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## Revised OPR Guidance January 2024

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Publication date: 26/01/2024

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Response deadline: 23/02/2024

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We are consulting on the guidance for the 2024 revised Operational Performance Regime (OPR). The regime financially incentivises the Data Communication Company's (DCC) performance in three main areas: system performance, customer engagement and contract management.

This consultation sets out our proposals related to amending the revised OPR guidance (published in March 2023). Our proposals regard changes to all three sections of the OPR following the completion of the RY22/23 Price Control and contract management audit, to allow DCC's performance to be better reflected.

We welcome responses from other stakeholders and the public.

This document outlines the scope, purpose, and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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## Introduction

- 1.1. DCC is the central communications body licensed to provide the communications, data transfer and management required to support smart metering. It is responsible for linking smart meters in homes and small businesses with energy suppliers, network operators and energy service companies. It is important that as a monopoly company DCC faces sufficient incentives to play its role well, delivering value for money and high quality services. This is key to ensuring consumers are able to take full advantage of the benefits of the smart meter rollout.
- 1.2. The Licence stipulates that DCC's Baseline Margin be put at risk each Regulatory Year under the relevant performance incentive regimes. These consist of the Baseline Margin Project Performance Schemes and the Operational Performance Regime (OPR). DCC's Baseline Margin is 100% at risk against these incentive regimes, with the majority at risk against the OPR.

### What are we consulting on?

- 1.3. The OPR Guidance document is intended to set out a comprehensive reference to the operation of the OPR, setting out the regime according to the Licence, the direction, and our March 2023 decision document on the revised OPR.
- 1.4. We are consulting on making changes to the March 2023 OPR Guidance document for all three incentives. A revised draft of the March 2023 Guidance document has been uploaded alongside this consultation with the changes highlighted in yellow.
- 1.5. This consultation sets out our proposals to seek stakeholder feedback.

### Section 1: System performance

- 1.6. The OPR Guidance document sets out the formula to determine DCC's performance under each of the incentivised system performance measures, including the relevant penalty mechanism.
- 1.7. We are proposing to reduce the margin at risk for system performance as well as a zero-weighting for SRV8.11.

Question 1: What are your views on the proposed weighting changes?

Question 2: What are your views on adjusting the weighting of the SRV8.11 performance measure for the remainder of the interim OPR?

## **Section 2: Contract management**

- 1.8. Under the contract management incentive DCC’s performance is assessed by an independent auditor on an annual basis. RY2021/22 was the first year of the audit. This year marked the second year of the audit.
- 1.9. We are proposing to increase the current margin attached to the contract management incentive and make changes to the Terms of Reference (TOR).

Question 3: What are your views on the proposed changes to the contract management Terms of Reference? Do you agree with our proposals?

Question 4: Do you consider any further changes are required to expand the Terms of Reference?

## **Section 3: Customer engagement**

- 1.10. The OPR guidance document sets out the process and submission requirements for the customer engagement incentive. We are proposing to update the scoring methodology to allow for more accurate scoring of DCC’s performance. We are also proposing to reduce the number of customer engagement questions to provide more clarity and encourage more engagement from stakeholders.

Question 5: Do you agree with the proposed changes for customer engagement?

Question 6: Do you think any additional considerations need to be made for customer engagement?

## **Related publications**

2022/23 Price Control Consultation: <https://www.ofgem.gov.uk/publications/dcc-price-control-consultation-regulatory-year-202223>

OPR Guidance March 2023: <https://www.ofgem.gov.uk/sites/default/files/2023-03/OPR%20Guidance%20%28March%202023%29.pdf>

Terms of reference: <https://www.ofgem.gov.uk/sites/default/files/2023-03/Terms%20of%20reference.pdf>

Modified NAO framework 2023: <https://www.ofgem.gov.uk/sites/default/files/2023-03/Modified%20NAO%20Framework%202023.xlsx>

Decision on Revised OPR Guide March 2023:

<https://www.ofgem.gov.uk/publications/decision-revised-opr-guidance-march-2023>

Revised OPR Guidance consultation January 2023:

<https://www.ofgem.gov.uk/publications/revised-opr-guidance-consultation-january-2023>

Consultation on DCC Operational Performance Regime Review May 2020:

[https://www.ofgem.gov.uk/system/files/docs/2020/05/opr\\_review\\_consultation.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/05/opr_review_consultation.pdf)

Decision on DCC Operational Performance Regime Review October 2020:

[https://www.ofgem.gov.uk/system/files/docs/2020/10/dcc\\_operational\\_performance\\_regime\\_review\\_-\\_october\\_2020\\_decision.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/10/dcc_operational_performance_regime_review_-_october_2020_decision.pdf)

Decision letter on Revised OPR Guidance.

<https://www.ofgem.gov.uk/sites/default/files/2022-03/Decision%20letter%20on%20Revised%20OPR%20Guidance%20%28March%202022%29.pdf>

## Consultation stages

1.11. The key dates of the consultation are set out below in Figure 1.1.

**Figure 1.1: Consultation stages**

| <b>Stage 1</b>    | <b>Stage 2</b>      | <b>Stage 3</b>                   | <b>Stage 4</b>        |
|-------------------|---------------------|----------------------------------|-----------------------|
| Consultation open | Consultation closes | Responses reviewed and published | Consultation decision |
| 26/01/2024        | 23/02/2024          | February/March 2024              | March 2024            |

## How to respond

1.12. We want to hear from anyone interested in this consultation. Please send your response to the person or team named on this document's front page.

1.13. We've asked for your feedback to each of the questions throughout. Please respond to each one as fully as you can.

1.14. We will publish non-confidential responses on our website at [www.ofgem.gov.uk/consultations](http://www.ofgem.gov.uk/consultations).

## Your response, data and confidentiality

- 1.15. You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
- 1.16. If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.
- 1.17. If the information you provide in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.
- 1.18. If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

## General feedback

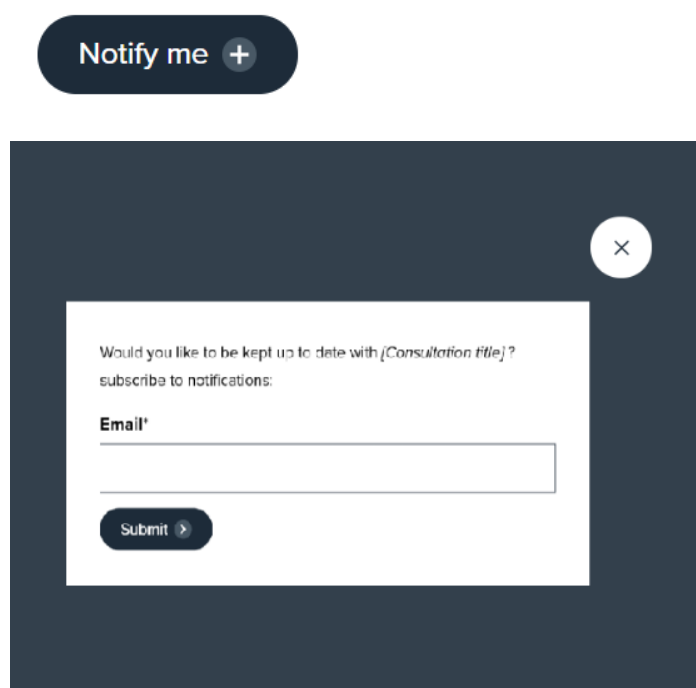
- 1.19. We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:
1. Do you have any comments about the overall process of this consultation?
  2. Do you have any comments about its tone and content?

3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

1.20. Please send any general feedback comments to [stakeholders@ofgem.gov.uk](mailto:stakeholders@ofgem.gov.uk)

## How to track the progress of the consultation

1.21. You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website. [Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)



Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

**Upcoming** > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)



## 2. System Performance

### Chapter summary

This section sets out our proposals to change the system performance measures of the OPR. We are proposing to reduce the weighting of system performance from 70% to 60% and increase the weighting of contract management by 10%. We are also proposing to adjust the weighting for the SRV8.11 performance measure to zero for the remaining period in which the interim OPR measures are in use. These changes would come into effect starting in RY2024/25.

Question 1: What are your views on the proposed weighting changes?

Question 2: What are your views on adjusting the weighting of the SRV8.11 performance measure for the remainder of the interim OPR?

### Background

- 2.1 In the RY21/22 transition year, DCC was assessed on its system performance against a revised version of the original OPR set out in the original OPR Guidance (March 2021).<sup>1</sup> The revised OPR has come into effect for system performance for the first time in RY22/23.<sup>2</sup>
- 2.2 Under the revised OPR system performance regime, DCC is incentivised under five system performance measures: Service Availability, Firmware Management, Install and Commission, Prepayment (Interim Response Times), and Change of Supplier. Where applicable, DCC's performance against these measures is assessed across meter generations (SMETS1 and SMETS2) and – for SMETS2 – also across the smart network regions: North, Central, and South.
- 2.3 As of RY22/23, three out of five measures currently carry an equal weighting, whilst two measures have no weighting attached. Table 1.2 below sets out the

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<sup>1</sup> See our 2021 OPR Guidance Decision document for further context on the implementation of interim OPR measures and transition years:  
[https://www.ofgem.gov.uk/sites/default/files/docs/2021/03/decision\\_on\\_dcc\\_operational\\_performance\\_regime\\_guidance.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2021/03/decision_on_dcc_operational_performance_regime_guidance.pdf)

<sup>2</sup> Ofgem (2022), Decision letter on Revised OPR Guidance.  
<https://www.ofgem.gov.uk/sites/default/files/2022-03/Decision%20letter%20on%20Revised%20OPR%20Guidance%20%28March%202022%29.pdf>

current weighting against the margin at risk for the system performance incentive for each measure.

**Table 1.2: Operational Performance Measures and Weightings**

| <b>Term</b> | <b>Performance Measure (m)</b>      | <b>Weighting</b> |
|-------------|-------------------------------------|------------------|
| <i>SUM1</i> | Service Availability                | 33.33%           |
| <i>SUM2</i> | Firmware Management                 | 0%               |
| <i>SDM1</i> | Install & Commission                | 33.33%           |
| <i>SDM2</i> | Prepayment (Interim Response Times) | 33.33%           |
| <i>SDM3</i> | Change of Supplier                  | 0%               |

2.4 In response to our January 2021 OPR Guidance Consultation, DCC raised that it was not technically possible to report on some of the newly introduced system performance measures from April 2021. Therefore, in our March 2021 OPR Guidance Decision, we gave DCC a 12-month grace period for DCC to work closely with its customers and SEC parties to find a technical solution, or if this was not possible, provide alternative measures supported by industry. This led to setting up of an ad-hoc industry group (OPR Working Group) by DCC, significant engagement between DCC and the Smart Energy Code (SEC) Operations Group (OPSG) and a public consultation issued by DCC in December 2021. DCC submitted recommendations to us on system performance measures for OPR in February 2022. The SEC Panel submitted to us their views on DCC’s recommendations.

2.5 Following DCC’s recommendations and SEC Panel’s views, as well as the feedback to DCC’s December 2021 Consultation,<sup>3</sup> we consulted with DCC on a set of proposed changes to the Guidance and conditions. After careful consideration of

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<sup>3</sup> DCC (2021), Consultation on the Operational Performance Regime potential measures. <https://www.smartdcc.co.uk/media/6684/opr-consultation.pdf>

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all the feedback received, in March 2022 we took the decision to modify the OPR Guidance in relation to system performance as follows:<sup>4</sup>

- Install and Commission measures: accept DCC’s recommended alternative measures as interim measures. However, keep the existing Service Reference Variant (SRV) 8.11 (Update HAN Device Log) as an Install and Commission measure.
- Prepayment measures: accept DCC’s recommended alternative time-based measures as interim measures.
- Firmware Management measure PM2 (dormant): reject DCC’s recommendation to remove this measure from the OPR (however it would remain dormant).

#### *SRV8.11*

- 2.6 Service Reference Variant (SRV) 8.11 is a message type that is primarily sent at the beginning of a smart meter installation to add a device to the Home Area Network (HAN). Because SRV8.11 is included as part of the OPR Install and Commission measure, DCC is incentivised to ensure SRV8.11 messages are delivered within the Target Response Time (TRT) of 30 seconds.
- 2.7 In its RY22/23 Price Control submission, DCC provided further arguments and evidence that SRV8.11 is not an appropriate measure for the purposes of the OPR, and therefore, it should not lose baseline margin for not meeting the targets for this measure. Whilst we did not agree with all of the arguments raised by DCC to exclude this metric, we acknowledged that some had merit – notably, that SRV8.11 performance was adversely impacted by customer actions, and therefore outside of DCC’s full control.
- 2.8 Following consideration of the evidence provided by DCC in their RY22/23 Price Control submission and the views of the OPSG in their May 2023 letter to Ofgem, we proposed zero-weighting SRV8.11 in our RY22/23 consultation. Full details of

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<sup>4</sup> Ofgem (2022), Decision to modify the DCC Operational Performance Regime Guidance <https://www.ofgem.gov.uk/sites/default/files/2022-03/Decision%20letter%20on%20Revised%20OPR%20Guidance%20%28March%202022%29.pdf>

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DCC's, OPG's, and our views on SRV8.11 can be found in the Operational Performance section of Chapter 5 of the consultation.<sup>5</sup>

## Proposed changes

### *System performance*

- 2.9 Under the current OPR, system performance has a weighting of 70% whilst customer engagement and contract management both have a weighting of 15% each. **We are proposing to reduce the system performance weighting by 10% and increase the weighting of contract management by 10%.** The final weighting would be 60% for system performance, 25% for contract management, and 15% for customer engagement. These changes would take effect from RY24/25.
- 2.10 We consider that, as the current system performance measures are only an interim solution, their weighting should be reduced. We note that DCC is still in discussions with its customers and the SEC on suitable enduring system performance measures. Once these enduring measures have been finalised, we will consider further revisions to weightings to better reflect appropriate incentivisation.
- 2.11 In addition, given our proposal to zero-weight the SRV8.11 performance measure, we consider it appropriate to reduce the overall weighting of system performance within the OPR, as this weighting would be spread across fewer performance metrics.

### *SRV8.11*

- 2.12 As part of the RY22/23 Price Control submission, DCC put forward further arguments and some quantitative evidence to support its view that SRV8.11 is not an appropriate measure for the purposes of the OPR, and therefore, it should not lose margin for not meeting the targets for this measure.
- 2.13 Following our proposed position in our RY22/23 Price Control Consultation to zero-weight SRV8.11 performance within the Install and Commission measure in

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<sup>5</sup> Ofgem (2023), DCC Price Control consultation: Regulatory Year 2022/23.  
<https://www.ofgem.gov.uk/publications/dcc-price-control-consultation-regulatory-year-202223>

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the RY22/23 interim OPR, we are proposing to zero-weight SRV8.11 performance for the remainder of the interim measures for the OPR.

- 2.14 As stated in our RY22/23 Price Control Consultation, we consider that it would not be appropriate to hold DCC solely accountable for the performance of SRV8.11 given that it is adversely affected by elements outside of its control, and the impact of these elements is not reasonably quantifiable.

## 3. Contract Management

### Chapter summary

This section sets out our proposal to amend the contract management incentive. We are proposing to widen the Terms of Reference (TOR) to allow DCC to be assessed fairly and accurately by the auditor in accordance with the National Audit Office (NAO) Framework. We are also proposing to increase the baseline margin that is put at risk under the contract management incentive from 15% to 25% by reducing the baseline margin that is put at risk under the system performance incentive from 70% to 60%. The proposed changes will come into effect from 1 April 2024.

Question 3: What are your views on the proposed changes to the contract management Terms of Reference? Do you agree with our proposals?

Question 4: Do you consider any further changes are required to expand the Terms of Reference?

### Background

- 3.1 DCC's performance around contract management and procurement activity is assessed by an independent auditor using the National Audit Office (NAO) Framework in line with the TOR set out in the OPR Guidance.<sup>6</sup> The TOR provide the scope of the audit which the auditors use to carry out their assessment of DCC's contract management.
- 3.2 RY21/22 was the first year in which DCC's contract management performance was financially incentivised under the revised OPR.
- 3.3 In our RY21/22 Price Control consultation, we identified that the scoring framework may not be a true representation of DCC's performance.<sup>7</sup> We consulted on increasing the scoring framework from 0-2 to 0-3. This decision came into force in April 2023 and was first used in the RY22/23 audit.
- 3.4 In the RY22/23 Price Control consultation we highlighted the points raised by the auditor in that they felt that the TOR was restrictive in some areas and did not

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<sup>6</sup> Ofgem (2023), OPR Guidance document <https://www.ofgem.gov.uk/sites/default/files/2023-03/OPR%20Guidance%20%28March%202023%29.pdf>

<sup>7</sup> Ofgem (2022), DCC Price Control consultation: Regulatory Year 2021/22.

<https://www.ofgem.gov.uk/publications/dcc-price-control-decision-regulatory-year-202122>

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provide them with the necessary routes to request more information in certain areas where required. The auditor also noted that whilst the TOR allows them to comment on the discrepancies that are found, it does not provide room to offer their general recommendations, which DCC can then act upon. As the auditor is unable to provide such recommendations, they are unable to use this as a measure to test any improvements that DCC has made, leaving no real incentive for DCC to improve on the issues at hand.

## **Proposed changes**

### *Adjusting the margin*

- 3.5 DCC was appointed using an outsourced model to manage contracted smart metering Service Providers. As contract management is integral to DCC's day-to-day activities, it is important that DCC exhibits skilful management of its procurements, extensions, re-procurements, and active monitoring of its Service Provider performance to deliver benefits to its customers.
- 3.6 The RY22/23 audit report highlighted the need for continued improvement in certain areas of DCC's contract management. Given the importance of having in place proper contract management, we want to ensure DCC is taking the necessary steps to ensure it is putting in place best practices to achieve value for money and quality end benefits for its customers. We are therefore proposing to increase the baseline margin that is put at risk under the contract management incentive by reducing the baseline margin that is put at risk for system performance by 10%. This would mean the final weighting would be 60% for system performance and 25% for contract management.

### *Amendments to the current TOR*

- 3.7 The TOR provides the auditor with the parameters for the audit. We are proposing to make changes to the TOR to improve transparency in the contract management process and to ensure that the DCC's contract management performance is fairly and accurately assessed during the auditing process.
- 3.8 Many of the changes we are proposing in this consultation is already taken into consideration by the auditor throughout the auditing period. All the changes proposed in this consultation will take effect on 1 April 2024.
- 3.9 The current TOR lists seven terms that the auditor uses to assess DCC's contract management performance against the NAO Framework. These terms are set out

in paragraphs 5.12 to 5.18 of the March 2023 OPR Guidance document.<sup>8</sup> We are proposing to keep paragraphs 5.12 to 5.15 and 5.18 as is and make amendments to paragraphs 5.16 and 5.17. We are also proposing to include five additional terms to current TOR to provide more scope for the auditing process.

- 3.10 Paragraph 5.16 of the current TOR lists that the auditor will assess DCC’s procurements and re-procurements under activity under the Network Evolution Programme. This includes DCC’s Communication Service Providers (CSP), Data Service Provider (DSP), SMETS1 service providers, Data Service Provider (DSP) and Smart Metering Key Infrastructure (SMKI). The current TOR, however, does not take into consideration the re-procurement of Data Service Management Systems (DSMS), which is a key part of DCC’s systems as it will replace the IT Service Management Systems (ITSM), and is aimed at helping DCC with its Service Management Capabilities. We are therefore proposing to amend paragraph 5.16 to include DSMS to ensure all procurements and re-procurements under the Network Evolution Programme are taken into consideration during the auditing process and assessed against the NAO Framework.
- 3.11 We are also proposing to update the name of the Government Department in paragraph 5.17 from BEIS<sup>9</sup> to DESNZ.<sup>10</sup>

*New additions to the TOR*

- 3.12 Following the completion of the RY22/23 audit and subsequent feedback from the auditors, we felt that further improvements to the TOR could be made to ensure DCC’s contract management is a fair reflection of its performance. For example, the current TOR does not explicitly state that the auditor can request further information from DCC to aid its investigation beyond the TOR. The auditor felt the need to seek approval or further clarification from Ofgem to request further evidence from DCC in order to progress with their investigation. We also found that the TOR does not offer the auditor scope to provide its general recommendations which DCC could then act upon. To provide more clarity on this

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<sup>8</sup> Ofgem (2023), OPR Guidance document <https://www.ofgem.gov.uk/sites/default/files/2023-03/OPR%20Guidance%20%28March%202023%29.pdf>

<sup>9</sup> Department for Business, Energy & Industry Strategy

<sup>10</sup> Department for Energy Security and Net Zero



matter and to provide the auditor with more tools, we are proposing to add five additional terms to the TOR:

- **Request further information from DCC to aid their investigation** – This will enable the auditor to request information directly from DCC without requiring approval from Ofgem. Our position is that the auditor should be able to request information from DCC if it believes that it will assist in the assessment of DCC’s contract management performance.
- **Request face-to-face meetings and on-site visits** – this will provide the auditor with the option to request face-to-face meetings with DCC staff and carry out on-site visits with suppliers to aid the auditing process. This ability will be used at the discretion of the auditor as and when it considers it to be required.
- **Assess DCC’s preparation for the Licence end date** – given the Smart Metering Communications Licence is due to expire in September 2025, we want to ensure that DCC is ready for all eventualities, including the possibility that existing contractual arrangements will need to be transferred to a Successor. While Section 7 of the NAO Framework looks at the Transition & Termination and DCC’s readiness for contract end date for third party contracts, this new term of reference will extend the scope of the auditor’s powers to include assessment of DCC’s wider obligation in the context of its Business Handover Plan<sup>11</sup>, including assessment of DCC’s contracts with its parent company, Capita Plc, the effect of the novation clauses contained within third party contracts and the terms of any intellectual property transfer agreements, all in the context of facilitating a smooth transfer of contracts and resources to a Successor Licensee.
- **Provide recommendations on the discrepancies found** – the current TOR does not offer the auditor scope to provide its general recommendations on the issues it finds throughout the auditing process.

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<sup>11</sup> Condition 43 of the Smart Metering Communications Licence sets out what DCC is required to do with regard to the preparation, content and execution of its Business Handover Plan, in preparation for a transfer of business to a Successor Licensee.

This term will allow the auditor to provide its recommendations which DCC can then implement and act upon.

- **Assess DCC's improvements based on previous recommendations** – this term will allow the auditor to use its previous recommendations to assess whether DCC has taken steps to improve on the previous discrepancies found and adjust the scores according to DCC's performance.

## 4. Customer Engagement

### Chapter summary

This section sets out our proposal to amend the customer engagement incentive. We are proposing to amend the methodology to allow SECAS and DCC to provide a score with up to one decimal place. We are also proposing to reduce the number of questions to 3 overarching questions. The proposed changes will come into effect from 1 April 2024.

Question 5: Do you agree with the proposed changes for customer engagement?

Question 6: Do you think any additional considerations need to be made for customer engagement?

### Background

- 4.1 The customer engagement incentive requires DCC to prepare a submission setting out DCC’s assessment of its performance during the previous Regulatory Year against a set of assessment criteria defined in the OPR Guidance. The assessment covers three sections: timing and frequency of engagement; quality of information provided by DCC; and accountability of customer views. The SEC Panel will also prepare a submission using the same criteria, ensuring that DCC customers can feed in views towards the submission’s preparation.
- 4.2 In May 2020 we consulted on whether it would be appropriate to financially incentivise DCC’s customer engagement as part of the revised OPR regime. Stakeholders responded largely in favour of our proposals, and in October 2020 we published our decision to implement a financial incentive.
- 4.3 This is the second year in which DCC’s customer engagement will be financially incentivised under the revised OPR. DCC’s performance in this area has been assessed based on qualitative submissions received from both DCC and SEC panel.
- 4.4 On completion of the RY22/23 consultation on our proposed OPR awards for that Regulatory Year, we received feedback on the customer engagement questions that fewer simplified questions formatting will encourage better responses from stakeholders. One respondent also noted the issue of the current scoring methodology in the current OPR Guidance document requiring SEC to average the scores provided by customers and round to the nearest whole number for each

question. We agree that these design elements of the framework may risk the scores not providing a wholly accurate representation of DCC's performance, and are therefore proposing changes to the customer engagement incentive mechanism in this consultation.

## **Proposed changes**

- 4.5 Following the completion of the customer engagement period which took place during RY22/23 and subsequent feedback, we consider the current customer engagement questions need to be amended to allow for more clarity and effective assessment of DCC's performance. We therefore believe that updating the scoring methodology and allowing scores to be rounded to one decimal place and reducing the number of assessment criteria questions will improve the assessment of DCC's customer engagement performance.

### *Scoring methodology*

- 4.6 The current OPR Guidance document requires both SEC and DCC to score DCC on its customer engagement performance against nine questions. For each question DCC and SEC are required to provide whole integer scores of 0, 1, 2, or 3. This means that, for example, if SEC received 10 responses to question 1 from their stakeholders, with an average score of 1.6, they would likely round up the score to 2. We believe this necessary rounding of the scores risks distorting SEC customers' true assessments of DCC's performance, and are therefore proposing to change the scoring methodology to allow both SEC and DCC to provide scores for each question with a number up to one decimal place. In this case SEC would have been able to provide a score of 1.6 for the example discussed above if they deemed that appropriate.
- 4.7 By allowing both DCC and SEC to provide a score with up to one decimal place, we consider that we would be able to assess DCC's performance more accurately and ensure DCC's customer engagement score is better reflective of its true performance.
- 4.8 Similarly, we are also proposing to amend the wording in paragraph 4.47 of the OPR guidance document to enable Ofgem to provide a final score of up to two decimal places, eg 1.64. This would ensure any small incremental changes in DCC's customer engagement performance, as reflected in the scores provided

from SEC and DCC, will be reflected in the final score, ensuring DCC is incentivised on a granular level.

*Assessment criteria questions*

- 4.9 The three sections under the current customer engagement incentive each have three assessment questions, with relative weightings applied. The individual weighting for each assessment question is calculated as one third of its section weighting, with the overall score calculated using a weighted average of the scores specified for each question.
- 4.10 On completion of the RY22/23 customer engagement submission we received feedback that simplifying the questions would improve engagement from DCC customers. Based on our own internal analysis and further discussion with SECAS and DCC, we consider that the nine assessment questions may be construed as confusing and repetitive which can affect the accuracy of scoring DCC's performance. SECAS proposed to reduce the nine assessment questions to three overarching questions, each of the questions relating to the different customer engagement aspect. We agree with the proposal made by SECAS and find that by reducing the questions to three overarching questions which cover the different customer engagement aspects will provide DCC customers a clearer framework to provide their assessment. We also believe that the reduction in the number of questions will simplify the process of providing feedback on DCC's performance. Finally, to confirm, we also sought DCC's input into the re-design of the questions through subsequent engagement, leading to the final proposals set out below.
- 4.11 Table 1.3 below sets out the proposed new questions for the customer engagement incentive. Each aspect of customer engagement will have one overarching question with a set weighting attached.

**Table 1.3 Proposed new assessment criteria for customer engagement.**

| Aspect of Customer Engagement    | Question Number | Assessment Questions   | Weighting |
|----------------------------------|-----------------|--|-----------|
| Timing of DCC Communication      | 1               | Has the DCC communicated with its customers at appropriate times to seek their views and provided timely updates on its activities? (This includes providing general updates, reactive engagement, and unplanned issues) Please provide your rationale.  | 25%       |
| Quality of DCC Communication     | 2               | Has the DCC’s communication with its customers been tailored to the relevant audience and timed appropriately which enabled the audience to understand the issues to act on and or provide feedback appropriately? (This includes providing customers with clear information on costs, benefits and/or consequences of the decisions and on DCC’s boarder engagement) Please provide your rationale. | 25%       |
| Taking account of Customer Views | 3               | Has the DCC clearly explained how the views of its customers have informed its decision making, and where relevant, why DCC has decided not to incorporate these views? Please provide your rationale.   | 50%       |

Appendices

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## Appendix 1 – Current Customer Engagement assessment criteria

A1.1 The table below shows the current assessment criteria for customer engagement in the March 2023 OPR Guidance document.

| Aspect of customer engagement | Assessment Questions   | Weighting |
|-------------------------------|--|-----------|
| Timing of DCC Communication   | <ol style="list-style-type: none"> <li>1. Has DCC enabled customers to feed in views at appropriate points and with appropriate frequency in decision-making cycles?</li> <li>2. Has DCC provided appropriate notice and allowed sufficient time for customers to contribute views?</li> <li>3. Has DCC provided general information to customers in a timely manner and with sufficient frequency? (Including general updates, reactive engagement on unplanned issues)</li> </ol>  | 25%       |
| Quality of DCC Communication  | <ol style="list-style-type: none"> <li>4. Has DCC provided its customers with sufficient quality of information to allow them to feed into a decision-making process? (eg clear costs and benefits and/or consequences of decisions).</li> <li>5. Has DCC provided sufficient quality of information in its broader engagement (eg general updates, reactive engagement etc) for customers to understand the issues and the actions DCC is taking?</li> <li>6. When engaging with customers, has DCC ensured to engage with relevant audiences, and tailored the information appropriately?</li> </ol> | 25%       |



|                                  |  |     |
|----------------------------------|--|-----|
| Taking account of Customer Views | 7. Has DCC ensured its customers understand on which issues their views will inform decision-making?<br><br>8. Have DCC’s decisions demonstrated that customer views have been taken into account?<br><br>9. Has DCC clearly explained how customer views have informed its decision making, and where relevant why DCC has disagreed with customer views? | 50% |
|----------------------------------|--|-----|

## Appendix 2 – Privacy notice on consultations

### Personal data

The following explains your rights and gives you the information you are entitled to under the UK General Data Protection Regulation (UK GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

#### **1. The identity of the controller and contact details of our Data Protection Officer**

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at [dpo@ofgem.gov.uk](mailto:dpo@ofgem.gov.uk)

#### **2. Why we are collecting your personal data**

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

#### **3. Our legal basis for processing your personal data**

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

#### **4. With whom we will be sharing your personal data**

We are not intending to share your personal data with other organisations. We are intending to publish non-confidential consultation responses, including any personal data that may be contained within them.

#### **5. For how long we will keep your personal data, or criteria used to determine the retention period.**

Your personal data will be held for six months after the project is closed.

#### **6. Your rights**

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data

- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3<sup>rd</sup> parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

**7. Your personal data will not be sent overseas**

**8. Your personal data will not be used for any automated decision making.**

**9. Your personal data will be stored in a secure government IT system.**

**10. More information** For more information on how Ofgem processes your data, click on the link to our "[Ofgem privacy promise](#)".