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

Dear Angelita,

We welcome the opportunity to respond to this consultation on DCC's role in developing a Centralised Registration Service and penalty interest proposals.

We have provided responses to your questions in the attached Annex. If you have any questions or comments, please do not hesitate to contact me.

Yours sincerely,

Samantha Cannons
Industry Codes



Annex - Consultation Questions

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

Chapter Two: Registration and switching arrangements

1. Do you agree with our proposed changes to LC15?

SSE agrees with the proposed changes to LC15, as set out in the Statutory Consultation Notice that accompanies this consultation document.

We welcome the conclusions that have provision for DCC to contribute to the design and documentation of the CRS, as a member of the Design Team rather than being solely responsible. We support the proposals for the Code Panels and their Administrators to prepare the Industry Code Modifications, and we look forward to engaging in discussions on one code body taking a leading role in coordinating this activity.

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

SSE broadly agrees with the proposed considerations set out in Appendix 2 for the expectations that DCC should take into account. The revisions seem to be a reasonable balance in providing greater clarity on the role and responsibilities of DCC, whilst addressing concerns regarding DCC having too strong a role in defining the CRS requirements.

We support the additional clarity that has been introduced with the proposed new considerations for:

- DCC to lead the Procurement strategy and appropriately testing;
- DCC to transpose the Switching Programme CRS requirements into a technical specification, with stakeholder reviews to ensure the specification is fit for purpose.

We have concerns regarding the new proposed consideration for paragraph 2.28. We support the active contribution of DCC in identifying the CRS and switching governance arrangements. We query the proposal on DCC to, "In particular, which industry code should be used to define each requirement, which party should be obligated and what form that requirement should take." We would expect this to be developed jointly as part of the Workstream activities to develop the regulatory design.

The drafting of paragraph 2.15 would benefit from minor revision to aid stakeholders in understanding the intent.

Chapter Three: Recovery of costs

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?

SSE agrees with the proposed drafting amendments to the price control formula and supports the introduction of a specific price control arrangement for DCC's CRS activities. The amendments provide flexibility in determining the appropriate elements for price control, once there is greater certainty of the activities.

We continue to remain supportive of the proposals to utilise:

- an ex post recovery model for the transitional phase costs (other than Procurement);
- an ex ante control for the Procurement costs, where there is sufficient certainty and time to introduce.

We welcome the confirmation that the cost recovery models, with the uncertainty and incentive mechanisms, will be explored further within the Commercial Workstream of the Switching Programme.

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?

SSE agrees with the proposed process for agreeing the ex ante procurement costs however we have concerns about the proposed timetable. Given the approach to procure the CRS capability via competitive tender without exception, we question whether there will be sufficient time to procure and implement the CRS capability to meet the proposed implementation date in 2018.

We welcome the confirmation that the cost recovery models, with the uncertainty and incentive mechanisms, will be explored further within the Commercial Workstream of the Switching Programme.

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?

SSE agrees that the CRS capability must be procured by DCC externally via a competitive tender process. The proposed change introducing new defined terms of Fundamental Registration Service Capability [LC16] and the CRS External Cost clearly indicates a distinct and separate activity from the existing Fundamental Service Capability.



Chapter Four: Licence and SEC changes

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

Yes, SSE supports the designation of the Centralised Registration Service as a new service in the Mandatory Business Service requirements.

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

SSE agrees with the proposed consequential changes to the Smart Meter Communication Licence.

Chapter Five: Penalty Interest Proposals

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

SSE agrees with the proposed amendment to the definition of Regulated Revenue in the DCC Licence Condition 35.5. We agree that interest accrued on over recovered service charges by DCC, forms part of their Regulated Revenue.

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

SSE agrees that the proposed drafting for Licence Conditions 36.16 and 36.17 for the penalty interest rate. We concur that this reflects the policy intent of:

- A Report and direct penalty interest rate regime;
- Establishing a threshold for DCC's reporting requirement to apply on Regulated Revenue reaching 110% of Allowed Revenue;
- Establishing 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.