



Central Registration Service (switching) Performance in RY22/23

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Table of Contents

1.	Executive summary	3
2.	Background and context.....	3
3.	DBT performance.....	4
4.	Discretionary Reward Mechanism	5
5.	Discretionary Data Reward.....	6
6.	Switching Incentive Regime (SIR) - enduring service	6
	Appendix A: Supporting evidence	7

1. Executive summary

Summary

- The Central Switching Service now makes switching energy suppliers faster, more reliable, and more efficient. We've worked with Ofgem, customers and our partners to make this a reality since the service went live in July 2022. We are now successfully delivering a service which cuts out complicated processes and reduces the time it takes for consumers and businesses to make an energy supplier switch. It's also providing a more reliable process for Switching.
- During the Design, Build and Test (DBT) phase of the switching programme, £2.74m was placed at risk against five delivery milestones. Whilst we experienced a loss associated with the first delivery milestone (DM1) in RY2019/20, the remaining five were achieved in full, and on time. Therefore, in summary, we are reporting a loss against just DM1 of £0.58m. This is reflective of the positive success we have seen on the switching programme overall.
- This loss has been partially offset by DCC's further work on address matching through the Discretionary Data Reward (DDR) and customer engagement through the Discretionary Reward Mechanism (DRM). We successfully demonstrated our outperformance in these areas which has resulted in additional margin of £0.20m.

2. Background and context

This document focuses on the incentive scheme associated with the Switching Programme only. The full report on DCC's Switching Programme is set out in Section 4 (ii) of this year's Price Control submission.

Since RY2017/18 DCC has been tasked with creating a central switching service. Whilst the service is now live, the activity was divided in to three distinct phases:

1. Transitional phase (from RY17/18 to RY19/20)
2. Design, build and test (DBT) phase (from RY19/20 to RY22/23)
3. Enduring phase (from July 2022 onwards)

For each of these phases, DCC is subject to economic incentives to encourage a high-quality service. This submission reports on our performance during the DBT phase only which ended in RY22/23.

As directed by Ofgem, DCC was allowed to earn 12% margin (13.6% as a mark-up) on all Switching Internal Costs for the duration of the transitional and DBT phases of the Switching programme. The value of retained margin is calculated as follows:

$$\mathbf{CRSPAD_t = 13.6\% * (CRSICD_t - DM1_t - DM2_t - DM3_t - DM4_t - DM5_t + DRM_t) + DDR_t}$$

During the DBT programme phase of Switching, £2.74m¹ of DCC's margin was placed at risk against five delivery milestones. DCC was also able to apply for additional adjustment of +/- £0.20m if it could demonstrate that it had met the criteria for the DDR. The DRM also allowed DCC to recover any previously lost margin.

¹ See row 57 of worksheet 3 multiplied by 13.6%

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: <ul style="list-style-type: none"> 5.Perf_OPR_RY2223 5.Perf_OPR_Customer_Engagement_Cover_Letter_RY"223 5.Perf_OPR_Customer_Engagement_Part1_RY2223 5.Perf_OPR_Customer_Engagement_Part2_Ofgem_only_RY2223 5.Perf_OPR_Customer_Engagement_Part2_PUBLIC_RY2223 	RIGs Annex 1
Switching Incentive Regime (SIR)	Operational	Live	No reporting for RY22/23	RIGs Annex 4
SMETS1	Programme	Closed	Please see: 5.Perf_BMPPA_SMETS1_ECoS_RY2223	RIGs Annex 2
Enduring Change of Supplier (ECoS)	Programme	Live	Please see: 5.Perf_BMPPA_SMETS1_ECoS_RY2223	RIGs Annex 2
4G Communications Hubs and Networks (4G CH&N)	Programme	Not yet live	No reporting for RY22/23	RIGs Annex 2
Switching	Programme	Closed	Reported in this document	RIGs Annex 4

Table 1 - Economic incentive regimes and their status

As set out above, this document explains the performance related to the Switching programme only and, as such, provides the supporting commentary for worksheet 3 in RIGs Annex 4.

In RY22/23 we completed the Switching programme, and as such the incentive scheme activities were complete, with any continuing spend on staff being transferred across to be put at risk under the new SIR. This ensures that all DCC's margin continues to be put at risk against our performance.

3. DBT performance

The final of the five milestones, Delivery Milestone 5 (DM5), fell due in RY22/23. The purpose of this milestone was to confirm that all elements of the transition to live services were complete. DM5 was due on 30 July 2022, and achievement was confirmed by the Delivery Group on 30 June 2022.

Overall performance against the DBT incentive scheme is summarised below:

Delivery milestone	Due date	Performance	Margin impact (£m)
DM1 - DBT Readiness	31-Jul-19	Not achieved on time	-0.576
DM2 - completion of PIT	14-Apr-20	Achieved on time	-
DM3(a) – system integration preparation complete (functional)	14-Apr-20	Achieved on time	-
DM3(b) – system integration preparation complete (non-functional)	3-Jun-20	Achieved on time	-
DM4 – end to end testing	18-Feb-22	Achieved on time	-
DM5 – transition stage 2 exit	30-Jul-22	Achieved on time	-
DRM	17-Oct-22	Score of 2.3 out of 4 awarded by Ofgem	+0.099
DDR	17-Oct-22	Score of 2.1 out of 4 awarded by Ofgem	+0.105
Margin lost / gained (£m)			-0.372

Table 2 – Summary of DBT performance

DCC is submitting the DM5 achievement certificate as evidence of successful achievement of DM5, which is embedded in Appendix A.

This year's submission of RIGs Annex 4 has been updated to show that:

- DM5 was achieved in RY22/23 – cell Q82 in worksheet 3 in RIGs Annex 4 has been populated with the value '0' to indicate that DM5 was achieved on time. A note has also been made in the cell to explain this.
- We were awarded a score of 2.3 out of 4 for DRM - cell Q92 in worksheet 3 of RIGs Annex 4 has been populated with the value 0.731 to reflect this i.e. $(2.3/4) * 30% * DM1 \text{ loss}$
- We were awarded a score of 2.1 out of 4 for DDR – cell Q94 in worksheet 3 of RIGs Annex 4 has been populated with the value 0.105 to reflect this i.e. $(2.1/4) * 0.2$
- The previous entries for DM1-DM4 have been left unchanged, and as it stands, reports an overall loss of £0.58m relating to DM1 i.e. cell N59*13.6%.

We would welcome clarification from Ofgem as to whether this correctly estimates the final Switching DBT margin.

4. Discretionary Reward Mechanism

The DRM was enacted to ensure DCC remained continually motivated to successfully deliver the Switching Programme and consider the needs of its many key programme stakeholders in doing so. The DRM requirements ensured that DCC engaged with, and made decisions based on, stakeholders who would be directly impacted by the delivery of the Centralised Registration Service (CRS) and the Central Switching

Service (CSS). This required an enhanced engagement approach that put transparency at the heart of major programme decisions. The DRM allows for DCC to recover a portion (up to 30%) of lost margin from previous milestones which have not been achieved if the baselined programme Go Live date is subsequently met; and certain outcomes in relation to engagement and communication are achieved. We submitted our DDR application to Ofgem on 17 October 2022 (see [Appendix A](#)), which was within three months of the go live date of the new switching service. In summary we believe we achieved very good outcomes in the context of stakeholder engagement and consider that the full award of 30% of the DM1 loss should be granted. On 19 July 2023, Ofgem confirmed its decision to award a score of 2.3 out of 4 in respect of the DRM.

Cell Q92 in worksheet 3 of RIGs Annex 4 has been populated with the value 0.731 to reflect this decision. i.e. $(2.3 / 4) * 30\% * \text{DM1 loss}$.

5. Discretionary Data Reward

The vast improvements in data quality have been central to the success of the Switching Programme and the value in this activity was rightly foreseen by Ofgem when developing the DDR incentive regimes.

The DDR allowed for a discretionary adjustment to be made to DCC's Switching margin within a region of +/- £0.200m. This was contingent on the baseline quality standard for the Retail Energy Location (REL) address matching being met or exceeded, and on whether certain outcomes in relation to the management of costs of the service provider contract(s) had been achieved. We submitted our DDR application to Ofgem on 17 October 2022 (see [Appendix A](#)), which was within three months of the go live date of the new switching service. In summary we consider that all criteria were met and that the full award of £0.20m should be awarded to DCC. On 19 July 2023, Ofgem confirmed its decision to award a score of 2.1 out of 4 in respect of the DDR.

Cell Q94 in worksheet 3 of RIGs Annex 4 has been populated with the value 0.105 to reflect this decision. i.e. $(2.1 / 4) * 0.200$.

6. Switching Incentive Regime (SIR) - enduring service

In March 2023 the SIR was created, which introduced new operational incentives for the enduring switching service from RY23/24 onwards. We remain concerned that the largest percentage of margin at risk (80%) is placed under an incentive regime that is still under development. Our position on this remains unchanged in that SIRSDM1 should only be activated once a mutually agreed set of Service Level Agreements (SLAs) is established.

It is important to note that the new SIR will also measure DCC against customer service. This differs to the focus of the OPR under the Smart Energy Code which covers both communication over service delivery and, more significantly, engagement by DCC in relation to major changes to SMETS services being delivered by DCC. We continue to consider that the customer element within the SIR should be renamed to 'Customer Service' to better reflect the activity that the incentive is measuring.

As agreed with Ofgem, we have populated enduring switching costs in Annex 4, and therefore the SIR data will be submitted in Annex 4 too. We expect to submit our first report on the new SIR in July 2024.

Appendix A: Supporting evidence

Ref #	Document	File name / location
1	RIGS Annex 4	RIGS_annex_4_RY2223
2	Delivery Milestone 5 achievement report	
3	DDR application	
4	DRM application	
5	Ofgem decision on DDR and DRM schemes	

Table 3 – Supporting evidence