



Operational Performance Regime

**2020/21 Price Control supplementary document
REDACTED FOR WEBSITE**

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1 Executive Summary

As a monopoly, DCC is incentivised to ensure it manages its costs economically and efficiently whilst delivering an appropriate quality of service to its customers.

The primary incentive for DCC is the Operational Performance Regime (OPR). This is the third year in which DCC has been subject to this incentive scheme. The majority of DCC's baseline margin is placed at risk under OPR, and the amount retained is decided by our performance against the scheme. All of DCC's baseline margin is at risk against its performance.

There are five incentivised Quality of Service (QoS) Measures contained within OPR. These are made up of Service User Measures (SUM) and Service Delivery Measures (SDM) and are summarised in section 2.4. We also report on both SMETS1 and SMETS2, where they are relevant to a measure.

There are also a further nine non-incentivised QoS Measures, which are reported upon within Annex 1 of the RIGs. These do not have margin attached to them, rather they are used to understand how DCC is performing over time.

Table 1 below provides a summary of each measure, our reported performance against each and the total margin against each that we are applying to retain.

Table 1: Summary of OPR Incentivised Measures, Performance and Proposed Margin Retention

OPR Measure	Description	Target	Actual Performance	Proposed Margin Retention
SUM1	DCC Service Desk: Percentage of severity 1-5 incidents DCC is responsible for resolving which are raised and met within the DCC target resolution time	90.16%	90.26%	FULL RETENTION
SUM2	Communication hubs: Percentage delivered on time and of sufficient quality	99.0% (SUM2a) 99.9% (SUM2b) 99.9% (SUM2c)	100.0% (SUM2a) 100.0% (SUM2b) 100.0% (SUM2c)	FULL RETENTION (SUM2a) FULL RETENTION (SUM2b) FULL RETENTION (SUM2c)
SDM1	WAN connectivity: Percentage of first-time connections at install	All milestones need to have been met (SDM1a) 89.66% (SDM1b)	Milestone BMAX Met (SDM1a) 99.85% (SDM1b)	FULL RETENTION
SDM2	Service requests: Percentage of Service responses delivered within the target response times	99.00%	99.31%	FULL RETENTION
SDM3	Service availability: Percentage of time that services do not have unscheduled downtime	99.73%	99.98%	FULL RETENTION

2 Operational Performance Regime RY2020/21

2.1 Background and Context

As a monopoly, DCC is incentivised, through its annual ex-post Price Control, to ensure it manages its costs economically and efficiently. To balance the pursuit of low costs, DCC is subject to performance incentivisation, to deliver a high-quality service to customers, including through the OPR.

The OPR requires DCC to place the majority¹ of its baseline margin at risk each regulatory year with the amount retained being decided by its performance against the measures defined in the scheme.

Although the scheme was envisaged in the original version of the licence, it was not applicable until DCC started providing an operational service to its customers. As a result, Ofgem consulted on the principles of the OPR in 2016 and its subsequent implementation in 2017.

Ofgem published a document on 4 September 2017² which provided the final definition of how the scheme would operate, including detailed information on the metrics, as well as the relative weightings that would apply to each. When taken together, this allows DCC to calculate the amount of its baseline margin which should be retained.

2.2 OPR and DCC's Licence

Licence Condition 31 of the DCC Licence, requires DCC to collect and provide Ofgem with evidence of its performance against the OPR so that it can determine how much margin it should retain. As currently defined, OPR is closely aligned with the performance criteria defined in the Smart Energy Code (SEC) and so DCC is required to use existing SEC performance reporting measures to assess its performance.

DCC's performance under the OPR is reflected within the "Baseline Margin Operational Performance Adjustment (BMOPA)". This is part of the Baseline Margin Performance (BMP) term in DCC's Allowed Revenue Formula. The formula for calculating the BMOPA is contained within Licence Condition 38.8.

2.3 Purpose of this document

The purpose of this document is to report on DCC's performance under the OPR for RY 20/21. It sets out the narrative that supports the data in the OPR RIGs as well as a clear and transparent explanation of the methods that have been used to assure this information.

The RIGs Annex 1 and the accompanying guidance³ request evidence to support the OPR submission. For convenience, these supporting documents have been embedded within this submission - see Appendix ¹.

2.4 What are the OPR Metrics?

There are five OPR metrics which DCC is financially incentivised to perform against. These are categorised either as a Service User Measure (SUM) or a Service Delivery Measure (SDM). The Service User Measures centre on DCC's interactions with its customers. The Service Delivery Measures cover the reliability and dependability of DCC systems and DCC's management of its Service Providers.

DCC Service Desk (SUM1)

The DCC Service Desk provides a single point of contact for Users and Customers for live operational matters. It triages incoming incidents and aims to fix them at the first point of contact wherever possible. Incidents are classified on a scale of one to five, with Severity 1 and 2 incidents being the most serious, compared to Severity 3, 4 and 5 incidents. OPR subjects DCC to targets for resolving these incidents. These targets relate to the time taken to adequately resolve the incident from the point at which they were first reported by a DCC customer.

¹ All of DCC's baseline margin is at risk, with the remainder subject to project performance incentivisation.

² <https://www.ofgem.gov.uk/publications-and-updates/decision-dcc-s-operational-performance-regime>

³ <https://www.ofgem.gov.uk/publications-and-updates/data-communications-company-dcc-regulatory-instructions-and-guidance-2019>

Communication Hubs (SUM2)

Communications hubs are devices that connect smart meters to the DCC Wide Area Network (WAN). DCC procures and distributes these communications hubs to customers. Customers install them as part of the smart meter installation. When they are installed and successfully connect the meter to the network, the meter is 'commissioned', and consumers can begin to enjoy the benefits of smart meters. For the purposes of the OPR, DCC is incentivised to ensure that these communication hubs are delivered on time and are of an appropriate quality. This is measured through the percentage of communication hubs that are: delivered on time, rejected on delivery or are faulty at installation.

Wireless Area Network (WAN) Coverage (SDM1)

For SMETS2 meters to communicate successfully with the wider DCC network, there must be an appropriate level of WAN coverage within all regions to ensure customers can access the benefits of smart metering. For the purposes of the OPR, DCC is incentivised to manage its communication service providers (CSPs) to ensure that coverage levels are achieved in time to support the roll out of smart meters. This is measured as the percentage coverage of all postcodes within the North, Central and South regions. DCC performance is also measured by the percentage of successful first-time connections to the DCC network on installation of a new SMETS2 meter.

Core Service Requests (SDM2)

DCC Users communicate with the DCC via the DCC User Interface Specification (DUIS). DUIS allows Users to send and receive messages from smart metering systems and the DCC service. These messages, also called service requests, are categorised according to how sensitive the request is. Messages that Users receive from smart meters or DCC are called service responses. Some Users, such as suppliers and network operators, can also expect to receive alerts. An alert is a message sent to Users to provide additional information relating to either meter processing or DCC service processing. For the purposes of the OPR, DCC is incentivised to ensure that such communications are reliable and that Users and ultimately consumers receive an efficient service. This is measured by the percentage of service responses delivered within the applicable Target Response Times (TRTs).

Service / System Availability (SDM3)

DCC provides a number of key services and systems to Users to ensure the smooth functioning of its Smart Metering network. These include the Data Service, User Gateway, Service Management System, and Self-Service Interface (SSI). For the purposes of the OPR, DCC is incentivised to ensure that these systems are reliable for Users and therefore its customers. This is measured by the percentage of time that these services do not have unscheduled downtime.

2.5 Review of OPR

During 2020 Ofgem conducted a review of OPR and consulted on an array of changes. The final decision¹ was published in March 2021, the result of which is that all DCCs existing OPR metrics were intended to be replaced with a new set from RY20/21. However, for the metrics associated with System Performance, Ofgem has granted DCC a derogation² until 1 April 2021 for certain requirements of the SEC, to work with industry to develop and deliver a plan to become fully compliant with the new OPR requirements. It also delayed the implementation of the changes to the System Performance measures until 1 April 2022.

As part of the transition to the new OPR regime, DCC will also be making a submission for both the new Customer Engagement incentive and the Contract Management incentive. The Customer Engagement submission accompanies this section and will be issued to Ofgem by 31 July 2021 and subsequently published on our website.

¹ Please see: <https://www.ofgem.gov.uk/publications-and-updates/decision-opr-guidance-march-2021>

² Please see: https://www.ofgem.gov.uk/system/files/docs/2021/04/2021.03_derogation_opr_0.pdf

The Contract Management incentive will be assessed by an external auditor and will be submitted towards the end of 2021.

Finally, Covid-19 has affected our OPR performance on SDM1 and has been the subject of a successful application to SECAS for an 'OPR Exceptional Event' to acknowledge the impact of Covid-19 on the completion of the final BMAX milestone. This is explained further in the next section.

3 Tools and Processes

3.1 How we populate the QoS RIGS

DCC maintains a dedicated model for monitoring progress against the OPR. This model has been designed to meet the reporting requirements outlined in Ofgem's OPR decision document. It also ensures that DCC is actively monitoring its performance throughout the year and responding urgently to any decline in performance.

3.1.1 Quality assurance

Each OPR metric has a dedicated senior owner within DCC who is responsible for ensuring the information provided within the RIGs is correct. An Operational Performance Manager, together with a member of the Price Control team, has reviewed and quality assured the information to ensure it is consistent with the information provided to DCC's Executive Committee (ExCo) over RY20/21.

Additionally, members of DCC's ExCo continue to review the model outputs through a regular review of performance monthly.

3.2 Issue identified in the QoS RIGS

We have identified an issue with Tab iv. Number of Enrolled Meters, and specifically what is required to complete O26 to O37 and O45 to O56. Because reporting of DCC's performance relies on the ratio of installed SMETS1 to SMETS2 meters, we believe the requirement should be for the numbers in these cells to represent the cumulative total number of enrolled meters for each meter generation. This is because the calculations that use the enrolled meter numbers cover the entire meter estate and not just those added during the year. Were we to report, for example, on incidents across all installed SMETS1 and SMETS2 meters but the weighting between the generations is based on new meters added in the year, the logic would not be consistent?

As discussed with Ofgem, in order to correct this anomaly, we have altered Tab iv - Cells O25 and O45, to include the cumulative total of the number S1 and S2 meters at end of March 2020 plus the respective totals for April (month 1). We have also included a note, attached to each of these cells (O25 and O45), to explain the figures. This pulls through and results in a S1:S2 ratio of ~35%:65%, which we believe to be the correct weightings. These weightings are used in the SUM1 and SDM3 calculations. It would be helpful for the RIGS guidance to include this method of calculation when it is updated next year.

4 Performance against the OPR metrics

In the following sections DCC outlines its performance against each of the incentivised OPR measures, as well as the margin it is proposing should be retained in light of that reported performance. Each measure includes a narrative describing performance, as well as any key arguments Ofgem may want to consider in making its assessment.

References are also provided as to how DCC is required to calculate and report performance against each measure - the "Reporting Obligations". These are made up of a combination of SEC Code Performance Measures and other measures defined in DCC's Performance Measurement Methodology (PMM).

4.1 Service User Measure 1: DCC Service Desk

Purpose of OPR Measure: DCC is incentivised to provide a high-quality service to Users through the resolution of incidents in a timely and efficient manner.

OPR performance measure methodology: Percentage of incidents at each severity level (1-5) which were resolved within the DCC Target Resolution Time over the regulatory year, calculated as specified in the amended DCC RIGs.

Reporting Obligations: Combined SEC Code Performance Measure 4 and 5.

SUM1 – DCC Service Desk		
The percentage of severity level 1-5 incidents, which DCC is responsible for resolving, that are resolved in accordance with the Incident Management Policy and within Target Resolution Time.		
Minimum	Target	Actual
80.02%	90.16%	90.26%
RIGS reference: Column O in tab: vi. SUM1		
Evidence Provided to Ofgem: N/A		
DCC Self-Assessment: DCC requests full margin associated with this metric		

Explanation: DCC has performed above target for this OPR measure in RY20/21. In total there were 21075 Incidents, of which, 36 High Priority Incidents (SEV 1&2).

4.2 Service User Measure 2: Communication Hubs

Purpose of OPR Measure: DCC is incentivised to ensure Communication Hubs are delivered on time and that the comms hubs delivered are of a high quality.

OPR performance measure methodology: Percentage of Communications Hubs delivered on time, as specified in the amended DCC Regulatory Instructions and Guidance.

Reporting Obligations:

- **Reporting Obligations for SUM2a:** Reported List of Service Provider Performance Measures Schedule 11 PM 1.1
- **Reporting Obligations for SUM2b:** Reported List of Service Provider Performance Measures Schedule 11 1.2

- *Reporting Obligations for SUM2c: Reported List of Service Provider Performance Measures Schedule 11 PM 1.3*

SUM2a Communication Hubs (Delivery)		
Percentage of Communications Hubs delivered on time		
Minimum	Target	Actual
95.00%	99.00%	100%
RIGS reference: Column O, tab vii. SUM2a		
Evidence Provided to Ofgem N/A		
DCC Self-Assessment DCC requests full margin associated with this metric		

SUM2b Communication Hubs (Quality)		
Percentage of Communications Hubs accepted by DCC service users		
Minimum	Target	Actual
99.00%	99.90%	100%
RIGS reference: Column O, tab viii. SUM2b		
Evidence Provided to Ofgem N/A		
DCC Self-Assessment DCC requests full margin associated with this metric		

SUM2c Communication Hubs (Quality)		
Percentage of Communications Hubs not faulty at installation		
Minimum	Target	Actual
99.50%	99.90%	100%

RIGS reference: Column O, tab ix. SUM2c	
Evidence Provided to Ofgem N/A	
DCC Self-Assessment DCC requests full margin associated with this metric	

Explanation: At the time of submission, no customers have reported issues with communications hubs delivery, acceptance and installation that are relevant to the calculation of the above metrics. DCC therefore report having achieved 100% performance.

4.3 Service Delivery Measure 1: Wide Area Network (WAN) Coverage

Purpose of OPR Measure: DCC is incentivised to achieve the agreed levels of WAN coverage, that coverage information is accurate, and communications are reliable.

OPR performance measure methodology: DCC must ensure that the contractual coverage commitments in its Communications Service Provider (CSP) contracts are met and specifically that all milestone dates are met within the relevant regulatory year as specified in the amended DCC Regulatory Instructions and Guidance.

Reporting obligations:

- *Reporting Obligations for SDM1a:* Included in CSP contracts, as reported annually by DCC in the Statement of Service Exemptions
- *Reporting Obligations for SDM1b:* Schedule 2.2 Performance Measure (PM) 1.1 of Reported List of Service Provider Performance Measures

SDM1a Wireless Area Network (Coverage)		
DCC ensures that contractual coverage commitments in CSP contracts are met (i.e., all Milestone Dates in the regulatory year must have been met)		
Minimum	Target	Actual
All milestones need to have been met	All milestones need to have been met	BMax met
RIGS reference: Column O, tab x. SDM1		
Evidence Provided to Ofgem Minutes of SEC Panel Meeting – Annex A SECP_81_1906_Final-Minutes		
DCC Self-Assessment DCC requests 100% margin retention associated with SDM1a, and SDM1b, therefore 100% margin retention in aggregate across incentivised measure SDM1		

Explanation: CSP North was on track to meet the WAN rollout targets throughout the reporting year but encountered issues when the UK Government imposed stay at home orders, as a result of the Coronavirus pandemic, which resulted in the inability to complete site installations to provide the targeted WAN coverage. DCC applied to Panel for relief under OPR Exceptional Event allowances in the SEC, which the Panel agreed had been met.

DCC worked with Arqiva to ensure every possible mitigation action was considered, and attempted where appropriate, in best efforts to achieve the BMax target. While some mitigation actions resulted in successful completion of site commissioning, there were 80 sites where issues persisted, and commissioning could not be completed before the BMax target date.

DCC considers that the situation created by the Coronavirus pandemic caused Arqiva to miss the BMax milestone, with the consequence that DCC did not achieve the OPR milestone on WAN coverage.

On 28 May 2020 DCC submitted an OPR Exceptional Event relief request to SEC Panel for the BMax milestone in CSP North and notified impacted Parties. On 1 June 2020 SEC Panel requested additional information which DCC provided on 5 June 2020. Further evidence was presented to the SEC Operations Group meeting on 12 June 2020 where the Group agreed that the criteria for an OPR Exceptional Event had been met and relayed that view to SEC Panel. Further discussion was completed at the SEC Panel meeting on 19 June 2020, where the Panel also agreed that the criteria for an OPR Exceptional Event had been met.

DCC believes that the situation caused by the Coronavirus pandemic is wholly outside of DCC's control, that sufficient mitigation actions were considered and attempted, and SEC Panel agreement that the criteria for an OPR Exceptional Event has been met, means that the DCC has been granted relief against this measure.

SDM1b Wireless Area Network (Reliability)		
Percentage of first time SMWAN connectivity at install		
Minimum	Target	Actual
78.38%	89.66%	99.85%
RIGS reference: Column O, tab x. SDM1		
Evidence Provided to Ofgem: N/A		
DCC Self-Assessment: See DCC Self-Assessment for SDM1a		

Explanation: A performance achievement of 99.85% shows the reliability of the network coverage to be extremely high and significantly over and above the target of 89.66%.

4.4 Service Delivery Measure 2: Core Service Requests

Purpose of OPR Measure: DCC is incentivised to ensure that communications are reliable, and that Users receive an efficient service.

OPR performance measure methodology: Percentage of service responses delivered within the applicable Target Response Time, as specified in the amended DCC Regulatory Instructions and Guidance.

Reporting Obligations for SDM2: Combined SEC CPM 1, 2 and 3

SDM2 Core Service Requests		
Percentage of service responses delivered within the applicable Target Response Time		
Minimum	Target	Actual
96.00%	99.00%	99.31%
RIGS reference: Column O, tab xi. SDM2		
Evidence Provided to Ofgem: N/A		
DCC Self-Assessment: DCC requests full margin associated with this metric.		

Explanation: Target performance level was exceeded.

4.5 Service Delivery Measure 3: Service / System Availability

Purpose of OPR Measure: DCC is incentivised to ensure that systems and services are reliable for Users.

OPR performance measure methodology: Percentage availability of: Data Service; User Gateway; Service Management System; and Self-Service Interface, as specified in the amended DCC Regulatory Instructions and Guidance.

Reporting Obligations for SDM3: Reported List of Service Provider Performance Measures Schedule 2.2 PM 2.1 -2.4

SDM3 Service / System Availability		
Percentage availability of:		
<ul style="list-style-type: none"> - Data Service-User Gateway - Service Management System - Self Service Interface 		
Minimum	Target	Actual
98.50%	99.73%	99.98%

RIGS reference:
Column O, tab *xiii*. *SDM3*

Evidence Provided to Ofgem:
N/A

DCC Self-Assessment:
DCC requests full margin associated with this metric.

Explanation: Target performance level was exceeded.

Appendix A – Supporting documents and analysis for the OPR submission RY2020/21

Ref #	Document	Description	Link to OPR metric(s)
1	<i>Annex 1 RIGS Reporting Template - Quality of Service (sent separately)</i>	A reporting tool which calculates DCC's OPR performance based on input data. This is an Ofgem requirement.	All metrics
2	REDACTED	SEC Panel meeting minutes confirming DCC had passed the criteria for the OPR exception event	