Data Communications Company

Operational Performance Regime (Quality of Service Information) In RY23/24

Version: 1.0
Date: 31.07.2024

Table of Contents

1. Executive Summary

Summary

What is this and why is it important?

The Operational Performance Regime (OPR) is designed to incentivise DCC to run a high-quality service for its customers by placing all of its Baseline Margin at risk. The regime does this by financially incentivising DCC's performance in three main areas:

- System performance (70%)
- Customer engagement (15%)
- Contract management (15%)

In RY23/24, £8.9m of margin is placed at risk against the OPR. Given our strong performance we expect to retain £8.4m of this.

RY23/24 performance

We achieved 94% performance overall under OPR, which is broadly in line with last year's performance.

- On **system performance**, we are reporting performance of 100% of the OPR target. This excellent result reflects the significant effort required to ensure that our network remains available, reliable and timely. This outcome is underpinned by the ongoing operations, in-life change, and system improvements through the programmes and projects, all supported by DCC's enabling functions.
- On **customer engagement**, we are reporting performance of 81% (2.42 out of 3). This score reflects DCC's continued efforts to ensure we are listening to, and engaging with, our customers at the appropriate level and at the highest quality. SECAS has suggested a score of 2 out of 3.
- On **contract management**, the independent auditor's scores, received on 31st July 2024, have determined performance to be 78% (2.33 out of 3). This is significant improvement on the 57% (1.71 out of 3) achieved last year, reflecting DCC's commitment to improving the way we run our Commercial Function and manage our contracts, on behalf of our customers. Receiving this report on the date of our submission means it is not possible to fully reflect on these scores within our submission, and we would strongly welcome this being provided materially earlier in future years.

Future performance

This is the last year DCC will be reporting on the OPR performance measures with the weightings as they currently exist. From RY24/25, the weighting associated with system performance reduces to 60% and contract management increases to 25%.

2. Purpose and context

2.1 Purpose

The purpose of this document is to report on the DCC's assessment of its OPR performance for RY23/24 and provides the narrative to support the data in RIGs Annex 1. This submission reports against the five OPR measures:

1. Service availability (SUM1)
2. Install and commission (SDM1)
3. Prepayment (interim response times) (SDM2)
4. Customer engagement (VMM1)
5. Contract management (VMM2)

For each of the systems measures (SUM1, SDM1 and SDM2), we outline our assessment of our performance against each of the incentivised OPR system performance measures, alongside the associated

margin impact, if any. We provide an explanation of our assessment, as well as any key points Ofgem may want to consider in making its assessment.

For VMM1 and VMM2, we summarise our views but refer to separate submissions which provide more detail on each.

Whilst this document focuses on systems performance measures, it should be read in conjunction with the Customer Engagement submission Perf_OPR_CE_RY2324, the Contract Management audit report (see Appendix C of this document) and RIGs Annex 1 RIGS_annex_1_RY2324.

We cover the responses to the qualitative questions[1] in Appendix B and all supporting evidence is contained in Appendix C.

2.2 Context

DCC is subject to several economic incentive regimes. The table below sets out a summary for each and includes references to where they are reported within 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	Systems and contract management - reported in this document. Customer engagement in: • 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	Please see: 5.Perf_BMPPA_ECoS_CHN_RY2324	RIGs Annex 2
4G Communications Hubs and Networks (4G CH&N)	Programme	Live	Please see: 5.Perf_BMPPA_ECoS_CHN_RY2324	RIGs Annex 2
Data Services Provider (DSP)	Programme	Not yet live	Please see: 5.Perf_BMPPA_ECoS_CHN_RY2324	RIGs Annex 2
Private Key Infrastructure – Enduring (PKI-E)	Programme	Not yet live	Please see: 5.Perf_BMPPA_ECoS_CHN_RY2324	RIGs Annex 2
Switching Incentive Regime (SIR)	Operational	Live	Please see: • 5.Perf_Switching_incentives_RY2324	RIGs Annex 4

[1] Ofgem, Annex 1 RIGs Guidance - Quality of Service Information, 30 June 2023, Section 5: https://www.ofgem.gov.uk/sites/default/files/2023-06/RIGs_Guidance_-_Annex_1_-_2023.pdf

Regime	Regime type	Status	Narrative reference	RIGs reference
			• 5.Perf_Switching_SIRVMM_RY2324 (customer engagement)	

As set out above, this document explains the performance related to OPR only and, as such, provides the supporting commentary for RIGs Annex 1.

For RY22/23 we were awarded 100% of the £5.33m of margin placed at risk against the system performance element of OPR. For RY23/24, £6.3m has been placed at risk against system performance and we anticipate that 100% of this is awarded.

For RY22/23 we were awarded 62% of the £2.28m of margin placed at risk against the customer engagement and contract management elements of the OPR. For RY23/24, £2.7m has been placed at risk against the customer engagement and contract management elements of the OPR and we anticipate that 79% of this is awarded.

3 System performance

3.1 Background and context

The overarching aim of the OPR is to improve DCC's customers' experience by financially incentivising DCC to drive better performance. We accept that as a monopoly company, it is important that we face sufficient incentives to deliver our role in a manner in which we provide our customers with a value for money and high-quality service that supports smart metering.

The OPR incentivises DCC based on the reliability of DCC systems, customer engagement, and contract management. There are currently five active performance measures under which DCC is financially incentivised:

- service availability.
- install and commission.
- prepayment (interim response times)
- customer engagement
- contract management.

The three system measures (service availability, install and commission, and prepayment (interim response times)) carry an equal weighting of 23.33%, therefore reflecting the importance of the operational performance of the DCC. The customer engagement and contract management measures carry a weighting of 15% each.

A portion of DCC's baseline margin is put at risk against each of the above measures.

3.1.1 Background

The first OPR came into effect on 1 April 2018[1]. The regime changed on 1 April 2021 and again on 1 April 2022 when an interim regime was put in place due to some of the proposed changes not being technically possible to report against. DCC has been working with its customers to develop a revised set of reporting that will provide industry with the service and performance it considers is missing from the current set of performance measures.

To date, DCC has submitted OPR progress reports to Ofgem every six months on developments related to the introduction of an enduring OPR. Reports have been submitted to Ofgem in September 2022, March 2023, October 2023, and March 2024.

[1] Decision on DCC's Operational Performance Regime | Ofgem

In the last OPR progress report, DCC focused on the following key areas:

1. Using success-based measures instead of time-based ones via the introduction of MP242 'Change to Operational Metrics to Measure on Success'[1];

2. The impact of the 3G network switch-off and its potential impact on system performance under the OPR; and

3. OPR in the new licence and a proposal to focus discussions relating to the enduring OPR and the licence renewal due to their interdependencies.

Within the next OPR progress report, due in September 2024, we will confirm the next steps for MP242, namely its implementation in November 2024 and what customers can expect to see on an ongoing basis. MP242 is a major change in the way in which DCC monitors, and reports, on its system performance. During the development of MP242, DCC worked side-by-side with its customers to ensure any failures related to an agreed set of Service Request Variants (SRVs), which form part of different seven business processes, could be understood by all of our customers, sufficiently actioned and remedied. These changes will ensure that DCC customers would be able to identify areas of reduced performance faster and could develop improvements that could also be delivered quicker, therefore reducing the impact to the end consumer.

Work on MP242 was acknowledged by Ofgem, in its 'Revised OPR Guidance March 2024 decision' document, as a suitable alternative for measuring DCC's system performance. It is also DCC's view that MP242 could be used as the basis for the enduring OPR in the future.

Each year, DCC's performance is assessed against a set of assessment criteria, which for RY23/24 is set out in the OPR guidance that came into effect on 29 March 2022.[2]

3.2 Service availability (SUM1)

The service availability measure is designed to incentivise DCC to ensure its services are accessible as needed, whenever and wherever they are required by DCC users. The Target Performance Level (TPL) for this measure is 99.50% and the Minimum Performance Level (MPL) is 98.00%.

In RY23/24, DCC's services were available for 99.93% of the time. The slight decline on last year's performance of 99.99% was due to a Category 2 major incident that took place in August 2023. INC000001065262[3] impacted the availability of the DCC User Interface, the SMKI Repository Interface, and the Self-Service Interface. The usual 100.00% service availability for these services decreased to 99.13% for the month of August 2023. As part of the incident management process, DCC completed a Post-Incident Review (PIR) which identified the root cause of the issue which was determined to be due to the Comms Handler accessing the wrong libraries following a failback. Comms Handler 4 was accessing the wrong libraries for the hardware security modules it was using because, prior to the failback, five out of the six libraries were reverted, leaving one, Comms Handler 4, with the incorrect library. The issue was rectified with mitigations put in place to avoid a reoccurrence and the incident closed.

Despite this single incident, service availability for the remainder of the year has been commendable at 99.99% and is a clear display of the importance DCC has placed on delivering a reliable smart metering service for its customers and the energy market.

3.2.1 RY23/24 reported performance

The value of the Reported Performance Levels (RPLs) in RY23/24 were determined as a mean of five metrics, which measure the availability of DCC's interfaces, and their supporting sub-systems averaged across the 12 months from April 2023 to March 2024.

[1] MP242 'Change to Operational Metrics to Measure on Success': Modification » (smartenergycodecompany.co.uk)
[2] Ofgem, Revised OPR Guidance, 29 March 2022: https://www.ofgem.gov.uk/sites/default/files/2022-03/Revised%20OPR%20Guidance%20%28March%202022%29.pdf
[3] INC000001065262 'Multiple Service Users Reporting E20 Failures Affecting SRVs Across all Regions'.

The individual RPLs for each of the metrics were:

- DCC User Interface: 99.81% (99.96% last year)
6. Registration Data Interface: 100.00% (same as last year)
- SMKI Repository Interface: 99.93% (100.00% last year)
7. SMKI Service Interfaces: 100.00% (same as last year)
- Self-Service Interface: 99.93% (100.00% last year)

As the five metrics are equally weighted, the overall RPL for SUM1 was 99.93% (see cell R35 in worksheet vi. SUM1 in RIGs Annex 1). This means that TPL was achieved, and so no margin should be deducted.

The overall SUM1 performance is summarised in the table below.

Table 2 – SUM1 performance summary

SUM1 – service availability Designed to incentivise DCC to ensure its services are accessible as needed, whenever and wherever they are required by DCC users.	
Minimum (%)	98.00%
Target (%)	99.50%
Penalty mechanism	A
DCC self-assessment (%)	**99.93%** **TPL ACHIEVED**
RIGs reference	Annex 1, worksheet vi. SUM1, R35.
Related performance measures	SECMOD122A availability measures for the DCC Interfaces (a-e only).[1]
Margin impact	All margin retained. £2.086m

3.3 Install and commission (SDM1)

The install and commission measure is designed to incentivise DCC to provide high quality services to support the installation and commissioning of a smart meter. This measure also includes the logistics involved, the success of first time, and overall, WAN connectivity. The TPL for this measure is 99.00% and the MPL is 96.00%.

The value of the RPLs in RY23/24 were determined as a mean average of four of the five metrics, which relate to the install and commissions business processes averaged across the 12 months from April 2023 to March 2024. The fifth metric relating to SRV8.11 has been zero weighted for RY23/24 within the OPR, however, as instructed within the Ofgem revised guidance decisions, we are including reporting on the measure for the RY23/24 submission, but we have zero weighted SRV8.11 within Annex 1.

The individual RPLs for each of the metrics were:

- PM1.2 Comms Hubs Accepted by Customers (IC1)

    a. North: 100.00%
    b. Central: 100.00%
    c. South: 100.00%

[1] See SEC A Definitions and Interpretation: DCC Interfaces

- PM1.3 Comms Hubs not Faulty (IC2)

  d. North: 100.00%
  e. Central: 99.89%
  f. South: 99.92%

- PM1.1 First time SMWAN connectivity at Install

  g. North: 97.21%
  h. Central: 99.96%
  i. South: 99.98%

- PM1.3 (South and Central) / PM1.4 (North) SMWAN Connectivity Level (IC4)

  j. North: 100.00%
  k. Central: 100.00%
  l. South: 100.00%

- SRV8.11 Update Home Area Network (HAN) Device Log (IC5)
  - Zero-weighted for RY23/24.

As four of the five metrics were equally weighted, the overall RPL for SDM1 was 99.30% in the North Region (see cell R85 in worksheet viii. SDM1 in RIGs Annex 1), 99.96% in the Central Region (see cell R86 in worksheet viii. SDM1 in RIGs Annex 1) and 99.97% in the South Region (see cell R87 in worksheet viii. SDM1 in RIGs Annex 1). This means that TPL was achieved in each region, and so no margin should be deducted.

The overall SDM1 performance is summarised in the table below.

Table 3 – SDM1 performance summary

SDM1 – install and commission Designed to incentivise DCC to ensure that all DCC services required in the install and commission of a smart meter are provided at a sufficient quality	
Minimum (%)	96.00%
Target (%)	99.00%
Penalty mechanism	B
DCC self-assessment (%)	**North: 99.30%** **Central: 99.96%** **South: 99.97%** **TPL ACHIEVED**
RIGs reference	Annex 1, worksheet viii. SDM1, R85:R87
Related performance measures	PM1.1, PM1.2, PM1.3 and PM1.4
Margin impact	All margin retained. £2.086m

3.3.1 SRV8.11

SRV8.11 is a message type that is primarily sent at the beginning of a smart meter installation to add a device to the Home Area Network (HAN). The DCC Price Control decision for RY22/23[1] determined that SRV8.11 performance was not under DCC's full control and therefore should be zero weighted, i.e. no margin should be put at risk against SRV8.11 performance. DCC is delighted to have worked with Ofgem to reach this conclusion. Within the Revised OPR Guidance March 2024 decision, Ofgem stated:

"*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*".

As such, the rationale for zero weighting SRV8.11 has been summarised below.

- SRV8.11 was included in the install and commission element of the OPR from RY21/22, resulting in DCC needing to ensure SRV8.11 messages are delivered within 30 seconds. However, ensuring the delivery of the SRV8.11 message is not fully within DCC, or its Service Providers control, as it can be dependent on the specific customers installation and orchestration processes. For example, if the delivery of the SRV8.11 is not successful on its first attempt, then, after a short period of time has elapsed, the delivery of the SRV8.11 is automatically reattempted. However, this short delay (dictated by the customers' own processes) can impact the time it takes for the SRV8.11 to be delivered. This has resulted in occasions where the 30 second response time is missed. Ofgem has previously agreed that the delivery of SRV8.11 is not fully within DCC's control and should be zero weighted.

- In addition to the above, DCC systems were not designed to meet the response times at a disaggregated level and SRV8.11 is part of a set of SRVs for one process. There is no agreed service level target for SRV8.11 performance at a fully disaggregated level. As SRV8.11 is part of a set of SRVs for one process then there is no requirement in the SEC to deliver against a response time for SRV8.11 in isolation. This means that there is no formally defined target, therefore it is not a valid measure.

- DCC systems were not designed to guarantee performance at a disaggregated level as it would result in a significant amount of redundant capacity across the network for most of the time.

- SRV sizes have increased materially since the response times were established back in 2013. An SRV can range in size from 60 to 17,500 bytes. Neither the targets nor systems have been updated to reflect this change.

- Contractual alignment is vital to align commercial incentives. OPR measures should be aligned to service provider contracts to ensure that we continue to have commercial leverage and to align incentives with our service providers. DCC's customers buy only what the DCC has procured. Being penalised for not providing a service beyond this threshold is not a reasonable outcome from the OPR.

There has been extensive engagement on the topic of SRV8.11 with Ofgem and the DCC's customers. The latter of which, who were represented at OPSG, agreed with the DCC position that SRV8.11 target response times (TRTs) performance is not within DCC's full control. On 12 May 2023, this position was re-affirmed in a letter sent from the OPSG Chair to Ofgem. SECMP242 'Change to Operational Metrics to Measure on Success' was raised to look at alternatives to TRTs and is pending implementation (implementation due 12 November 2024). To reaffirm, Ofgem concluded in their RY22/23 decision to zero-weight SRV8.11 and included within the revised OPR guidance published in April 2024 for DCC to make their case again to zero-weight SRV8.11 for RY23/24 onwards.

3.4 Prepayment (interim response times) (SDM2)

The prepayment (interim response times) measure is designed to incentivise DCC to ensure that Service Request Variants (SRVs) and CSP HAN Test Commands are successfully delivered to devices within a given a Target Response Time (TRT) (these interim metrics are not prepayment metrics). The TPL for this measure is 99% and the MPL is 96%.

[1] DCC Price Control decision: regulatory year 2022 to 2023 | Ofgem

The value of the RPLs in RY23/24 was determined as a weighted mean of four performance measures relating to the delivery of SRVs within TRT under SEC Code Performance Measure 1, averaged across the 12 months from April 2023 to March 2024.

The individual RPLs for each of the metrics were:

- PM4.3 Communications Services Provider (CSP) Test HAN Interface Command

  m. North: 100.00%
  n. Central: 99.75%
  o. South: 99.75%

- PM1.1 DSP Real Time TRTs: 99.70%

- PM1.4 DSP Real Time TRTs: 99.96%

- PM1.1 S1-SP Real-time TRTs: 99.93%.

As all four metrics were equally weighted, the overall RPL for SDM2 was 100.00% in the North Region (see cell R83 in worksheet ix. SDM2 in RIGs Annex 1), 99.75% in the Central Region (see cell R84 in worksheet ix. SDM2 in RIGs Annex 1) and 99.75% in the South Region (see cell R85 in worksheet ix. SDM2 in RIGs Annex 1) for the CSP Test HAN Interface Command metric and 99.85% for the remaining metrics (see cell R116 in worksheet ix. SDM2 in RIGs Annex 1). This means that TPL was achieved, and so no margin should be deducted.

Since the last submission, DCC has focused on improvements related to prepayment activities by working directly with our customers. At the monthly SEC Operations working group, DCC presents the latest success rates for all prepayment activities, which highlights any areas that are underperforming. In doing so, DCC can then work with the impacted users to support any remediation activities. For example, there was a slight decrease in performance from March 2024 to April 2024 and DCC concluded this was due to a number of users undergoing internal migrations resulting in incorrect certificates being assigned. DCC were also able to observe that the largest failure 'bucket' was in instances where devices were being classified as communicating but were still having a failed vend attempt. To address this issue, DCC shared the device lists which made up the communicating bucket and carried out targeted engagement with the impacted users to further assess whether there were any other issues.

The overall SDM2 performance is summarised in the table below.

Table 4 – SDM2 performance summary

SDM2 – prepayment (interim response times) Designed to incentivise DCC to ensure that SRVs are successfully delivered to devices within a TRT	
Minimum (%)	96.00%
Target (%)	99.00%
Penalty mechanism	A and B
DCC self-assessment (%)	**Penalty mechanism A: 99.85%** **Penalty mechanism B:** **North: 100.00%** **Central: 99.75%** **South: 99.75%** **TPL ACHIEVED**
RIGs reference	Annex 1, worksheet ix. SDM2, R83:R85 and R116

SDM2 – prepayment (interim response times) Designed to incentivise DCC to ensure that SRVs are successfully delivered to devices within a TRT	
Related performance measures	CPM 1 (in part)
DCC self-assessment	All margin retained. £2.086m

4 Customer engagement (VMM1)

Please find our full submission relating to customer engagement in Perf_OPR_CE_RY2324.

Last year, we were awarded a score of 2 out of 3 in relation to customer engagement. Our self-assessment of our performance under this measure in RY23/24 is 2.42 out of 3. We believe this score reflects the continued efforts to provide the appropriate level of engagement our customers expect.

Please note that in Annex 1 worksheet xi. VMM1, we have overwritten the green Ofgem cells and set the scores to be consistent with DCC's self-assessment across all questions to ensure a more meaningful BMOPA value is reported in the RIGs. We recognise that these will be updated following Ofgem's final determination.

Table 5 – VMM1 performance summary

VMM1 – customer engagement Designed to incentivise DCC to undertake high-quality customer engagement	
Minimum score	0
Maximum score	3
DCC self-assessment	**2.42 (81%)**
SEC Panel assessment	2
RIGs reference	Annex 1, worksheet xi. VMM1, R65:R93.
Margin impact	Margin deduction of £0.261m

5 Contract management (VMM2)

Last year, we were awarded a score of 1.71 out of 3 (57%) in relation to contract management. The auditor score for our performance under this measure in RY23/24 is 2.33 out of 3 (78%).

Please note that in Annex 1 worksheet xi. VMM2, we have overwritten the green Ofgem cells and set the scores equivalent to the auditor scores across all questions to avoid a misleading BMOPA value in the main RIGs. We recognise that these will be updated following Ofgem's final determination.

Table 6 – VMM2 performance summary

VMM2 – contract management Designed to incentivise DCC to undertake high-quality contract management	
Minimum score	0
Maximum score	3
Auditor assessment	2.33
RIGs reference	Annex 1, worksheet xii. VMM2, R117:R189.
Margin impact	Margin deduction of £0.298m

5.1 Background and context

Since April 2021, DCC's contract management and procurement activity has been subject to a financial incentive, ensuring that contracts with smart metering service providers are entered into, manages, and closed out effectively and efficiently. DCC remains committed to undertaking proactive, best in class contract management and procurement to deliver benefits to DCC customers and the consumer.

Each year, Ofgem commissions an independent audit to DCC's contract management using a modified version of the NAO Contractual Relationships Audit Framework.[1] For RY23/24 that audit took place throughout May and June 2024.

For RY22/23 we were awarded a score of 1.95 out of 3 by the independent auditor, which was subsequently reduced to 1.71. This translated to 57% (£0.65m) of margin assigned to the contract management element of OPR being retained. For RY23/24, £1.34m has been placed at risk against this incentive.

The section below sets our commentary against the findings contained within the draft report, received from the independent auditor on Friday 28 June.

5.2 Commentary on auditor scores

5.2.1 Commercial strategy

Q1.1 DCC welcomes the auditors' assessment of compliance and is particularly pleased to note acknowledgement of a consistently understood approach to contract management at a corporate level which is linked the execution of contract management.

Q1.2 DCC appreciates the auditor's recognition of the strong understanding we have of the technical and commercial environment in which we operate. Whilst we agree that Sustainability is not an explicit requirement within the NAO Framework, DCC are also pleased to see the auditor acknowledge the great

[1] Ofgem, Modified NAO Framework for use in the OPR, Jan 2021 www.ofgem.gov.uk/publications-and-updates/opr-guidance-consultation-january-2021

progress the Sustainability Team have made in improving processes to incorporate sustainability across the whole organisation

Q1.3 DCC is pleased to note the auditors' satisfaction that the Commercial Strategies for the Logistics and DSP procurements was developed following a comprehensive assessment of the internal and external environment.

With regards to the procurement of Microsoft Azure Hosting Services, it is important to note that this requirement relates to the Device Manager for Design Build and Test (DBT) only. As such, this is essentially a pass-through service from Microsoft Azure and so the opportunity to maximise the output of any resulting contract beyond obtaining the best possible discount is limited.

As such, this is reflected in the level of detail and information provided in the sourcing strategy and related documents. However, we are confident that all available options to procure the service for DBT were assessed, considering all types of possible providers and as part of the competitive process awarded to the most value for money option presented.

5.2.2 Capability and Governance

Q2.1 DCC is pleased the auditor continues to recognise the skills and experience possessed by members of the Commercial Function and notes the recommendation to review the existing delegated levels of authority.

Q2.2 DCC welcomes the auditor's observations of an improved relationship with The Department, particularly regarding the sharing of information and levels of engagement.

However, DCC do not agree with the auditor's consideration that DCC has a "limited understanding of its future requirements" with regards to the Microsoft Azure Hosting procurement for Device Manager DBT. As per the Sourcing Strategy, DCC sought to procure a Microsoft Azure Hosting Service to support the Design, Build, Test Phase of the CH&N Programme. This Azure Hosting Service is required to support the environment build and hosting for the Device Manager (DM) service that is currently contracted with Accenture (DM Contractor) for a finite period of c. 12 months, with a full procurement for the service to be undertaken as part of the wider cloud strategy in 2024

DCC conducted a competitive RFP process to secure the Microsoft subscription service from an entity that would pass on volume discounts to DCC. The process was undertaken to select the Billing Entity deemed to be the most economical and efficient option and DCC's competitive procurement process clearly demonstrates how adopting a customer agreement for Azure provides value for money.

Q2.3 DCC remains confident that there have been no instances of the 'Fix First Discuss Later' mechanism utilised with suppliers that do not have the appropriate clause in their contract. Further to this, such mechanisms are only used in exceptional circumstances.

5.2.3 Market management and sourcing

Q3.1 DCC welcomes the auditors' summation that DCC's "sourcing activities have supported its commercial strategy and followed recognised good practices, thereby contributing to the optimisation of value for money".

Q3.2 DCC is pleased to note the auditor's satisfaction that a defensible process has either resulted in or will result in the selection of a capable supplier for all procurements and re-procurements within the scope of the audit.

Q3.3 DCC appreciates the auditors' conclusion that the procurement process followed for both the Logistics and Microsoft Azure Hosting Services was "competitive and akin to what one would expect for the size, scale and complexity of the projects undertaken by an organising resourced as is DCC".

5.2.4 Contract Approach

Q4.1 DCC is pleased to see the auditors' recognition of the hard work that has gone into enhancing our risk management processes in order to ensure optimal balancing of risk and reward. The strengthening of the

Strategic Supplier Management (SSM) team and establishment of a Third Party Risk Management (TPRM) Framework, in particular, has promoted greater, in-depth knowledge of incumbent and downstream supplier risk and enabled the creation proactive mitigation plans.

Q4.2 DCC welcomes the auditors' acknowledgement of compliance and the agreement that the contractual incentives that exist between DCC and our suppliers encourages service improvement and promotes a positive working relationship.

Q4.3 DCC is satisfied with the auditor's consideration that "through contract mechanisms and improved governance & controls there is a good balance of risk and reward through incentivising strategies and encouraged behaviours".

5.2.5 Contract Management

Q5.1 The commercial function at DCC prides itself on the comprehensive understanding we have of service performance and is pleased to see this recognised in the report.

A range of new tools and processes have been introduced over the last 12 months, as a result of the transformation programme, which has directly contributed to more consistent approach to contract management, orientated around driving great service performance and value for money.

Q5.2 The performance of all of our suppliers is closely monitored and when instances occur of suppliers failing to meet their obligations the appropriate action is taken, leveraging all available contractual mechanisms, including the use of Service Credits and performance improvement plans.

Despite some instances of specific supplier performance remaining short of the expected level, DCC has seen significant performance improvement over the last 12 months, driven by the continual monitoring, management and application of the necessary provisions in our Service Provider's Agreements to ensure they are held to account against their respective obligations, as part of delivering their Services to the DCC.

Q5.3 DCC acknowledge that adherence to the SLAs associated with the SEC Modification process remains a challenge but we are pleased to note the auditors' recognition of the improvements implemented and the impact on the average duration for completing Impact Assessments.

Further initiatives have been put in place to increase the productivity of the SEC Modification process and avoid rework and we anticipate to see further improvement through RY23/24.

5.2.6 Contract lifecycle

Q6.1 DCC welcomes the auditors' assessment that contracts are representative of DCC's strategic intent and that we deploy a structured and orderly approach to undertaking contractual variations to reflect changing business needs. Improvements to the existing process now mandate the need for suppliers to articulate how their proposal is economic and efficient, placing greater emphasis on optimising value for money.

Q6.2 DCC consistently challenges our suppliers on cost to ensure optimum Value for Money and are pleased to note the auditors' acknowledgment of the inclusion and application of "Schedule 7, Value for Money" within the Master Services Agreement.

The absence of a Value for Money mechanism within the Microsoft Azure Hosting Services Call-Off Contract is primarily down to the nature of the contract. This duration of the contract is short, to cover of the DBT phase for the Device Manager, and as such is of relatively small value, essentially pass through service from Microsoft Azure. As such, Value for Money was secured through the competitive procurement exercise that was run to award the contract and there is limited opportunity to maximise output of any resulting contract beyond obtaining the best possible discount.

Q6.3 DCC is pleased to note the auditors' consideration of our Contract Change Policy as representing "good industry practice" and the observation "that the RACI matrix to be a particularly strong component of this document"

Considerable effort has been made in the regulatory year to improve the Early Engagement Instructions (EEI) and Change Process, following the feedback received in last year's audit. A dedicated working group

has been established and a number of system and process initiatives are in-flight. We anticipate a step change in performance that will be recognised during next year's audit.

5.2.7 Transition and termination

Q7.1 DCC takes preparedness for contract termination and transition extremely seriously with the mandated development of Exit Plans with suppliers, which are reviewed annual by the Contract Management team.

Where appropriate, as recognised by the auditors' in the case of the DSP re-procurement, the approach to the transition period is outlined within the business cases that are shared with The Department.

Q7.2 DCC is pleased to note the auditor's found "As observed in the previous 2 audits, the 2nd Tier Provider contracts are clear and unambiguous when considering the approach to a transfer of services and/or provision of an exit plan. Exit Management plans exist for all contracts, and these are being updated on an annual basis."

Q7.3 The development of any new contract involves incorporating insight and lessons learned from previous contracts. Stakeholder interviews are conducted to gather perspectives and input, while feedback and metrics are analysed to identify areas for improvement. Best practices from successful contracts are identified and integrated into the new contract, and subject matter experts are consulted to ensure compliance and risk mitigation.

DCC notes that the auditors' found instances, across all of the programmes reviewed, of insight from across the business being incorporated into the formation of the new contracts.

6 OPR performance summary

In RY23/24, £8.9m was placed at risk against the OPR.

In summary, our assessment of our performance for RY23/24 is as follows:

Table 7 – Summary of DCC's self-assessment of OPR performance in RY23/24

OPR measure	Weight	DCC performance assessment	Margin retained (%)	Margin retained (£m)	Margin lost (£m)
Service availability (SUM1)	23.33%	Non-regional = 99.93%	100%	2.086	-
Install and commission (SDM1)	23.33%	North = 99.30% Central = 99.96% South = 99.97%	100%	2.086	-
Prepayment (interim response times) (SDM2)	23.33%	Non-regional = 99.85% North = 100.00% Central = 99.75% South = 99.75%	100%	2.086	-
Customer engagement (VMM1)	15%	2.42 out of 3	81%	1.080	0.261

OPR measure	Weight	DCC performance assessment	Margin retained (%)	Margin retained (£m)	Margin lost (£m)
Contract management (VMM2)	15%	2.33 out of 3	78%	1.041	0.298
Total	**100%**			**8.379**	**0.559**

Our self-assessment above reflects our view that we have had a strong year. We propose that we retain £8.4m of the Baseline Margin associated to the OPR for RY23/24.

Appendix A: Zero-weighted system measures

6.1 Firmware management (SUM2)

The firmware management measure is currently zero weighted – and as currently defined, it is not able to be reported on (see Appendix B). A solution to provide the reporting was considered but due to the cost implications was rejected by industry[1]. As a result, DCC is unable to provide data for SMETS1 firmware management. There is currently no metric within the DCC service provider contracts and their overall performance continues to be reported on an aggregate basis. Additionally, the process followed under SMETS1 when carrying out firmware downloads is different compared to the process followed for SMETS2. Under SMETS1, the firmware downloads are carried out by the SMETS1 Service Providers (S1SPs), whereas in the SMETS2 environment it is managed via the service users. On the basis that industry do not believe its incorporation in the OPR to be cost effective, we propose Ofgem consider its removal from the OPR.

Performance for the remaining measures has been high but we recognise this may not be representative of the experience our customers have been facing. Therefore, we have been working with industry to understand where we can improve, to meet our customer's expectations. As previously mentioned, SECMP242 was raised to allow DCC to report on the success or failure of an agreed set of SRVs across a set of business processes that were identified as holding the most value by our customers. As a result of the time we have invested into understanding customer's needs, a DCC customer volunteered to raise this on our behalf based on an agreed position between us. This illustrates the fact that, despite this measure being zero-weighted, DCC are committed to drive improvements in this area and achieve great performance in the areas that our customers deem most important.

An explanation for DCC's performance for the north region is in Appendix B.

The overall SMETS2 SUM2 performance is summarised in the table below.

Table 8 – SUM2 performance summary

SUM2 – firmware management Designed to incentivise DCC to ensure that firmware payload images are successfully delivered to communication hubs	
Minimum (%)	96.00%
Target (%)	99.00%
DCC self-assessment (%)	**North: 98.17%** **Central: 99.07%** **South: 99.12%** **SMETS1: no data available**
RIGs reference	Annex 1, worksheet vii., R83:R85 and R116.
Margin impact	Measure zero weighted so no margin impact

6.2 Change of supplier (SDM3)

The change of supplier measure is currently zero weighted. When made active, it is designed to incentivise DCC to ensure that all DCC services required in the change of supplier process are provided at a sufficient quality. The TPL for this measure is 99.00% and the MPL is 96.00%.

[1] SEC Modification Proposal 217: Obtaining Timestamps to allow Target Response Time Measurements

The value of the RPLs in RY23/24 were obtained from a mean of the three SEC performance measures relating to SRVs comprising the Change of Supplier Business Process, under SEC Code Performance Measure 6A, averaged across the 12 months from April 2023 – March 2024. It is not possible to measure the individual TRT RPLs for each region directly. This is because DCC's overall performance is reported at an aggregate level. As a result, we proxy measure using Round Trip Times (RTTs). The RTTs include not only include the TRT for which DCC has control, but also the HAN and DCO time which we do not control. For these reasons the values we report are not an accurate view of the DCC's element of the overall process and are not entirely within our control. Therefore, it is important this remains a zero-weighted performance measure for the purposes of the OPR.

Despite the measure being dormant, DCC continues to drive improvements, but it should be recognised that the full Change of Supplier process means that DCC is reliant on our customers processes and therefore, as stated above, the end-to-end process is not in DCC's full control. Despite the measure being zero-weighted, DCC continue to drive towards improvement in these areas illustrated by seeking resolutions via various SEC modifications and industry engagement.

The overall SDM3 performance is summarised in the table below.

Table 9 – SDM3 performance summary

SDM3 – change of supplier Designed to incentivise DCC to ensure that all DCC services required in the change of supplier process are provided at a sufficient quality	
Minimum (%)	96.00%
Target (%)	99.00%
DCC self-assessment (%)	**North: 14.64%** **Central: 62.80%** **South: 65.47%** **SMETS1: 52.40%**
RIGs reference	Annex 1, worksheet x, R83:R85 and R116
Margin impact	Measure zero weighted so no margin impact

Appendix B: DCC responses to qualitative questions

Question 1

Where the Licensee has not reached the TPL for any Performance Measure please provide a narrative which explains:

i. Any reasons why the Licensee was prevented from reaching TPL
ii. Any actions or plans to remedy or achieve the TPL in the future.

Of the non-live metrics, SUM2 was above MPL but below TPL and SDM3 did not meet TPL.

SUM2 (Firmware Management)

Despite the SUM2 (Firmware management) measure being dormant, DCC has worked with our service providers to increase performance, particularly in the north region, by delivering a service improvement plan. This saw performance increase from 11% to 98.17% over the course of 18 months and we expect this performance to continue to improve. This steady increase in performance has been achieved despite the known, and challenging, limitations of the technology in the north region and we have received positive feedback from our customers in relation to the increase in performance in the north.

In March 2024, DCC only needed to deliver a further 112 firmware requests in four days to reach TPL. These 112 requests were in addition to the 153,000 already sent. In February 2024, DCC was only 72 firmware requests away from reaching TPL. In addition, DCC and our service providers are consulting with industry on a scaling and optimisation programme of work which would increase capacity in the north, and should, if implemented, result in DCC meeting TPL in the future.

SDM3 (Change of Supplier)

SDM3 (Change of Supplier) is a measure in which a large portion is not fully within DCC's control to achieve. However, we recognise there must be an increase in performance which we are addressing directly with our service providers. The metric should measure the TRT, but we are unable to do that, so we measure RTT, and part of the RTT includes the time on the HAN that is out of DCC's control. Service user orchestration also impacts the time taken, which is outside of DCC's control. SECMP217 was raised and could have resolved this TRT issue meaning DCC could have provided accurate data however, this modification was rejected due to the cost, c£5-10m. SECMP217 would have gathered the timestamps from every part of the SRV journey across the DCC network.

SECMP242 will report the success of the customer journey for Change of Supplier, but we will still be unable to report accurately. SECMP187 was raised to look at a mechanism and to set targets for RTT's and the successful completion of SRVs across the DCC network to be based on historical DCC performance along with an annual review of the targets. These targets would have been agreed between DCC, SEC parties, and Ofgem for the overall RTT and success and could have provided DCC measures that could have also, potentially, been used in OPR (if agreed by industry and Ofgem) but this modification was also rejected.

There is nothing DCC can do within the current regulatory framework and infrastructure however we are working with our customers on SECMP242 to give a better insight into the CoS journey but unfortunately this will not provide a measurable target for use within the OPR.

Question 2

Provide a description and supporting evidence of the processes in place to quality assure reporting submitted to the Authority. This may include:

iii. Assurance the Licensee has undertaken on reporting received from their Service Providers
iv. Internal policy processes and procedures
v. Independent auditor reports
vi. Consistency with other related reporting (e.g. Smart Energy Code performance measures)
vii. Appropriate senior level management and oversight of quality assurance processes.

The process in which DCC quality assures the reporting submitted to the Authority has not deviated since last year. DCC continues to maintain a dedicated model for monitoring progress against the OPR and this model was designed to meet the reporting requirements outlined in Ofgem's OPR guidance. The model also ensures that DCC is actively monitoring its performance throughout the year and provides the opportunity to respond to any decline in performance immediately.

We can confirm that regular assurance continues to be undertaken on the reporting received from our service providers which is managed by the In-Life Supplier Service Delivery Management Team. This reporting is also reviewed each month by the Regulatory & Operational Reporting Team.

Each OPR measure has a dedicated senior owner within DCC who is responsible for ensuring the information provided within the RIGs is correct. The Regulatory & Operational Reporting Team, together with the Head of Economic Incentives reviews and quality assures all information before its submission. The Regulatory & Operational Reporting Team also ensure that the data is consistent with the information provided to, and approved by, DCC's Executive Committee (ExCo). DCC's ExCo also review the model outputs on a monthly basis.

Please see [Perf_OPR_CM_RY2324] for details on the quality assurance undertaken as part of the independent auditor report on contract management.

Question 3

Please provide an assessment of the number and percentage of incidences that have been exempt from reporting due to being exceptional events. Please include:

viii. Reasons events were excluded from performance reporting, and the number/percentage of exemptions that were for this reason
ix. Any quality assurance undertaken to ensure that categorisation of incidences as exceptional events was correctly applied.

DCC excluded a duplicate incident from reporting in August 2023 (INC0000001066209). In April 2023 INC0000001001905 was also excluded in the PMR, however it was reported on within OPR resulting in 98.73% DUIS availability.

Question 4

Please specify if, and explain why, additional reporting is not complete, for example because reporting was only developed part way through the year.

DCC is unable to report against the SMETS1 metric in the zero-weighted SUM2 measure. The data for this measure is not available and, the opportunity to implement the functionality to allow for this reporting was removed from the scope of SEC Modification 122B[1] (MP122B). The process to carry out firmware delivery differs between SMETS1 and SMETS2. Under SMETS1, the S1SPs are responsible, whereas, under SMETS2, it is the responsibility of the service users. This makes it very difficult to incorporate any service provider contract changes to include this metric. Therefore, as the SMETS1 measure is not able to be reported on, DCC suggests that it is removed from the scope of the OPR.

All other reporting is complete.

[1] SECAS, 11 Sep 2020: Modification » (smartenergycodecompany.co.uk)

Appendix C: Supporting evidence

Table 10 – Supporting evidence

Ref #	Evidence	File name / location
1	RIGs Annex 1	RIGS_Annex_1_RY2324
2	OPR progress reports (Oct-23 and Mar-24)	• 5.Perf_OPR_progress_report_October_2023.pdf • 5.Perf_OPR__progress_report_March_2024.pdf
3	SRV8.11 report	5.Perf_OPR_SRV_8.11_Report.pdf
4	SRV8.11 letter to Ofgem	5.Perf_OPR__SRV8.11_letter_to_Ofgem.pdf
5	SRV8.11 letter from OPSG to Ofgem	5.Perf_OPR_SRV_8.11_OPSG_Views_Letter_to_Ofgem.pdf
6	Customer engagement	Please see: • 5.Perf_OPR_Customer_Engagement_Cover_Letter_RY2324.pdf • 5.Perf_OPR_Customer_Engagement_Part1_RY2324.pdf • 5.Perf_OPR_Customer_Engagement_Part2_Ofgem_only_RY2324.pdf
7	Contract management – Barkers' audit draft report	5.Perf_Contract_Management_Audit_Draft_Report