



By Email

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12th January 2017

Consultation on final proposals for DCC Operational Performance Regime.

Dear Robyn,

I am pleased to respond on behalf of npower to Ofgem's final proposals for the DCC Operational Performance Regime. Responses to the specific consultation questions are outlined below, however I would like to take the opportunity to provide some additional comments:

We agree, in principle, with the five reporting areas identified from the DCC Performance Measurement Report which should be captured under Service User Measure and Service Delivery Measure. These measures will help maintain flexibility, quality, transparency and clarity which will be critical for the success of the OPR.

However, we are not fully supportive of the proposal that only performance metrics under SUM and SDM should be financially incentivised. We believe that failing to impose financial incentives on Development and Improvement Measures could impact the flexibility and responsiveness of DCC's approach. In addition, omitting the Value for Money Measure could lead to the development of sub-par solutions, damaging the credibility of the OPR. Both of these outcomes would contravene fundamental principles of the OPR and we would therefore like to emphasise that these risks should be carefully considered.

We strongly believe that any movement from Interim Measures to OPR needs to ensure a review is undertaken to understand what improvements can be made for the OPR. Using the operational experience of the interim regime will be invaluable in identifying potential inhibitors to the OPR, and help ensure that performance measures do not slip without incentive for DCC to resolve.

I hope our comments are helpful, please contact me if you would like to discuss our response.

Yours sincerely,

Fred Howard
Regulation

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Npower's response to consultation on Final Proposals for the DCC Operational Performance Regime

Q1: Do you agree with our proposed measures and weightings, and proposal that the performance levels for each measure should be consistent with the SEC and service provider contracts in the enduring regime?

We support the initial approach to align the minimum and target performance levels in the OPR with the service levels in the SEC and Service Provider contracts. We recognise the benefits of consistency between the OPR performance levels, and target code and service provider levels, and agree with the importance of flexibility in the regime as outlined in section 3.19.

We note that changes to the SEC can take significant time, and that measures in the OPR may have to evolve over shorter time-scales. We therefore believe that while every effort should be made to align the performance levels of the OPR, SEC and Service Provider contracts, they should not be aligned too rigidly to allow some flexibility for the OPR. We are pleased to note that this proposal will be reviewed based on the operational experience of the interim regime.

We are also concerned that there is a discrepancy between the reporting periods of the DCC and Ofgem. Sections 3.4-7 propose that DCC report monthly, while Ofgem assess average performance over the reporting period. We believe that when averaging performance, user impact and severity must be considered, as average results often provide a superficial and exaggerated view of actual performance. For example, DCC could consistently deliver sub-par performance for most of the period with significant user impact, but make up the shortfall at the end. This could engender a situation wherein DCC appears to be hitting its performance targets, while suppliers are unable to meet their requirements and provide a service to their customers. To avoid these issues, we believe that either the reporting periods should be aligned, or an element of user impact is incorporated into Ofgem's measures.

While we have no strong views on the weightings applied initially, we do ask that they are closely monitored and amended where necessary to ensure each metric is assigned a significance which reflects its user impact.

Q2: What are your views on our proposals for the interim regime?

The interim approach appears pragmatic given the necessary period of stabilisation after go-live. We would appreciate further clarification on the timescales involved, as this element is missing from Figure 1. However we are supportive of an appropriate interim regime.

It is unfortunate that baseline margin for 2016/17 will not be included within BMIT, as we believe this leaves room for DCC to miss an important milestone but still collect maximum value associated with baseline margin. Although we note that the margin for both 2016/17 and 2017/18 will be at risk in the next reporting period, we believe that this poses an additional risk to the performance of the DCC at a critical time.



We do believe that it would be fair to place an incentive on DCC during the early critical stages following go-live, since all parties will still be expected to achieve their individual targets. Allowing DCC to stagnate without performance incentives while continuing to penalise suppliers could hinder the effective working relationship between DCC and suppliers.

Q3: What proportion of its margin DCC should be able to retain for reaching minimum performance levels under the enduring regime? Please provide justification / evidence to support your view.

We believe it is fair that a minimum performance level be attained before DCC is able to retain its at risk margin. Once past this threshold, DCC should be able to retain a level of margin which is proportional to its fulfilment of the target performance levels. We believe this proportional relationship is represented in Figure 1 but would ask that further clarification be provided on what the minimum performance level will be.

Q4: Do you have any specific comments on the draft direction which will implement our proposals included in the supplementary annex?

We would like to understand more fully why the Communication Hubs measure has been further divided into 3 separate categories with distinct weighting. Given the DCC Service Desk, WAN Coverage, Core Service Requests and Service/System Availability are all discrete measures, we believe splitting the Communication Hubs measure creates an inconsistent approach and could cause a harmful bias.

We also note that there are no time-scales included to establish and fully describe how the measures will be assessed. As detailed in the response to question 1, the proposed measures are potentially less effective if measured over the entire regulatory period. If the measures are only subjected to this approach, we believe they may be inadequate to ensure DCC is consistently meeting the required performance levels.

Q5: Do you have any suggested methodologies for the 'new' reporting metrics for DCC?

While we have no specific suggestions, we would like to ensure any new metric be realistic, achievable and designed to benefit all parties. We also believe careful consideration should be given to the value of each new metric so that only those deemed necessary are introduced. This will minimise time wasted on introducing new metrics gratuitously.