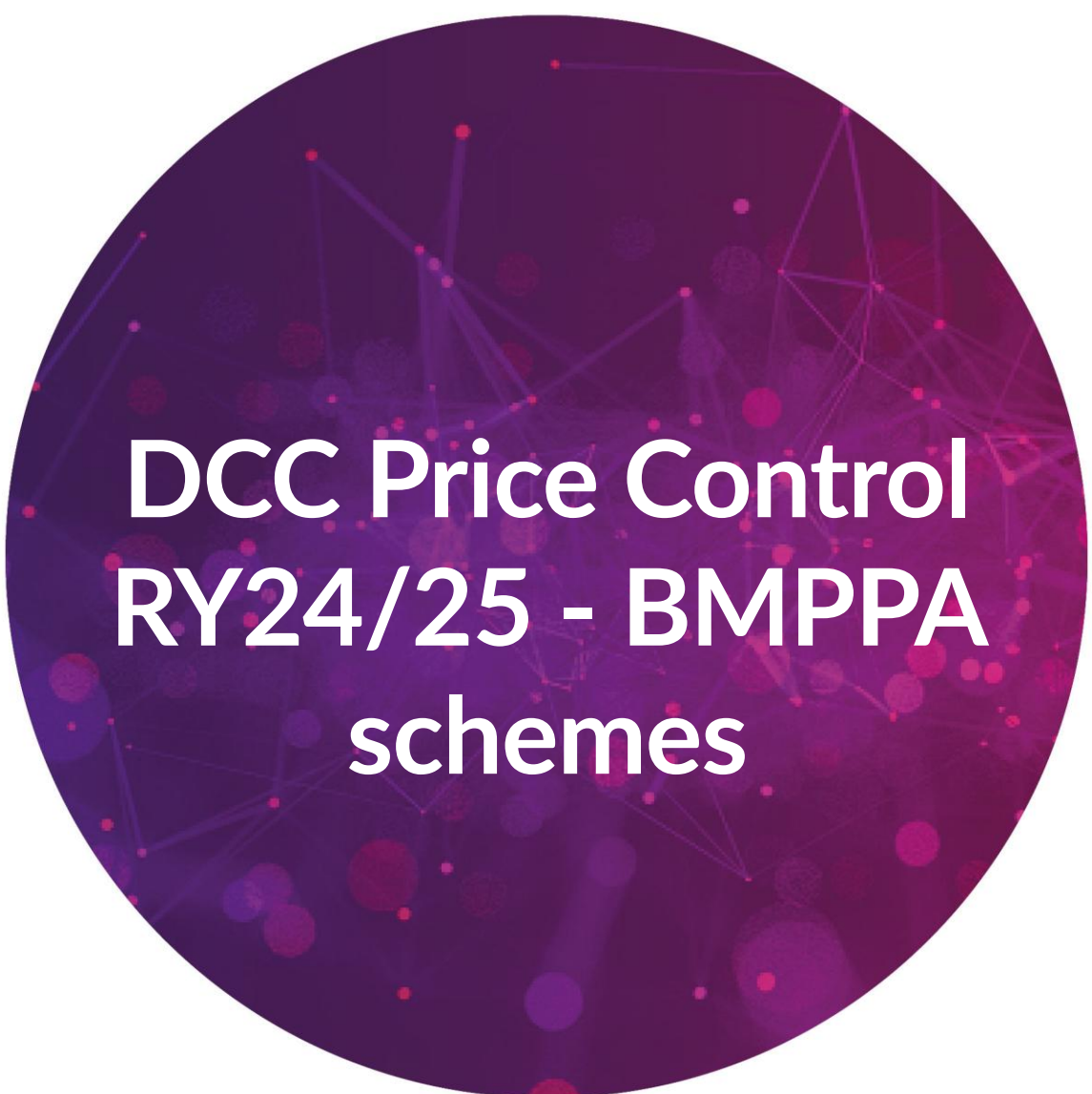




DCC Price Control RY24/25 - BMPPA schemes

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1. BMPPA Schemes

Summary

What is this and why is it important?

The Baseline Margin Project Performance Adjustment (BMPPA) schemes are designed to incentivise DCC in its delivery of specific programmes. The BMPPA schemes are set by the Department for Energy Security and Net Zero (DESNZ).

There are currently two live BMPPA schemes:

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

RY24/25 activities

The ECoS BMPPA scheme currently places £1.417m of margin at risk and our self-assessment (submitted to DESNZ on 31 January 2025) requests we retain £0.7m. The scheme included two project activities: 1) to achieve ECoS go live by 30 June 2022, and 2) to submit a report that included an assessment of our customer engagement and efforts to increase migrations and resolve any issues during the migration period. We are awaiting the Department's decision on the final scores and will include all formal reporting for the entire ECoS BMPPA scheme in the RY25/26 price control submission.

The 4G CH&N BMPPA scheme currently places £2.7m of margin at risk and, based on the completion of three of the four project activities and our expected performance for the remaining activity, we expect to retain £2.5m. Project activities 1 and 2 required DCC and SEC Panel to submit an assessment of our customer engagement. Project activity 1 was submitted on 31 July 2024 and project activity 2 on 31 July 2025. Project activity 3 required DCC to achieve a volume manufacture decision by 7 April 2025 (which was met), and project activity 4 requires DCC to report on the success rate of 10,000 4G CH installations (this is yet to be completed). We will include formal reporting for the entire 4G CH&N BMPPA scheme in the RY25/26 or RY26/27 submission, depending on completion of project activity 4 and subsequent DESNZ decision.

The SMETS1 BMPPA scheme closed in June 2022. Margin foregone has been spread into future years and RY24/25 is the last year in which DCC will be reporting on the SMETS1 BMPPA scheme.

Future activities

We expect to report on the final Project Activity Performance Factors (PAPFs) for the ECoS BMPPA scheme in the RY25/26 price control submission, once DESNZ has issued its decision.

We also expect to report on the final PAPFs for the 4G CH&N BMPPA scheme, at the latest, within the RY26/27 price control submission, once project activity 4 has concluded.

Three new BMPPA schemes for the Public Key Infrastructure Enduring (PKI-E) programme, the Data Service Provider (DSP) programme and Future Service Management (FSM) are currently in development, and we look forward to working with the Department to bring these into effect.

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.

Regime	Regime type	Status	Narrative reference	RIGs reference
Operational Performance Regime (OPR)	Operational	Live	Please see: 5.Perf_OPR_Customer_Engagement_Part 1_RY2425 5.Perf_OPR_Customer_Engagement_Part 2_Ofgem_only_RY2425 5.Perf_OPR_Customer_Engagement_Part 2_PUBLIC_RY2425	RIGs Annex 1
Enduring Change of Supplier (ECoS)	Programme	Live	Reported in this document	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 RY24/25	RIGs Annex 2
Future Service Management (FSM)	Programme	Not yet live	No reporting for RY24/25	RIGs Annex 2
Public Key Infrastructure - Enduring (PKI-E)	Programme	Not yet live	No reporting for RY24/25	RIGs Annex 2
Switching Incentive Regime (SIR)	Operational	Live	Please see: 5.Perf_Switching_SIRSDM1_RY2425 5.Perf_Switching_SIRVMM1_RY2425	RIGs Annex 4

Table 1 – Economic incentive regimes and their status

As set out above, this document explains the performance related to 4G CH&N and ECoS.

DCC is expecting to be subject to three new incentive regimes for the Public Key Infrastructure Enduring (PKI-E) programme, the Data Service Provider (DSP) programme and Future Service Management (FSM). We will provide the relevant reporting 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 assess DCC's customer engagement, project activity 3 sets a milestone target for DCC to achieve the Live Services Criteria (LSC) volume manufacture criteria by 07 April 2025 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. PA1 was reported on in RY23/24 with PA2 and PA3 reported on within this reporting period. However, as the 4G CH&N BMPPA scheme is still live and does not close until PA4 has concluded, no reporting has been included in the RY24/25 RIGs.

Currently, £2.741m is at risk against the entire 4G CH&N BMPPA scheme.

3.1. Project activity 1

Project activity 1 (PA1) assessed DCC's customer engagement for the 4G CH&N programme. 16.7% of the margin is placed at risk under PA1, with scores awarded between 0 – 3 by both DCC and the SEC Panel. 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 RY24/25 as we will include all formal RIGs reporting in the Price Control reporting year in which the programme closes.

Project activity 1 - customer engagement Designed to incentivise DCC to undertake high-quality customer engagement	
Minimum score	0
Maximum score	3
Final assessment (by DESNZ)	2.88 (95.8%)
DCC self-assessment	2.83 (94.44%)
SEC Panel assessment	2.83 (94.33%)
Project Activity Performance Factor for Project Activity 1	$\text{PAPF1} = 1 - \left(\frac{2.88}{3.00} \right) = 0.042$
Current estimate of margin at risk for PA1	£0.457m
Current estimate of margin impact	$£0.457\text{m} \times 0.042 = £0.019\text{m (loss)}$

Table 2 – 4G CH&N project activity 1 – customer engagement

3.2. Project activity 2

Project activity 2 (PA2) is also centred around DCC's customer engagement for the CH&N programme. 16.7% of the margin is placed at risk under PA2, with scores awarded between 0 – 3 by both DCC and the SEC Panel. Appendix A includes DCC's PA2 submission, which was submitted to the Department on 31 July 2025, for activities carried out between 01 April 2024 – 31 March 2025.

The table below sets out the calculations made for PA2. We have not included the reporting within Annex 2 of the RIGs for RY24/25 as we will include all formal RIGs reporting in the Price Control reporting year in which the programme closes.

Project activity 2 - customer engagement Designed to incentivise DCC to undertake high-quality customer engagement	
Minimum score	0
Maximum score	3
DCC self-assessment	2.88 (96%)
SEC Panel assessment	2.23 (74%)
Project Activity Performance Factor for Project Activity 2	$PAPF2 = 1 - \left(\frac{2.88}{3.00}\right) = 0.042$
Current estimate of margin at risk for PA2	£0.457m
Current estimate of margin impact	$£0.457m \times 0.042 = £0.019m$ (loss)

Table 3 – 4G CH&N project activity 2 – customer engagement

3.3. Project activity 3

Project activity 3 stipulates that DCC must satisfy the Live Service Criteria (LSC)2 volume manufacture decision criteria, detailed in paragraph 6.4 of the BMPPA scheme, on or before 07 April 2025. On 07 April 2025, the Department issued a notice to DCC which confirmed that DCC could progress to volume manufacture of 4G CHs. This position was also endorsed by the Smart Energy Code (SEC) Operations Group on 24 February 2025 and the SEC Panel on 07 March 2025. On 12 May 2025, the Department confirmed the full amount of margin associated with PA3 could be retained by DCC for PA3.

The table below sets out the calculations made for PA3. We have not included the reporting within Annex 2 of the RIGs for RY24/25 as we will include all formal RIGs reporting in the Price Control reporting year in which the programme closes.

Project activity 3 – volume manufacture Designed to incentivise DCC to meet the Live Service Criteria in order to progress to volume manufacture of 4G CHs	
Project Activity Performance Factor	0
Project Activity Performance Factor for Project Activity 3	$PAPF3 = 1 - \left(\frac{3.00}{3.00}\right) = 0.000$
Current estimate of margin at risk for PA3	£0.914m
Current estimate of margin impact	$£0.914m \times 0.0 = £0.0m$ (no loss)

Table 4 – 4G CH&N project activity 3 – volume manufacture

3.4. Project activity 4

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). DCC is due to submit the PA4 submission to the Department four-months after the criteria for PA4 has been met.

4. ECoS BMPPA

The Enduring Change of Supplier (ECoS) BMPPA regime comprises two project activities. Project activity 1 took place in RY22/23. Project activity 2 took place in RY24/25 and the final report was submitted to the Department on 31 January 2025.

Currently, £1.417m is at risk against the entire ECoS BMPPA scheme, split £0.425m for project activity 1 and £0.992m for project activity 2.

We have not included the reporting in Annex 2 as we recognise that, whilst the ECoS activities have now closed, there has not yet been a decision issued by the Department as to the final scores. We expect to include the scores in the RY25/26 price control submission.

4.1. Project activity 1

Project activity 1 related to the programme milestone to begin the replacement of Device Security Credentials of the CoS Party with information from an ECoS certificate by the Milestone Date of 30 June 2022.

30% of the ECoS baseline margin was put at risk against this milestone (which currently translates to a margin value £0.410m). This milestone was achieved on 29 June 2023 and so, the BMPPA scheme milestone for PA1 was not achieved.

Project activity 1 – go live milestone Designed to incentivise DCC to achieve go-live of the ECoS arrangements by 30 June 2022	
Project Activity Performance Factor	1
RIGs reference	Not Applicable
Project Activity Performance Factor for PA1	$PAPF1 = 1 - \left(\frac{0}{3.00} \right) = 1$
Current estimate of margin at risk for PA1	£0.425m
Current estimate of margin impact	£0.425m x 1.0 = £0.425m (full loss)

Table 5 – ECoS project activity 1 – go live milestone

4.2. Project activity 2

Project activity 2 places 70% of the ECoS margin at risk (this currently translates to a margin value £0.992m). This project activity is broken down by the following 5 quality factors:

- Quality factor A: From 31 Oct 2023, the DSP should no longer be providing TCoS keys (40%)
- Quality factor B: DCC has identified any 'difficult to migrate' devices and provided support to any customers with them as early as possible (20%)
- 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%)
- Quality factor D: Customer engagement (20%)
- Quality factor E: Adjustment factor based on successful processing of SRV6.23s. Uses average of 5 lowest days of performance

The scores below are the scores DCC has provided via self-assessment. The Department is due to issue a consultation of their draft scores in Q3 2025. They are then expected to issue its final decision in Q4 2025. As such, DCC will include all final RIGs reporting in RY25/26.

Project activity 2 – Quality Factor A Designed to incentivise DCC to ensure the DSP is no longer providing TCoS keys	
Minimum score	0
Maximum score	3
DCC self-assessment	1.3
Department assessment	Not Available

Table 6 – ECoS project activity 2 – QFA: DSP no longer providing TCoS keys

Project activity 2 – Quality Factor B Designed to incentivise DCC to identify difficult to migrate devices and provide support to industry	
Minimum score	0
Maximum score	3
DCC self-assessment	3
Department assessment	Not Available

Table 7 – ECoS project activity 2 – QFB: Identification of difficult to migrate devices and provide support

Project activity 2 – Quality Factor C Designed to incentivise DCC to minimise number of devices to enter supply chain with TCoS certificates	
Minimum score	0
Maximum score	3
DCC self-assessment	2
Department assessment	Not Available

Table 8 – ECoS project activity 2 – QFC: Minimise number of devices to enter supply chain with TCoS certificates

Project activity 2 – Quality Factor D Designed to incentivise DCC to seek carry out effective customer engagement during the ECoS programme	
Minimum score	0
Maximum score	3
DCC self-assessment	2.8
Department assessment	Not Available

Table 9 – ECoS project activity 2 – QFC: Minimise number of devices to enter supply chain with TCoS certificates

Project activity 2 – Summary Designed to incentivise DCC to achieve quality factors relating to the performance of the ECoS activities	
RIGs reference	Not Applicable
Project Activity Performance Factor for PA2	$PAPF2 = 1 - \left(\frac{2.10}{3.00} \right) = 0.30$
Current estimate of margin at risk for PA2	£0.992m
Current estimate of margin impact	$£0.992m \times 0.3 = £0.325m \text{ (loss)}$

Table 10 – ECoS project activity 2 – Summary of performance

5. SMETS1 BMPPA

In RY22/23 DCC completed the development of a solution for the migration of cohorts or SMETS1 devices onto the DCC network (the 'SMETS1 Programme'). 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. DCC reported on the final performance against that scheme in the RY22/23 price control submission.

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.

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.

This is the final year we will report against the SMETS1 BMPPA scheme.

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 were later informed of the Department's intention to establish a BMPPA scheme for the Future Service Management (FSM) programme. We have been working closely with the Department to develop those regimes and have submitted margin to be associated with each regime in this year's supporting Baseline Margin Adjustment (BMA) application.

Appendix A: BMPPA supporting files

#	File	Description	File name / location
1	4G CH&N BMPPA PA1 report	Report submitted to the Department for 4G CH&N PA1	5.Perf_BMPPA_CH&N_PA1_Submission_RY2324.pdf
2	4G CH&N BMPPA PA2 report	Report submitted to the Department for 4G CH&N PA2	5.Perf_BMPPA_CH&N_PA2_Submission_RY2425.pdf
3	ECoS BMPPA report PA1 and PA2	Report submitted to the Department for ECoS PA1 and PA2	5.Perf_BMPPA_ECoS_PA1_PA2_Submission_RY2425.pdf

Table 11 – BMPPA supporting files