough to justify Ofgem's decision to adopt an ex-post cost recovery approach.

2.4. We think a well-designed incentive mechanism would provide DCC with a sufficient level of flexibility, which when combined with an ex-ante cost recovery approach would strike the correct balance between flexibility and cost. In arriving at this view we also considered DCC's past performance when previously subject to an ex-post price control mechanism.

**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?**

2.5. We have no specific comments on this question.

**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**

2.6. We agree that a new defined term should be introduced in addition to a term that represents the introduction of a performance mechanism. As per our comments in paragraphs (3.1-3.4) we would advocate that the new defined term be based on a calculation consistent with an ex-ante mechanism.

### 3. LICENCE AND SEC CHANGES

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

3.1. We have no specific comments on this question.

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

3.2. We have no specific comments on this question.

### 4. PENALTY INTEREST PROPOSALS

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

4.1. We have no specific comments on this question.

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

4.2. We have no specific comments on this question.