

Energy UK response to Ofgem consultation on increasing DCC's revenue at risk against the Operational Performance Regime (OPR)

27th November 2020

About Energy UK

Energy UK is the trade association for the energy industry with over 100 members spanning every aspect of the energy sector – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership. We represent the diverse nature of the UK's energy industry with our members delivering over 80% of both the UK's power generation and energy supply for the 28 million UK homes as well as businesses. The energy industry invests £13bn annually, delivers £31bn in gross value added on top of the £95bn in economic activity through its supply chain and interaction with other sectors, and supports 738,000 jobs in every corner of the country.

Our Response

Energy UK agrees with the proposal by Ofgem to increase the revenue at risk to equal the sum of Baseline Margin and External Contract Gain Share (ECGS), as per Option 1.

As discussed in its response to Ofgem's review of the DCC Operational Performance Regime, Energy UK notes that DCC poor performance has a direct financial impact on its customers, as whilst DCC costs may be passed on, the additional incremental costs accruing to its customers cannot. At a time when suppliers are required to make greater efficiencies in their working practices due to the price cap, creation of unnecessary costs poses a risk to the long-term viability of the smart meter rollout. As such, it is appropriate that DCC customers and their consumers do not bear the costs of poor performance.

Energy UK therefore believes that putting all DCC incentive revenue at risk against its Operational Performance Regime is appropriate, as where there is particularly poor service, DCC costs will be reduced to account for the impact on the smart programme overall. Energy UK notes that this should also encourage appropriate prioritisation of performance outcomes by the DCC.

Energy UK also welcomes Ofgem's decision to consider expanding the scope of ECGS to include services and activities outside of the initial scope. It is important that the DCC activity is appropriately reviewed and incentivised, and Energy UK notes the urgent need to ensure that the DCC is not being rewarded purely for managing legacy activity when it is not reflective of the overall service delivery expected by DCC customers. Energy UK notes that any review should not lead to a substantial increase in the level of ECGS awarded; in any event, the primary area of concern for DCC customers and their consumers is improved Service Delivery. As such, the primary focus of DCC incentives overall should be on ensuring that the DCC is able to ensure swift and effective delivery of Smart Metering communications.

Should you wish to discuss any of the above further, please do not hesitate to contact Edmund Frondigoun at Edmund.fronDIGOUN@energy-uk.org.uk