



# Central Registration Service Performance and Baseline Margin Project Performance

**2020/21 Price Control supplementary document**

**REDACTED FOR WEBSITE**

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# 1. Introduction

In addition to the Operational Performance Regime (OPR), DCC also have the following live incentive schemes:

- Directed by Ofgem:
  - Central Registration Service (Switching)
- Directed by BEIS:
  - SMETS1
  - Enduring Change of Supplier

As all DCC's margin is at risk against its performance, we also expect to be subject to an incentive scheme on DCC's role in Market-wide Half Hourly Settlement (MHHS) at a future date.

Last year we completed the Release 2.0 programme, and as such the incentive scheme activities was complete, with any continuing spend on staff being transferred across to be put at risk under the Operational Performance Regime as a core activity. This ensures that all of DCC's margin continues to be put at risk against our performance.

This short annex provides a brief overview of our performance on non-OPR the incentive schemes listed above.

## 2. Switching

In DCC's licence, the performance adjustment for the Design, Build and Test ('DBT') Phase of the Switching Programme (CRSPAD) is calculated as follows:

$$\text{CRSPAD}_t = 13.6\% * (\text{CRSICD}_t - \text{DM1}_t - \text{DM2}_t - \text{DM3}_t - \text{DM4}_t - \text{DM5}_t + \text{DRM}_t) + \text{DDR}_t$$

DM1 to DM5 are margin adjustments based on completing the DBT milestones. DRM is the Discretionary Reward Mechanism and DDR is the Discretionary Data Reward.

The two targets due in the Regulatory Year 2020/21 were:

- DM2 – completion of PIT. This was due on 14 April 2020 and was achieved
- DM3 – system integration preparation complete. This was split into two sub-milestones:
  - DM3 (a): functional - due 14 April 2020 – achieved
  - DM3 (b): non-functional – due 3 June 2020 – achieved

### 2.1. Quality assurance

DCC has asked Ofgem to advise on how achievement of the Switching milestones should be assured. At the time of this submission, we have not received this advice. Therefore, as we consider it unnecessary to procure an official assurance audit from REDACTED (the official assurers of the Switching Programme), and we have received no alternative advice, DCC is submitting the following documents as evidence of successful achievements of DM2 and DM3:

- DM2 achievement v0.1
- DM3 achievement v0.1

These documents are embedded in Annex A.

## 2.2. Milestones due in future Regulatory Years

Milestones due in the next Regulatory Year 2021/22:

- DM4 – end to end testing – estimated to be February 2022

Milestones due in subsequent Regulatory Years:

- DM5 – Transition Stage 2 exit – estimated to be June 2022

Both the Discretionary Reward Mechanism (DRM) and the Discretionary Data Reward (DDR) will be submitted within 3 months of June 2022 (go live date).

## 2.3. Population of the RIGS

The RIGs have been populated to show that this year the two milestones, DM2 and DM3, have been achieved.

Annex 4 – tab 3 – cells O79 (DA2) and O80 (DA3) have been populated with the value '0' to indicate that the milestones DM2 and DM3 were late by zero days. In addition, we noted that the updated RIGS, provided to reflect the RY19/20 Price Control decision, did not include and update to Annex 4 to reflect that DM1 had been missed, and this outcome was not reversed by Ofgem. In order to correctly reflect this, we have included the figure of 20 (number of days by which the milestone was missed) in tab 3 Cell N78, to simulate that DM1 was missed last year. The knock-on effect of this is that the CRS revenue in the main RIGs template (Tab 3 2 Row 25) is also affected and now shows a further CRS revenue loss. This explains the variance in Allowed Revenue in 2020 in tab 12a (cell N17) of the main RIGs template.

Given that each milestone is weighted as 20% and 25% respectively, and 0% of DM1 was retained in the last RY19/20, we expect cumulative retention of the baseline margin of the Switching Programme, thus far, to be in the order of 45%, out of a potential 75%. In other words, 30% of the possible baseline margin associated with the Switching Programme has been lost so far.

## 2.4. QoS RIGS and interaction with the Authority's RY19/20 decision

Last year, Ofgem made an adjustment to disallow the full margin associated with DCC's delayed completion of the DM1 milestone. In its decision document it also disallowed the complete CRS forecast internal costs entry. Although the latter disallowance is how we understand the process should work because Switching has no baseline, we have raised with Ofgem that the disallowance labelled as internal costs is actually total costs (including external costs).

Because of this discrepancy, the presentation of the CRS performance adjustment for missing DM1 and in the absence of Ofgem returning a completed version of Annex 4 for RY19/20 that reflects its decision, we would like Ofgem to review and confirm it is content with how we have populated Annex 4 for RY20/21. If it identifies any issues or problems, please could Ofgem discuss with us as early as possible so we can make any necessary adjustments.

## 3. Enduring Change of Supplier (ECoS)

The ECoS programme milestones are targeted at next Regulatory Year and therefore are not included.

## 4. Release 2.0

The Release 2.0 programme has been completed. However, during this Regulatory Year BEIS issued a consultation to industry that proposed to re-open the Release 2.0 incentive scheme on the basis that the delay to the final milestones, 4a and 4b, were outside of DCC's control. However, industry disagreed with the proposal, and BEIS made the decision to decline reopening the incentive scheme. The result was that DCC lost all margin associated with these milestones.

Last RY the RIGS were submitted assuming the loss of this margin. Therefore, the current RIGs are correct, and no amendments have been made this Regulatory Year.

## **5. SMETS1**

The SMETS1 programme has incentive elements based on the rate of enrolment and the completion of enrolment. At the time of writing BEIS has not yet made its decision on the Enrolment Target number. It will also only provide DCC with Project Activity Performance Factor (PAPF) information when enrolment is complete. As a result, there is no information on SMETS1 performance to include in Annex 2 of the QoS RIGS.

## Appendix A – Supporting documents and analysis for the CRS submission RY20/21

Ref #	Document	Description	Link to CRS milestone
1	<i>Annex 4 RIGS Reporting Template - Tab 3</i>	As required by the Licence and the RIGS	All metrics
2	REDACTED	Evidence of achievement of Milestone DM2	DM 2
3	REDACTED	Evidence of achievement of Milestone DM3	DM3