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Dear Jacqui,

Increasing DCC's revenue at risk against the Operational Performance Regime (OPR)

Thank you for the opportunity to respond to this consultation.

It is important that suppliers - and ultimately their customers - are not unnecessarily exposed to the costs of a poorly performing DCC. We therefore welcomed Ofgem's recent review of the OPR and we now welcome its proposals to increase the DCC's revenue at risk under the revised regime.

Regarding the options outlined in the consultation, we tend to agree with Ofgem that Option 1, which will increase the revenue at risk against all elements of the OPR, will strengthen the incentive for DCC to perform well across the board. We also agree that it should help to counteract any fragmentation of the incentive – an unintended consequence, perhaps, from the May review – and focus the DCC's attention where it is most needed.

With an increased range of services now being procured from a greater number of service providers, we also agree that Ofgem should extend the ambit of ECGS to cover these new service provider contracts. However, it is particularly important that there is no scope for gaming as a result of such a change, so Ofgem should scrutinise these contracts to ensure they were suitably robust when first agreed. Moreover, the gains for these newer service providers should be restricted to increases in efficiencies achieved through proactive contract management.

Yours sincerely,

Richard Sweet
Head of Regulatory Policy