



Department for
Energy Security
& Net Zero

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

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

23 May 2024

Dear Colleague,

Smart Metering Implementation Programme: Updated notice under paragraphs 6.2, 6.3, 6.4, 6.6 and 6.8 of the Baseline Margin Project Performance Adjustment (BMPPA) Scheme for the 4G Communications Hubs & Networks programme

On 21 July 2023, the Department for Energy Security & Net Zero ('the Department') issued a response to its consultation on a proposed BMPPA Scheme under Schedule 1 of Condition 38 of the Data Communications Company (DCC) Licence for the DCC's implementation of the 4G Communications Hubs & Networks (CH&N) programme. This formalised the creation of a BMPPA Scheme for the 4G CH&N programme.

This letter contains an updated notice under paragraphs 6.2, 6.3, 6.4, 6.6 and 6.8 of the BMPPA Scheme for the 4G CH&N programme which has been amended to incorporate the following changes:

- The inclusion of the LSC Volume Manufacturing Decision Criteria that must be satisfied for the DCC to commence the volume manufacture of 4G Communications Hubs, which were issued by the Department to the DCC in the related Request For Information letter dated 9 May 2024;
- Changes to the assessment questions and scoring methodology for Project Activity 2 to align with changes made by Ofgem to the Operational Performance Regime guidance that came into effect on 1 April 2024¹; and
- Some minor changes to correct typos e.g. to the reporting deadline in the timetables for Project Activities 1 and 2.

The updated notice under paragraphs 6.2, 6.3, 6.4, 6.6 and 6.8 of the BMPPA Scheme for the 4G CH&N programme is included in **Annex 1** to this letter, with a marked-up version included in **Annex 2**.

Yours faithfully,

James Cosgrove

Deputy Director, SMART Meters Programme Delivery

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

¹ <https://www.ofgem.gov.uk/publications/revised-opr-guidance-decision-march-2024>

Annex 1 Notice under paragraphs 6.2, 6.3, 6.4, 6.6 and 6.8 of the BMPPA Scheme

Annex 2 Notice under paragraphs 6.2, 6.3, 6.4, 6.6 and 6.8 of the BMPPA Scheme (marked up)

Annex 1 – Notice under paragraphs 6.2, 6.3, 6.4, 6.6 and 6.8 of the BMPPA Scheme

1. Introduction

- 1.1. This document constitutes a notice under paragraphs 6.2, 6.3, 6.4, 6.6 and 6.8 of the Baseline Margin Project Performance Adjustment (BMPPA) Scheme for the 4G Communications Hubs and Networks (CH&N) Project. It sets out the Quality Criteria for Project Activities 1, 2 and 4, the LSC Volume Manufacturing Decision Criteria and the process to be followed prior to the making of a determination by the Secretary of State of the following:
- the Project Activity 1 (PA1) Quality Factor;
 - the Project Activity 2 (PA2) Quality Factor; and
 - the Project Activity 4 (PA4) Quality Factor.

2. Project Activity Quality Criteria

- 2.1. This section sets out:
- the PA1 Quality Criteria in accordance with paragraph 6.2 of the BMPPA Scheme for the CH&N Project;
 - the PA2 Quality Criteria in accordance with paragraph 6.3 of the BMPPA Scheme for the CH&N Project; and
 - the PA4 Quality Criteria in accordance with paragraph 6.6 of the BMPPA Scheme for the CH&N Project.
- 2.2. **PA1 Quality Criteria and PA2 Quality Criteria:** 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 CH&N Programme, 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 appropriately taken into account their opinions on how those interactions should be managed.
- 2.3. **PA4 Quality Criteria:** The DCC 4G service provision has been without issue.
- 2.4. For the purposes of the Quality Criteria 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.

3. LSC Volume Manufacturing Decision Criteria

- 3.1. This section sets out the LSC Volume Manufacturing Decision Criteria in accordance with paragraph 6.4 of the BMPPA Scheme for the CH&N Project.
- 3.2. The LSC Volume Manufacturing Decision Criteria are as follows:
1. The DCC has demonstrated that it is ready to provide Services required from the point of volume manufacture, including per the requirements in the SEC.

2. The DCC has demonstrated that pre-existing services (a) are currently stable and (b) shall remain stable in production once changes are deployed and Services are expanded during volume manufacture and deployment.
3. Initial Pallet Validation has successfully completed.
4. The DCC has demonstrated that there should be no detrimental impact to consumers' experience and Users' experience.
5. The DCC has demonstrated that the systems are adequately secure.

4. Process for determining the Project Activity Quality Factors

- 4.1. This section sets out the assessment process to be followed by the Secretary of State prior to making a determination of the PA1 Quality Factor, PA2 Quality Factor and PA4 Quality Factor in accordance with paragraphs 6.8-6.10 of the BMPPA Scheme for the CH&N Project.

Process outline

- 4.2. For each Project Activity, the DCC will need to prepare a submission to the Department for Energy Security & Net Zero ('the Department') assessing its performance against the Quality Criteria in respect of that Project Activity. 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.
- 4.3. Once the submissions are received from the DCC and the SEC Panel, the Department, acting on behalf of the Secretary of State, will form a 'minded to position' as to what scores should be awarded to the DCC for each aspect relating to each Project Activity. This will consider the submissions from the SEC Panel and the DCC and any other information the Department considers relevant. The Department will then consult on its minded to position. The submissions from the DCC and the SEC Panel will be published alongside that consultation.
- 4.4. Following consultation and considering the responses received, the Department will make a final determination of the scores for each aspect. In the case of Project Activity 1 and in the case of Project Activity 2, the overall score for each will be determined by taking a weighted average of the scores assigned by the Department for each of the aspects relevant to the Project Activity in question. The weighting for any aspect is that set out in Tables 1 and 2 below. For Project Activity 4, there is a single aspect and assessment question which holds 100% of the weight for the Project Activity.
- 4.5. 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 values of the Quality Factors (the PA1 Quality Factor, PA2 Quality Factor and PA4 Quality Factor) that should be used for the purposes of the BMPPA Scheme.

Assessment process and scoring

- 4.6. The assessment questions to be used for the purposes of determining the Quality Factors for Project Activities 1 and 2 are based on the assessment questions² 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. On 26 January 2024 Ofgem consulted³ upon guidance for the 2024 revised OPR. In its decision⁴ published on 28 March 2024, Ofgem confirmed that it had made some changes to the assessment questions and scoring methodology for the Customer Engagement Incentive of the OPR that came into effect on 1 April 2024. The assessment questions to be used for the purposes of determining the Quality Factor for Project Activity 2 therefore take these changes into account.
- 4.7. The aspects and assessment questions against which DCC's performance will be assessed are set out in Table 1 (for Project Activity 1), Table 2 (for Project Activity 2) and Table 3 (for Project Activity 4) below. For Project Activity 4, there is a single aspect and assessment question to evaluate the DCC 4G service provision.

Table 1 – Aspects, assessment questions and aspect weightings in relation to Project Activity 1

Aspects	Assessment questions	Aspect weightings
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%
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%

² <https://www.ofgem.gov.uk/sites/default/files/2022-03/Revised%20OPR%20Guidance%20%28March%202022%29.pdf>

³ <https://www.ofgem.gov.uk/consultation/revised-opr-guidance-consultation-january-2024>

⁴ <https://www.ofgem.gov.uk/publications/revised-opr-guidance-decision-march-2024>

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%
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Table 2 – Aspects, assessment questions and aspect weightings in relation to Project Activity 2

Aspects	Assessment questions	Aspect weightings
Timing and frequency of engagement	Has the DCC communicated and engaged with its customers at appropriate times to seek their views, allowed sufficient time for customers to provide feedback, and provided timely updates on its activities? (This includes providing general updates, reactive engagement, strategic engagement, and unplanned issues) Please provide your rationale.	25%
Quality of information provided by DCC	Has the DCC's communication and engagement approach with its customers been tailored to the relevant audience and timed appropriately which enabled the audience to understand the issues to act on, and allowed sufficient time for the audience to provide feedback appropriately? (This includes providing customers with clear information on costs, benefits and/or consequences of the decisions and on DCC's broader engagement) Please provide your rationale.	25%
Taking account of customer views	Has the DCC clearly explained how the views of its customers have informed its decision making, and where relevant, why DCC has decided not to incorporate these views? Please provide your rationale.	50%

Table 3 – Aspect, assessment question and aspect weighting in relation to Project Activity 4

Aspect	Assessment question	Aspect weighting
DCC 4G service provision	Have the DCC 4G Communications services been provided without issue following Initial Pallet Validation End?	100%

- 4.8. As is the case with the scoring of the Customer Engagement Incentive under the OPR⁵, the SEC Panel and the DCC should assign each of the aspects under Project Activity 1 a score of either 0, 1, 2 or 3, based on the Scoring Framework tables below, rather than providing fractional scores. While the scores submitted by the DCC and the SEC Panel must be whole numbers, the scores awarded by the Department to the DCC can be a decimal value between 0 and 3. By way of an example, if the Department awards the DCC a score of 2.4 for a certain Project Activity, this would mean that DCC would be permitted to retain 80% of the Baseline Margin allocated to that Project Activity and the associated value of the Quality Factor would be set to 0.8.
- 4.9. For Project Activity 2, the SEC Panel and the DCC should assign each of the aspects a score of up to one decimal place and the scores awarded by the Department can be up to two decimal places, to align with the changes made by Ofgem⁶ to the scoring methodology for the Customer Engagement Incentive of the OPR that came into effect on 1 April 2024.
- 4.10. For Project Activities 1 and 2, the score for each aspect of these Project Activities should be based on the Scoring Framework in Table 4 below, which uses the same scoring system as the Customer Engagement framework under the OPR.
- 4.11. As explained previously, the overall score for Project Activities 1 and 2 would then be determined by taking a weighted average of the scores assigned by the Department for each of the aspects relevant to the Project Activity in question.

Table 4 – Scoring Framework for Project Activities 1 and 2

Score	Description	Margin retained
3	Strong evidence that the DCC has met the required standard with minor areas for improvement – the 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 the 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%

- 4.12. The score for Project Activity 4 should be based on the Scoring Framework in Table 5 below. In the context of Table 5, material and non-material areas of concern have been defined based on the approach taken for defining Categories

⁵ <https://www.ofgem.gov.uk/sites/default/files/2022-03/Revised%20OPR%20Guidance%20%28March%202022%29.pdf>

⁶ <https://www.ofgem.gov.uk/publications/revised-opr-guidance-decision-march-2024>

of Incidents as set out in the Incident Management Policy under the Smart Energy Code.

4.13. Material areas of concern refer to any material issues that may have arisen with the provision of the 4G service including those that:

- prevented a large group of DCC customers from using the 4G service;
- had a critical adverse impact on their activities;
- had a non-critical adverse impact on their activities but the 4G service was still working at a reduced capacity; and/or
- caused financial loss and/or disruption to them.

4.14. Non-material areas of concern refer to any non-material issues that may have arisen with the provision of the 4G 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 5 – Scoring Framework for Project Activity 4

Score	Description	Margin retained
3	There are no material areas of concern and very few non-material areas of concern with the DCC's provision of the 4G Communications Services.	100%
2	There are no material areas of concern and some non-material areas of concern with the DCC's provision of the 4G Communications Services.	66.67%
1	There are no material areas of concern and many non-material areas of concern with the DCC's provision of the 4G Communications Services.	33.33%
0	There are one or more material areas of concern with the DCC's provision of the 4G Communications Services.	0%

Timetable for Project Activity 1

4.15. **Submission preparation (April 2024 – July 2024):** DCC and the Panel would prepare a submission for the Department's review, using this notice for reference. Each submission should set out an assessment of DCC's performance against each of the PA1 Quality Criteria aspects. 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.

- 4.16. **Reporting (31 July 2024):** The DCC and the SEC Panel should send their submissions via email to the Department along with any supporting evidence by no later than 31 July 2024.
- 4.17. **Assessment (August to October 2024 approximately):** We will conduct an internal assessment of both submissions against the aspects and assessment questions for Project Activity 1. In doing so we are likely to wish to contact Ofgem to seek to gain from their experience of carrying out similar assessments 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.
- 4.18. **Consultation (October to December 2024 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 1, and set out what this means in terms of the value of the PA1 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 DCC's performance that we should consider.
- 4.19. **Decision (January to February 2025 approximately):** We will analyse responses and any additional evidence provided. We will publish our final decision, outlining DCC's final score and PA1 Quality Factor and the associated margin retained. Finally, we will notify Ofgem of our decision so that it can implement it.

Timetable for Project Activity 2

- 4.20. **Submission preparation (April 2025 – July 2025):** DCC and the Panel would prepare a submission for the Department's review, using this notice for reference. Each submission should set out an assessment of DCC's performance against each of the PA2 Quality Criteria aspects. 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.
- 4.21. **Reporting (31 July 2025):** The DCC and the SEC Panel should send their submissions via email to the Department along with any supporting evidence by no later than 31 July 2025.
- 4.22. **Assessment (August to October 2025 approximately):** We will conduct an internal assessment of both submissions against the aspects and assessment questions for Project Activity 2. In doing so we are likely to wish to contact Ofgem to seek to gain from their experience of carrying out similar assessments 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.
- 4.23. **Consultation (October to December 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 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 DCC's performance that we should consider.
- 4.24. **Decision (January to February 2026 approximately):** We will analyse responses and any additional evidence provided. We will publish our final decision, outlining

DCC's final score and PA2 Quality Factor and the associated margin retained. Finally we will notify Ofgem of our decision so that it can implement it.

Timetable for Project Activity 4

- 4.25. Assuming the 'PA4 Metrics' (repeated here for reference) are met in month 'M':
- At least 10,000 4GCHs – excluding 4GCHs installed and commissioned during the IPV window – have been installed and commissioned in customer premises (PA4 Metric X); and
 - These 10,000 4GCHs have been commissioned for at least 90 days each (PA4 Metric Y).
- 4.26. **Submission preparation (M to M + 4 months):** DCC and the Panel would prepare a submission for the Department's review, using this notice for reference. Each submission should set out an assessment of DCC's performance against the PA4 Quality Criteria aspect. 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.
- 4.27. **Reporting (end of M + 4 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.
- 4.28. **Assessment (M + 5 months to M + 7 months approximately):** We will conduct an internal assessment of both submissions against the aspect and assessment question for Project Activity 4. If necessary, we will return to the SEC Panel and the DCC with any questions at this stage to inform our position.
- 4.29. **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 4, and set out what this means in terms of the value of the PA4 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 DCC's performance that we should consider.
- 4.30. **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 DCC's final score and PA4 Quality Factor and the associated margin retained. Finally, we will notify Ofgem of our decision so that it can implement it.

Submission requirements

- 4.31. For each Project Activity, the DCC and the SEC Panel should each prepare a submission providing an assessment of the DCC's performance in the period relevant to the Project Activity being assessed – as per the timetables provided previously.
- 4.32. Both submissions must provide a rounded and impartial view of the DCC's performance.

- 4.33. 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.
- 4.34. The DCC and the SEC Panel should engage with each other when drafting their submissions to ensure the two submissions are comparable.
- 4.35. 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.
- 4.36. In assessing the DCC's performance against Project Activities 1 and 2, the SEC Panel should 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.
- 4.37. The SEC Panel submission must explain how the SEC Panel sought DCC customer views in their assessment of Project Activities 1, 2 and 4, in each case prior to the submission and how they were incorporated.
- 4.38. 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 the Project Activity being assessed) and a separate part containing the supporting evidence for the scores provided as is further described in paragraph 4.40 below.
- 4.39. 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

- 4.40. 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 – in which the main narrative of the submission describing DCCs performance and a score of 0, 1, 2 or 3 for each aspect of the Project Activity; and
 - supporting evidence – part 2.
- 4.41. A submission checklist is provided in Table 6 below:

Table 6 – 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 each of the aspects in turn; b) suggested scores for each aspect.	
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.

- 4.42. 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.

Annex 2 – Notice under paragraphs 6.2, 6.3, 6.4, 6.6 and 6.8 of the BMPPA Scheme (marked up)

1. Introduction

1.1. This document constitutes a notice under paragraphs 6.2, 6.3, [6.4](#), 6.6 and 6.8 of the Baseline Margin Project Performance Adjustment (BMPPA) Scheme for the 4G Communications Hubs and Networks (CH&N) Project. It sets out the Quality Criteria for Project Activities 1, 2 and 4, [the LSC Volume Manufacturing Decision Criteria](#) and the process to be followed prior to the making of a determination by the Secretary of State of the following:

- the Project Activity 1 (PA1) Quality Factor;
- the Project Activity 2 (PA2) Quality Factor; and
- the Project Activity 4 (PA4) Quality Factor.

~~1.2. This notice will subsequently be updated to additionally constitute a notice under paragraph 6.4 of the BMPPA Scheme, setting out the LSC Volume Manufacturing Decision Criteria.~~

2. Project Activity Quality Criteria

2.1. This section sets out:

- the PA1 Quality Criteria in accordance with paragraph 6.2 of the BMPPA Scheme for the CH&N Project;
- the PA2 Quality Criteria in accordance with paragraph 6.3 of the BMPPA Scheme for the CH&N Project; and
- the PA4 Quality Criteria in accordance with paragraph 6.6 of the BMPPA Scheme for the CH&N Project.

2.2. **PA1 Quality Criteria and PA2 Quality Criteria:** 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 CH&N Programme, 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 appropriately taken into account their opinions on how those interactions should be managed.

2.3. **PA4 Quality Criteria:** The DCC 4G service provision has been without issue.

2.4. For the purposes of the Quality Criteria 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.

[3. LSC Volume Manufacturing Decision Criteria](#)

[3.1. This section sets out the LSC Volume Manufacturing Decision Criteria in accordance with paragraph 6.4 of the BMPPA Scheme for the CH&N Project.](#)

3.2. The LSC Volume Manufacturing Decision Criteria are as follows:

1. The DCC has demonstrated that it is ready to provide Services required from the point of volume manufacture, including per the requirements in the SEC.
2. The DCC has demonstrated that pre-existing services (a) are currently stable and (b) shall remain stable in production once changes are deployed and Services are expanded during volume manufacture and deployment.
3. Initial Pallet Validation has successfully completed.
4. The DCC has demonstrated that there should be no detrimental impact to consumers' experience and Users' experience.
5. The DCC has demonstrated that the systems are adequately secure.

3.4. Process for determining the Project Activity Quality Factors

3.4.4.1. This section sets out the assessment process to be followed by the Secretary of State prior to making a determination of the PA1 Quality Factor, PA2 Quality Factor and PA4 Quality Factor in accordance with paragraphs 6.8-6.10 of the BMPPA Scheme for the CH&N Project.

Process outline

3.2.4.2. For each Project Activity, the DCC will need to prepare a submission to the Department for Energy Security & Net Zero ('the Department') assessing its performance against the Quality Criteria in respect of that Project Activity. 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.

3.3.4.3. Once the submissions are received from the DCC and the SEC Panel, the Department, acting on behalf of the Secretary of State, will form a 'minded to position' as to what scores should be awarded to the DCC for each aspect relating to each Project Activity. This will consider the submissions from the SEC Panel and the DCC and any other information the Department considers relevant. The Department will then consult on its minded to position. The submissions from the DCC and the SEC Panel will be published alongside that consultation.

3.4.4.4. Following consultation and considering the responses received, the Department will make a final determination of the scores for each aspect. In the case of Project Activity 1 and in the case of Project Activity 2, the overall score for each will be determined by taking a weighted average of the scores assigned by the Department for each of the aspects relevant to the Project Activity in question. The weighting for any aspect is that set out in Tables 1 and 2 below. For Project Activity 4, there is a single aspect and assessment question which holds 100% of the weight for the Project Activity.

3.5.4.5. 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 values of the Quality Factors (the PA1 Quality Factor, PA2 Quality Factor and PA4 Quality Factor) that should be used for the purposes of the BMPPA Scheme.

Assessment process and scoring

3.6.4.6. The assessment questions to be used for the purposes of determining the Quality Factors for Project Activities 1 and 2 are based on the assessment questions⁷ 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 this 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.~~ On 26 January 2024 Ofgem consulted⁸ upon guidance for the 2024 revised OPR. In its decision⁹ published on 28 March 2024, Ofgem confirmed that it had made some changes to the assessment questions and scoring methodology for the Customer Engagement Incentive of the OPR that came into effect on 1 April 2024. The assessment questions to be used for the purposes of determining the Quality Factor for Project Activity 2 therefore take these changes into account.

3.7.4.7. The aspects and assessment questions against which DCC's performance will be assessed are set out in Table 1 (for Project Activity~~ies~~ 1 and 2), Table 2 (for Project Activity 2) and Table 32 (for Project Activity 4) below. For Project Activity 4, there is a single aspect and assessment question to evaluate the DCC 4G service provision.

Table 1 – Aspects, assessment questions and aspect weightings in relation to Project Activity~~ies~~ 1 and 2

Aspects	Assessment questions	Aspect weightings
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%
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	25%

⁷ <https://www.ofgem.gov.uk/sites/default/files/2022-03/Revised%20OPR%20Guidance%20%28March%202022%29.pdf>

⁸ <https://www.ofgem.gov.uk/consultation/revised-opr-guidance-consultation-january-2024>

⁹ <https://www.ofgem.gov.uk/publications/revised-opr-guidance-decision-march-2024>

	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?	
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%

Table 2 – Aspects, assessment questions and aspect weightings in relation to Project Activity 2

<u>Aspects</u>	<u>Assessment questions</u>	<u>Aspect weightings</u>
<u>Timing and frequency of engagement</u>	<u>Has the DCC communicated and engaged with its customers at appropriate times to seek their views, allowed sufficient time for customers to provide feedback, and provided timely updates on its activities? (This includes providing general updates, reactive engagement, strategic engagement, and unplanned issues) Please provide your rationale.</u>	<u>25%</u>
<u>Quality of information provided by DCC</u>	<u>Has the DCC's communication and engagement approach with its customers been tailored to the relevant audience and timed appropriately which enabled the audience to understand the issues to act on, and allowed sufficient time for the audience to provide feedback appropriately? (This includes providing customers with clear information on costs, benefits and/or consequences of the decisions and on DCC's broader engagement) Please provide your rationale.</u>	<u>25%</u>
<u>Taking account of customer views</u>	<u>Has the DCC clearly explained how the views of its customers have informed its decision making, and where relevant, why DCC has decided not to incorporate these views? Please provide your rationale.</u>	<u>50%</u>

Table 2-3 – Aspect, assessment question and aspect weighting in relation to Project Activity

Aspect	Assessment question	Aspect weighting
DCC 4G service provision	Have the DCC 4G Communications services been provided without issue following Initial Pallet Validation End?	100%

3.8. As is the case with the scoring of the Customer Engagement Incentive under the OPR¹⁰, the SEC Panel and the DCC should assign each of the aspects under **each** Project Activity **1** a score of either 0, 1, 2 or 3, based on the Scoring Framework tables below, rather than providing fractional scores.

4.8. While the scores submitted by the DCC and the SEC Panel must be whole numbers, the scores awarded by the Department to the DCC can be a decimal value between 0 and 3. By way of an example, if the Department awards the DCC a score of 2.4 for a certain Project Activity, this would mean that DCC would be permitted to retain 80% of the Baseline Margin allocated to that Project Activity and the associated value of the Quality Factor would be set to 0.8.

3.9.4.9. For Project Activity 2, the SEC Panel and the DCC should assign each of the aspects a score of up to one decimal place and the scores awarded by the Department can be up to two decimal places, to align with the changes made by Ofgem¹¹ to the scoring methodology for the Customer Engagement Incentive of the OPR that came into effect on 1 April 2024.

3.10.4.10. For Project Activities 1 and 2, the score for each aspect of these Project Activities should be based on the Scoring Framework in Table **3-4** below, which uses the same scoring system as the Customer Engagement framework under the OPR.

3.11.4.11. As explained previously, the overall score for Project Activities 1 and 2 would then be determined by taking a weighted average of the scores assigned by the Department for each of the aspects relevant to the Project Activity in question.

Table 3-4 – Scoring Framework for Project Activities 1 and 2

Score	Description	Margin retained
3	Strong evidence that the DCC has met the required standard with minor areas for improvement – the 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 the DCC meets the required standard but inconsistent with some material areas of concern.	33.33%

¹⁰ <https://www.ofgem.gov.uk/sites/default/files/2022-03/Revised%20OPR%20Guidance%20%28March%202022%29.pdf>

¹¹ <https://www.ofgem.gov.uk/publications/revised-opr-guidance-decision-march-2024>

0	Limited evidence that the DCC has met the required standard with multiple material issues of concern.	0%
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3.12.4.12. The score for Project Activity 4 should be based on the Scoring Framework in Table 4-5 below. In the context of Table 4-5, 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.

3.13.4.13. Material areas of concern refer to any material issues that may have arisen with the provision of the 4G service including those that:

- prevented a large group of DCC customers from using the 4G service;
- had a critical adverse impact on their activities;
- had a non-critical adverse impact on their activities but the 4G service was still working at a reduced capacity; and/or
- caused financial loss and/or disruption to them.

3.14.4.14. Non-material areas of concern refer to any non-material issues that may have arisen with the provision of the 4G 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 4-5 – Scoring Framework for Project Activity 4

Score	Description	Margin retained
3	There are no material areas of concern and very few non-material areas of concern with the DCC's provision of the 4G Communications Services.	100%
2	There are no material areas of concern and some non-material areas of concern with the DCC's provision of the 4G Communications Services.	66.67%
1	There are no material areas of concern and many non-material areas of concern with the DCC's provision of the 4G Communications Services.	33.33%
0	There are one or more material areas of concern with the DCC's provision of the 4G Communications Services.	0%

Timetable for Project Activity 1

3.15.4.15. **Submission preparation (April 2024 – July 2024):** DCC and the Panel would prepare a submission for the Department's review, using this notice for

reference. Each submission should set out an assessment of DCC's performance against each of the PA1 Quality Criteria aspects. 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.

~~3.16.4.16.~~ **Reporting (31 July 2024):** The DCC and the SEC Panel should send their submissions via email to the Department along with any supporting evidence by no later than ~~30 June~~[31 July](#) 2024.

~~3.17.4.17.~~ **Assessment (August to October 2024 approximately):** We will conduct an internal assessment of both submissions against the aspects and assessment questions for Project Activity 1. In doing so we are likely to wish to contact Ofgem to seek to gain from their experience of carrying out similar assessments 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.

~~3.18.4.18.~~ **Consultation (October to December 2024 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 1, and set out what this means in terms of the value of the PA1 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 DCC's performance that we should consider.

~~3.19.4.19.~~ **Decision (January to February 2025 approximately):** We will analyse responses and any additional evidence provided. We will publish our final decision, outlining DCC's final score and PA1 Quality Factor and the associated margin retained. Finally, we will notify Ofgem of our decision so that it can implement it.

Timetable for Project Activity 2

~~3.20.4.20.~~ **Submission preparation (April 2025 – July 2025):** DCC and the Panel would prepare a submission for the Department's review, using this notice for reference. Each submission should set out an assessment of DCC's performance against each of the PA2 Quality Criteria aspects. 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.

~~3.21.4.21.~~ **Reporting (31 July 2025):** The DCC and the SEC Panel should send their submissions via email to the Department along with any supporting evidence by no later than ~~30 June~~[31 July](#) 2025.

~~3.22.4.22.~~ **Assessment (August to October 2025 approximately):** We will conduct an internal assessment of both submissions against the aspects and assessment questions for Project Activity 2. In doing so we are likely to wish to contact Ofgem to seek to gain from their experience of carrying out similar assessments 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.

~~3.23.4.23.~~ **Consultation (October to December 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 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 DCC's performance that we should consider.

3.24.4.24. **Decision (January to February 2026 approximately):** We will analyse responses and any additional evidence provided. We will publish our final decision, outlining DCC's final score and PA2 Quality Factor and the associated margin retained. Finally we will notify Ofgem of our decision so that it can implement it.

Timetable for Project Activity 4

3.25.4.25. Assuming the 'PA4 Metrics' (repeated here for reference) are met in month 'M':

- At least 10,000 4GCHs – excluding 4GCHs installed and commissioned during the IPV window – have been installed and commissioned in customer premises (PA4 Metric X); and
- These 10,000 4GCHs have been commissioned for at least 90 days each (PA4 Metric Y).

3.26.4.26. **Submission preparation (M to M + 4 months):** DCC and the Panel would prepare a submission for the Department's review, using this notice for reference. Each submission should set out an assessment of DCC's performance against the PA4 Quality Criteria aspect. 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.

3.27.4.27. **Reporting (end of M + 4 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.

3.28.4.28. **Assessment (M + 5 months to M + 7 months approximately):** We will conduct an internal assessment of both submissions against the aspect and assessment question for Project Activity 4. If necessary, we will return to the SEC Panel and the DCC with any questions at this stage to inform our position.

3.29.4.29. **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 4, and set out what this means in terms of the value of the PA4 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 DCC's performance that we should consider.

3.30.4.30. **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 DCC's final score and PA4 Quality Factor and the associated margin retained. Finally, we will notify Ofgem of our decision so that it can implement it.

Submission requirements

[3.31.4.31.](#) For each Project Activity, the DCC and the SEC Panel should each prepare a submission providing an assessment of the DCC's performance in the period relevant to the Project Activity being assessed – as per the timetables provided previously.

[3.32.4.32.](#) Both submissions must provide a rounded and impartial view of the DCC's performance.

[3.33.4.33.](#) 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.

[3.34.4.34.](#) The DCC and the SEC Panel should engage with each other when drafting their submissions to ensure the two submissions are comparable.

[3.35.4.35.](#) 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.

[3.36.4.36.](#) In assessing the DCC's performance against Project Activities 1 and 2, the SEC Panel should 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.

[3.37.4.37.](#) The SEC Panel submission must explain how the SEC Panel sought DCC customer views in their assessment of Project Activities 1, 2 and 4, in each case prior to the submission and how they were incorporated.

[3.38.4.38.](#) 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 the Project Activity being assessed) and a separate part containing the supporting evidence for the scores provided as is further described in paragraph [34.40](#) below.

[3.39.4.39.](#) 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

[3.40.4.40.](#) 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 – in which the main narrative of the submission describing DCCs performance and a score of 0, 1, 2 or 3 for each aspect of the Project Activity; and
- supporting evidence – part 2.

[3.41.4.41.](#) A submission checklist is provided in Table [5-6](#) below:

Table 5-6 – Submission checklist

Submission checklist	Expected length of submission
Part 1 – main submission: c) a narrative providing assessment of the DCC's performance against each of the aspects in turn; d) suggested scores for each aspect.	We anticipate the submission being no more than five pages (excluding covering pages and contents pages).
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.

3.42.4.42. 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.