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**Re: Consultation on DCC Operational Performance Regime**

Dear Andrew,

Thank you for the opportunity to respond to the consultation on the DCC's Operational Performance Regime.

The response below covers the views and observations of the SEC Panel regarding the ten questions set out in the consultation.

The Panel believe it is vital we develop a fit for purpose performance regime for the DCC that incentivises quality, efficiency and collaboration. As such, in addition to the responses below, the Panel offer their full support in reaching a successful conclusion to this subject.

If you would like to discuss this further, please do not hesitate to contact myself or the SECAS team on 020 7090 7755 or [SECAS@gemserv.com](mailto:SECAS@gemserv.com).

Yours sincerely,



Peter Davies  
SEC Panel Chair

**Question 1 – Do you agree that System Performance should be financially incentivised?**

Yes. The DCC provides a critical function for Consumers and industry alike. As such, the failure of the DCC to deliver its services can have major impacts to DCC Customers and the end consumer.

It is right the DCC should be incentivised to perform these critical services to the highest standards and held to account where these are not met.

**Question 2 - What are your views on our proposal for the System Performance Incentive?**

We are supportive of the proposals and note the close work of Ofgem and the SEC Operations Group (OPSG) in driving towards an appropriate set of performance metrics. With over four million smart meters operating through the DCC services, it is right to move to an outcome-based approach. One that is reflective of the experience of DCC Customers and driven by relevant metrics.

We recommend that the incentives and metrics decided upon should be revisited periodically as the DCC services evolve and the experiences of Customers develop. We would welcome the use of the OPSG in providing support to monitor and develop such metrics.

The proposals to weight and measure across meter types and DCC Communication regions is sensible.

**Question 3 - Do you agree with the four areas we propose incentivising?**

Yes. We note that four of the key areas proposed by the OPSG Operational Metrics Review project are incorporated in these incentives (whilst others from the project have been progressed via MP122). We believe the choice of the four key measures included is appropriate:

- Install and Commission & Firmware management - Given the stage of the rollout, Install and Commission and Firmware management are key to ensure that devices can be installed efficiently and immediately function correctly. These are key enablers for the realisation of the benefits of the smart meter rollout and both should be measured accordingly.
- Prepayment - The measure for Prepayment is particularly important for consumers, and has a major impact for supplier customer service teams if top up Service Requests are not actioned and delivered within the agreed service levels. It is therefore right that this is measured and reflective of the true experience received.
- Service Availability - DCC Service Availability is critical. DCC Customers need to be confident that the service will be available when required. It is right that this is measured and forms part of the overall incentive. The lack of appropriate measures of DCC Service availability has been one of the major complaints about the current set of performance measures. DCC Customers need an overall measure of end to end service availability across the various DCC Service Providers, for this measure to be reflective of the true service delivered.

Whilst we understand the rationale to for limiting the number of measures, there is potential to miss consumer impacts where DCC Services fail to operate as planned. For this reason, the OPSG recognised Change of Supplier (CoS) as a critical business process to be measured. Although the DCC has a limited role in the overall CoS process, any DCC failure to retrieve readings and exchange security keys has major impacts for Suppliers and end consumers, with potential to erode confidence in switching arrangements.

**Question 4: Do you agree that customer engagement should be financially incentivised?**

Yes. The SEC Panel has repeatedly expressed frustration at the lack of timely and transparent engagement from the DCC with its Customers. Too often those who fund the DCC services, or those impacted by decisions, are not appropriately engaged throughout the lifecycle of a DCC project. It is also a persistent issue that the SEC Committees are not sufficiently engaged in significant decisions at the right time. Sub Committees are often approached as an afterthought or having to deal with slow responses when seeking pertinent information from the DCC.

It is essential that DCC Customers are fully engaged in decisions that impact the DCC systems and services they rely on. This will ensure well informed decisions can be made that lead to more efficient and cost effective services; ultimately to the benefit of all Consumers.

**Question 5: What are your views on our proposal for the Customer Engagement Incentive?**

The criteria set out in the consultation are sensible and the scope to include all DCC activities is correct.

In order to help meet the criteria, we believe it should be set out that as a pre-requisite the DCC must seek agreement from the SEC Panel in establishing problem statements/businesses cases before time, effort and cost to DCC Customers is incurred on launching projects.

As representatives of the DCC Customers and funding parties, it is right the Panel should be involved in the initiation of projects and that the agreed communications plan would safeguard that the Panel, and its Sub-Committees, have sufficient time to review and sign off important documentation and delivery decisions.

As part of the DCC project initiation, a communications plan should be agreed with the Panel. Such a plan would clearly set out which stakeholders are to be engaged when and how. This would not only ensure that the relevant Sub-Committees and user groups are appropriately engaged, but it will allow for customer engagement to be proportional depending on the project.

It would also ensure there is a clear success criterion for engagement, as the DCC, delivering the agreed communications plan during the project life cycle, makes it easier to establish successful customer engagement, and thus helps Ofgem complete the relevant metrics.

We would expect such an approach to be supported by the DCC, since not only is it good project management practice, but agreeing communication plans upfront would make it easier for the DCC to ensure they can deliver outcomes quickly. It would also make completion of metrics less subjective and based upon clear agreed success criteria.

**Question 6: Do you agree that contract management and procurement should be financially incentivised?**

Yes. Contract Management is a key service the DCC provide. It is therefore important that customers have assurance that this service is being delivered efficiently and effectively. It is essential that service provider costs are appropriately challenged and that DCC Customers have appropriate visibility, whilst respecting the DCC and its service provider commercial confidentiality, to ensure that all costs incurred are justifiable.

**7. What are your views on our proposal for the Contract Management and procurement Incentive?**

We appreciate placing incentives in this area can be a difficult task. However, we need to ensure that any incentives actually drive improvements in managing service providers and result in tangible reductions to the time and costs for service providers to assess and implement change.

The use of an independent auditor is sensible as it would mitigate any concerns about the level of commercial confidentiality shared with customers. However, we must ensure that the incentives do not just rely solely on an auditor. There is a danger that incentives can be met by having appropriate documentation and processes in place, but no actual improvement in managing the service providers. We do not want this to become merely a tick box exercise.

In order to help support the auditor, and get value for money from the audit contract, we believe the Panel should have the role in setting the scope of the audit and the ability to review/challenge the audit report. This would help ensure that the auditor is aware of real-life scenarios and evidence of what has taken place over the audit period.

We also note that any incentives or audit in this area should not replace the scrutiny applied to all DCC costs as part of Ofgem's annual price control. The annual price control should aim to justify the costs for the whole of the DCC, not just contracted costs. This would provide further comfort to those who fund the services, that the end to end DCC services are being delivered in the most economical way possible.

**Question 8: Do you agree with our proposed weighting between the three incentives?**

Yes. The weighting seems appropriate but should be revisited periodically to ensure it remains fit for purpose.

**Question 9: Do you agree that the proposed licence modifications achieve the policy intent?**

Yes.

**Question 10: Do you have any views on the draft direction published alongside this consultation?**

No. We look forward to reviewing the additional guidance when this is published.