



Department for
Energy Security
& Net Zero

Department for Energy
Security & Net Zero
3-8 Whitehall Place
London
SW1A 2HP

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

12th May 2025

Dear Colleague,

Government response to consultation on minded to position for Project Activity 1 (Customer Engagement) and Government determination of Project Activity Performance Factor for Project Activity 1 and Project Activity 3 (Live Service Criteria met for 4G CH Volume Manufacturing Decision) of the DCC Baseline Margin Project Performance Adjustment Scheme for the 4G Communications Hubs and Networks Programme.

The Department for Energy Security & Net Zero's ('the Department') consultation of 13 November 2024 sought stakeholder views on the Department's minded to position for Project Activity 1 (Customer Engagement) of the Baseline Margin Project Performance Adjustment (BMPPA) Scheme for the DCC's 4G Communications Hubs and Networks Programme.

With this letter, the Department is today responding to its consultation and confirming, along with supporting rationale, its final decision for Project Activity 1 – Customer Engagement of the BMPPA Scheme resulting in a Project Activity Performance Factor of 0.042. This will result in the DCC losing 4.2% of the baseline margin at risk associated with this Project Activity.

The Department is also today confirming that it has determined that the LSC Volume Manufacturing Decision Criteria were satisfied on the target date of 7 April 2025. Consequently, the Project Activity Performance Factor for Project Activity 3 shall be equal to zero and the DCC shall be allowed to retain 100% of the baseline margin at risk under this Project Activity.

Yours faithfully,

James Cosgrove

Deputy Director and Head of Delivery

Smart Metering Implementation Programme

(An official of the Department authorised to act on behalf of the Secretary of State)

Annex: Government response to consultation

Annex 1: Government response to consultation

1) Background

1. The Baseline Margin Project Performance Adjustment (BMPPA) Scheme for the 4G Communications Hubs and Networks (CH&N) Programme includes four “Project Activities” being incentivised under the Scheme. The first category “Project Activity 1” seeks to incentivise the DCC’s engagement with its customers over the period 1 August 2023 to 31 March 2024 in relation to the effective delivery of the 4G CH&N Programme.
2. On 30 July 2024 and 31 July 2024 respectively, the SEC Panel and the DCC submitted an assessment of the DCC’s performance under Project Activity 1 of the BMPPA Scheme. The Department for Energy Security & Net Zero (‘the Department’) considered the DCC and SEC Panel’s submissions and subsequently consulted between 13 November and 18 December 2024 upon its minded to position relating to the scores that should be awarded to the DCC under Project Activity 1 of the Scheme. The Department also consulted on the Project Activity 1 Quality Factor - the number between zero and one that represents the proportion of the baseline margin at risk under Project Activity 1 that the DCC will be allowed to retain.

2) Department’s final decision on the scores for Project Activity 1

Overview of consultation responses

3. We received a total of three written responses.
4. All respondents agreed with the Department’s minded to scores of 3 for Aspect 1 – ‘Timing and frequency of engagement’ and 3 for Aspect 3 – ‘Taking account of customer views’ (i.e. the highest allowable scores). Two respondents disagreed with the Department’s minded to score of 2.5 for Aspect 2 (‘Quality of information provided by DCC’).

Overview of Government response and final decision

5. Given the support for our consultation position on Aspects 1 and 3 these will be finalised as per our consultation position. We acknowledge the concerns raised by respondents under Aspect 2 ‘Quality of information provided by DCC’ but note these relate to the period beyond 1 August 2023 to 31 March 2024 and as such should be captured by the assessment for Project Activity 2. Our score for Aspect 2 will therefore also be finalised per our consultation position.

Consultation questions and responses received

Question 1: Do you agree with the Department’s minded to score and rationale for Aspect 1?

Summary of responses

6. All three respondents agreed with the Department’s minded to score and rationale, no additional comments were provided.

Government response

7. The Department acknowledges the responses received and agreement with its minded to score of 3 for Aspect 1.

Question 2: Do you agree with the Department's minded to score and rationale for Aspect 2?

Summary of responses

8. One respondent agreed with the Department's minded to score of 2.5 for Aspect 2 whilst two respondents disagreed, stating that the awarded score should revert to the Panel's proposed score of 2.
9. The two respondents raised issues relating to the quality of the DCC's engagement with its customers concerning 4G WAN coverage for the Initial Pallet Validation stage.
10. One respondent noted industry had not been adequately informed that the UIT-B testing window would be delayed.
11. Another comment from the respondents highlighted that there had been poor explanation from the DCC for downgrading firmware version 8.08 to 8.07 on the 4G Communications Hub during System Integration Testing (SIT) and that the DCC did not at the time appropriately quantify the impact of this change on the 4G rollout.

Government response

12. Whilst we acknowledge the above comments made by the two respondents, we note that Project Activity 1 of the BMPPA Scheme seeks to incentivise the DCC's engagement with its customers over the period **1 August 2023 to 31 March 2024**. The DCC activities referred to in the respondents' comments therefore fall outside of the reporting period for Project Activity 1.
13. For this reason, the Department has decided that the awarded score for Aspect 2 shall remain as 2.5. The Department will however consider these comments as part of its assessment of DCC's customer engagement under Project Activity 2 which covers the period **1 April 2024 to 31 March 2025**.

Question 3: Do you agree with the Department's minded to score and rationale for Aspect 3?

Summary of responses

14. All three respondents agreed with the Department's score and rationale; no additional comments were provided.

Government response

15. The Department acknowledges the responses received and agreement with its minded to score of 3 for Aspect 3.

Question 4: Do you have any other comments?

Summary of responses

16. There were no further comments received from the three respondents.

3) Determination of the Project Activity 1 Quality Factor and Project Activity Performance Factor

17. The weighted average based on the final scores of 3, 2.5 and 3 and the aspect weightings across all three aspects (provided in **Table 1** below as per the notice under paragraphs 6.2, 6.3, 6.4, 6.6 and 6.8 of the BMPPA Scheme) has resulted in a final Project Activity 1 Quality Factor of **0.958** and a final Project Activity Performance Factor of **0.042** for Project Activity 1.

Table 1 – Aspects, assessment questions and aspect weightings for Project Activity 1

Aspects	Assessment questions	Aspect weightings
1) Timing and frequency of engagement	Has DCC enabled customers to feed in views at appropriate points and with appropriate frequency in decision-making cycles? Has DCC provided appropriate notice and allowed sufficient time for customers to contribute views? Has DCC provided general information to customers on the CH&N Programme in a timely manner and with sufficient frequency (including general updates, reactive engagement on unplanned issues impacting customers)?	25%
2) Quality of information provided by DCC	Has DCC provided its customers with sufficient quality of information to allow them to feed into a decision-making process e.g. clear costs and benefits and/or consequences of decisions? Has DCC provided sufficient quality of information in its broader engagement (e.g. general updates, reactive engagement etc) for customers to understand the issues relating to the CH&N Programme and the actions DCC is taking? When engaging with customers, has DCC ensured to engage with relevant audiences, and tailored the information appropriately?	25%
3) Taking account of customer views	Has DCC ensured its customers understand on which issues their views will inform decision-making? Have DCC's decisions demonstrated that customer views have been taken into account? Has DCC clearly explained how customer views have informed its decision making, and where relevant why DCC has disagreed with customer views?	50%

18. A Project Activity 1 Quality Factor of 0.958 means that the DCC is allowed to retain **95.8%** of its baseline margin that was placed at risk under Project Activity 1 of the BMPPA Scheme, whilst a Project Activity Performance Factor of 0.042 for Project Activity 1 means that it will lose **4.2%** of its baseline margin that was placed at risk under this Project Activity. It will be for Ofgem to determine the corresponding amount of baseline margin retained by the DCC based on the information provided in the DCC's price control submissions to Ofgem.

4) Determination of the Project Activity Performance Factor for Project Activity 3

19. Following a review of relevant evidence and recommendations submitted by the DCC and the SEC Panel between February and April 2025, the Department issued a letter to the DCC on 7 April 2025 confirming that the LSC Volume Manufacturing Decision Criteria were satisfied on the specified target date of 7 April 2025.
20. As a result, the Project Activity Performance Factor for Project Activity 3¹ shall be equal to 0 (zero), meaning that the DCC will not lose any, and retain 100% of the associated baseline margin.

5) Next steps

21. In this consultation response the Department has determined that the Project Activity 1 Quality Factor shall be equal to 0.958, the Project Activity Performance Factor for Project Activity 1 shall be equal to 0.042 and the Project Activity Performance Factor for Project Activity 3 shall be equal to 0 (zero). We will now notify Ofgem of this decision so that it can implement it.

¹ <https://smartenergycodecompany.co.uk/desnz-updated-notice-pursuant-to-the-4g-chn-bmppa-scheme/>