



Baseline Margin Project Performance Adjustment (BMPPA) in RY23/24

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1. Executive summary

Summary

What is this and why is it important?

The Baseline Margin Project Performance Adjustment (BMPPA) incentives schemes are associated with specific projects and programmes, and are determined by DESNZ, with targets set against specific delivery milestones.

There are currently two live BMPPA schemes, which relate to:

- Enduring Change of Supplier (ECoS) programme
- 4G Communications Hub and Networks (4G CH&N) programme.

RY23/24 performance

For ECoS, there were no delivery milestone targets in RY23/24.

The 4G CH&N BMPPA scheme comprises four project activities, of which one had a delivery milestone in RY23/24, relating to DCC's customer engagement for the CH&N programme. There was £0.2m of margin at risk in RY23/24 against this incentive of which we expect to retain 94% based on the SEC Panel assessed score of 2.83 out of 3.

Future performance

The ECoS BMPPA scheme will report on two project activities in the RY24/25 Price Control submission relating to the quality of ECoS delivery following the solution build and migration activity.

The 4G CH&N BMPPA scheme will report on the remaining three project activities across RY24/25 and RY25/26. These relate to a continuation of the 4G CH&N customer engagement in RY24/25 and two new schemes. Two new BMPPA schemes for the Private Key Infrastructure Enduring (PKI-E) programme and the Data Service Provider (DSP) disaggregation programme are currently in development and we look forward to working with the Department to bring these into effect in 2025.

2. Introduction

DCC is subject to several economic incentive regimes, the table below sets out a summary of each of them including references to where they are reported in this year's price control submission.

Table 1 - Economic incentive regimes and their status

Regime	Regime type	Status	Narrative reference	RIGs reference
Operational Performance Regime (OPR)	Operational	Live	Please see: <ul style="list-style-type: none"> • 5.Perf_OPR_RY2324 • 5.Perf_OPR_Customer_Engagement_Cover_Letter_RY2324 • 5.Perf_OPR_Customer_Engagement_Part1_RY2324 • 5.Perf_OPR_Customer_Engagement_Part2_Ofgem_only_RY2324 	RIGs Annex 1
Enduring Change of Supplier (ECoS)	Programme	Live	No reporting for RY23/24	RIGs Annex 2

4G Communications Hubs and Networks (4G CH&N)	Programme	Live	Reported in this document	RIGs Annex 2
Data Services Provider (DSP)	Programme	Not yet live	No reporting for RY23/24	RIGs Annex 2
Private Key Infrastructure - Enduring (PKI-E)	Programme	Not yet live	No reporting for RY23/24	RIGs Annex 2
Switching Incentive Regime (SIR)	Operational	Live	Please see: <ul style="list-style-type: none"> 5.Perf_Switching_incentives_RY2324 5.Perf_Switching_SIRVMM_RY2324 (customer engagement) 	RIGs Annex 4

As set out above, this document explains the performance related to 4G CH&N only. ECoS is included within this report for information only.

DCC is expecting to be subject to two new incentive regimes for the Private Key Infrastructure Enduring (PKI-E) programme and the Data Service Provider (DSP) disaggregation programme in RY24/25. We will provide the relevant reporting on both schemes to the Department and Ofgem in due course.

3. 4G CH&N BMPPA

The 4G CH&N programme BMPPA scheme came into effect on 21 July 2023. The scheme is designed to incentivise delivery of the 4G CH&N programme by applying criteria that will determine the level of associated margin we can retain based on our performance. The scheme is split into four project activities: project activity 1 and 2 are customer engagement focused, project activity 3 sets a milestone target for DCC to achieve the Live Services Criteria (LSC) volume manufacture criteria and project activity 4 incentivises DCC to carry out all activities between the conclusion of Initial Pallet Validation (IPV) end and the PA4 Specified Date. Only PA1 is reported on within this reporting period.

Currently, £1.2m is at risk against the entire 4G CH&N BMPPA scheme.

3.1. Project activity 1

Project activity 1 (PA1) is centred around DCC's customer engagement for the CH&N programme. 16.7% of the margin is placed at risk under PA1, with scores awarded between 0 - 3. Appendix 1 includes DCC's PA1 submission, which was submitted to the Department on 31 July 2024, for activities carried out between 01 August 2023 – 31 March 2024.

The table below sets out the calculations made for PA1. We have not included the reporting within Annex 2 of the RIGs for RY23/24 as we will include all formal RIGs reporting in the Price Control reporting year in which the programme closes.

Table 2 – Project activity 1 – customer engagement

Project activity 1 - customer engagement	
Designed to incentivise DCC to undertake high-quality customer engagement	
Minimum score	0
Maximum score	3
DCC self-assessment	3 (100%)
SEC Panel assessment	2.83
RIGs reference	N/A
Project Activity Performance Factor for Project Activity 1	$PAPF1 = 1 - \left(\frac{2.83}{3.00}\right) = 0.057$
Current estimate of margin at risk for PA1	£0.199m
Current estimate of margin impact	£0.199m x 0.057 = £0.011m (loss)

3.2. Remaining 4G CH&N project activities

Project activity 2 is the same as above but for RY24/25, we will report on this next year.

Project activity 3 incentivises DCC to achieve the Live Services Criteria (LSC) volume manufacture criteria on or before 07 April 2025. DCC is due to submit the PA3 submission to the Department by 07 April 2025 and will report to Ofgem within the RY25/26 submission.

Project activity 4 incentivises DCC to carry out all activities between the conclusion of Initial Pallet Validation (IPV) end (estimated to be 07 February 2025) and the PA4 Specified Date (4-months after IPV + 10,000 compliantly installed CHs and a 90-day operating period, which is expected to be in November 2025). DCC is due to submit the PA4 submission to the Department four-months after the criteria for PA4 has been met, currently expected to be within the RY25/26 submission. To date, DCC has developed a performance dashboard which will monitor activities during the IPV pilot, and into BAU. DCC has also been in discussions with the Department on potential definitions for what could be considered '*material areas of concern*', as described within the scoring framework. DCC also propose that the 4G CHs under assessment in PA4 are removed from the Operational Performance Regime reporting for the same time period to avoid double counting in two separate regimes for the same performance.

4. ECoS BMPPA

The Enduring Change of Supplier (ECoS) BMPPA regime comprises two project activities. One of which fell due in RY22/23. Project activity 2 is scheduled to complete in RY24/25 with the submission for PA2 due to the Department on 31 January 2025.

Currently, £1.4m is at risk against the entire ECoS BMPPA scheme.

4.1. Project activity 1

Project activity 1 related to the programme milestone to begin the ECoS migration, also sometimes referred to as 'ECoS Go-Live'. At the time that the BMPPA scheme was created, the due date for this milestone was 30 June 2022. 30% of the ECoS margin was put at risk against this

milestone (this currently translates to a margin value £0.50m). This milestone was achieved on 29 June 2023 and so, the BMPPA scheme milestone for PA1 was not achieved.

4.2. Project activity 2

Project activity 2 places 70% of the ECoS margin at risk (this currently translates to a margin value £1.10m). This project activity is broken down by the following 5 quality factors:

1. Quality factor A: From 31 Oct 2023, the DSP should no longer be providing TCoS keys (40%)
2. Quality factor B: DCC has identified any 'difficult to migrate' devices and provided support to any customers with them as early as possible (20%)
3. Quality factor C: On 31 Oct 2024, the number of devices that have a TCoS certificate but have not been commissioned should be low (20%)
4. Quality factor D: Customer engagement (20%)
5. Quality factor E: Adjustment factor based on successful processing of SRV6.23s. Uses average of 5 lowest days of performance (100%)

In RY23/24, we started providing monthly reports to the Department relating to quality factor E. Quality factor E was included within the ECoS BMPPA scheme to show whether there was a degradation in BAU service during the ECoS migrations. Migrations are now complete and earlier than scheduled (as of May 2024) with DCC having migrated c.350k devices per day and completing c.40m device migrations. During this time SRV6.23 performance across the 5 lowest days is 97.10% (the average across the previous 12 months is 99.87%). This is compared to the 12 months prior to migrations beginning of 99.84% which shows that there has in fact been an increase in performance during the migrations. It is disappointing that the Department rejected DCC's application to set the target to 99.51% instead of 100%, as DCC would have met that target. We accept that the deadline for submitting the relevant information to the Department had passed however we believe setting the target for the scheme at 99.51% would have ensured the scheme would be achievable, realistic and would ultimately provide an effective incentive to DCC. We are highlighting this as lesson to learn when setting new regimes.

All other quality factors will be reported on in January 2025.

5. SMETS1 BMPPA

Last year, DCC completed a large project (the SMETS1 programme) to develop a solution for the migration of cohorts of SMETS1 devices onto our secure, national infrastructure. This provides important benefits for end consumers, particularly the ability for them to either maintain or regain their smart metering services.

The SMETS1 BMPPA scheme placed 50% of the DCC's relevant Project Baseline Margin at risk depending on the rate of enrolment of SMETS1 Smart Metering Systems and the remaining 50% dependent on the proportion of SMETS1 Smart Metering Systems enrolled by the end of the scheme. We reported on our final performance against that scheme in the RY22/23 price control submission, which was overall achievement of 39% and a BM reduction of £8m.

Due to the nature of the project performance mechanism in the Licence (Condition 38), any reductions made due to performance below the targets in the year of completion will also lead to reductions in future years where BM is associated with the project activity. In RY22/23 we reported just £6.955m of that loss, and this year we are reporting a further reduction of £1.385m.

This data is set out in rows 17 and 18 in worksheet 'P2' in the RIGs Annex 2 RIGs Reporting Template. Row 27 in worksheet '2' shows the final PPA2t values for each year.

6. Upcoming BMPPA schemes

On 31 May 2024 and 3 June 2024, the Department for Energy Security and Net Zero wrote to DCC to confirm their intention to establish a BMPPA scheme for the Smart Metering Key Infrastructure (SMKI) and the continuity in Data Service Provision, respectively. We will be working closely with the department over the coming months to develop those regimes. In addition, we are submitting margin to be associated with each regime in this year's supporting BMA application.

Appendix A: BMPPA supporting files

Table 3 - BMPPA supporting files

#	File	Description	Link/location
1	4G CH&N BMPPA PA1 report	Report submitted to the Department for 4G CH&N PA1	5.Perf_BMPPA_Annex_CH&N_PA1_Submission_RY2324.pdf