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Tricia Willey  
Smarter Metering Team  
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Dear Tricia,

**Ofgem's Consultation on the DCC's Regulatory Instructions and Guidance (RIGs)**

Thank you for the opportunity to comment on the DCC's Regulatory Instructions and Guidance (RIGs).

British Gas is a strong advocate of the smart metering programme. We want the smart metering programme to be successful and achieve the right balance of cost and service, whilst meeting the delivery timescales. As such, we believe that the RIGs will be a fundamental component in ensuring that the DCC delivers the best value to their service users and ultimately, customers. Therefore we view the output from RIGs as a service performance measure for the whole industry.

We feel that the RIGs outlined in your consultation give a reasonable balance between the detail required and flexibility for the future, however the costs assumed for de-scoped areas also need to be captured. We understand that a detailed, transactional based billing system may be deemed unnecessary by the DCC if transactional charges are immaterial. This would save the DCC significant costs from the original business plan and should be shared with customers.

We are unable to comment on the detail within the RIGs consultation or the spreadsheet template as we do not have insight into the DCC's accounting or reporting systems. However we are pleased to see that Ofgem will scrutinise the DCC's monthly cash-flow balances as we have concerns over the 'prudent estimate' within the DCC's charging statements and indicative budgets.

We note that Ofgem uses the licence term 'prudent estimate' throughout the consultation and we believe that Ofgem and the DCC have differing definitions. We believe that the term prudent estimate simply means that the DCC makes a solid estimate of the costs involved in running its business. However, during the commercial workshop on the 20<sup>th</sup> March 2014, we had confirmation from the DCC that the prudent estimate was simply to help with the timing of incentive payments and other cash flow spikes and therefore the estimated £18.6m (for regulatory years 13/14 through to 15/16) will be returned via the  $K_t$  factor. However the  $K_t$  factor remains zero in all

indicative charging statements and budgets currently published by the DCC. We request that Ofgem examines if using customers' money for cash-flow purposes in this way is economic and efficient, whether the DCC should have an amount outside of their licence formula for such purposes and when the £18.6m will be returned to customers with interest.

To enable service users to understand the performance of the DCC, we urge Ofgem to publish a timely report from the DCC's RIGs submission by the end of November each regulatory year, alongside the decisions on under / over recovery of the DCC. It would be helpful to service users if the report took a balanced scorecard approach, highlighting the inputs (revenue, transactional costs with message statistics, communication hubs and enrolled meter numbers), alongside the outputs (outages, service measures, SLAs/KPIs with customer satisfaction scores). We believe it would be beneficial that the DCC design the balanced scorecard with Ofgem, and Ofgem ensures the relevant detail is in turn captured within the RIGs.

We hope that the RIGs will enable the industry to understand and scrutinise the DCC and service provider's performance throughout the contract periods and Ofgem will support service users by providing timely publication of key data and comparisons.

Yours sincerely,

*{via email}*

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