

# Decision

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## Revised OPR Guidance March 2024 decision

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Publication date: 28 March 2024

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The Operational Performance Regime (OPR) financially incentivises the Data Communication Company's (DCC) performance in three main areas: system performance, customer engagement and contract management.

In January 2024, we consulted on the Guidance document for the revised OPR. The consultation set out our proposals regarding 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.

This document sets out our decision and the reasons for them. Alongside this document we have published the final versions of the OPR Guidance (2024), Terms of Reference (2024), and the modified (2023) National Audit Office Contractual Relationships Framework (NAO Framework).

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## 1. Introduction

### Context

- 1.1 DCC is the central communications body licensed to provide communications data transfer and management to support smart metering in Great Britain. It is responsible for linking smart meters to 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 perform its role well, delivering value for money and high-quality services. This is key to ensure consumers are able to fully take advantage of the benefits of the smart meter rollout.
- 1.2 The Licence<sup>1</sup> stipulates that DCC's Baseline Margin be put at risk each Regulatory Year under the relevant performance incentive regimes. These comprise 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.
- 1.3 In May 2020 we published a consultation<sup>2</sup> reviewing the OPR framework, setting out proposals to financially incentivise three areas: system performance, customer engagement and contract management. Respondents largely agreed with our proposals and in October of that year we published our decision to implement the new OPR.<sup>3</sup> As part of our decision, we implemented a Licence change to enable Ofgem to publish guidance regarding the process, procedures, and criteria of the OPR. We published the original OPR Guidance in March 2021, and revised OPR Guidance in March 2022 and 2023.<sup>3</sup>

### Related publications

Revised OPR Guidance Consultation January 2024:

<https://www.ofgem.gov.uk/sites/default/files/2024-01/Revised%20OPR%20Guidance%20Consultation%20January%202024.pdf>

2022/23 Price Control decision: <https://www.ofgem.gov.uk/publications/dcc-price-control-decision-regulatory-year-2022-2023>

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<sup>1</sup> The Smart Meter Communication Licences granted pursuant to Sections 7AB (2) and (4) of the Gas Act 1986 and Sections 6(1A) and (1C) of the Electricity Act 1989. Those Licences are together referred to as 'the Licence' throughout this document.

<sup>2</sup> Ofgem (2020), DCC Operational Performance Regime Review: [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)

<sup>3</sup> See related publications section for links to all three 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>

## **Our decision-making process**

- 1.4 We indicated in our RY22/23 Price Control consultation the need to change all three OPR incentives; more specifically, the weighting for SRV8.11 in the interim, the limited scope provided to the auditor through the Terms of Reference (TOR) for contract management and the need for more granular scoring for customer engagement. In preparation for the OPR consultation, we held workshops with stakeholders and sought their views on the potential changes to all three incentives.

1.5 We consulted on changes to the OPR Guidance document in January 2024 (“our consultation”), setting out our proposals for all three OPR incentives.<sup>4</sup> This included proposals to:

- Reduce the margin at risk for system performance as well as introduce a zero-weighting for SRV8.11
- Increase the margin at risk for contract management and make changes to the TOR
- Update the scoring methodology to allow for accurate scoring of DCC’s customer engagement and reduce the number of assessment questions from 9 to 3

1.6 We received seven responses to this consultation. All non-confidential responses have been published on our website.<sup>5</sup> We have taken into consideration all responses to our consultation when making our decision. We have also summarised the key points received from the responses and provided reasoning for our decisions.

### **Decision-making stages**

<b>Date</b>	<b>Stage description</b>
26/01/2024	Stage 1: Consultation open
24/02/2024	Stage 2: Consultation closes (awaiting decision), Deadline for responses.
26/02/2024	Stage 3: Responses reviewed.
28/03/2024	Stage 4: Consultation decision and responses published.

### **General feedback**

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this report. We’d also like to get your answers to these questions:

1. Do you have any comments about the overall quality of this document?
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?

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<sup>4</sup> Ofgem (2024), Revised OPR Guidance consultation: <https://www.ofgem.gov.uk/publications/revised-opr-guidance-consultation-january-2024>

<sup>5</sup> See the link above to access all non-confidential responses.

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4. Are its conclusions balanced?
5. Did it make reasoned recommendations?
6. Any further comments

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

## 2. System Performance

### Section summary

In our consultation we proposed to reduce the weighting of system performance from 70% to 60% and increase the weighting of contract management from 15% to 25%. We also proposed to make an adjustment to introduce a zero weighting to the SRV8.11 performance measure within the Install & Commission (SDM1) component of system performance for the remainder of the interim OPR. Both proposals would take effect starting in RY2024/25.

Having considered all responses, we have decided to proceed with both proposals unchanged from consultation.

### Questions posed at consultation:

- Q1. What are your views on the proposed weighting changes?
- Q2. What are your views on the adjusting the weighting of the SRV8.11 performance measure for the remainder of the interim OPR?

### Q1: Weighting changes

**Proposal at consultation:** *reduce the weighting of system performance from 70% to 60% and increase the weighting of contract management from 15% to 25%.*

**Decision:** *unchanged from consultation.*

### Respondents' views

- 2.1 We received seven responses to Question 1, all of which supported our proposal except for DCC.
- 2.2 In support of our proposal, respondents said that an increase in weighting for contract management was warranted given that recent price controls had highlighted ongoing concerns about DCC's adoption of procurement best practices (such as concerns around the direct award of contracts). Respondents also noted that as a number of Fundamental Service Provider (FSP) contracts are up for re-procurement in coming years – and would be inherited by the successor Licensee – effective contract management incentivisation at present is crucial.
- 2.3 Another respondent said the new proposed weightings are in line with the evolution of the DCC's provision of services, and that the increase in contract management weighting would allow for enhanced scrutiny across third party providers and their consequential impacts to consumers.



- 2.4 One respondent expressed disappointment that our proposed increase in contract management weighting had come at the cost of system performance weighting, given their ongoing concerns with DCC’s system performance – in particular, the prevalence of Major Incidents they experience which affect end consumers. However, they supported an increase in the weighting of contract management.
- 2.5 DCC disagreed with our proposal, making the following arguments:
- The system performance measures are a set of reliable, objective metrics, while the contract management measures are more subjective. Therefore, Ofgem should not shift away weighting from objective measures to subjective measures
  - It had worked hard on improving the system performance measures, and its performance against them had improved in RY22/23
  - Increasing contract management weighting in response to concerns around its contract management suggests that the OPR is considered by Ofgem as more of a penalty mechanism for underperformance rather than an incentive regime, which could disincentivise DCC colleagues to improve in areas where they may have struggled in the past as it seems their efforts are being disproportionately penalised

## **Q2 – SRV8.11 weighting**

**Proposal at consultation:** *adjust to zero the weighting of the SRV8.11 performance measure within the Install & Commission (SDM1) component of system performance for the remainder of the interim OPR.*

**Decision:** *unchanged from consultation.*

### **Respondents’ views**

- 2.6 We received 7 responses to Question 2. Three respondents, including DCC, supported our proposal; two respondents opposed our proposal; and two provided neither explicit support nor opposition to the proposal.
- 2.7 DCC, in support of our proposal, reiterated their view that the SRV8.11 measure is outside of its full control, and that zero-weighting the measure set the right precedent for measuring DCC performance. Another respondent supported our proposal and stated that the procurement and appointment of the successor Licensee presented an opportunity to create more suitable performance metrics.
- 2.8 Multiple respondents expressed disappointment that DCC could not properly measure its Install & Commission performance with the current metrics,

especially given what they considered the significant support provided by wider industry in DCC’s investigation and analysis of suitable measures.

- 2.9 One respondent did not consider that DCC had done enough to find a solution to measure its performance against SRV8.11 and opposed the proposed zero-weighting. Instead, they recommended giving DCC an Install & Commission (I&C) score of 0.
- 2.10 Another respondent argued that zero-weighting SRV8.11 performance would disincentivise DCC to fix issues they had experienced regarding Wide Area Network (WAN) intermittency in the North, which would lead to further consumer detriment.

### **Our response**

- 2.11 Having carefully considered all responses, we have decided to proceed with our proposals unchanged from consultation.

#### *SRV8.11 weighting*

- 2.12 The performance of SRV8.11 within the Install & Commission measure of system performance will be zero-weighted from RY24/25 onwards (beginning 1 April 2024) for the remainder of the interim OPR measures.<sup>6</sup>
- 2.13 While two respondents oppose our proposal to zero-weight SRV8.11, we do not consider that they have provided any arguments or evidence against our proposal beyond that which they already provided in response to our RY22/23 Price Control Consultation (in which we consulted on zero-weighting SRV8.11 performance for RY22/23 only).<sup>7</sup> With no further arguments or evidence to consider, we consider proceeding with zero-weighting SRV8.11 for the remainder of the interim OPR the fairest and most consistent decision.<sup>8</sup>
- 2.14 As in our RY22/23 Price Control Decision, we acknowledge the argument made that some degree of SRV8.11 underperformance could be addressed through WAN issues in the North, which DCC bears responsibility for. However, at present, there is no way for us to determine the proportion of underperformance that

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<sup>6</sup> To clarify, we decided to zero-weight SRV8.11 performance only for RY22/23 as part of our RY22/23 Price Control Decision. For RY23/24, DCC will have to re-submit its case for zero-weighting SRV8.11 as part of its price control submission for that year.

<sup>7</sup> See chapter 5 for further context on DCC’s arguments for the zero-weighting of SRV8.11 in RY22/23: <https://www.ofgem.gov.uk/publications/dcc-price-control-consultation-regulatory-year-202223>

<sup>8</sup> See chapter 5, paragraphs 4.8-16 for further detail on our decision, as well as the arguments provided by respondents against our proposal to zero-weight SRV8.11 in RY22/23: <https://www.ofgem.gov.uk/publications/dcc-price-control-decision-regulatory-year-2022-2023>

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could be attributed to WAN intermittency. We consider it would be unfair to penalise DCC for underperformance on a metric for which the proportion of underperformance under their control cannot be quantified.

- 2.15 As we stated in our RY22/23 Price Control Decision, as well as our OPR Guidance Consultation for this year, we encourage DCC and industry to continue work together to find suitable alternative measures for DCC’s system performance. We note the ongoing work on MP242 (‘Change to Operational Metrics to Measures of Success’) to achieve this, which would introduce reporting on the success and failure rates across a series of DCC system processes.<sup>9</sup>

*OPR weighting adjustments*

- 2.16 Starting in RY24/25, system performance weighting will decrease from 70% to 60%, and contract management weighting will increase from 15% to 25%. Customer engagement weighting will remain unchanged at 15%.
- 2.17 As set out in paragraphs 2.1-2.3 above, this proposal received widespread support from industry aside from DCC, with many raising the importance of effective contract management by DCC over the coming years. While one respondent expressed disappointment that this has come at the cost of system performance weighting, it is important to note that system performance already bears the majority (70%) of OPR weighting. Therefore, any weighting increases to either contract management (or customer engagement) would have, necessarily, come at the cost of system performance weighting.
- 2.18 With regards to DCC’s arguments against this proposal (in paragraph 2.5 above):
- We disagree that the ‘subjectivity’ of the contract management measures, relative to the system performance measures, is reason alone to maintain system performance measures’ dominant weighting. The weightings should not be considered a reflection of their relative quality, but rather, as other stakeholders acknowledged, a reflection of the relative relevance of each aspect of the DCC provision at a given point in time and the intent to incentivise each area accordingly – in this case, the importance of effective contract management in the lead up to the appointment of the new Licensee. Additionally, contract management performance is assessed by an

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<sup>9</sup> More information on MP242 can be found at <https://smartenergycodecompany.co.uk/modifications/change-to-operational-metrics-to-measure-on-success/>

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independent auditor based on a defined framework – the auditor’s score is also consulted upon to ensure the score awarded has been reached soundly.

- We also disagree with DCC’s view that our move to increase contract management weighting in response to contract management concerns reflects a use of the OPR as a penalty mechanism for poor performance, rather than an incentive regime for good performance. As we state above, effective contract management by DCC is vital in the coming years. We intend to further incentivise effective contract management with this change by increasing the weighting. Conversely, given we have zero-weighted an element of the system performance measures (SRV8.11), we consider it appropriate to reduce the weighting of system performance, as not doing so would unintentionally increase the relative weighting of the measures that remain.

## 3. Contract Management

### Section summary

This section sets out our decision to amend the contract management incentive. In our consultation, we proposed to widen the Terms of Reference (TOR) to allow for better assessment of DCC’s contract management performance in accordance with the National Audit Office (NAO) Framework. We also proposed 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%.

Having considered all the responses to our consultation, we have decided to proceed with our proposed position and implement the changes to the TOR with minor changes to the ‘Assess DCC’s improvements based on previous recommendation’ term for better clarity. These changes will come into effect from 1 April 2024.

### Questions posed at consultation:

- Q3. What are your views on the proposed changes to the contract management Terms of Reference? Do you agree with our proposal?
- Q4. Do you consider any further changes are required to expand the Terms of Reference?

### Context

- 3.1 DCC’s performance around contract management and procurement activity is assessed by an independent auditor using the NAO Framework in line with the TOR set out in the OPR Guidance.<sup>10</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 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 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 areas of concern 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

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<sup>10</sup> Ofgem (2023), OPR Guidance document <https://www.ofgem.gov.uk/sites/default/files/2023-03/OPR%20Guidance%20%28March%202023%29.pdf>

as a measure to test any improvements that DCC has made, leaving no real incentive for DCC to improve on the issues at hand.

3.3 In January 2024 we published a consultation proposing to increase the weighting for contract management from 15% to 25%.

3.4 In our consultation we also proposed changes to the existing seven Terms of Reference which 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>11</sup> We proposed the following changes:

- Keep paragraphs 5.12 to 5.15 and 5.18 as is and make amendments to paragraphs 5.16 and 5.17
- For paragraph 5.16 we proposed to include the assessment of the re-procurement of Data Service Management Systems (DSMS)
- For paragraph 5.17 we proposed to update the name of the Government Department from BEIS<sup>12</sup> to DESNZ<sup>13</sup>

3.5 We also proposed five new terms to extend the current TOR, following feedback from the auditors:

- **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

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<sup>11</sup> Ofgem (2023), OPR Guidance document <https://www.ofgem.gov.uk/sites/default/files/2023-03/OPR%20Guidance%20%28March%202023%29.pdf>

<sup>12</sup> Department for Business, Energy & Industry Strategy

<sup>13</sup> Department for Energy Security and Net Zero

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transferred to a Successor Licensee. 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>14</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 do not offer the auditor scope to provide its general recommendations on the issues it finds throughout the auditing process. 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.

### **Q3 - Changes to the Terms of Reference**

**Proposal at consultation:** *Proposed to increase the weighting for contract management from 15% to 25% and make changes to the current TOR including the addition of five new terms.*

**Decision:** *Implement the new weighting of 25% for contract management and the proposed changes to TOR with minor changes to the 'Assess DCC's improvements based on previous recommendations' term.*

#### **Respondents' views**

3.6 Out of the seven respondents, six agreed with our proposed changes to the TOR, with one citing that they felt the changes would strengthen the role of the auditor and allow for a more efficient assessment process.

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<sup>14</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.

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- 3.7 DCC welcomed the opportunity to be able to meet face-to-face with the auditors and to set up on-site visits and believes it will improve the auditing process.
- 3.8 DCC also agrees that the auditor should be able to request further information but feels conditions should be applied. DCC feels that the auditor should only be able to request information if it falls within the scope of the audit and relates to procurement, re-procurement, and contract data. DCC stated the auditor should provide their reasoning for why they need the information and to which section of the NAO Framework it relates to.
- 3.9 DCC further expressed support for the inclusion of new terms for the auditor to provide their recommendations. However, DCC feel if it is to be evaluated against these recommendations then there should be a mutual agreement amongst Ofgem, DCC, and the auditors on what the recommendations are and what the expectation is from DCC. DCC feel that without such a formal agreement in place, there could be room for subjectivity.
- 3.10 DCC also raised concerns over the proposal to include the DSMS re-procurement as part of the scope of the audit. DCC do not feel sufficient rationale has been provided as to why we have proposed to include the DSMS re-procurement after three years of it not being included in the audit.
- 3.11 In regard to the inclusion of assessment of DCC's preparation for the end of Licence as one of the new five additional terms added to the TOR, DCC perceives there to be an overlap between the proposed term and the approval process for the Business Handover Plan (BHP). DCC also raised concerns on how the auditor will assess DCC's preparation for the end of Licence. Furthermore, DCC expressed its displeasure to include Capita contracts as part of this new term, arguing that these contracts fall outside the scope of the audit and have suggested this could be seen as 'unjustified scope creep'.

### **Our response**

- 3.12 We note that a majority of the respondents welcome the proposed changes and find that the changes will help improve the auditing process. We also note that DCC openly welcomes the opportunity and sees the benefits in holding face-to-face meetings with the auditor and is keen to help facilitate on-site visits.
- 3.13 We understand DCC's concerns to ensure that the auditor issues requests for information that only relate to procurement, re-procurement, and contract data. However, if the auditor feels that they need information that might be deemed to fall outside the scope of this but still feels it is essential in understanding the



wider picture of DCC's contract management approach, it is our view that the auditor can request such information. From our perspective the auditor should not be limited or hindered in their job to assess DCC's contract management process.

- 3.14 We note DCC's concerns on the lack of reasoning provided for the inclusion of the DSMS re-procurement which has been left out of the auditing process for the past three years. This however is not true, the OPR Guidance document states that *'the auditor will assess procurement and re-procurement activity under DCC's Network Evolution Programme'*.<sup>15</sup> This includes the re-procurement of the DSMS contract as it falls under the NEP. Our proposal to include the re-procurement of the DSMS contract in paragraph 5.16 of the OPR Guidance document is to provide clarity that DSMS falls under the NEP and is included as part of the scope of the audit.
- 3.15 We note DCC's concerns regarding the auditor providing recommendations which will then be used to assess DCC's performance. To help provide more clarity on this term we have amended the wording as shown below, this has also been updated in the March 2024 Revised OPR Guidance document.
- The auditor, using its previous recommendations, will assess whether DCC has demonstrated any progress in the areas of improvement and adjust scores where consistent poor performance is noted.
- 3.16 We will also work closely with both DCC and the auditor to encourage conversations on the recommendations provided and ensure there is a mutual understanding of what the auditors expectations are from DCC for the following audit.
- 3.17 We appreciate DCC's concerns over the inclusion of the assessment of DCC's preparation for the end of Licence and the potential overlap with the BHP process. However, we believe by including the BHP to the TOR and having it as part of the contract management auditing process, it will help streamline the transition process by highlighting issues to be addressed prior to the implementation of the BHP. DCC, in response to our RY22/23 Price Control consultation and in prior meetings, has made it clear that it uses the findings of the auditors to address any issues or potential risks within its processes. We want the same to apply for this term to ensure any risks in relation BHP are managed appropriately so that a

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<sup>15</sup> See paragraph 5.12 of the Ofgem (2023), Revised Guidance document for detail:  
<https://www.ofgem.gov.uk/sites/default/files/2023-03/OPR%20Guidance%20%28March%202023%29.pdf>

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transfer of business can take place with minimal issues. Furthermore, the OPR Guidance document stipulates our expectation for the audit report to highlight good practice from DCC on its contract management performance.<sup>16</sup> The document also stipulates that we will assess the TOR each year and make changes if we feel it is necessary.<sup>17</sup> Given the Licence expiry is approaching, and in the context of business handover, including the parent company contracts in the scope is necessary to assess DCC's readiness for transition and termination, therefore, it cannot be considered as scope creep.

- 3.18 In relation to the baseline margin that is attached to the contract management incentive, our reasoning behind the decision is further discussed in Chapter 2 in paragraphs 2.16 to 2.18.

#### **Q4 - Further changes required to expand the Terms of Reference**

We asked whether stakeholders considered that any further changes were required to the framework.

##### **Respondents' views**

- 3.19 Majority of the respondents did not provide further comments to this question. However, one respondent did suggest that the contract management should also have a scoring of up to one decimal place like customer engagement.
- 3.20 DCC raised that there should be a requirement for the final audit report to be shared with DCC at the same time as Ofgem.
- 3.21 Additionally, DCC also raised that if any of the original scores awarded by the auditor are reduced in the final score then Ofgem should provide clarification on which scores were amended and why.
- 3.22 DCC also expressed that the TOR should be published with versions and dates to make it more accessible and easier to track any changes made.

##### **Our response**

- 3.23 We understand DCC's concerns regarding the sharing of the final audit report, however, the report is already shared by the auditor with us and DCC on the same day. We do not see any particular reasoning as to why the audit report

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<sup>16</sup> See paragraph 5.4 of the March 2023 OPR Guidance document for further information. This is also included in the Revised March 2024 OPR Guidance document which has been published alongside this decision document.

<sup>17</sup> Ibid

being shared with us earlier will make any significant difference in the final scores provided by the auditor. The scores provided in the final report are based on the auditor's independent assessment of DCC's contract management performance, we have no say in this matter.

- 3.24 We have provided our reasoning for why we reduced the scores awarded by the auditor and also provided clarification on this in our latest Price Control consultation and subsequent decision document. Going forward, should there be any reduction in scores, we will continue to provide all relevant information.
- 3.25 We note DCC's point on including versions and dates to the TOR and will include this information in the latest version of the TOR.
- 3.26 We also note the respondent's suggestion to implement a similar scoring of up to one decimal place for contract management. We will take this into consideration in our next assessment of the OPR.

## 4. Customer Engagement

### Section summary

This section sets out our decision for the customer engagement incentive. In our consultation, we proposed to amend the methodology to allow SECAS and DCC to provide a score of up to one decimal place and for Ofgem to provide a final score of up to two decimal places. We also proposed to reduce the number of assessment questions from 9 to 3 overarching questions.

Following the consideration of all responses, we have decided to keep to our consultation position and implement the changes to allow SECAS and DCC to score up to one decimal and for Ofgem to provide a score up to two decimal places. We have also decided on the back of stakeholder feedback to make minor adjustments to the customer engagement assessment questions. These changes will come into effect from 1 April 2024.

### Questions posed at consultation:

- Q5. Do you agree with the proposed changes for customer engagement?
- Q6. Do you think any additional considerations need to be made for customer engagement?

### Context

- 4.1 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 will encourage better responses from stakeholders. One respondent also noted the issue of the current scoring methodology in the current OPR Guidance document requiring SECAS 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 therefore proposed changes to the customer engagement incentive mechanism in our consultation. This includes amending 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, for example, 1.64.
- 4.2 We also considered that the nine assessment questions may be construed as confusing and repetitive which can affect the accuracy of scoring DCC's performance. Therefore, we proposed to reduce the nine questions to three

overarching questions, each of the questions relating to the different customer engagement aspect as shown in the table below.

**Table 1.1 Proposed assessment criteria for customer engagement**

Aspect of customer engagement	Question number	Assessment questions	Weighting
Timing and frequency of engagement	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 information provided by DCC	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 broader 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%

## **Q5 – Proposed changes to customer engagement**

**Proposal at consultation:** Amend the methodology to allow SECAS and DCC to provide a score with up to one decimal place and allow Ofgem to award a final score of up to 2 decimal places. We also proposed to reduce the number of assessment questions to 3 overarching questions.

**Decision:** *Implement the changes to allow DCC and SECAS to provide a score of up to one decimal place and allow Ofgem to award a final score of up to two decimal places. As for the changes to the assessment criteria questions, we will be implementing the questions as proposed with minor changes to the phrasing on the back of stakeholder views.*

### **Respondents' views**

- 4.3 Out of the seven respondents, five agreed with our proposals, one felt the questions may not accurately represent DCC's customer engagement and one did provide a response.
- 4.4 One respondent who agreed with our proposals stated that having fewer questions is better for stakeholders and changes to the scoring methodology will allow for more granular assessment of DCC's customer engagement.
- 4.5 Another respondent, who also agreed with our proposals, felt that SECAS should be the only one to score DCC's customer engagement performance as DCC has a conflict of interest.
- 4.6 One respondent felt the wording on the questions 1 and 2 may not accurately assess DCC's customer engagement, leaving scope for one-sided communications with DCC's users. The respondent has suggested some minor changes to questions 1 and 2 to address their concerns.
- 4.7 DCC welcomed our proposal to reduce the number of assessment questions from 9 to 3, citing fewer questions will likely encourage engagement from a broader range of customers.
- 4.8 DCC also suggested a minor adjustment to the question 1 to include 'strategic engagement' to ensure customers also take this into consideration along with 'general updates, reactive engagement, and unplanned issues' to avoid key aspects of DCC's customer engagement from being excluded.

### **Our response**

- 4.9 We note that a number of respondents agree with our proposals to allow a score of up to one decimal place for DCC and SECAS and for Ofgem to provide a final score of up to two decimal places. We also note that respondents agree with our proposal to reduce the number of assessment questions for customer engagement from 9 questions to 3 overarching ones.
- 4.10 We note the respondent's suggestions to amend some of the terminology for questions 1 and 2 to avoid the potentiality of a one-sided dialogue between DCC

and its Users, and to ensure better assessment of DCC’s customer engagement performance. We also note DCC’s suggestion to include ‘strategic engagement’ to question 1. The amended questions can be found in Table 1.2 below.

**Table 1.2 - New assessment criteria for customer engagement**

<b>Aspect of customer engagement</b>	<b>Question number</b>	<b>Assessment questions</b>	<b>Weighting</b>
Timing and frequency of engagement	1	Has the DCC communicated and engaged with its customers at appropriate times to seek their views, allowed sufficient time for customers to provide feedback, and provided timely updates on its activities? (This includes providing general updates, reactive engagement, strategic engagement, and unplanned issues) Please provide your rationale.	25%
Quality of information provided by DCC	2	Has the DCC’s communication and engagement approach with its customers been tailored to the relevant audience and timed appropriately which enabled the audience to understand the issues to act on, and allowed sufficient time for the audience to provide feedback appropriately? (This includes providing customers with clear information on costs, benefits and/or consequences of the decisions and on DCC’s broader 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%

## **Q6 – Additional considerations**

We asked whether respondents considered that any further changes were required to the framework.

### **Respondents' views**

- 4.11 One respondent raised that more customer engagement considerations may need to be made to the proposed questions in light of a transition to a new DCC.
- 4.12 Another respondent agreed with our proposals but flagged concerns over DCC's communication with its customers and that there is a need for further assessment and improvement of DCC's customer engagement.
- 4.13 DCC expressed disappointment in our proposals to introduce a score of up to one decimal place. DCC cited that the scoring system should be applicable to all stakeholders to provide consistency.
- 4.14 DCC also raised that the language used in the scoring descriptions in the OPR Guidance should be 'simpler' and more 'consistent'.

### **Our response**

- 4.15 We note the respondent's comments on the need to consider changes which need to be made in light of the transition to the new DCC. We also note the respondent's concerns on the on-going issues with DCC's communication that need further assessing and improvements.
- 4.16 Whilst we appreciate DCC's point of view on changing the wording of the scoring methodology and including examples for each of the scores for the scoring framework. At present we are only looking to make changes to allow DCC and SECAS to provide a score of up to one decimal place instead of amending the whole scoring methodology. However, we will take note of the comments provided by DCC and look to discuss this further in our next assessment of the OPR process.