



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.

17 November 2025

Dear Colleague,

Smart Metering Implementation Programme: Consultation on a DCC Baseline Margin Project Performance Adjustment Scheme for ensuring continuity in the provision of the Smart Metering Key Infrastructure Service

I invite you to respond to a consultation on a proposed Baseline Margin Project Performance Adjustment (BMPPA) Scheme for the DCC's implementation of the plan approved on 5 October 2023 for ensuring continuity in the provision of the Smart Metering Key Infrastructure Service. The Scheme will incentivise the DCC's implementation of the plan by applying criteria that will determine the level of associated margin it may retain.

The consultation document giving details of the proposals, and how to respond, is in Annex 1 to this letter and a draft of the proposed BMPPA Scheme itself is in Annex 2. Consistent with previous BMPPA Schemes, we have included Quality Criteria as well as a description of the process to be followed prior to making the determination of the Quality Factors in a separate notice in Annex 3. The Secretary of State is required to issue these in a notice under paragraphs 6.3 and 6.4 of the proposed BMPPA Scheme. It is intended that, subsequent to this consultation, both the BMPPA Scheme in Annex 2 and the notice in Annex 3 will take legal effect at the same time.

You are invited to provide views on all the annexes to this letter during the consultation period, which **closes on 12 January 2026**.

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 1 Consultation document

Annex 2 Draft BMPPA Scheme

Annex 3 Draft notice under paragraphs 6.3 and 6.4 of the BMPPA Scheme

Annex 1: Consultation document

1) General information

Why we are consulting?

This consultation seeks stakeholders' views on the proposed introduction of a Baseline Margin Project Performance Adjustment (BMPPA) Scheme for DCC's implementation of the approved plan for ensuring continuity in the provision of the Smart Metering Key Infrastructure Service as well as on a draft notice under paragraphs 6.3 and 6.4 of the proposed BMPPA Scheme.

Timing

Responses to this consultation should be submitted by 5pm on **12 January 2026**.

Responding to the consultation

Your response will be most useful if it is framed in direct response to the questions posed, by reference to our numbering, though further comments and evidence are also welcome.

Responses should be submitted to smartmetering@energysecurity.gov.uk

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please tell us but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on the SEC website. The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

Territorial extent

This consultation 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.

Quality assurance

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email:
bru@energysecurity.gov.uk

2) Background

Smart Metering Key Infrastructure Service

1. On 5 October 2023, the Secretary of State approved an implementation plan¹ produced and consulted upon by the Data Communications Company (DCC) for ensuring continuity in the provision of the Smart Metering Key Infrastructure (SMKI) Service pursuant to Condition 13B of the DCC Licence. The SMKI Service comprises the provision by the DCC of a secure public key infrastructure consisting of a set of arrangements for controlling the creation, distribution, and management of public key Certificates and Bindings. These are used by SEC Parties for the purpose of ensuring, among other things, the authenticity, integrity, and non-repudiation of communications and data, and the confidentiality of information within them. The 'SMKI Service' should be interpreted in this consultation as referring to both the SMKI and Infrastructure Key Infrastructure (IKI) services that sit within the DCC's Public Key Infrastructure estate.

Why is a BMPPA Scheme needed?

2. Under Part A of Appendix 2 to Condition 36 of the DCC Licence, the DCC is permitted to apply for additional Baseline Margin (a "Relevant Adjustment") under certain circumstances where there has been a variation to the nature of the Mandatory Business of the licensee. Ofgem has confirmed that the DCC has applied for a Relevant Adjustment in relation to the internal costs it additionally incurs in delivering the implementation plan referred to in paragraph 1 above.
3. By default, any such additional Baseline Margin would be put at risk under the Operational Performance Regime (OPR) administered by Ofgem. However, the DCC Licence also provides for margin associated with projects to instead be put at risk under a Baseline Margin Project Performance Adjustment (BMPPA) Scheme made by the Secretary of State under Appendix 1 of Condition 38.
4. The Secretary of State wants to incentivise the DCC's delivery of its new arrangements supporting the provision of the SMKI Service to time and quality. We therefore propose to make a BMPPA Scheme so that any Baseline Margin associated with the DCC's implementation of the plan referred to in paragraph 1 above is specifically put at risk against the successful delivery and initial operation of these new arrangements.

3) Proposed BMPPA Scheme

Introduction to the proposed Scheme

5. The proposed BMPPA Scheme – set out in Annex 2 of this document – comprises a set of Project Activities, Project Activity Weighting Factors, Project Activity Milestones, Project Activity Quality Factors, Project Activity Quality Criteria and Scheme Principles:
 - Project Activities are the specific activities against which we propose to financially incentivise the DCC.
 - The Project Activity Weighting Factors specify the weighting factors in relation to each Project Activity.

¹ <https://www.smartdcc.co.uk/consultations/conclusions-on-the-proposed-delivery-plan-for-continuity-of-the-smki-service-under-the-pki-e-programme/>

- The Project Activity Milestones describe the performance target in relation to each Project Activity.
 - The Project Activity Quality Factors specify a percentage determined by the Secretary of State representing the extent to which the DCC has successfully carried out the activities comprised in each Project Activity.
 - The Project Activity Quality Criteria are a set of criteria by reference to which the Secretary of State will be able to determine the Quality Factors.
 - The Scheme Principles set out provisions for the purpose of interpreting and giving effect to the Scheme.
6. A summary of the Scheme Project Activities and Project Activity Weighting Factors is provided in this Annex 1, followed by a number of consultation questions on the proposed Scheme (the Scheme itself is set out in Annex 2) on which we are seeking views from stakeholders.

Description of Project Activities

7. Project Activities are activities that are carried out or will be carried out by the DCC for the purposes of the project that is being incentivised. We consider there are two areas that should be incentivised under the proposed BMPPA Scheme. This includes (a) the timely deployment of the new arrangements supporting the provision of the SMKI Service and (b) the ongoing quality of the SMKI Service under the new arrangements for an initial period.
8. Under **Project Activity 1**, the DCC will be incentivised to deliver the new arrangements supporting the provision of the SMKI Service on time, specifically on **31 March 2026** as set out in the LC13B implementation plan which was consulted upon by the DCC on 28 July 2023 and subsequently approved by the Secretary of State on 5 October 2023.
9. We are therefore proposing that the Project Activity Milestone for this Project Activity is the date determined by the Secretary of State as the effective go-live date of the new arrangements supporting the provision of the SMKI Service. This Project Activity Milestone must fall on 31 March 2026 at the latest for the DCC to retain all of the Baseline Margin associated with Project Activity 1.
10. Under **Project Activity 2**, the quality of the SMKI Service under the new arrangements will be incentivised. Similarly to what was implemented in the BMPPA Schemes for the 4G Communications Hubs and Networks programme and the Future Service Management (FSM) programme, we consider that the successful implementation of the new arrangements should also be measured by the materiality of any issues with the service that the DCC provides to its customers. This comprises all elements of the DCC solution that are used in the provision of the SMKI Service. To assess this, we propose to consider any issues that may have prevented DCC customers from using the SMKI Service. This is aligned with the approach taken for defining Categories of Incidents as set out in the Incident Management Policy under the Smart Energy Code.
11. The quality of the DCC's service provision will not be clear until a sufficient period of time has elapsed following the successful deployment of the new arrangements supporting the provision of the SMKI Service. Therefore, we are proposing that the assessment of the DCC's SMKI Service provision under the new arrangements covers the period starting at the point in which the new arrangements become effective for a window of ninety calendar days as analysis has demonstrated that core functions under the SMKI Service will have been utilised during this initial period of operation.

12. The Quality Criteria that set out how Project Activity 2 will be assessed and the process by which it will be scored and a Quality Factor determined by the Secretary of State are set out in Annex 3 of this consultation document.

Project Activity Weighting Factors

13. We are proposing that **30%** of the margin at risk under the Scheme is put at risk for Project Activity 1, based on the DCC's successful provision of the new arrangements supporting the provision of the SMKI Service on the specified date of 31 March 2026.
14. We are proposing that the DCC would retain 100% of the associated margin (i.e. 100% of the 30% put at risk against the timely provision of the new arrangements) if the new arrangements became effective on this date. If there was a delay, then we propose a 6-month straight line taper of the associated margin retained such that ultimately if the new arrangements had not become effective by 1 October 2026, DCC would retain none of this margin.
15. We are proposing that **70%** of the margin at risk under the Scheme should be put at risk for Project Activity 2 based on the quality of the SMKI Service provision under the new arrangements following a period of ninety days starting at the point in which the new arrangements become effective. The proposed methodology for calculating how much baseline margin the DCC would retain for this Project Activity is presented in Annex 3 of this document.

Reopening the BMPPA Scheme

16. We propose the following general principles for reopening the BMPPA Scheme if there were any delays or events outside the DCC's control that adversely affect DCC's performance under the Scheme. These principles are the same as in previous BMPPA Schemes:
- In the event of a *force majeure* (i.e. an Act of God) or incident outside of the DCC's control that causes delays to delivery of milestones or otherwise adversely affects the DCC's performance, we propose to allow the incentives to be reset. Whilst recognising that a failure to achieve a Project Activity by the relevant due date or to the required standard could arise due to circumstances outside of the DCC's reasonable control, the Secretary of State expects the DCC to actively manage its dependencies and, where possible, mitigate these 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.
 - In circumstances where the DCC envisages that the delivery of its milestones by the relevant due date or to the required standard will be, or has been, adversely impacted by circumstances outside the reasonable control of the DCC and its External Service Providers and where 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 the due dates and/or measurement criteria.
 - The Secretary of State will consider any such request and may (or may not) propose modifications to the dates and/or criteria as he considers appropriate in all of the circumstances of the case.

4) Consultation questions

Consultation questions

1. Do you agree with our proposals to introduce a BMPPA Scheme for ensuring continuity in the provision of the SMKI Service?
 2. Do you agree with our proposals for what, when and how the DCC should be incentivised under the Scheme? If not, what alternative proposals do you suggest and why?
 3. Do you agree with the proposed period of ninety calendar days over which the quality of the DCC's SMKI Service provision should be assessed under the new arrangements? If not, what alternative proposals do you suggest and why?
 4. Do you agree with the proposed principles for reopening the BMPPA Scheme in paragraph 16?
 5. Do you have any comments on the drafting of the BMPPA Scheme included in Annex 2?
 6. Do you have any other comments on the draft notice under paragraphs 6.3 and 6.4 of the Scheme included in Annex 3?
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Annex 2: BMPPA Scheme

BASELINE MARGIN PROJECT PERFORMANCE ADJUSTMENT SCHEME

Continuity in the Provision of the SMKI Service

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**) 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 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 Factor**).
- Section 4 describes the performance target in relation to each Project Activity (the **Project Activity Milestone**).
- Section 5 specifies the performance factor in relation to each Project Activity Milestone (the **Project Activity Performance Factor**).

- 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**):
 - (i) produced by the DCC in compliance with a direction issued by the Secretary of State on 12 May 2023 under Condition 13B of the DCC Licence (Network Evolution Arrangements); and
 - (ii) approved by the Secretary of State on 4 October 2023;
- (b) in order to implement new arrangements for the purposes of ensuring continuity in the provision of the SMKI Service in accordance with limb (d) of the definition of Network Evolution Arrangements set out in condition 13B of the DCC Licence.

2 **The Project Activities**

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

Project Activity 1

2.2 **Project Activity 1** constitutes all activities carried out by the DCC, under and in accordance with the Plan, for the purposes of ensuring continuity in the provision of the SMKI Service.

Project Activity 2

2.3 **Project Activity 2** constitutes all activities carried out by the DCC, during the period which commences on the PA1 Milestone Date and ends on the PA2 Milestone Date, for the purposes of assessing the quality of the continued SMKI Service provided by the DCC.

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.

<u>Project Activity</u>	<u>Project Activity Weighting Factor</u>
1	$\frac{3}{10}$
2	$\frac{7}{10}$

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 the go-live date of the new arrangements established by the DCC for the purposes of ensuring continuity in the provision of the SMKI Service (the **PA1 Milestone Date**).

Project Activity Milestone 2

- 4.3 The Project Activity Milestone which applies in relation to Project Activity 2 is that the DCC has, no later than 90 days after the PA1 Milestone Date (the **PA2 Milestone Date**), successfully carried out the activities comprised in that Project Activity when those activities are assessed by reference to the PA2 Quality Criteria.

5 **The Project Activity Performance Factors**

- 5.1 Each of the numbers identified (or for which a means of calculation is identified) below in respect of any Project Activity shall be treated as being 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 In relation to Project Activity 1, the PAPF shall be calculated so that, where the PA1 Milestone Date is a date which falls:
- (a) either on or before 31 March 2026, the PAPF shall be zero;
 - (b) after 31 March 2026 but no later than 1 October 2026, the PAPF shall have the value determined in accordance with the formula specified in paragraph 5.3;

(c) on or after 2 October 2026, the PAPF shall be 1.

5.3 The effect of paragraph 5.2 is as set out in the table immediately below:

Project Activity 1 Milestone Date	Value of, or formula for calculating, PAPF
On or before 31/03/2026	0
	$\frac{n}{185}$
Between 01/04/2026 and 01/10/2026 inclusive	where n is the number of calendar days that have elapsed between 01/04/2026 and the PA1 Milestone Date (inclusive of both such dates).
On or after 02/10/2026	1

Project Activity Performance Factor for Project Activity 2

5.4 In relation to Project Activity 2, the PAPF shall be a number that:

- (a) is no less than zero and no greater than 1;
- (b) is equal to one minus the PA2 Quality Factor expressed as a fraction; and
- (c) represents the extent to which the activities comprised in the Project Activity have – in the determination of the Secretary of State, when those activities are assessed by reference to the PA2 Quality Criteria – been successfully carried out by the DCC by the PA2 Milestone Date.

6 BMPPA Scheme Principles

Maintenance of Information and Evidence

6.1 For the purposes of the Scheme, the DCC shall on the PA2 Milestone Date, provide to the Secretary of State details of the specific activities carried out by it, together with supporting evidence, in respect of Project Activity 2.

Project Activity 1

- 6.2 For the purposes of calculating the Project Activity Performance Factor in respect of Project Activity 1, the PA1 Milestone Date shall be the date, determined by the Secretary of State, as the go-live date of the new arrangements established by the DCC for the purposes of ensuring continuity in the provision of the SMKI Service.

Project Activity 2

- 6.3 In respect of Project Activity 2, the Secretary of State shall:
- (a) for the purposes of the Project Activity Milestone, set out in a notice issued to the DCC and the Panel a set of criteria (the **PA2 Quality Criteria**) by reference to which he will be able to assess and determine the extent to which the DCC has successfully carried out the activities comprised in that Project Activity by the PA2 Milestone Date; and
 - (b) for the purposes of calculating the Project Activity Performance Factor, determine (on a day of his choosing after the PA2 Milestone Date) a percentage (the **PA2 Quality Factor**) representing the extent to which, in his assessment conducted by reference to the PA2 Quality Criteria, the DCC has successfully carried out the activities comprised in that Project Activity by the PA2 Milestone Date.

Provisions in Relation to Determinations by the Secretary of State

- 6.4 The Secretary of State shall, before making any determination of the PA2 Quality Factor in accordance with paragraph 6.3(b), set out in a notice issued to the DCC and the Panel a description of the process to be followed prior to making that determination, and shall subsequently follow that process.
- 6.5 The Secretary of State may, in making any determination referred to in paragraph 6.4, include in his determination such principles of interpretation in relation to any of the determined terms as he may consider appropriate to be applied for the purposes of the Scheme.
- 6.6 Where the Secretary of State makes any determination referred to in paragraphs 6.2 and 6.4, or issues a notice in accordance with 6.3(a), that determination or notice shall be treated as an integral part of the Scheme Principles and shall have effect as such for the purposes of this Scheme.

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 –

DCC	means the holder of the DCC Licence.
DCC Licence	means the smart meter communication licences granted under the Electricity Act 1989 and the Gas Act 1986, taken together.
PA1 Milestone Date	has the meaning given to that expression in paragraph 4.2.
PA2 Quality Criteria	has the meaning given to that expression in paragraph 6.3(a).
PA2 Quality Factor	has the meaning given to that expression in paragraph 6.3(b).
PA2 Milestone Date	has the meaning given to that expression in paragraph 4.3.
Plan	has the meaning given to that expression in paragraph 1.1.
Project	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.
Scheme	means the Baseline Margin Project Performance Adjustment Scheme that is set out in this document taken together with any determination or notice of the type that is referred to in paragraph 6.6.

Smart Metering Key has the meaning given to that term in paragraph 3A.1 of
Infrastructure Service (SMKI Annex 3 of Schedule 5 to the DCC Licence.
Service)

Annex 3: Draft notice under paragraphs 6.3 and 6.4 the BMPPA Scheme for ensuring continuity in the provision of the SMKI Service

1. Introduction

- 1.1. This document constitutes a notice under paragraphs 6.3 and 6.4 of the Baseline Margin Project Performance Adjustment (BMPPA) Scheme for ensuring continuity in the provision of the SMKI Service. It sets out the Project Activity 2 (PA2) Quality Criteria and the process to be followed prior to the making of a determination by the Secretary of State of the PA2 Quality Factor.

2. Project Activity 2 Quality Criteria

- 2.1. This section sets out the PA2 Quality Criteria in accordance with paragraph 6.3 of the BMPPA Scheme for ensuring continuity in the provision of the SMKI Service.
 - **PA2 Quality Criteria:** The DCC SMKI Service provision has been without issue in the first 90 days of operation since go-live of the new arrangements supporting the provision of the SMKI Service.

3. Process for determining the Project Activity 2 Quality Factor

- 3.1. This section sets out the assessment process to be followed by the Secretary of State prior to making a determination of the PA2 Quality Factor in accordance with paragraph 6.4 of the BMPPA Scheme for ensuring continuity in the provision of the SMKI Service.

Process outline

- 3.2. The DCC will need to prepare a submission to the Department for Energy Security & Net Zero ('the Department') assessing its performance against the PA2 Quality Criteria. The SEC Panel will also prepare a submission setting out their assessment of the same, ensuring that DCC customers can feed in views towards the submission's preparation. This will ensure both the DCC and DCC customers are represented in the assessment process, thus providing a balance of stakeholder views.
- 3.3. Once the submissions are received from the DCC and the SEC Panel, the Department, acting on behalf of the Secretary of State, would form a 'minded to position' as to what score should be awarded to the DCC for Project Activity 2. This would consider the submissions from the SEC Panel and the DCC and any other information the Department considers relevant. The Department would then consult on its minded to position. The submissions from the DCC and the SEC Panel would be published alongside that consultation.
- 3.4. Following consultation and considering the responses received, the Department would make a final determination of the score. We only propose to include a single aspect and assessment question which holds 100% of the weight for Project Activity 2.
- 3.5. Once the final decision on the values of the scores has been taken, the Department will notify Ofgem and other interested parties of the outcome and

set out the value of the PA2 Quality Factor that should be used for the purposes of the BMPPA Scheme.

Assessment process and scoring

- 3.6. We propose to include a single aspect and assessment question to evaluate the DCC SMKI Service provision.
- 3.7. The aspect and assessment question against which DCC's performance should be assessed are set out in Table 1.

Table 1 – Aspect, assessment question and aspect weighting in relation to Project Activity 2

Aspect	Assessment question	Aspect weighting
DCC SMKI Service provision	Has the DCC SMKI Service been provided without issue since go-live of the new arrangements supporting the provision of the SMKI Service?	100%

- 3.8. The score for Project Activity 2 should be based on the Scoring Framework in Table 2 below. The SEC Panel and the DCC should provide a score of up to one decimal place and the score awarded by the Department can be up to two decimal places. In the context of Table 2, material and non-material areas of concern have been defined based on the approach taken for defining Categories of Incidents as set out in the Incident Management Policy under the Smart Energy Code.
- 3.9. Material areas of concern refer to any material issues that may have arisen with the provision of the SMKI Service including those that:
 - prevented a large group of DCC customers from using the SMKI Service;
 - had a critical adverse impact on their activities;
 - had a non-critical adverse impact on their activities but the SMKI Service was still working at a reduced capacity; and/or
 - caused financial loss and/or disruption to them.
- 3.10. Non-material areas of concern refer to any non-material issues that may have arisen with the provision of the SMKI Service including those that:
 - had either a minimal impact, a minor adverse impact or a moderate adverse impact on the activities of DCC customers; or
 - had an adverse impact on their activities but which was reduced to a moderate adverse impact due to the availability of a workaround.

Table 2 – Scoring Framework for Project Activity 2

Score	Description	Margin retained
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3	There are no material areas of concern and very few non-material areas of concern with the DCC's provision of the SMKI Service.	100%
2	There are no material areas of concern and some non-material areas of concern with the DCC's provision of the SMKI Service.	66.67%
1	There are no material areas of concern and many non-material areas of concern with the DCC's provision of the SMKI Service.	33.33%
0	There are one or more material areas of concern with the DCC's provision of the SMKI Service.	0%

Timetable for Project Activity 2

- 3.11. Assuming the PA2 Milestone Date (i.e. the date that follows a period of 90 days after go-live of the new arrangements supporting the provision of the SMKI Service) is in month 'M':
- 3.12. **Submission preparation (M to M + 3 months):** The DCC and the SEC Panel would prepare a submission for the Department's review, using this notice for reference. Each submission should set out an assessment of the DCC's performance against the PA2 Quality Criteria. In preparing their submission, the SEC Panel should seek views from DCC customers as part of their assessment of the DCC's performance. The DCC and the SEC Panel should work together transparently when preparing their submissions to maintain open communication and ensure the submissions are comparable.
- 3.13. **Reporting (end of M + 3 months):** The DCC and the SEC Panel should send their submissions via email to the Department along with any supporting evidence by no later than the end of the third month following month M.
- 3.14. **Assessment (M + 4 months to M + 6 months approximately):** We will conduct an internal assessment of both submissions against the aspect and assessment question for Project Activity 2. If necessary, we will return to the SEC Panel and the DCC with any questions at this stage to inform our position.
- 3.15. **Consultation (M + 7 months to M + 9 months approximately):** We will consult on our minded to position on the amount of margin the DCC should be permitted to retain in relation to Project Activity 2 and set out what this means in terms of the value of the PA2 Quality Factor. 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 the DCC's performance that we should consider.
- 3.16. **Decision (M + 10 months to M + 11 months approximately):** We will analyse responses and any additional evidence provided. We will publish our final decision, outlining the DCC's final score and the PA2 Quality Factor and the associated margin retained. Finally, we will notify Ofgem of our decision so that it can implement it.

Submission requirements

- 3.17. The DCC and the SEC Panel should each prepare a submission providing an assessment of the DCC's performance in the period relevant to Project Activity 2 – as per the timetable provided previously.
- 3.18. Both submissions must provide a rounded and impartial view of the DCC's performance.
- 3.19. 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.
- 3.20. The DCC and the SEC Panel should engage with each other when drafting their submissions to ensure the two submissions are comparable.
- 3.21. In preparing its submission, the SEC Panel in particular must seek views from DCC customers as part of its assessment. We will not prescribe how the SEC Panel should seek these views.
- 3.22. The SEC Panel submission must explain how the SEC Panel sought DCC customer views in their assessment of Project Activity 2, in each case prior to the submission and how they were incorporated.
- 3.23. 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 score of up to one decimal place between 0 and 3) and a separate part containing the supporting evidence for the score provided as is further described in paragraph 3.25 below.
- 3.24. The Department 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 the Department. 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 the Department to publish.

Format of the submission

- 3.25. For each Project Activity, 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 – including the main narrative of the submission describing the DCC's performance and a score of up to one decimal place between 0 and 3; and
 - supporting evidence – part 2.
- 3.26. A submission checklist is provided in Table 3 below:

Table 3 – Submission checklist

Submission checklist	Expected length of submission
Part 1 – main submission:	We anticipate the submission being no more than five pages (excluding covering pages and contents pages).

a) a narrative providing assessment of the DCC's performance against the PA2 Quality Criteria; b) the suggested score.	
Part 2 – 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.

- 3.27. 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.