Department for Business, Energy & Industrial Strategy

Department for Business, Energy & Industrial Strategy
1 Victoria Street,
London SW1H 0ET

www.gov.uk/beis

8 April 2022

The Authority (Ofgem), the SEC Panel, Smart DCC Limited, other SEC Parties and other interested parties

Dear Colleague,

SMART METERING IMPLEMENTATION PROGRAMME: CONCLUSION ON AND NOTICE OF CHANGES TO THE ENDURING CHANGE OF SUPPLIER BASELINE MARGIN PROJECT PERFORMANCE ADJUSTMENT SCHEME FOR DCC; AND A NOTICE OF THE PROCESS TO BE FOLLOWED IN MAKING A DETERMINATION

The conclusions document at the Appendix to this letter sets out BEIS' conclusions following responses received to its consultation published on 23 December 2021[1], which sought views on:

i) proposals to formalise the detail of the Baseline Margin Project Performance Adjustment (BMPPA) Scheme for the Data Communications Company (DCC) regarding delivery of the Enduring Change of Supplier (ECoS) Arrangements. Further minor amendments were also proposed to the Scheme to reflect considerations relating to the decommissioning of the TCoS arrangements, to simplify the algebra of the scheme in light of the introduction of the new incentive and to extend the assessment period in light of delay in commencement of migration arising from a DCC replan; and

ii) a draft of a notice under paragraph 6.3 of the BMPPA Scheme for ECoS that the Secretary of State is required to issue prior to making any determination of the Quality Factors under the scheme, setting out the process to be followed prior to making such a determination and the criteria to be applied for the purposes of that determination.

In light of the consultation conclusions, this letter also constitutes a notice to Smart DCC Limited issued under paragraph A11 of Appendix A to condition 38 of the Smart Meter Communication Licences that the BMPPA Scheme for ECoS is amended to be of the form set out in Annex 1 to the Appendix to this letter.

[1] https://smartenergycodecompany.co.uk/latest-news/beis-consultation-on-amendments-to-the-bmppa-scheme-for-ecos-and-draft-notice-under-paragraph-6-3-of-that-scheme/

Annex 2 to Appendix 1 of this letter constitutes a notice under paragraph 6.3 of the BMPPA Scheme for ECoS in Annex 1 of the Appendix.

This conclusion applies to the gas and electricity markets in Great Britain. Responsibility for energy markets in Northern Ireland lies with the Northern Ireland Executive's Department for the Economy.

Yours faithfully,

Duncan Stone

Deputy Director & Head of Delivery,
Smart Metering Implementation Programme

(An official of the Department for Business, Energy & Industrial Strategy authorised to act on behalf of the Secretary of State)

Appendix and Annexes

Appendix:	Conclusions Document
Annex 1 to Appendix:	Amended BMPPA Scheme for ECoS
Annex 2 to Appendix	Notice under paragraph 6.3 of the BMPPA Scheme for ECoS

Appendix: Conclusions Document

1. Introduction

1.1. On 23 December 2021, BEIS issued a consultation[1] on proposed changes to the Baseline Margin Project Performance Adjustment (BMPPA) Scheme for the implementation of the Enduring Change of Supplier (ECoS) Arrangements[2]. The consultation also sought views on a draft of the process to be followed and criteria to be applied in the determination of the Quality Factors referred to in paragraph 6.3 of the BMPPA Scheme for ECoS.

2. What was proposed in the consultation?

Changes to incorporate a metric to measure the success of DCC's processing of CoS Service Requests during migration:

2.1. BEIS proposed that a metric would be used to determine DCC's performance in processing CoS Update Security Credentials Service Requests (Service Reference Variant 6.23) "6.23s" over the period of migration from TCoS to ECoS.

2.2. The detail of how the metric would work was explained in the consultation document[1] and, for brevity, is not repeated here.

2.3. The consultation also proposed to apply the same general principles as set out in our October 2020 conclusions document on the original scheme[3] for reopening BMPPA schemes if there was an event outside the DCC's control that affected the DCC's ability to process 6.23s, and explained further what that meant in the context of the new metric.

Other proposed adjustments to the BMPPA Scheme

2.4. The consultation also put forward a number of other relatively minor proposed adjustments to the BMPPA Scheme for ECoS. These included:

i) changing the wording in Specified Step A of the scheme to reflect the possibility that the TCoS Private Key could continue to be available for use outside the DSP systems past 31 October 2023;

ii) a change to simplify the algebra in the scheme in light of the introduction of the new metric for processing 6.23s; and

iii) a change to the end date of the ECoS Migration Period (i.e., the period over which DCC's performance is assessed).

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[2] The changes were to the original BMPPA Scheme which was first consulted on in July 2020 and can be found here: https://smartenergycodecompany.co.uk/latest-news/beis-consultation-on-bmppa-scheme-for-ecos/.

[3] The associated conclusions document was published in October 2020: https://smartenergycodecompany.co.uk/latest-news/beis-consultation-response-on-bmppa-scheme-for-ecos/.

Process and criteria for assessment of Quality Factors

2.5. The consultation also included a draft of a notice under paragraph 6.3 of the BMPPA for ECoS which set out the proposed process and criteria for determining the Qualify Factors under the Scheme.

3. Consultation Questions Asked, Responses and Government View

3.1. We received three responses to our consultation, one from the SEC Panel, one from a Supplier Party and one from the DCC. This section sets out the consultation questions asked, the responses received and BEIS' conclusions.

Q1: Do you agree with BEIS' proposals to modify the BMPPA Scheme for ECoS in the manner set out in Section 2 above in order to incorporate an incentive on DCC relating to its processing of CoS Service Requests during migration? Please provide a justification of your views.

Q1 Stakeholder views

3.2. One respondent agreed, with another saying that migration to ECoS should not result in an adverse impact on existing services.

3.3. The DCC suggested that the proposal would mean that the DCC would be likely to be penalised twice in relation to processing of 6.23s if there was a degradation in service, because it was expected that under the new Operational Performance Regime (OPR) DCC would be incentivised on all Service Requests through metric PM1.1, and as such it might be appropriate to exclude 6.23s from PM1.1. They also suggested that it might be the case that the reason that DCC was unable to process 6.23s had nothing to do with the migration to ECoS and that they might be penalised under the BMPPA Scheme in such circumstances.

3.4. The DCC also suggested that the baseline period for the new metric should be three months and should be measured at least three months before commencement of migration such that any issues arising can be dealt with. It also suggested that BEIS should confirm that it recognises that there will be additional resources and costs to implement the extra reporting requirements (including triage and visualisation of data) and that customers should be made aware of the additional costs. Furthermore, the DCC stated that if it implemented a Technical Operations Centre (TOC) solution, the DCC would need to liaise with DSP on a daily basis to identify if any reduction in performance was due to ECoS rather than any other unrelated activity, and that they believed that any metrics used for the purpose of incentivisation should always be sourced from service provider contracts as a matter of principle.

3.5. DCC additionally suggested that the CSS cut off for CoS events was 5pm each day and that CoS requests submitted after this time would be held over until the next day, meaning that requests submitted after 5pm will be deemed to have failed under the incentive scheme, and suggested that the time period be changed to reflect this.

3.6. The DCC also felt that the use of a multiplier was unduly penal and that it would potentially reduce its incentive to deliver on Specified Steps A to D, and that taking the average of the worst performing days, rather than an average over the whole period would only act as a penalty for past performance, whereas with an average over all days, it would be incentivised to work with their service providers to try to improve performance. DCC considered that this was particularly the case given that it may have already lost margin as a consequence of the replan.

Q1 BEIS Response

3.7. BEIS considers that the purpose of the proposed revision to the BMPPA is to incentivise the DCC to ensure that the ECoS Arrangements do not have an adverse impact on the processing of 6.23s during the migration period. We accept that the wording put forward was not sufficiently clear that BEIS will consider an adjustment to the BPPA Scheme if the reason why the DCC is performing poorly in processing 6.23s is due to circumstances that could be considered to be within DCC's control, but which are unrelated to the ECoS Arrangements.

3.8. BEIS therefore intends that the following would apply when BEIS is considering making an adjustment to the BMPPA Scheme insofar as it relates to the operation of the metric used to measure performance in processing 6.23s:

i) In the event of a *force majeure* (i.e. an Act of God) or incident outside the reasonable control of DCC and its External Service Providers that adversely affects DCC's processing of 6.23s, we propose to allow the incentives to be appropriately adjusted.

ii) We also propose to allow the incentives to be appropriately adjusted where an event adversely affecting the DCC's processing of 6.23s was not caused by and does not have any connection to the Enduring Change of Supplier Arrangements, although we will assume that any failure is caused by ECoS unless the DCC can clearly show that this is not the case.

iii) Whilst recognising that a failure to be able to process 6.23s could be due to circumstances described in sub-paragraphs (i) and (ii) above, the Secretary of State expects the DCC to actively manage its dependencies and, where possible, mitigate any relevant risks. The mechanism for dealing with such events would be for the Secretary of State to consult on a replacement project incentive scheme that adjusted for the incident accordingly.

iv) In circumstances where the DCC envisages that its ability to process 6.23s has been adversely impacted by circumstances described in sub-paragraphs (i) or (ii) above and the DCC has taken steps to actively manage and mitigate the risk of such circumstances impacting on such delivery, then it will need to apply to the Secretary of State to request a modification of BMPPA Scheme. The Secretary of State will consider any such request and may (or may not) propose modifications to the BMPPA Scheme as he considers appropriate in all of the circumstances.

3.9. We believe that the change described above means that any problems that arise in processing 6.23s that are not caused by the ECoS Arrangements will not be "penalised" (subject to the DCC requesting and the SofS granting relief under the BMPPA Scheme) under both the BMPPA Scheme and the OPR. More generally however, if problems in processing 6.23s were caused by the ECoS Arrangements, we do not think that it matters that this is captured by both the BMPPA Scheme and potentially the OPR. Were this to be the case, rather than representing "double jeopardy" it would mean only that overall, the DCC is slightly more incentivised to effectively process 6.23s than other service requests for the period of migration. If the DCC wishes to propose a change to the OPR, then we consider that to be a matter for DCC, other SEC Parties and Ofgem.

3.10. If the DCC is able to provide reports on the 6.23 processing metric in the period that falls 6-3 months before the commencement of migration, then BEIS would be prepared to use this to understand whether the metric is operating as expected, and to consider making adjustments to the BMPPA Scheme if this is warranted. Given the timescales associated with consulting on any changes to the scheme that might be warranted in light of reviewing this data, BEIS is of the view that it would be necessary to have the data by three months before the start of the scheme in order to make any changes. In light of this, BEIS only commits to considering moving away from the assumption that the metric would show that DCC typically achieves 100% if the DCC is able to provide the data by three months before the commencement of migration.

3.11. In August 2021, the DCC advised BEIS that the reporting would be "pretty simple" and could be "up and running pretty soon" using TOC reporting. Since then, we have seen no further progress from the DCC on this matter, including no test reporting of the metric. As stated in the consultation document, in the absence of any baseline data, BEIS will assume that the metric delivers a 100% success rate for the DCC.

3.12. Furthermore:

- we are not seeking an elaborate "visualisation" of large amounts of data, but instead are seeking a monthly file containing one number for each day within that month over the period of migration;
- we do not expect DCC to have to triage with DSP every day for 2 years on this issue as indicated by the DCC in its response. A triage would only be warranted if the reporting revealed that there were issues with the processing of 6.23s; and
- if there was any material reduction in the proportion of 6.23s being successfully processed on a particular day, we would expect DCC already to have in place

procedures to "triage with DSP" to understand what had caused the degradation in service. As such, we do not consider any material additional processes are needed.

3.13. BEIS' understanding concurs with that of the DCC in that there is a 5pm cut off time for change of supplier events under CSS where CoS events that are due to become active at the end of the day (i.e. at midnight) become secured and cannot be undone. This means the CSS will not secure any subsequent registration data updates for CoS events to the DCC on the same day if the update request is received by the CSS systems after 5pm. If a supplier who has acquired a new customer submits a change to the CSS systems after 5pm, and then tries to update its security credentials on a device via DCC on the same day, then the 6.23 will simply fail the message validation checks applied by the DSP due to the CoS update not having been sent by CSS.

3.14. This would not be counted as a "failure" for the purposes of the metric that we are proposing to use under the BMPPA Scheme, because the metric only counts 6.23s that pass the DSP message validation checks as having been received.

3.15. There is no proposal to suggest that 6.23s cannot be sent to the DCC after 5pm as the CoS event may have been processed by CSS prior to 5pm.

3.16. Message validation failures are not counted as failures under the metric and as such if the CoS approval had not been processed by CSS then DCC would not be penalised under the scheme. In summary, the metric does not count 6.23s that fail message validation checks as having been received. Consequently, we do not believe that there is a need to modify the scheme to operate from 5pm to 5pm as suggested. Doing so would actually limit the time potentially available for DSP to process them.

3.17. We disagree that the use of a multiplier is overly penal. Our view is that the metric is likely to show that the DCC has successfully processed 100% or near to 100% of 6.23s by midnight on each day, and that the effect of the metric is likely to be that it has no negative impact on the level of margin retained. Again, we are prepared to review this position if sample reporting suggests that this is necessary.

3.18. In addition, we do not think that taking the lowest 5 days simply represents an after the event penalty which would mean that DCC did not have incentives to provide a reliable service or to improve the service. Only in the extreme circumstances of there being 5 entire days where DCC processes no 6.23s at all, and which had been caused by events arising from the implementation of the ECoS Arrangements, would there be a lack of ongoing incentive. Going into the scheme, DCC has an incentive to process 100% of 6.23s by midnight on the day they are received. If during migration, there has been 5 days where DCC has dropped slightly below 100% then DCC would have an incentive to work with its service providers to ensure that no more days drop below any of these previous 5. There would therefore be an ongoing incentive to maintain a good service. If, instead, we took an average over the migration period, it would be possible for DCC to have several days where the service failed completely and yet continue to retain large proportion of its margin. We therefore conclude that we will not adopt the suggestions made.

Q2: Do you agree with BEIS' view on the proposals to use TOC reporting to deliver the metric if this proves to be the cheapest and quickest option for implementation?

Q2 Stakeholder views

3.19. Two respondents agreed, with one suggesting that it would be helpful for the Panel also to receive the reports and the other suggesting that this would avoid service provider resources from being diverted from higher priority matters.

3.20. The DCC made a number of points relating to data collection, triaging and visualisation as well as daily liaison with DSP (which we have responded to in the response to Question 1) suggesting that as a matter of principle it was their firm view that any incentivisation metrics should always be sourced from service provider contracts.

Q2 BEIS Response

3.21. We agree that it would be helpful for the reports to be shared with the Panel and suggest that the DCC does this.

3.22. As we explained in the consultation, we do not accept that as a matter of principle, reporting of incentive metrics must necessarily be from Service Providers and there seems to be little justification for the DCC taking this position when the data used in the report is the same if reported by TOC and other processes exist to investigate poor Service Request performance. If a solution based on service provider reporting is available in a prompt and cost-effective manner, then we would accept that. However, as stated in the consultation document, in the absence of any baseline data, BEIS will assume that the metric delivers a 100% success rate for the DCC. And in the absence of reporting on the metric during the Migration period, we will assume a success ratio of zero for any relevant days.

Q3*: *Do you have any comments on the proposed legal changes set out in Annex 2 to give effect to the BEIS proposals set out in section 3?

Q3 Responses

3.23. Two respondents had no comments. The DCC suggested that the scheme was complicated compared to the margin at risk and that the scheme should be simplified so that it is clear and transparent what DCC should prioritise.

Q3 BEIS Response

3.24. We acknowledge that the scheme has become somewhat complicated, but do not think that it is unduly so. We also note that the margin at risk under the scheme is now likely to be larger as a consequence of the 12-month delay to the programme. The additional metric relating to the DCC's successful processing of 6.23s is intended to incentivise the DCC to prioritise implementing ECoS Arrangements that do not undermine the successful processing of 6.23s during migration.

Q4: Do you agree with BEIS' proposals to modify the BMPPA Scheme for ECoS in the manner set out above in order not to penalise or deter the DCC from putting in place alternative arrangements that allow for the TCoS Private Key to continue to be used after the discontinuation of the CoS arrangements under the DSP contract? Please provide a justification of your views.

Q4 Stakeholder views

3.25. Two respondents supported the change, one noting that any proposals would need to be discussed with the Security Sub-Committee and potentially NCSC, whilst another noted the recent 12-month additional timescale in the plan. The DCC suggested that additional time should be allowed for the DCC to migrate the TCoS functionality to a new provider, suggesting that the date associated with QF_A should be moved to 31 October 2024 or a specified number of months from go-live. More generally the DCC asked BEIS to recognise that the discussions on moving TCoS functionality to another provider have not yet been formally agreed and that the date associated with QF_A may need to be changed as a consequence.

Q4 BEIS Response

3.26. We acknowledge that the arrangements for moving the TCoS private keys to the ECoS provider have not yet been finalised and that, when they are, it may be appropriate to re-visit the date associated with QF_A.

Q5 Do you have any comments on the other proposed changes to the scheme (i.e. to simplify the algebra or to extend the potential assessment period)?

Q5 Stakeholder views

3.27. One respondent said that they had significant concerns that the DCC would not be appropriately penalised for the impacts resulting from the recent replanning exercise. They suggested that the DCC's late delivery of ECoS would lead to significant cost and that the DCC's over commitment and under delivery must be urgently addressed, that a combined ex-ante and ex post price control model for the DCC was needed, and that the BMPPA Schemes should be considered as part of this in the round. The DCC sought clarity on the start and end dates of the "assessment period" and the "ECoS Migration Period" and queried whether they were the same thing. The third respondent did not comment.

Q5 BEIS Response

3.28. BEIS acknowledges the views expressed regarding delays to the ECoS programme and the proposed need to modify the way in which the DCC is regulated to improve overall incentives for efficiency. We note that, as part of its work in re-tendering the Smart Meter Communication Licences, Ofgem is specifically looking into what reforms are needed to improve matters in this area, including with regard to use of ex ante price control.

3.29. Under the scheme the ECoS Migration Period runs from ECoS Go Live to 31 October 2024 (or the date that the TCoS Party no longer needs to rely on the DSP if earlier). Other aspects of the scheme such as Specified Step C require a view of whether the DCC has performed certain actions by 31 October 2024.

Q6*: *Do you have any comments on the proposed legal changes set out in Annex 2 to give effect to the BEIS proposals set out in Section 4?

Q6 Stakeholder views

3.30. One respondent had no comment on this question. Another stated that whilst the proposals appeared to be a pragmatic approach the earlier consultation proposed that no margin would be payable should migration not be completed by 31 October 2023 and that the changes appeared to change the original intent.

3.31. The DCC stated that they did not understand why the legal text for QF_A has not been changed to reflect that the migration end date has moved. They also suggested that it was reasonable to allow time for DCC to manage the migration of the TCoS functionality to a new provider.

Q6 BEIS Response

3.32. The proposals put forward in the December 2021 consultation were concerned with making changes such that Quality Factor A was linked to DCC taking steps to avoid having to rely on TCoS arrangements under the DSP contract after 31 October 2023, rather than having to rely on them at all. This was intended to accommodate potential proposals to migrate the TCoS Private Key material into another body (possibly ECoS).

3.33. We did not propose to change the date associated with QF_A as part of the December consultation because the purpose of the consultation was not to align the previously implemented incentive arrangements with the DCC replan. The process for changing dates, etc. (the "Reopener Process" for events outside of DCC's reasonable control), against which the DCC is incentivised had been previously set out and application by the DCC has yet been made.

3.34. We are also prepared to have a dialogue with DCC regarding whether any arrangements to transfer the TCoS keys to the ECoS Party should have a bearing on the incentivised dates; however, the latest replan does not include proposals to transfer the TCoS Private Keys to the ECoS Party so we have no information on what the impact might be. We also note that any such transfer would not be expected to take place until the end of migration and as such we do not expect this to cause a delay to migration.

Q7: Do you have any comments on the proposed notice under paragraph 6.3 of the BMPPA Scheme for ECoS set out in Annex 3?

Q7 Stakeholder views

3.35. One respondent suggested that the metric that measures the DCC's performance in processing 6.23s should be shared with the SEC Panel and Operations Group, and that the data might be scrutinised by the Operations Group and that it might form part of the assessment being undertaken by the SEC Panel. Another believed that the proposals seemed reasonable and clear.

3.36. The DCC suggested that in its experience, processes of this nature were extremely subjective and that because of this it would be helpful to keep the guidance under review and for BEIS to provide more information on what it considers would meet the test of "beyond DCC's reasonable control". It also stated that it would be unfortunate if there were no opportunities to review performance on the quality factors with BEIS and SECAS before the final reporting deadline in 2025. The DCC also pointed out a typographical error.

Q7 BEIS Response

3.37. BEIS agrees that it would be appropriate for the SEC Panel and Operations Group to receive a copy of the metric relating to DCC's processing of 6.23s. We would welcome any observations from SEC Panel or the Operations Group on the results, including any anomalies. We do not think that the results need to feed into the assessment of the DCC's performance through the Panel / DCC process because the metric is implicitly incorporated into the scheme.

3.38. We are not asking the Panel and the DCC to make an assessment of whether something, is, or is not, "beyond DCC's reasonable control". More generally however we agree that it would be appropriate for the DCC and SECAS to engage, potentially to review the DCC's progress over the course of the ECoS Arrangements rather than just at the final reporting stage. We have corrected the typographical error identified.

Q8: Do you agree with the proposed "Aspects" that should be assessed for each of the Specified Steps, and do you agree with the proposed weighting?

Q8 Stakeholder views

3.39. One respondent had no additional comments, whilst another suggested that post go-live testing and defect resolution should be captured in the assessment of the DCC's performance under Specified Steps A to D.

3.40. The DCC made a number of comments on the proposals:

- On Specified Step A, it stated that it was disappointing that the consultation did not wait until the replan had been finalised before being published, and reiterated that it was not possible for the DCC to move the TCoS functionality out of DSP before October 2023.

- On Specified Step B, it noted that there may be lessons to be learned from SMETS1 migration insofar as difficult to migrate devices were concerned which might prove useful in assessing the DCC's performance against this step.
- On Specified Step C, it sought more guidance on what evidence and artefacts would prove whether the DCC had taken "all reasonable steps to effectively plan, manage and communicate arrangements so as to minimise as far as practicable" the number of devices still in the supply chain with TCoS Certificates as of 31 October 2024.
- On Specified Step D, the DCC suggested that it would be beneficial for SECAS, DCC and BEIS to assess DCC performance before the end of the Scheme so that they could react to feedback. It also suggested that ECoS should be excluded from the customer engagement element of the OPR, since it was being assessed under the BMPPA Scheme.

Q8 BEIS Response

3.41. BEIS notes that completion of adequate testing is intended to be a pre-requisite to the DCC commencing the migration process, and believes that the DCC competently managing any post go-live testing of patches and problem management will be implicitly measured within the specified steps. We are reluctant to fragment the scheme or its assessment further through the introduction of explicit measurements or assessments of these activities.

3.42. As noted above, the purpose of the consultation was not to update the scheme in light of the replan and that the process for updating any incentive milestones is separate. If the DCC has suggestions as to how lessons learned from SMETS1 migration could be helpful in assessing performance against Specified Step B, then we would be pleased to engage with the DCC on this.

3.43. On Specified Step C, we note that the objective for the DCC is not to minimise the number of devices in the supply chain with TCoS Certificates on them as of 31 October 2024, but instead to take all reasonable steps to plan, manage and communicate arrangements so as to minimise as far as practicable the number of such devices. We do not think that we can specify up front a list of specific steps that the DCC should take in order to be considered to have met this requirement, since what is reasonable or practicable will, to an extent, depend on the circumstances that arise. We do think that additional certainty can be gained by the DCC engaging early with Supplier Parties and potentially others to set out what it proposes to do and to seek their views on whether they agree, and to keep any proposals under review.

3.44. We would be supportive of the DCC should they to seek to engage with the Panel to seek assessment prior to the expiry of the scheme. Furthermore, we have discussed exclusion of the ECoS programme from the customer engagement element of the OPR with Ofgem who agree that such an exclusion would be appropriate.

Annex 1 to Appendix

BMPPA Scheme for the Enduring Change of Supplier Arrangements

BASELINE MARGIN PROJECT PERFORMANCE ADJUSTMENT SCHEME

ECoS Project

Introduction

This document is issued for the purposes of the smart meter communication licences granted under the Electricity Act 1989 and the Gas Act 1986 (together, the **DCC Licence**).

This document constitutes –

(A) a direction issued by the Secretary of State under paragraph 35.5 of Condition 35 of the DCC Licence (The Chapter 9 Particular Definitions) identifying a 'Project' (the **Project**); and

(B) the terms of a Baseline Margin Project Performance Adjustment Scheme (a **Scheme**):

(i) made by the Secretary of State in accordance with paragraph A2 of Appendix 1 to Condition 38 of the DCC Licence (Baseline Margin Project Performance Adjustment Scheme), and

(ii) subsequently amended by the Secretary of State in accordance with paragraph A11 of Appendix 1 to Condition 38 of the DCC Licence (Baseline Margin Project Performance Adjustment Scheme),

and has effect for the purposes of the Price Control Conditions of the DCC Licence, and in particular Part D of Condition 38 (Calculation of the value of the BMPPA term).

Contents

Section 1 identifies the Project to which the Scheme Relates.

In accordance with the provisions of paragraphs A4 and A8 of Appendix 1 to Condition 38 of the DCC Licence (Baseline Margin Project Performance Adjustment Scheme) –

- Section 2 describes a number of activities carried out by the DCC for the purposes of the Project (the **Project Activities**).

- Section 3 specifies the weighting factor in relation to each Project Activity (the **Project Activity Weighting Factors**).

- Section 4 describes the performance target in relation to each Project Activity (the **Project Activity Milestones**).

- Section 5 specifies the performance factor in relation to each Project Activity Milestone (the **Project Activity Performance Factors**).

- Section 6 sets out provisions for the purpose of interpreting and giving effect to the Scheme (the **Scheme Principles**).

Words and phrases used in Sections 1 to 6 shall be interpreted in accordance with, and have any meanings given to them in, Section 7.

1 The Project

1.1 The **Project** means the activities carried out (or to be carried out) by the DCC:

(a) in accordance with the implementation plan (the **Plan**) produced by the DCC in compliance with a direction issued by the Secretary of State on 1 August 2019 under Condition 13A of the DCC Licence (Enduring Change of Supplier Arrangements);

(b) during the period up to and including 31 October 2024; and

(c) in order to support a change in the nature and scope of the Services by implementing and migrating to the Enduring Change of Supplier Arrangements.

2 The Project Activities

2.1 Each of the following activities being carried out by the DCC for the purposes of the Project shall be a Project Activity under the Scheme.

Project Activities

2.2 **Project Activity 1** constitutes the activity required to be completed by the DCC such that the event identified in the Plan as 'ECoS Go-Live' may take place. For these purposes **ECoS Go-Live** refers to the point in time from which the DCC is first permitted under the Smart Energy Code to replace Device Security Credentials that pertain to the CoS Party, and which are held on (or in relation to) Devices that are installed in consumer premises, with information from an ECoS Certificate.

2.3 **Project Activity 2** constitutes the activity required to be completed such that the event identified in the Plan as 'TCoS to ECoS Migration Complete' takes place. For these purposes, **TCoS to ECoS Migration Complete** refers to the point in time from which the DCC will no longer need to rely on services provided to it under the contract referred to at sub-paragraph 1.5(4) of Schedule 1 to the DCC Licence for the purpose of meeting its obligations under the Smart Energy Code when acting in the role of TCoS Party.

3 The Project Activity Weighting Factors

3.1 The Project Activity Weighting Factor in respect of each of the Project Activities shall be that which is set out in the table immediately below.

Project Activity	**Project Activity Weighting Factor**
1	0.3
2	0.7

4 The Project Activity Milestones

4.1 Each of the following performance targets relating to the DCC's undertaking of a Project Activity shall be a Project Activity Milestone under the Scheme in respect of the specified Project Activity to which it relates.

Project Activity Milestone 1

4.2 The Project Activity Milestone which applies in relation to Project Activity 1 is that the date by which certain activities are treated as being completed by the DCC (the **Specified Date**) should be a date which falls on or before a target date (the **Milestone Date**).

4.3 The Specified Date in relation to Project Activity 1 is the date determined by the Secretary of State as being the date from which the DCC is first permitted under the Smart Energy Code to replace Device Security Credentials that pertain to the CoS Party, and which are held on (or in relation to) Devices that are installed in consumer premises, with information from an ECoS Certificate.

4.4 The Milestone Date in relation to Project Activity 1 is 30 June 2022.

Project Activity Milestone 2

4.5 The Project Activity Milestone which applies in relation to Project Activity 2 is that the DCC shall have successfully completed a number of steps in the period up to 1 November 2024 (the **Specified Steps**) for the purposes of ensuring the achievement of TCoS to ECoS Migration Complete by no later than that date.

4.6 The Specified Steps in relation to Project Activity 2 are as follows –

(a) **Specified Step A**: The DCC has taken all reasonable steps to avoid the need, following 31 October 2023, to continue to have rely on services provided to it under the contract referred to at sub-paragraph 1.5(4) of Schedule 1 to the DCC Licence for the purpose of meeting its obligations under the Smart Energy Code when acting in the role of TCoS Party.

(b) **Specified Step B**: The DCC has taken all reasonable steps to:

(i) proactively identify, at an early stage of the implementation of the Enduring Change of Supplier Arrangements, any difficult-to-migrate Devices; and

(ii) (where appropriate) provide support and assistance to Energy Suppliers in addressing the difficulties related to the migration of those Devices.

(c) **Specified Step C**: The DCC has taken all reasonable steps to effectively plan, manage and communicate arrangements so as to minimise as far as practicable the number of Devices that, on 31 October 2024, have been (or will be) manufactured and:

(i) have not been Commissioned; and

(ii) hold (or will hold) Device Security Credentials which pertain to a TCoS Certificate.

(d) **Specified Step D**: (Excluding for these purposes its interactions with its customers in respect of Specified Steps B and C), the DCC has effectively informed its customers of any interactions that they will (or can be expected to) have in relation to the delivery of the Enduring Change of Supplier Arrangements, and has done so by means of taking all reasonable steps to engage effectively with those customers:

(i) within suitable timescales, with appropriate regularity, and by the provision to them of information that is of an appropriate quality;

(ii) (where appropriate) by having first consulted with them and taken fully into account their opinions on how those interactions should be managed.

(e) **Specified Step E**: The DCC has, on each day of the ECoS Migration Period, processed all CoS Update Security Credentials Service Requests (Service Reference Variant 6.23) in a timely and effective manner.

4.7 For the purposes of Specified Steps A to D at sub-paragraphs 4.6(a) to (d), any reference to the DCC taking all reasonable steps should be interpreted in accordance with the steps that it would reasonably be expected to have taken in accordance with Good Industry Practice.

5 The Project Activity Performance Factors

5.1 Each of the numbers identified below in respect of a Project Activity shall be treated as the Project Activity Performance Factor (**PAPF**) in respect of that Project Activity for the purposes of this Scheme.

Project Activity Performance Factor for Project Activity 1

5.2 Where in relation to Project Activity 1:

(a) the Specified Date is either on or before the Milestone Date, the PAPF in relation to that Project Activity shall be zero;

(b) the Specified Date occurs later than the Milestone Date, the PAPF shall take the value, or be calculated in accordance with the methodology, specified in the row of the second column of the table immediately below that corresponds to the Specified Date.

Project Activity 1 Specified Date	Value of, or methodology for calculating PAPF
On or before 30/06/2022	0
Between 01/07/2022 and 31/12/2022 inclusive	$\frac{n}{185}$ Where n is the number of calendar days from 01/07/2022 up to and including the Specified Date for Project Activity 1.
After 31/12/2022	1

Project Activity Performance Factor for Project Activity 2

5.3 In relation to Project Activity 2, the PAPF shall be a number that is no less than zero and no greater than 1, and shall be calculated in accordance with the following formula:

$$PAPF = 1 – (Q \times E)$$

Where:

Q is calculated in accordance with the following formula:

$$Q = (0.4 \times QF_A) + (0.2 \times QF_B) + (0.2 \times QF_C) + (0.2 \times QF_D)$$

where:

QF_A to QF_D refer to percentages constituting the Quality Factor in relation to Specified Steps A to D respectively, each of which:

(i) is determined by the Secretary of State in accordance with paragraph 6.2;

(ii) represents the extent to which each such Specified Step has in his assessment been successfully completed by the DCC (such that a higher percentage shall represent a greater relative level of success);

(iii) for the purposes of calculating Q shall take the form of a fraction which is expressed to two decimal places.

E means the (mean) average of the five lowest values of E_d recorded during the ECoS Migration Period,

where:

E_d shall be equal to EPM_d, except where either:

(i) within four weeks of the day which immediately follows the last day of the ECoS Migration Period, the Secretary of State (or his nominated representative) has not received from the DCC a report setting out the value of EPM_d for any one or more days during the ECoS Migration Period, in which case the value of E_d for each such day shall be deemed to be zero; or

(ii) other than where sub-paragraph (i) applies, the recorded value of EPM_d for any one or more days is greater than 0.999, in which case the value of E_d for each such day shall be deemed to be 1;

EPM_d is a measure, in respect of each day (d) during the ECoS Migration Period, of the timeliness with which the DCC processes CoS Update Security Credentials Service Requests (Service Reference Variant 6.23) on that day, and is calculated in accordance with the following formula:

$$EPM_d = {}^{SR_d}/_{CoSUSC_d}$$

where:

(i) **SR_d** means, in respect of each day (d) during the ECoS Migration Period, the sum of the number of:

(A) (in the case of Service Requests targeted at SMETS1 Devices) the total number of Countersigned Service Requests that are sent on that day to SMETS1 Service Providers; and

(B) (in the case of Service Requests targeted at SMETS2+ Devices) the total number of Commands that are sent on that day to DCC Service Providers which are responsible for providing the SMETS2+ SM WAN,

in each case where those Countersigned Service Requests or Commands (as the case may be) are sent, as a consequence of one of the CoS Update Security Credentials Service Requests that are referred to in sub-paragraph (ii) below, before midnight on the day that such Service Request was received;

(ii) **$CoSUSC_d$** means, in respect of each day (d) during the ECoS Migration Period, the total number of CoS Update Security Credentials Service Requests (Service Reference Variant 6.23) which are received by the DCC on that day and have successfully passed the checks set out in Clause 6.1 of the Service Request Processing Document.

5.4 For the purposes of the calculation of EPM_d at paragraph 5.3:

(a) a CoS Update Security Credentials Service Request that is a Future-Dated Service (by virtue of the relevant User having specified a Future Dated Response Pattern (DSP) or Future Dated Response Pattern (Device) as set out in the DCC User Interface

Specification) shall be treated as having been received by the DCC on the date of execution specified within that Service Request;

(b) in determining the value of EPM_d for any day (d), the DCC may elect to exclude from the total any Service Request that is quarantined or no longer processed (in each case in accordance with the provisions of the SEC) as a result of Threshold Anomaly Detection (including any anomaly detection applied by the CoS Party).

6 BMPPA Scheme Principles

General Provisions

6.1 For the purposes of the Scheme, the DCC shall:

(a) maintain accurate records, supported by documentary evidence, sufficient to establish the date upon which ECoS Go-Live was achieved and the date upon which TCoS to ECoS Migration Complete was achieved;

(b) whenever requested by the Secretary of State or the Authority to do so, promptly provide a report to the Secretary of State, the Authority and the SEC Panel containing such up-to-date information and evidence relating to those records as has been requested.

Project Activity Performance Factor for Project Activity 2 – Specified Steps A to D

6.2 For the purposes of the Project Activity Performance Factor in respect of Project Activity 2, the Secretary of State shall:

(a) determine, in respect of each of Specified Steps A to D which constitute part of Project Activity Milestone 2, a percentage (the **Quality Factor**) representing the extent to which in his assessment the DCC has successfully completed that Specified Step;

(b) make that determination on a day of his designation after 1 November 2024; and

(c) in respect of that determination, follow such process and apply such criteria as are set out in a notice issued under paragraph 6.3.

6.3 The Secretary of State shall, before making any determination of a Quality Factor in accordance with paragraph 6.2, set out in a notice issued to the DCC and the Panel:

(a) the process to be followed prior to that determination; and

(b) the criteria to be applied for the purposes of that determination.

6.4 A notice issued by the Secretary of State in accordance with paragraph 6.3 may set out such principles of interpretation as he considers appropriate in relation to any of the Specified Steps and/or the criteria to be applied in assessing the Quality Factor for any such Specified Step.

6.5 A notice issued by the Secretary of State in accordance with paragraph 6.3 shall be treated as an integral part of the Scheme Principles and shall have effect as such for the purposes of this Scheme.

Project Activity Performance Factor for Project Activity 2 – Specified Step E

6.6 As soon as reasonably practicable after the end of each month (or part month) falling within the ECoS Migration Period, but in any event no later than four weeks after the end of each such month (or part month), the DCC shall send a report containing the values of EPM_d for each day within that month (or part month) to the Secretary of State or his nominated representative.

6.7 The report referred to in paragraph 6.6 shall be sent by e-mail and shall be in the form of an Excel spreadsheet, a comma-separate values file, or such other format as may be agreed from time to time between the Secretary of State and the DCC.

7 Definitions and Interpretation

7.1 Except to the extent to which an alternative definition is set out in paragraph 7.3:

(a) words and phrases defined in either the DCC Licence or in the Smart Energy Code shall have the same meaning in this document;

(b) if the same word or phrase is defined in both the DCC Licence and the Smart Energy Code and the definitions are not consistent, the definition in the Smart Energy Code shall take precedence for the purposes of this document.

7.2 The rules of interpretation set out at Condition 2 of the DCC Licence shall apply as if they formed part of this document.

7.3 For the purposes of this document, unless the context otherwise requires –

CoS Update Security Credentials Service Request (Service Reference Variant 6.23)	shall be interpreted in accordance with the provisions of the DCC User Interface Specification relating to it.

DCC Licence	means the smart meter communication licences granted under the Electricity Act 1989 and the Gas Act 1986, taken together.
ECoS Certificate	means an Organisation Certificate (or one of a number of Organisation Certificates) that contains a Public Key which has an associated Private Key that will, as part of managing change of supplier events and following the completion of the implementation of the Enduring Change of Supplier Arrangements, be used to Digitally Sign all Commands to replace Device Security Credentials that pertain to a Supplier Party on, or in relation to, Devices installed in consumer premises.
Enduring Change of Supplier Arrangements	means the arrangements that are designed to ensure the occurrence of ECoS Go-Live and subsequent TCoS to ECoS Migration Complete.
ECoS Go-Live	has the meaning given to that expression in paragraph 2.2.
ECoS Migration Period	means the period which: (a) commences on the first day upon which the DCC is first permitted under the Smart Energy Code to replace Device Security Credentials that pertain to the CoS Party, and which are held on (or in relation to) Devices that are installed in consumer premises, with information from an ECoS Certificate; and (b) ends on the earlier of: (i) 31 October 2024; and (ii) the day on which TCoS to ECoS Migration Complete occurs, and shall be treated as being inclusive of each of the days identified under paragraphs (a) and (b).

Plan	has the meaning given to that expression in paragraph 1.1.
Project Activity 1	has the meaning given to that expression in paragraph 2.2.
Project Activity 2	has the meaning given to that expression in paragraph 2.3.
Quality Factor	has the meaning given to that expression in paragraph 6.2.
Scheme	means this Baseline Margin Project Performance Adjustment Scheme.
Specified Step	has the meaning given to that expression in paragraph 4.5.
TCoS Certificate	means an Organisation Certificate (or one of a number of Organisation Certificates) that contains a Public Key which has an associated Private Key that, as part of managing change of supplier events, is used to Digitally Sign all Commands to replace Device Security Credentials that pertain to a Supplier Party on, or in relation to, Devices installed in consumer premises, other than where the Device Security Credentials held on such Devices have been modified to include information from the ECoS Certificate.
TCoS Party	means the DCC when acting from Systems to which a Certificate with a Remote Party Role of 'transitionalCoS' has been Issued.
TCoS Private Key	means a Private Key associated with a Public Key that is contained within a TCoS Certificate.
TCoS to ECoS Migration Complete	has the meaning given to that expression in paragraph 2.3.

Scheme made on 15 October 2020, and amended on 8 April 2022, on behalf of the Secretary of State by **DUNCAN STONE Deputy Director & Head of Delivery, Smart Metering Implementation Programme** (an official of the Department for Business, Energy & Industrial Strategy authorised to act on behalf of the Secretary of State).

Annex 2 to Appendix

Notice under Paragraph 6.3 of the Baseline Margin Project Performance Adjustment Scheme for the Enduring Change of Supplier Arrangements

1. Introduction

1.1. This document constitutes a notice under paragraph 6.3 of the Baseline Margin Project Performance (BMPPA) Scheme for the Enduring Change of Supplier (ECoS) Arrangements. It sets out the process to be followed prior to the making of a determination by the Secretary of State of each of the Quality Factors referred to in paragraph 6.2 of the BMPPA Scheme and the criteria to be applied for the purposes of that determination.

1.2. A Quality Factor is required to be determined by the Secretary of State for each of the four Specified Steps under the scheme. The four Specified Steps are set out below.

1.3. Specified **Step A**: The DCC has taken all reasonable steps to avoid the need, following 31 October 2023, to continue to have rely on services provided to it under the contract referred to at sub-paragraph 1.5(4) of Schedule 1 to the DCC Licence for the purpose of meeting its obligations under the Smart Energy Code when acting in the role of TCoS Party.

1.4. **Specified Step B**: The DCC has taken all reasonable steps to:

- proactively identify, at an early stage of the implementation of the Enduring Change of Supplier Arrangements, any difficult-to-migrate Devices; and
- (where appropriate) provide support and assistance to Energy Suppliers in addressing the difficulties related to the migration of those Devices.

1.5. **Specified Step C**: The DCC has taken all reasonable steps to effectively plan, manage and communicate arrangements so as to minimise as far as practicable the number of Devices that, on 31 October 2024, have been (or will be) manufactured and:

- have not been Commissioned; and
- hold (or will hold) Device Security Credentials which pertain to a TCoS Certificate.

1.6. **Specified Step D**: (Excluding for these purposes its interactions with its customers in respect of Specified Steps B and C), the DCC has effectively informed its customers of any interactions that they will (or can be expected to) have in relation to the delivery of the Enduring Change of Supplier Arrangements, and has done so by means of taking all reasonable steps to engage effectively with those customers:

- within suitable timescales, with appropriate regularity, and by the provision to them of information that is of an appropriate quality; and
- (where appropriate) by having first consulted with them and taken fully into account their opinions on how those interactions should be managed.

1.7. For the purposes of the Specified Steps set out above, any reference to the DCC taking all reasonable steps should be interpreted in accordance with the steps that it would reasonably be expected to have taken in accordance with Good Industry Practice.

2. Process and Criteria

2.1. The process and criteria to be followed for the purposes of determining the Quality Factors is based on the arrangements[4] for determining DCC's performance under the Operational Performance Regime (OPR) insofar as it relates to assessing DCC's performance against the Customer Engagement Incentive of the OPR, although some elements have been amended given the different nature and scope of the BMPPA Scheme as compared to the OPR. For example, the weighting proposed for the various aspects of customer engagement differs from that under the OPR.

2.2. For each of the four Quality Factors, the assessment process requires the DCC to prepare a submission setting out DCC's assessment of its performance in the period up to 1 November 2024 against a number of "Aspects" of DCC activity in meeting the requirements of each Specified Step. The SEC Panel will also prepare a submission setting out their assessment of these Aspects using the same criteria, ensuring that DCC customers can feed in views towards the submission's preparation. This will ensure both DCC and its customers are represented in the assessment process, thus providing a balance of stakeholder views.

2.3. The Aspects of DCC activity against which its performance should be assessed are set out in tables A to D below.

Table A - Assessment Criteria in relation to Specified Step A

Aspect	Assessment Questions	Aspect Weighting
Running the ECoS Project	Has the DCC run the ECoS project in a timely way such that either: - it has not been necessary for it to rely on services provided to it under the DSP contract when acting as the CoS Party under the Smart Energy Code past 31 October 2023; or	70% (or 100% if the contractual arrangements for TCoS under the DSP contract have been extended beyond October 2023)

[4] https://www.ofgem.gov.uk/publications/decision-opr-guidance-march-2021

	- to the extent that it has been necessary to continue to have such arrangements in place, has this been because of factors outside DCC's reasonable control?	
Managing the contractual arrangements	Has the DCC managed its Service Provider contracts such that DSP contract arrangements applying to TCoS have been terminated, and any consequential contractual savings have been realised.	30% (or 0% if the DSP contractual arrangements for TCoS have been extended beyond October 2023)

Table B - Assessment Criteria in relation to Specified Step B

Aspect	Assessment Questions	Aspect Weighting
Identification of difficult-to-migrate devices	Has the DCC proactively identified, at an early stage (i.e. in sufficient time to allow device manufacturers time to resolve any issues prior to the end of the ECoS Migration Period), difficult to migrate Devices? Has the DCC notified suppliers and other interested parties of these Devices and explained the reasons for why they are difficult to Migrate?	70%
Support and assistance	Has DCC provided support and assistance (where appropriate) to Energy Suppliers in order to address the difficulties such that the Devices were or will be able to be migrated?	30%

Table C - Assessment Criteria in relation to Specified Step C

Aspect	Assessment Questions	Aspect Weighting
Planning	Did the DCC have an effective plan to minimise the number of devices still in (or still to enter) the supply chain and which hold TCoS Certificates by 31 October 2024? Was the DCC's plan for managing this aspect of the ECoS Programme effectively communicated to relevant parties, and were their views taken into account in finalising those plans? Did the DCC put this plan into effect?	33⅓%

Management	Were ECoS Certificates made available at a suitably early stage in order to minimise the number devices in (or still to enter) the supply chain that hold TCoS Certificates by 31 October 2024? Did the DCC effectively engage with Energy Suppliers to help ensure coordinated action to minimise the number of such devices by 31 October 2024? Did the DCC provide the support that it could reasonably be expected to provide in managing any issues in this area?	33⅓%
Communication	Did the DCC seek industry views on its plan to minimise the number of devices in the supply chain that hold TCoS Certs by 31 October 2023 and take them into account when finalising that plan (and explain how it has done this)? Did DCC effectively communicate with relevant parties as was necessary to give effect to the plan?	33⅓%

Table D - Assessment Criteria in relation to Specified Step D

Aspect	Assessment Questions (in each case excluding interactions for the purposes of Specified Steps B and C).	Aspect Weighting
Timing and frequency of engagement	Has the DCC has effectively informed its customers of any interactions that they will (or can be expected to) have in relation to the delivery of the Enduring Change of Supplier in a timely manner and with an appropriate frequency of engagement?	20%
Quality of information provided by the DCC	Has the information that the DCC has communicated been of sufficient quality and detail?	30%
Taking account of customer views	Has the DCC consulted with relevant customers on the way in which it should engage with them in relation to their interactions? Has the DCC taken customer views into account when making decisions about how customer interactions should be managed? Has the DCC communicated a clear rationale for such decisions, explaining how customer views have informed its decision making and where	50%

	relevant why the DCC has decided not to incorporate customer views?	

2.4. In assessing how well the DCC has performed against each aspect, the DCC and the SEC Panel should take account of the further guidance set out in Section 3 below.

2.5. The SEC Panel and the DCC should only provide a score of either 0,1,2 or 3 for each Aspect of DCC activity, rather than providing fractional scores.

2.6. Once the submissions are received from the DCC and the SEC Panel, BEIS (acting on behalf of the Secretary of State) would form a "minded to position" as to what scores should be awarded to the DCC for each Aspect of activity relating to each of the Specified Steps. This would take into account the submissions from the SEC Panel and the DCC and any other information BEIS considers relevant. BEIS would then consult on its minded to position. The submissions from the DCC and the SEC Panel would be published alongside that consultation.

2.7. Following consultation and in light of the responses received, BEIS would make a final determination of the scores for each Aspect. The overall score for any particular Specified Step would also be determined by taking a weighted average of the scores for each of the Aspects relevant to that Specified Step. The weighting for any particular Aspect would be that set out in Tables A to D above.

2.8. Once the final decision on the values of the scores has been taken, BEIS will notify Ofgem and other interested parties of the outcome, and set out the values of QF_A to $_D$ that should be used for the purposes of the BMPPA Scheme as well as the overall value of "Q".

3. Further Guidance

3.1. Further guidance on what we would consider in our assessment is set out below. This is not intended to be exhaustive but instead service as a guide to the DCC, the SEC Panel and the DCC's customers of what we expect to see (and what evidence we are expecting the DCC to provide).

3.2. In the case of Specified Step A, if the DCC has extended the DSP contract to require provision of CoS Party related services past 31 October 2023, then we are essentially seeking a score that reflects the extent to which the need for this extension was due to factors outside DCC's control, as far as scoring the activity of "Running the ECoS Project" is concerned. We note that in such circumstances, 100% of the margin for this Specified Step would be assessed against this Aspect, because there would be no cost savings associated with discontinuing the service under the DSP contract.

3.3. If the DCC has terminated the contractual arrangements for CoS Party related services then, under "Managing the contractual arrangements" we are seeking a score that reflects the extent to which the DCC has managed to realise all of the available cost savings under the DSP contract as a consequence of the termination of support for TCoS. We expect the DCC to provide evidence of this to the SEC Panel for the purposes of their assessment of this Aspect.

3.4. For Specified Step B, we are primarily interested in identifying difficult to migrate devices about which something can be done prior to the end of the migration period. In particular, for example identifying whether a firmware upgrade is needed to certain Device Models in order for them to be capable of being Migrated or to subsequently be able to successfully process 6.23s once they have been Migrated. We think that "difficult to migrate" devices in the context includes (amongst others[5]) devices that cannot successfully execute a change of supplier event after their TCoS Certificates are replaced by ECoS Certificates. BEIS is planning to update the ECoS Transition and Migration Approach Document applicable from the commencement of Migration to place restrictions on the DCC from migrating Devices of a particular Device Model in bulk until such time as the DCC has satisfied itself that such Devices can successfully process 6.23s following their Migration.

3.5. We think that steps that the DCC can take in order to do this at an early stage may include replacing the TCoS Certificate of a Device with another TCoS Certificate in the production environment and observing the subsequent behaviour of such devices (including their ability to subsequently process change of supplier events), as well as allowing the ability for Users to perform the necessary tests in the Device and User System Testing and/or User Integration Testing environments.

3.6. In providing support and assistance under Specified Step B, we recognise that the DCC may only be able to provide limited relevant support in some cases – for example in developing firmware upgrades which, other than for Communications Hubs, would be outside the DCC's remit.

3.7. For Specified Step C, we are seeking to measure the DCC's effectiveness in planning, managing and communicating the arrangements to minimise the number of Devices that hold TCoS Certificates that are still in (or still to enter) the supply chain by 31 October 2024.

3.8. For Specified Step D, we would expect the DCC to seek greater customer input, supported by appropriately detailed information, into its decision making in areas of the ECoS Programme that have a greater impact on its customers.

3.9. When assessing the quality of information, we will consider: customers' ease of access to the information; the readability / comprehensibility of the information; and the level of detail and precision in the content.

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[5] Such as devices that are difficult to communicate with over the WAN, or devices that cannot process a command to swap the security credentials.

3.10. Where relevant, we would expect the DCC to provide sufficient rationale for any different options, providing where possible sufficient information around the expected costs of any options in order for customers to give informed feedback.

3.11. We would expect to see evidence that the DCC has considered its audience when providing information and that the engagement is tailored appropriately, such as through the format of the information, level of technical detail, and the forums the DCC chooses to engage.

4. Timetable

4.1. **Submission preparation (November 2024 – January 2025[6]):** DCC and the Panel would prepare a submission for BEIS' review, using the guidance for reference. Each submission should set out an assessment of DCC's performance against each of the Quality Factors under the BMPPA Scheme. In preparing their submission, the SEC Panel should seek wider views as part of their assessment of the DCC's performance. The DCC and the SEC Panel should work together transparently and share drafts with one another when preparing their submissions to maintain open communication and ensure the submissions are comparable.

4.2. **Reporting (31 January 2025):** The DCC and the SEC Panel should send their submissions via email to BEIS along with any supporting evidence by no later than 31 January 2025.

4.3. **Assessment (February to April 2025 approximately):** We will conduct an internal assessment of both submissions against the assessment criteria. In doing so we are likely to wish to make contact with Ofgem in order to seek to gain from their experience of carrying out similar activities in relation to the OPR. If necessary, we will return to the SEC Panel and the DCC with any questions at this stage to inform our position.

4.4. **Consultation (May to July 2025 approximately):** We will consult on our minded to position on the amount of margin the DCC should be permitted to retain in relation to each of the Specified Steps, and set out what this means in terms of the values of the Quality Factors that should be used in the BMPPA Scheme. We expect stakeholders' responses to our consultation would serve as a 'right of reply' to our assessment and could include further evidence or examples of DCC's performance that we would take into account.

4.5. **Decision (Aug to September 2025 approximately):** We will analyse responses and any additional evidence provided. We will publish our final decision, outlining DCC's final score and the associated margin retained.

[6] This date, and subsequent dates may change depending on precisely when ECoS Migration is complete.

5. Submission Requirements

5.1. The DCC and the SEC Panel should each prepare a submission providing an assessment of the DCC's performance in the period from the commencement of the ECoS Programme to 31 October 2024.

5.2. Both submissions must provide a rounded and impartial view of the DCC's performance.

5.3. We would expect the DCC to provide the Panel with any information reasonably requested by them for the purposes of making their assessment. Furthermore we would expect the DCC to abstain in any Panel vote on any decision relating to their assessment of the DCC's performance.

5.4. The DCC and the SEC Panel should engage with each other when drafting their submissions to ensure the two submissions are comparable. Maintaining transparency throughout the process will also ensure that the DCC will have sight of the SEC Panel submission to have the right of reply.

5.5. In preparing its submission, the SEC Panel in particular must seek wider customer views as part of its assessment. We will not prescribe how the SEC Panel should seek these views.

5.6. in assessing the DCC's performance against Specified Step D, consider the DCC's wider engagement, such as the DCC's bilateral engagement with stakeholders, rather than limiting its assessment to DCC's engagement with the Panel itself.

5.7. The SEC Panel submission must explain how the SEC Panel sought:

i) Supplier Party and any other interested stakeholder views in their assessment of Specified Steps B and C; and

ii) wider customer views in their assessment of Specified Step D,

in each case prior to the submission and how they were incorporated.

5.8. The submission from each of the SEC Panel and the DCC should be in the form of a main submission setting out the principal narrative and scoring (i.e. a value of 0,1,2 or 3 for each Aspect of each Specified Step) and a separate part containing the supporting evidence for the scores provided as is further described in Section 6 below.

5.9. BEIS expects to publish the SEC Panel and the DCC submissions as supporting documentation to its consultation on the "minded to" consultation. Any information that is considered confidential should therefore be highlighted to BEIS. If a submission includes information that the DCC or the SEC Panel considers to be confidential an alternative redacted version of the submission should also be provided in parallel for BEIS to publish.

6. Format of the Submission

6.1. The format of the submission should be essentially the same as the format of the submission to Ofgem under the OPR in that it should comprise:

- a main submission – part 1 - in which the main narrative of the submission describing DCCs performance and a score of 0,1,2 or 3 for each Aspect of each Specified Step.; and
- supporting evidence – part 2.

6.2. A submission checklist is provided below.

Submission Checklist

Submission Checklist	**Expected Length of submission**
Part 1 – main submission: a) a narrative providing assessment of the DCC's performance against each of the ten[7] Aspects in turn; b) suggested scores for each Aspect.	We anticipate the submission being no more than ten pages (excluding covering pages and contents pages)
Additional supporting evidence	We are not proposing to set an expectation for how long this should be, however, we are not seeking an extremely detailed, in-depth analysis.

6.3. There should be no embedded documents within the submission document. Additional evidence should be referenced to within the main submission and where relevant provided separately as supporting evidence. The main submission should include an annex giving a list of the additional evidence that has been provided.

6.4. The submissions will be published on a website. Any information which is considered confidential should therefore be highlighted to BEIS. If a submission includes information that the DCC or the SEC Panel considers confidential, an alternative redacted version of the submission for us to publish should also be provided in tandem with the actual submission.

[7] Or nine Aspects if the "managing contractual arrangements" Aspect of Specified Step A does not apply because the DSP contractual arrangements for TCoS have been extended beyond October 2023.

7. Scoring

7.1. As is the case with the scoring of the Customer Engagement Incentive under the Operational Performance Regime[8], the SEC Panel and the DCC should assign each of the assessment criteria a score of 0,1,2 or 3, based on the Scoring Framework table below.

7.2. Again, as with the OPR, because the different elements are weighted, it will then be possible for the overall score to be a decimal value between 0 and 3.

7.3. BEIS will award the DCC a score for each of the Specified Steps based on the Scoring Framework table below, which uses the same scoring system as the Customer Engagement framework under the OPR.

Scoring Framework

Score	Description	Margin Retained
3	Strong evidence that the DCC has met the required standard with minor areas for improvement – DCC is performing to the expected standard.	100%
2	Evidence that the DCC meets the required standard with very few material areas of concern and/or some minor areas of concern.	66.67%
1	Evidence that DCC meets the required standard but inconsistent with some material areas of concern.	33.33%
0	Limited evidence that the DCC has met the required standard with multiple material issues of concern.	0%

7.4. By way of an example, if DCC achieves an overall score of 2.4 for Specified Step D, this would mean that DCC would be permitted to retain 80% of the Baseline Margin allocated to that Specified Step and the associated value of QF_D would be set to 0.8.

[8] https://www.ofgem.gov.uk/publications/decision-opr-guidance-march-2021