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**12 June 2020**

Dear Mr Roberts

**Citizens Advice response to DCC Operational Performance Regime (OPR) Review**

Citizens Advice welcomes the opportunity to respond to this consultation as part of its statutory role to represent domestic and small business energy consumers in Great Britain. Our response is not confidential and may be published.

Citizens Advice represents the interests of consumers via the Smart Energy Code Panel and its working groups and has consistently sought to ensure the best service at the most efficient costs for consumers.

In past responses to Ofgem consultations on DCC oversight<sup>1</sup>, we have highlighted how outcome-focused performance metrics and better DCC performance in stakeholder engagement and contract management could improve outcomes for end consumers. We therefore fully support the revised performance metrics and the proposals for new incentives. Although the margins at stake for consumer engagement and contract management are relatively small, we believe the proposed mechanisms recognise the common stakeholder view that improvements in these areas are vital.

The OPR is, however, not the only mechanism in the price control to incentivise the DCC's performance, particularly for contract management. The quality of contract management should be a core competency of the DCC given that the majority of costs are for external providers. There is a need for improvement in performance, which is apparent in the management of Arqiva. This has led to significant failures in service delivery for DCC users and end consumers<sup>2</sup>. We think alongside an incentive for strong performance, the DCC should better share in the risks that DCC users and end consumers are currently exposed to.

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<sup>1</sup> Citizens Advice Response to Ofgem's Consultation on DCC Price Control for Regulatory Year 2018/19  
[https://www.ofgem.gov.uk/system/files/docs/2020/01/2019\\_12\\_dcc\\_price\\_control\\_ry2018-19\\_-\\_citizens\\_advice\\_response.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/01/2019_12_dcc_price_control_ry2018-19_-_citizens_advice_response.pdf)

<sup>2</sup> *Ibid* p8

## **System performance metrics**

The system performance metrics that Ofgem have chosen from the options provided by the OPSG Operational Metrics Review project move away from largely technical outputs to more outcome-focused results for suppliers and the end consumer. We think this shift provides better accountability for the provision of service. It removes risk factors that DCC users and end consumers are exposed to before end use outcomes are achieved. In particular, we think the prepayment metric is an important step to ensuring that prepayment consumers get priority support within DCC's service.

We understand Ofgem's rationale for keeping a small group of system performance incentives to ensure they are each significant enough to provide a meaningful incentive. This requires a tight focus on a limited number of metrics. In the future, we expect that the switching and billing incentives that were proposed by the OPSG are likely in the future to be vital DCC operations for consumer trust with smart metering and engagement with their energy service more generally. Any DCC failure to retrieve readings and exchange security keys will impact suppliers and end consumers. Particularly given that faster switching and half-hourly settlement reforms will be increasingly reliant on accurate and prompt service requests.

## **Project and region targets**

It is important that the weighting of incentives between regions and SMETS1 and SMETS2 services should be proportionate, but it should also ensure that no consumer groups are left behind. We want an incentive that doesn't leave a small number of consumers behind when incentives get too small. So we support a baseline incentive that ensures sufficient attention is provided to those that it is particularly challenging to serve.

## **The customer engagement incentive**

The simplification of the weighting metric from the initial proposal is a positive step. The weighting is now set in relation to their relative importance.

The most important factor is that stakeholder views are taken into account through a clearly set out stakeholder engagement approach with metrics for where customer views have influenced decision making. The timing, frequency and quality of information provision are prerequisites that make this possible. The DCC can only take customer views into account effectively by providing quality information in a timely manner. Performance should be assessed against objective metrics for an agreed-upon strategy for engagement. We encourage a weighting for taking customer views into account as the priority here.

## **Contract and procurement mechanism**

Contract management is a vital capability for the DCC to ensure the quality resilience of services and to provide end consumers value for money. It is appropriate that this activity is incentivised. However, the holistic context of contract and procurement mechanisms within both DCC's overall objectives and the implications for stakeholders. To ensure that DCC's contract and procurement mechanisms are viewed in the appropriate context the SEC Panel should have a role in setting out how contract management has materially affected stakeholders. This should inform the auditor about the scenarios and evidence of what has taken place over the audit period.

Thank you for the opportunity to respond to this consultation and please do get in contact if you have any further questions.

Kind regards,

Ed Rees

Senior Policy Researcher

**Patron HRH The Princess Royal**      **Chief Executive Dame Gillian Guy**

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