



Baseline Margin Project Performance Adjustment (BMPPA) in RY22/23

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Table of Contents

1.	Executive summary	3
2.	Introduction	3
3.	SMETS1 BMPPA	4
3.1.	Summary	4
3.2.	Project activity 1	4
3.3.	Project activity 2	5
3.4.	Submission to DESNZ	5
3.5.	RIGs reporting	5
4.	ECoS BMPPA	5
4.1.	Project activity 1	5
4.2.	Project activity 2	6
4.3.	Reporting.....	6
	Appendix A: BMPPA supporting files.....	7

1. Executive summary

Summary

- In RY22/23, the only Baseline Margin Project Performance Adjustment (BMPPA) scheme that closed was SMETS1. In summary, we achieved 39% against the SMETS1 BMPPA scheme. This document provides more detail on this.
- This document also provides an update on the Enduring Change of Supplier (ECoS) scheme, which is due to close in RY24/25.

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: <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	Reported in this document	RIGs Annex 2
Enduring Change of Supplier (ECoS)	Programme	Live	Reported in this document	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	Please see: 5.Perf_Switching_incentives_RY2223	RIGs Annex 4

Table 1 - Economic incentive regimes and their status

As set out above, this document explains the performance related to SMETS1 and ECoS only and, as such, provides the supporting commentary for RIGs Annex 2.

In RY22/23 we completed the SMETS1 programme, and as such the incentive scheme activities was complete, with any continuing spend on staff being transferred across to be put at risk under the Operational Performance Regime as a core activity. This ensures that all of DCC's margin continues to be put at risk against our performance.

3. SMETS1 BMPPA

3.1. Summary

DCC has been developing and operating the solution for the migration of cohorts of SMETS1 devices onto our secure, national infrastructure for a number of years. 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 places 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.

Following the completion of the scheme on 30 June 2022, we submitted a report to the Secretary of State (copied to the Authority and SEC Panel) which set out the values of the PAPFs for Project Activities 1 and 2, together with supporting information and evidence to support these conclusions.

The final report was also required to be accompanied by a statement from an independent auditor. This statement will take the form of an ISAE 3000 reasonable assurance opinion on whether, in all material respects, the SMETS1 Enrolment data reflect the underlying records and the PAPFs have been properly calculated under the Baseline Margin Project Performance Adjustment Scheme.

In summary we reported the following PAPF values:

Project activity	PAPF value	Margin at risk (£m)	Margin retained (£m)	Margin lost (£m)	ASR impact (£m)	Total loss (£m)
1	0.248	6.640	4.994	1.646	0.002	1.648
2	0.967	6.640	0.216	6.424	0.005	6.429
		13.281	5.210	8.070	0.007	8.077
Margin retained (%)			39.23%			

Table 2 - SMETS1 performance summary

3.2. Project activity 1

Project activity 1 set a speed related incentive target on DCC. It was designed to incentivise DCC to meet the target enrolment quotient of 0.32 between May 2019 and June 2022. 50% of the total SMETS1 margin was put at risk against this project activity, which currently translates to a margin value £6.64m.

Between May 2019 and June 2022, we achieved an enrolment quotient of 0.22 compared to the target of 0.32. This translated to a 68% achievement and a PAPF1 value of 0.25.

3.3. Project activity 2

Project activity 2 set a volume related incentive target on DCC. It was designed to incentivise DCC to meet the enrolment target of 9m in the period between May 2019 and June 2022. 50% of the total SMETS1 margin was put at risk against this project activity, which currently translates to a margin value £6.64m.

Between May 2019 and June 2022, we enrolled 5.47m SMETS1 meter systems compared to the target of 9m. This translated to a 61% achievement and a PAPP2 value of 0.97.

3.4. Submission to DESNZ

Clause 6.1 of the SMETS1 BMPPA scheme required us to submit a report to the secretary of state in July 2022 setting of the values of the PAPPs for project activities 1 and 2. That report is included in [Appendix A](#). We were also required to submit a statement from an independent audit confirming that the values were correct. That report is also set out in [Appendix A](#).

3.5. RIGs reporting

This data is set out rows 39 and 40 in worksheet 'P2' in the RIGs Annex 2 RIGs Reporting Template. Row 27 in worksheet '2' shows the final PPA2_t value of £8.08m.

Given the materiality of the value associated with the SMETS1 BMPPA scheme, DCC has applied a 3-year phasing to the release of it. This is reflected in worksheet '7' of the main RIGs template where we have phased the values for each project activity for the total programme performance over 3 years in cells Q116 and S117 (as opposed to entering in separately for each year). This has the impact of reducing the BPPA for the next 3 years by £2.69m each year rather than the entire £8.01m in just RY22/23.

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.

Currently, £0.61m is at risk against the entire ECoS BMPPA scheme, however we expect this value to increase.

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 £0.18m). This milestone was achieved on 29 June 2023 and so, the BMPPA scheme milestone was not achieved.

In 2021, in line with the original Licence Condition 13 (LC13) plan¹, we completed a scheduled planned review with our Service Providers. The outcome of that review was that the go-live date had moved from June 2022 to June 2023 – which was subsequently achieved. DESNZ was fully aware that the industry was no longer working to the June 2022 date for a significant period of time. The re-planned dates were reflective of effective planning carried out at the right time and we continue to believe that the BMPPA dates set in 2020 were set too early. This replanning also impacts project activity 2 (specifically quality factor A) as we will need to rely on the Data Service Provider (DSP) contract after October 2023. It was unfortunate that DESNZ chose not to adjust the dates for PAPP1 and PAPP2 to reflect the more realistic industry plan for ECoS. Should this date be moved to more reasonable 30 June 2023, this project activity would have been achieved in its entirety and we would have retained £0.18m.

¹ DCC, Consultation on the delivery plan for ECoS: 2 <https://www.smartdcc.co.uk/consultations/consultation-on-the-delivery-plan-for-enduring-change-of-supplier-1/>

4.2. Project activity 2

Project activity 2 places 70% of the ECoS margin at risk (this currently translates to a margin value £0.43m). 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%)

We have commenced providing monthly reports to DESNZ relating to quality factor E. The rest of the quality factors will be reported on after the ECoS migration is complete.

4.3. Reporting

We expect to submit the full report on the overall performance on the ECoS programme in the Annex 2 RIGs Reporting Template in the 2025 price control submission.

We expect to submit the full report on the overall performance on the ECoS programme to DESNZ on 31 Jan 2025.

Appendix A: BMPPA supporting files

#	File	Description	Link/location
1	DCC SMETS1 BMPPA report cover letter (18Aug22)	Cover letter for SMETS1 BMPPA report sent to the Department following the completion of the audit	
2	DCC SMETS1 BMPPA report (18Aug22)	SMETS1 BMPPA report sent to the Department following the completion of the audit	
3	SMETS1 Enrolment Assurance Independent Auditor Report on complete and accurate calculation of the Project Activity Performance Factors	Report from independent auditor confirming calculations are correct	

Table 3 – BMPPA supporting files